Boutique Vs. Bulge Bracket Investment Banks

When most out there decide they want to do investment banking, they usually go after the big names: Goldman Sachs and Morgan Stanley. But sometimes going to one of these places is not a realistic option. If the hiring market is bad, if you have no previous finance experience, or if you are making a career change, it will be all but impossible to start at the top. If this is the case, you should consider the boutique investment bank. The term is used differently all the time, but generally refers to both "middle-market" banks that have an international presence but just work on smaller deals than the brand names, as well as to true boutiques that might only have 1 or 2 offices. The Main Difference Between A Bulge Bracket And A Boutique People usually say the size of deals makes the difference. While Goldman Sachs may advise on $100 billion acquisitions, a boutique will usually stick to deals under a billion dollars and often far less than that. That may sound like a lot of money, but it's almost nothing to huge companies. Other commonly cited differences are working in smaller groups at a boutique, getting more responsibility, and doing more than just crunching numbers. These can be true, but I don't think they're 100% correct. The main difference, in my view, is that boutique experiences are much more random than those at bigger banks. Fooled By Randomness You can get good experience at a boutique and learn more about deal-making than you would at a bulge bracket. But you might also spend all your time doing useless work if the senior bankers can't make rain. I've seen both happen. One friend at a boutique learned the job in 3 months because of all the responsibility he took on; another friend spent most of his time making coffee and doing administrative duties! You may get a "better experience," but your chances of having good exit opportunities are much higher at a bulge bracket. But Is It The End Of The World If I'm Working At A Boutique? No. But if you do go that route, you should very carefully investigate the work environment, deal flow, and everything else before jumping in. To get a more accurate view, try speaking with Analysts and Associates rather than higher-ups. There will still be much risk because of the time lag between when you interview and when you start. Boutiques are particularly vulnerable to "star" employees leaving and causing havoc, significantly impacting the business. In the end, I would recommend going to a boutique only if you have absolutely no other options or if you have some kind of personal connection with the firm or know a wide circle of people there. Otherwise, do the safe thing and go to the top name.

About the Author

Ian Spellfield, a former investment banker, advises students and young professionals on how to get investment banking jobs and work effectively once they get them. You can read his blog, Mergers & Inquisitions, at http://www.mergersandinquisitions.com/ .