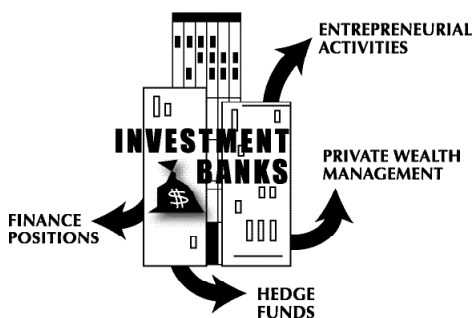




## Is There Life After Investment Banking?

Where are the investment bankers going?

Despite signs of life in the capital markets, it's unlikely that investment banking staffs will expand rapidly. Former investment bankers will need to adapt their skills



to new arenas. In this article, human capital experts at Korn/Ferry International identify some emerging career transitions into:

- FINANCE POSITIONS •
- HEDGE FUNDS •
- ENTREPRENEURIAL ACTIVITIES •
- PRIVATE WEALTH MANAGEMENT •

Investment bankers by nature are resourceful and solution-oriented. These traits have been tested in the past few years as the global economic slowdown has resulted in many financial industry job losses. Human capital experts at Korn/Ferry International report that investment bankers have been creating opportunities for themselves in some obvious - and not so obvious - places.

and Global Sector Leader, Corporate and Investment Banking. "By now, I think staffing levels have been right sized. There are signs of life in the business, and firms are clearly beginning to think about strategic hiring."

In Europe the situation is less optimistic. "There is always a lag between what happens in the US and the UK and in continental Europe," says Philippe Weber, Korn/Ferry Managing Director, Paris. "The downturn has finally arrived in France. France and Germany are suffering a great deal."

### Job Losses Stabilize

Although the job outlook remains gloomy, the worst may be over for financial industry staff reductions, at least in the United States. The Securities Industry Association reported that total securities industry jobs increased by 1% in June, 2003, compared to the previous month's figure.

"The firms were initially conservative about how many people they cut because they wanted to be prepared if business returned," says Leslie Gordon, Korn/Ferry Managing Director, New York

“By now, I think staffing levels have been right sized”

But, this does not necessarily mean large-scale unemployment among investment bankers in continental Europe. "The labor environment here makes it more difficult to lay off people," Weber explains. "There has been a shrinkage in the number of investment banking professionals, which had risen very fast before the bubble burst. But, many people are still in place."



Many firms, according to Weber, have offered retirement incentives to those nearing retirement age. They also have tried to re-assign their more valued investment banking employees within the company, for example, to treasury-type functions, often at a lower salary.

### Corporate Finance Activity Lags

No one should expect hiring to return to the record levels of the last decade. After four straight years of revenue and profit growth, securities industry profits fell by more than 60% and revenues by nearly 40% in 2002 from their 2000 peaks, according to the Securities Industry Association. And, traditional investment banking activities, such as mergers and acquisitions and initial public offerings, have followed suit.

Thomson Financial statistics show that announced worldwide M&A transactions reached a peak volume of approximately US\$3.4 trillion in 2000, fell to US\$1.7 trillion the following year, and in 2002 totaled US\$1 trillion. Global M&A announced transactions in the first half of 2003 stood at roughly US\$550 billion, according to Thomson, down from the equivalent 2002 period's total of US\$586 billion, indicating a more stable -- but still subdued -- environment. As for IPO activity, Thomson reported that in the United States true IPOs, those that were being traded for the first time in any marketplace, registered a dollar volume of US\$76 billion in 2000 and closed 2002 at US\$41 billion.

Many out-of-work investment bankers will, therefore, need to reinvent themselves. "During the boom years, large numbers of people were attracted to investment banking," says Jamie Peretz, Korn/Ferry Managing Director, New York. "Many of them, especially the junior-level people definitely, now, need to look elsewhere. And, that's not necessarily bad because not everyone in the industry has the right total package. It's a natural shake out."

### Some Move Inside Corporations

So, where are investment bankers finding jobs? Those with expertise in a specific business sector have been able to move into corporate development jobs within that industry. Gordon cites as an example a former real estate investment banker who now heads a real estate investment trust.

The move inside may not be as difficult as expected, according to a former investment banker who knows several colleagues who made the change. "I know of several people who have moved into CFO-type roles," he says. "It's challenging these days to be a CFO. It's a big role, and it can be a step toward becoming CEO. It's also a better lifestyle with more regular hours, and you're in charge. The fact is that an investment banker can pretty much do any job in finance."

“There has been a surge in demand for in-house business development professionals”

Asian companies are pursuing former bankers. "There has been a surge in demand for in-house business development professionals," says Andrew Tsui, Korn/Ferry Managing Director, Hong Kong. "In Asia, we have seen a number of global financial institutions like insurance companies, private equity and asset management firms looking to form strategic alliances with top tier local firms. We know a number of former investment bankers with an in-depth knowledge of this space making things happen."

In Europe, corporate opportunities are mixed. "If you have a background in accountancy, there may be some possibilities for you in the UK," says Isabelle Martin Hotimsky, Korn/Ferry Managing Director, London "In Holland and Belgium, passage between banks and industry is very fluid. Domestic bankers can move into domestic institutions. The same is true in Germany, but it's more difficult to do in France and Italy."



Management consulting firms have offered refuge to some former investment bankers, particularly outside of the United States. "Many small, family-owned banks and insurance companies in Asia are looking to merge or create strategic alliances," says Tsui. "A financial institutions banker, working with a management consulting company, can be very helpful in advising these firms and identifying the right partners."

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### Hedge Funds

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In the United States, hedge funds have been a viable career shift for some investment bankers. Van Hedge Fund Advisors International estimates that there are between 5,000 and 7,500 hedge funds worldwide, approximately 60% of them U.S.-based.

For one former banker, who made the move to hedge funds, the transition was successful. "Most of the technical information I brought to this job was relevant," he says. "What I had to learn was how to trade on market information. I also had to learn the process, what to do first and how to organize myself."

After one year in his new job, the former banker has acclimated. "The culture of hedge funds is very different. They're more like trading floors than board rooms."

But, the hedge fund employment outlook for investment bankers is limited. Doug Hanslip, Korn/Ferry Managing Director and Global Head of Alternative Investments, notes that investment bankers are oriented toward private market valuation. Those who have successfully moved to the alternative investment community have done so with funds that maintain a longer term investment horizon and funds with a value-oriented, rather than momentum, investment style. While the hedge fund employment outlook in general is strong, the opportunities for investment bankers (as well as for their research analyst brethren) in long/short equity funds or multi-strategy arbitrage funds has diminished.

"Simply put, the alternative investment community has grown significantly over the past few years," Hanslip says. "Consequently, a much greater talent pool of investment professionals with a demonstrated track record in a particular hedge strategy exists today within this enlarged hedge fund and fund-of-funds universe. This primary experience has definitely served as a more relevant basis to hire an analyst or portfolio manager by recruiting hedge funds than hiring an investment banker singularly for his or her intellect in a sector."

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### Entrepreneurs Surface

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Business ownership has lured former bankers in the U.S. and abroad. Some have set up boutique investment banking firms, while others have bought companies. In the UK, boutiques have focused on middle-market advisory services. "Traditionally, the big banks have ignored the mid-market world. So, there is room for new advisory firms," says Martin Hotimsky.

The emerging Asian economy has lured former bankers to entrepreneurship. Tsui cites a small group of bankers who purchased and revived a financial publication and another banker who established a blossoming travel portal company.

"Some of us were very fortunate and were able to make significant amounts of money in our jobs," says a newly retired investment banker. "We now have the luxury of being able to take some time to find interesting projects in which to invest and use our talents."

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### Private Wealth Management

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Perhaps one of the brightest prospects for unemployed investment bankers worldwide is private banking. The trend by private investors toward sophisticated alternative investments, the natural sales talent of investment bankers, and their deep network of high-net-worth individuals

“Private banking is potentially a deeper market than hedge funds...”



contribute to the growing interest by private banks.

"Serious investment bankers who want to reinvent themselves are seeking their Certified Financial Advisor designation," says Jane Bierwirth, Korn/Ferry Managing Director, New York. "I've started to see this on résumés. Strong business development skills with corporate clients can translate well to certain high net worth market segments. Private banking is potentially a deeper market than hedge funds and may absorb more people."

The business relationships and contacts investment bankers hold are particularly attractive to private banks outside the U.S. "The people who move successfully into private banking are those who have contacts with high-net-worth individuals who run companies, particularly mid-sized companies," says Martin Hotimsky. "Investment bankers know how to manage accounts and pull a team of specialists together to serve clients. They are used to designing solutions, not just selling products."

### What's Ahead?

The investment banking employment outlook depends heavily on a worldwide economic recovery. "It's still a very compelling job, if there are markets behind it," Peretz says. "You're at the center of what's going on. You work with very bright people and you have the potential to make a lot of money. But, an active economy is key."

A solid track record and connections still help. "If a star with known deal making capabilities is cut by his or her organization, he or she will find a place," says Weber. Gordon concurs. "What we're seeing in terms of demand now primarily is senior-level banking talent with demonstrated client relationships. Hiring will be done in the interest of incremental business."

Although a percentage of former investment bankers inevitably will have to change careers, there will always be a need for investment banking services. "Investment banks will be hiring

again, perhaps not to the degree they did in the 1990s, but rest assured the deal economy will return," says Bierwirth.

*Leslie Gordon is a Managing Director and the Global Sector Leader of Corporate and Investment Banking at Korn/Ferry International.*

*Doug Hanslip is a Managing Director and the Global Head of Alternative Investments.*

*Andrew Tsui is a Managing Director and the Head of Financial Services for Asia Pacific.*

*Jane Bierwirth, Jamie Peretz and Philippe Weber are all Managing Directors in Korn/Ferry's Corporate and Investment Banking Practice.*

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