

Will an MBA get me into I-banking?

Investment Banking › Interview Preparation



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Investment Banking is attractive not only to fresh graduates, but also to a lot of professionals in other fields that would like to make the switch into the industry. The bad news is that it is quite difficult to move into investment banking if you are working in another industry or if you don't do something that is already somewhat similar to investment banking (i.e. accounting, audit, corporate strategy, strategy consulting). The good news, however, is that there is a very common and popular way to break into investment banking: the MBA.

Why is it difficult to switch into investment banking without an MBA?

Investment Banking careers are very standardised, and most people either join when they graduate from university, after an MBA, or they join from other banks. The exceptions are for qualified accountants, auditors, and sometimes for people working in corporate strategy, because their skills are similar and transferable, but even then, they're a minority and often have to start from scratch at the bottom.

The reason is that the lifestyle and skillset required for M&A work does not really exist in most other industries: extremely long hours (up to 100+/week), very high levels of stress, constant pressure, and ability to build complex valuation models from scratch (at all hours). Learning and adjusting to this takes a lot of time, so this is why the industry is hard to get into from the outside.

Why do banks hire MBAs?

The turnover at investment banks is very high, especially at the analyst and associate levels (as an MBA, you join as an associate). Therefore, investment banks need an "outside" source for fresh investment bankers.

They choose to hire MBAs for the following reasons:

- It is convenient since everybody is already pre-screened. If you managed to get into a good business school, this means that you have already passed a screening process, so part of the job is already done for the banks. The banks use fewer resources, have higher conversion rates, and best of all, it's free (no headhunter fees to pay!)
- MBAs are supposed to teach you about corporate finance, so part of the training you need is done for them. In theory, good MBAs will teach you corporate finance concepts and accounting, so the banks are confident that they won't need to teach you everything. In practice, banks will send all the MBA recruits for a one to two months' finance training camp just to be sure.
- Business schools are full of people that need to pay back their MBA student loans. It's not uncommon for MBA students to borrow over \$100,000 for their study. Banks know it, and know that their salary package and/or a big sign-on bonus will attract a lot of students in need of hard cash in exchange for a few years of extreme labour.

What are the pros and cons of studying an MBA to do investment banking?

Pros:

- There is a very structured process for MBA hires, which makes things much easier
- This is the only degree that gives a chance to people from ANY background, even non-finance or non-business!
- You will start as an associate, while a lot of other degrees make you start as an analyst (three years below!)
- The MBA gives you two chances to get into every investment bank that comes to campus: for internships, and for full-time work.
- You can use the alumni network and banking events to get to know investment bankers rapidly.
- Classes teach you about corporate finance and accounting, and ex-banker classmates can help you prepare for interviews.

Cons:

- A very expensive and time-consuming way to get an investment banking job (but payback is quick, usually two to three years)
- An MBA teaches you some finance skills, but you won't really get any in-depth knowledge (compared to a Masters, for example).
- MBAs are usually looked down upon by other bankers, because they don't know much about finance when they start.
- The MBA doesn't guarantee you a job in investment banking!

When should I start an MBA?

As soon as you can, after at least one to two years of work experience. There is no need to wait to have three to five years' experience or more to do an MBA. In fact, the younger you are, the better, and the more attractive you will be to investment banks. After around age 32 or 33, even with an MBA, it gets very hard to get a job in investment banking. The main reason is that the lifestyle is unlikely to appeal to people with families, or people that don't have the physical stamina to work extremely long hours. While some people in early or mid-thirties can still make the switch, it will require a lot of convincing to get the offer from investment banks.

Why not study a Masters in Finance?

A Masters degree can teach you a lot about finance. But usually, the network is not as great, banks most often make you start as an analyst and Masters are not really targeted for M&A recruiting.

Which MBA do you recommend for investment banking?

All MBAs are not equal. Investment banks are very selective when it comes to MBAs, so don't expect to find a job if you go to an unknown school. These are the best "target" schools to attend: Wharton, Columbia, Harvard, Chicago Booth, Stanford, Kellogg, Darden, Stern, Insead, IMD, LBS, IESE, HEC, and a few others. Outside of this list, it will be quite difficult to get into the best investment banks, but you might be able to get into lesser-known institutions. The traditional "investment banking" universities that place the most students into those jobs and with the largest alumni networks in banking are Wharton, Chicago Booth, Columbia, Stern, LBS and Insead. If you are interested in our MBA essay review service by alumni from top business schools, please get in touch at thomas@askivy.net

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