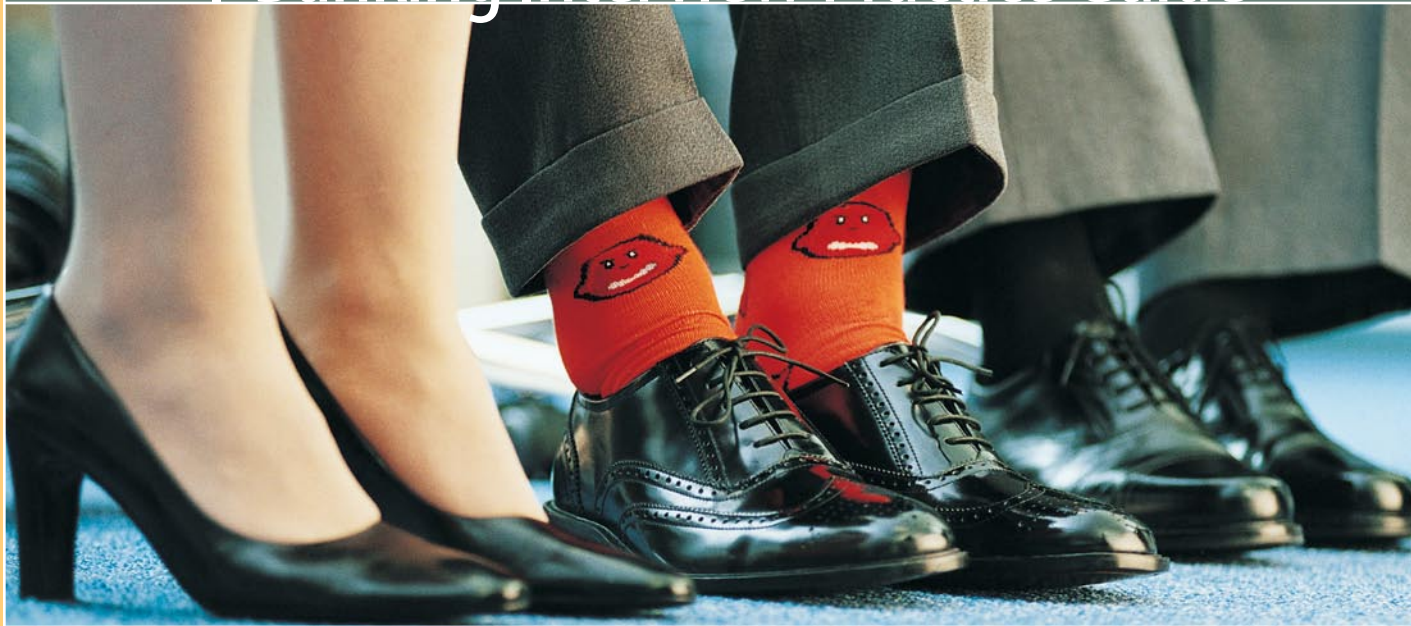


Beat the Street II

I-Banking Interview Practice Guide



WetFeet Insider Guide

The WetFeet Research Methodology

You hold in your hands a copy of the best-quality research available for job seekers. We have designed this Insider Guide to save you time doing your job research and to provide highly accurate information written precisely for the needs of the job-seeking public. (We also hope that you'll enjoy reading it, because, believe it or not, the job search doesn't have to be a pain in the neck.)

Each WetFeet Insider Guide represents hundreds of hours of careful research and writing. We start with a review of the public information available. (Our writers are also experts in reading between the lines.) We augment this information with dozens of in-depth interviews of people who actually work for each company or industry we cover. And, although we keep the identity of the rank-and-file employees anonymous to encourage candor, we also interview the company's recruiting staff extensively, to make sure that we give you, the reader, accurate information about recruiting, process, compensation, hiring targets, and so on. (WetFeet retains all editorial control of the product.) We also regularly survey our members and customers to learn about their experiences in the recruiting process. Finally, each Insider Guide goes through an editorial review and fact-checking process to make sure that the information and writing live up to our exacting standards before it goes out the door.

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Beat the Street II: I-Banking Interview Practice Guide

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Beat the Street II: I-Banking Interview Practice Guide

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Rules of the Road at a Glance

Self-Awareness Questions

Do you know where you're going and where you've been?

Remember:

- Predict, prepare, and practice.
- Be honest, but emphasize the positive.
- Keep your audience in mind.

Capacity Questions

Do you have the necessary horsepower?

Remember:

- Be prepared for confrontation.
- Imply—but don't state directly—that your previous achievements prove that you're highly capable of doing the work.
- Remember that *capacity* refers to more than just intellectual horsepower.

Interpersonal Aptitude Questions

Are you prone to road rage?

Remember:

- Where possible, highlight the team-based components of the pursuits listed on your resume.
- No bragging, blabbering, or bluffing.
- Get comfortable, but not too comfortable.

Commitment Questions

Are you in it for the long haul?

Remember:

- Know exactly why you want to be an investment banker.
- Examine your resume and transcript for anything your interviewer might perceive as a gap or inconsistency.
- Remember that investment banks love to be loved, just like the rest of us.

Technical Questions

Do you know what's under the hood?

Remember:

- Keep your answers short, sweet, and simple.
- Think concepts, not formulas.
- If you don't know, then just say that you don't know.

Unasked Questions

... and throughout, your interviewers will be asking themselves:

- Can we put you in front of a CEO?
- Will you be fun to work with at 3 in the morning?

Interview Roadmap

- You Are Here
- Getting Your Bearings
- What's Driving the Interview?
- Lease or Buy? Analyst or Associate?
- One-Way Streets: Dos and Don'ts

You Are Here

Does this sound familiar?

You're heading into the final stretch of your undergraduate or MBA program at a top school, and you're excited about the vast stretch of open road that lies ahead. You've heard strange but wonderful stories about the world of investment banking, and you're intrigued by the prospect of checking out this extraordinary universe for yourself. You've never been one to look before you leap, so you do a little bit of research before you set off. You've read *WetFeet's Insider Guide to Careers in Investment Banking*, followed by *Beat the Street: Investment Banking Interviews*. Armed with the sage advice in each of these guides, you've attended company information sessions, trawled through banks' websites, and spoken to friends who currently hold the highly coveted banking roles that you've heard so much about. You feel as though you genuinely understand what you'll be doing on a daily basis, the sacrifices the job demands, and the opportunities it affords.

You feel certain that you're well on way to securing your spot. All of the recruiting media that you've seen so far suggest that every investment bank is literally steps away from world domination (e.g., "We are a global, multi-trillion dollar corporation whose rapid growth and international presence are unmatched by any of our competitors.") and suggests that you, the candidate, are crucial to its very survival (e.g., "We depend on people for our success—people like you—smart people with ideas—ideas that can change the world."). On-campus information sessions that you've attended seem to confirm this belief; the recruiters representing each company insist that they are simply looking for bright, motivated people. Buoyed by recruiters' encouraging words, you're ecstatic when you're invited to interview. You arrive at the career center—well prepared to discuss how your experience in

pizza delivery relates to investment banking—and *bang*. You're deluged with questions about how you'd value a Manhattan skyscraper and what exactly you think you'd be doing as an investment banker anyway. As you leave the meeting with the image of the interviewer's derisive sneer etched in your memory, you can only wonder what happened to their insistence that they were only looking for "bright, motivated people"?

Now, take a deep breath and relax! Chances are, none of this has even happened to you yet, and even if you're terrified that it might, WetFeet is here to help! The good news is that although investment banking interviews have been known to catch the unprepared candidate off guard, they're perfectly manageable for people like you (smart people—people who do their homework, people who want to do fascinating work). For all the tall tales they've engendered, investment banking interviews tend to be fairly predictable and relatively consistent from one interview to the next. As one insider put it, "Two hundred thousand people have had this job over the past 10 years. There's no secret to what it takes to be successful or the issues that interviews are likely to focus on."

Beat the Street II is a companion volume to *Beat the Street*. It provides more detailed explanations of the types of questions you're likely to encounter, along with a list of recruiters' all-time favorite questions in each category. At WetFeet, we believe that you'll respond to tough questions more effectively if you know what your interviewer is really getting at with each one. For each category of question, we've compiled a list of specific skills and attributes that the interviewer will be seeking in your response, as well as a brief review of why those characteristics are so important for a successful investment banking career. Finally, we've prepared some sample questions that will almost certainly arise in your interviews, along with guidance on how you can answer them as effectively as our hypothetical candidates.

For those of you who haven't seen this volume's predecessor guide, *Beat the Street* provides an overview of the different areas within a securities firm that typically hire external candidates each year: investment banking (corporate finance and M&A), sales and trading, and equity research. It outlines the most effective ways to conduct company-specific research, prepare your answers for the questions most likely to arise, and anticipate differences among the first-round, second-round, and final interviews. The guide includes a broad overview of the basic accounting and finance principles most likely to creep up in your interviews. Finally, *Beat the Street* offers examples of the most frequently posed interview questions, along with worksheets designed to help you design effective, personalized responses.

A word about how to use this guide: As we discuss later, investment banking interviews vary significantly depending on the background of the candidate and the often capricious whims of the particular interviewer. Although we'll give you the tools you'll need to anticipate the questions most likely to arise and we'll advise you on how best to formulate an effective answer, only *you* can craft a response that truly highlights the particular strengths and experiences that you bring to the table. As such, don't get too distracted by the specific work or extracurricular experience described by the candidates we've profiled (and under no circumstances should you panic if you don't offer the same range of experiences that they do). More important than these candidates' qualifications is their ability to navigate potentially tricky questions by framing their experiences effectively. And finally, keep in mind that no written guide can capture the intangibles like enthusiasm, conviction, confidence, poise, and presence—all of the factors that often distinguish an extraordinary response from a mediocre one.

With that in mind, get behind the wheel, fasten your seatbelt, and start your engine: You're ready to hit the road.

Getting Your Bearings

Investment banking recruiters tend to explore relatively consistent themes from one interview to the next, although the interviewer's particular style can vary considerably—conversational versus confrontational, technically intense versus personality focused, and so on. Generally speaking, however, insiders have observed an unmistakable trend toward the behavioral interview, in which candidates are asked to cite experiences—professional, academic, and personal—in which they've actively demonstrated specific attributes. Behavioral interviewing is based on the premise that patterns of past behavior most accurately predict future performance. Advocates of behavioral interviewing report that the technique enables interviewers to most accurately assess whether a candidate possesses the requisite skills and personality for on-the-job success. The logic is appealing: Anyone can rattle off a list of attributes commonly sought by investment banks, but successful candidates can readily substantiate these claims with examples that *demonstrate* competency in a given area. For example, it's fairly easy for a candidate to claim exceptional quantitative skills, knowing that investment bankers assign a great deal of importance to analytical abilities. In a behavioral interview, however, the interviewer might ask the candidate to describe a particular project—completed during a summer job, perhaps, or in an academic context—that required a great deal of quantitative or analytical rigor.

What does all of this mean for you, the job seeker? *It means that knowing the job for which you are applying—and knowing exactly how your experiences and achievements relate to that job—is the single most important thing you can do to prepare for investment banking interviews.* You may be accustomed to preparing for interviews through a

line-item audit of each individual bullet point on your resume. In some interviews, this is a sound approach. An interviewer may very well ask, “I see you worked at XYZ Corporation over the summer. What were your responsibilities there?” Questions like this will certainly arise in banking interviews, but perhaps more prevalent are the questions like, “Tell me about a time that you took on a responsibility that perhaps wasn’t part of your official job description.” You could choose to point out that at your previous job you designed a comprehensive training program for new employees, organized guest speakers, and designed metrics to track the program’s efficacy. Alternatively, you might choose to highlight your involvement in a particular B-school study group, in which you took up the flag for an ailing team member and wrote a presentation that technically fell outside the scope of your assigned duties. Either example works, as long as it shows that you’ve taken initiative in the past.

With this in mind, don’t compartmentalize your achievements into “work experiences,” “educational background,” “extracurricular activities,” and “personal traits” as you’re preparing for investment banking interviews. Instead, think about each of your endeavors in terms of the skills, abilities, and attributes it enables you to demonstrate. To make this process even easier for you, we’ve already grouped the qualities you should seek to emphasize with the questions most frequently used to assess them. We describe the categories, questions, and selection criteria in detail in the following pages.

To put your anxious mind more at ease, we’ll let you in on some candidate-friendly news: Some insiders have noticed that their firms now place greater emphasis on effective interviewing than they have in years past. As we’ve learned from our insider interviews, several investment banking powerhouses now require all of their employees to participate in standardized interview training, designed to help bankers-turned-recruiters become more effective talent scouts. Why such a renewed focus on interviewing aptitude? To a greater

extent than ever, Wall Street firms now realize that candidates' experiences with the recruiting process—either positive or negative—effectively shape their (and their classmates') perceptions of the company. At long last, many interviewers now recognize that staring silently at a Super Saturday candidate for the first 15 minutes of the interview, or bombarding unsuspecting candidates with incessant rounds of long multiplication, is more likely to create a negative impression of the firm than it is to assess whether the candidate will succeed in a given role.

This is good news for you, the job seeker, particularly if you've been agonizing over how much time you should spend preparing for the famous "brainteaser" questions known to have occasionally flummoxed even the most die-hard investment banking prospect. There are fewer wildcards in investment banking than there once were and fewer than you'll find in management consulting interviews (where the infamous case interview may account for more than 50 percent of your evaluation). In fact, there's little mystery surrounding the content of investment banking interviews, and the format lends itself well to rehearsing your pitch so that you will know it cold before the interview process even begins. Plus, because interviews are relatively consistent, you'll have the opportunity to refine and perfect your spiel as you progress from one firm's process to the next, and—with your solid preparation and research—from one round to the next as well.



The Occasional Speedbump: A Note on Brainteasers

Insiders who have clocked in hours on both sides of the interview desk report that the use of brainteasers is on the decline. As one recruiter put it, “I see absolutely no purpose in asking questions devised solely to make the candidate squirm. Those types of questions tell me nothing about the person’s ability to do the job—all they do is reflect poorly on the company and give the interviewee a bad impression of us.”

That said, don’t be entirely surprised if you occasionally confront a question involving socks in a drawer, hands on a clock, rolls of a pair of dice, or cards in a deck. Over time, certain interviewers—particularly the old-school bankers who don’t keep updated on interviewing best practices—develop “pet” brainteaser questions that they’ll use until the day they retire. While it’s useful to know that these types of questions may be lurking out there, don’t knock yourself out trying to predict and master the answers before you interview. The bottom line is, you can’t, and your time will be better spent thinking about your story and rehearsing the answers to the questions you’re almost certain to address.

As one insider put it, “You could knock the ball out of the park with those types of questions, estimating the number of ping-pong balls that fit in a 747 with startling accuracy, but if you’re arrogant or obnoxious, or if you haven’t thought through your reasons for doing this, you’re still not going to get an offer. Period.”

What's Driving the Interview?

To the uninitiated, investment banking interviews may seem unnecessarily harsh and confrontational. Though the tales of truly horrifying interview scare tactics have long been relegated to the world of urban myth, investment banking interviews are still some of the most competitive you're likely to encounter. Bankers' notoriously tough-as-nails approach to interviews (perpetuated in no small part by a little book called *Liar's Poker*) leaves many candidates wondering whether the difficulty of the interview process is really warranted, or if it exists merely to sustain the fully developed egos known to populate the profession.

Here's the truth: It's a little bit of both. Despite recruiters' fervent insistence that they're just looking for bright, motivated people, the fact of the matter is that investment banking interviews are considerably different from other interviews you'll encounter. Why? Because the *job itself* is substantially different from other jobs (we're not saying it's necessarily better or worse, mind you—it's just different). As one insider said, "No single component of the analyst or associate job is necessarily all that difficult: You have to be good with numbers, good with people, capable of producing a lot of work—perfectly—in a short amount of time, willing to sacrifice a lot for the job, and you've got to consistently demonstrate good judgment. In other professional contexts, you might be fine if you get four out of the five right. But in banking, you've got to demonstrate all five, and there are actually relatively few people out there who possess all of these characteristics."

We couldn't have said it better ourselves. Investment banking careers offer extraordinary rewards (tangible and intangible) to those who pursue them, but they also require extraordinary demands. The better you understand this

fundamental truth—and the way it drives the direction of your interviews—the more successful you’ll be in your job search.

What’s So Special About Investment Banking?

So how exactly is investment banking different? We’ve summarized the five primary distinguishing characteristics here. Many of them will sound familiar (particularly if you’ve read WetFeet’s Insider Guide to *Careers in Investment Banking*), but we’ve pared it down here to those factors most likely to affect your interview.

Lifestyle Sacrifices

You’ve heard it a million times before, but it bears repeating: This is not a profession for the faint of heart. Corporate finance and M&A bankers may clock 80 to 90 hours in a typical week, breaking the 100-hour mark (or, put a different way, 2½ times the standard 40-hour workweek) during critical stages of a deal.

Aside from the unique physical demands of the job, its inherent unpredictability can be particularly frustrating. Canceled dinners and postponed vacations are par for the course for investment bankers. In sales and trading, hours are somewhat more moderate and predictable. “People in sales and trading work very hard but rarely have the all-nighters that people on the investment banking side do. It’s less of a 24/7 job,” says one insider who heads global recruiting for a bulge-bracket firm.

Because the profession (at least at the junior levels) requires extraordinary energy, stamina, and a willingness to prioritize work commitments above personal ones, recruiters are on the lookout for individuals who have demonstrated a comparable degree of dedication to other endeavors.

Quantitative Aptitude

You'll often hear recruiters insist that the work of a financial analyst or associate isn't rocket science and that the mechanics of financial analysis can readily be taught to someone who's willing to learn them. Why, then, must you often go to great lengths to prove that you're comfortable with numbers over the course of the interview? Because even though banks can teach you basic finance, accounting, and valuation principles, they can't teach you the baseline level of quantitative aptitude necessary to learn the required skills quickly. Perhaps more importantly, only you know whether you find financial analysis to be interesting (or even fascinating); that can't be taught, but it makes a big difference when you're running a spreadsheet model at 3 in the morning.

The job is demanding enough; it will be especially miserable—not to mention unfulfilling—if you're the type of person who would prefer invasive dental surgery over a lively debate about free cash flows. You don't need to prove that you've devised new quadratic formulae during your off hours, but those who can best endure the demands of the job are those who are intellectually stimulated by the challenge of making decisions and implementing corporate strategy largely through quantitative analysis.

If your resume and transcript suggest little prior exposure to this type of analysis (or little academic training in math), recruiters will undoubtedly dig for evidence that you're capable of (and interested in) learning the tools of the trade. "It's not that the English major isn't smart enough," says one recruiter, "but if they've never taken a single accounting, economics, or finance class, we question whether or not they'd really thrive in this environment. And quite frankly, the job is tough enough for people who *have* had training in these disciplines and know they enjoy this type of work. If you aren't all that interested in finance, it just wouldn't be worth it."

Little Margin for Error

Compared to other jobs available to newly minted college graduates or MBAs, junior-level investment banking positions offer the opportunity to assume a tremendous amount of responsibility relatively early in your career. While this is an attractive feature from a personal and professional development standpoint, it also means that expectations are high and the margin for error low. Despite the tremendous learning curve, there is little tolerance for mistakes—even the smallest miscalculation or typo can seriously damage the team’s credibility with clients. Those who succeed in banking over the long-term demonstrate far more than an appreciation for big-picture issues; to the contrary, they attribute the same life-or-death importance to the smallest of details. To ensure that they can entrust new hires with a considerable level of responsibility from (literally) day 1, investment banking recruiters target those candidates who have consistently upheld exceptionally high performance standards—and developed a particularly keen eye for detail—in other areas.

Intensely Team-Driven Environment

It’s definitely no coincidence that many current investment banking analysts and associates were once college athletes. In corporate finance and M&A, project teams typically consist of three or four bankers who work closely over the course of the transaction. Team members rely heavily on each other not only to complete their specific assigned tasks, but also to pick up the slack whenever and however necessary to get the job done right. Successful junior bankers prioritize collective priorities over individual ones, adapt their working styles to the needs of the group, and eagerly share their expertise with other team members.

This team focus extends well beyond the cubicle walls: Banks devote significant resources to team-building events within departments and analyst/associate classes in order to foster a strong sense of camaraderie and group affiliation at

every level. Every banker tells tales of the analysts in their class who would routinely drop whatever they themselves were working on to help out an analyst classmate who was struggling to keep all the balls in the air at 3 in the morning. To preserve this unique environment, recruiters look for candidates with well-honed team sensibilities and a genuine preference for team-based activities over solitary ones.

Hierarchical Structure

Though some banks pride themselves on their “entrepreneurial spirit” or “flat organizational structure,” few industries are as rigidly hierarchical as investment banking. While there are only four rungs on the promotion ladder at most banks (analyst, associate, vice president, and managing director), the differences among these levels are pronounced. Further, the work environment within most firms is fraught with protocol, and failure to observe the unwritten rules of conduct does not go unnoticed. Even at banks that trumpet their team spirit, senior bankers routinely delegate tasks to junior bankers simply because they can, regardless of whether it represents the most efficient way of getting things done.

The concentration of larger-than-life egos and type-A personalities means that junior bankers must fit a very specific profile; recruiters want to ensure that analysts and associates can take direction well, manage demanding and often difficult personalities, maintain a healthy appetite for grunt work, and cultivate an appreciation for life at the bottom of the totem pole.

In addition, banking can be a highly political environment, rewarding those who develop not only technical expertise but interpersonal savvy. As such, recruiters will typically favor candidates with a proven track record of building relationships in a number of different environments—academic, professional, and extracurricular pursuits—who are comfortable managing both upward and downward.

What Are Interviewers Seeking?

Similar to their counterparts in virtually every other industry, investment banking interviewers can take an interview in a number of directions depending on the candidate's unique background, his or her own style, personality, and (often times) mood on the particular day. Nonetheless, seasoned interviewers (often senior bankers or recruiters who have watched generations of junior bankers come and go) mention the same "critical success factors" over and over again.

Not surprisingly, demonstrated excellence in one area can often compensate for apparent gaps or deficiencies in others. For example, if your resume, transcript, and work experience suggest that you've never met a number you didn't like, you can expect your interviewer to place less emphasis on your quantitative ability in the interview. Also keep in mind that certain firms, groups, and individual interviewers assign greater relative importance to some attributes than others.

However your interviewers choose to slice and dice them, these are the qualities they're looking for:

- Interest in (and commitment to) investment banking
- Intelligence
- Energy
- Exceptional stamina and drive
- Quantitative/analytical ability
- Interest in financial markets
- Enthusiasm
- Poise
- Attention to detail
- Humility

- Self-awareness
- Judgment
- Maturity
- Multitasking ability
- Can-do attitude
- Resilience
- Confidence
- Teamworking ability
- Interpersonal skills
- Cultural fit with firm/group

The Shortest Distance?

If the list of attributes above seems like a lot to remember as you try to navigate your way through EBITDA and DCFs (all the while minding your Ps and Qs), take heart. We're not suggesting that you try to convince your interviewer that you possess all of these qualities in the course of a 30-minute interview.

Your task is much more straightforward: Regardless of the way these characteristics add up in each candidate, all recruiters are looking for three basic things when they interview you:

- Whether you're capable of doing the work
- Whether you really *want* to do the work
- Whether they think your prospective colleagues would enjoy working with you

As a general rule, the early rounds of interviews will focus on the first two questions, while later rounds will devote proportionally more time to answering the third. Through our conversations with recruiters and recently hired insiders

alike, we've identified five primary categories of question on which interviewers rely to make these assessments:

1. Self-awareness questions
2. Capacity questions
3. Interpersonal aptitude questions
4. Commitment questions
5. Technical questions

Our insiders report that interviewers typically have a top-ten list (or, perhaps more realistically, a top-three or -four list) of all-time favorites in each of the categories listed above. We've compiled those favorites into a master list for each of the five categories. But we haven't stopped there. In each of the five sections, we'll also tell you what these types of questions really tell your interviewer about you, and (in case you were wondering) how on earth they relate to your ability to succeed on the job.

In addition to the specific attributes that these questions are intended to assess, recruiters will be on the lookout for evidence of other qualities—otherwise known as *intangibles*—throughout the entire interview. For example, do your eyes light up with enthusiasm when you talk about discounted cash flow? Do your answers sound heartfelt and impassioned, or is it blatantly obvious that you've answered these questions hundreds of times and could probably recite them in your sleep? Are you comfortable and self-assured talking about your background and accomplishments, or does self-confidence quickly disintegrate into self-consciousness as soon as you step into the interview room? Interviewers don't measure these intangibles through specific questions, but rather through their well-honed intuition. Whether they admit it or not (or whether

they're conscious of it or not), recruiters subject you to two “tests” as you navigate the interview:

The CEO Test

As we'll discuss later, recruiters quickly dismiss candidates who assume that they'll be advising CEOs on their first day of the job or who cite CEO interaction as the primary reason for pursuing a banking career. Nonetheless, associate candidates will ultimately be expected to build strong relationships with their clients, and even junior bankers are highly likely to interact closely with the CEO or CFO of one or more clients over the course of their 2- or 3-year analyst tenure. As such, your interviewer will want to ensure that you wouldn't embarrass the team or tarnish the firm's good name if you had the opportunity to interact with a client's senior executives. As you answer each of his questions, the recruiter will be looking for evidence of maturity, credibility, judgment, tact, and diplomacy. Of course, he'll also be assessing whether your presentation style is polished, the extent to which you are both articulate and thoughtful, and whether you mind your manners and observe the rules governing interview etiquette.

The Cubicle Test

If you've done a fair bit of research before picking up this guide, we probably don't need to elaborate on this one. As we described in *Beat the Street*, every firm has its own version of the Could I Get Along With This Person? test. Our counterparts in the world of management consulting, for example, refer to this as the “airplane test.” It goes something like this: If your interviewer were seated next to you on an airplane for hours on end, what would happen by the time you reached your destination? Would your interviewer want to adopt you, or enroll in a witness protection program to avoid you? In the investment banking ranks, the confined space in which you're more likely (in fact, certain) to find yourself is the cubicle, but the underlying principle remains the same.

Even if you convince the interviewer that you possess every other attribute critical to success at his firm, you probably won't secure an offer if prospective colleagues can't imagine that they'd enjoy working with you. Investment bankers know all too well that their colleagues—to a greater extent than deal flow, exposure to senior management, or their firm's "brand name"—will drive their experience at the firm. Because of this, your interviewer will be on the lookout for humility, generosity, approachability, friendliness, and a well-developed sense of humor. Would you be an entertaining and sympathetic office-mate for 100-plus hours per week? If the analyst in an adjacent cubicle broke down at 3 a.m., just as you were packing up to go home, what would you do? Would you stay the extra 2 hours to help him out, even if it means sacrificing precious sleep? A strong team orientation (and a generally positive attitude) is of critical importance in banking, and recruiters have a sixth sense for detecting it during interviews.

Lease or Buy? Analyst or Associate?

How do undergraduate analyst interviews differ from MBA associate interviews? According to our insiders, the questions themselves aren't significantly different between the two groups (with the possible exception of the technical category, which we'll explain in greater detail later). Whether you're interviewing as an analyst or an associate hopeful, the general interviewing philosophy is the same: Your interviewers will be examining your past performance for indicators of future success.

Nonetheless, associate interviews definitely reflect the higher level of professional responsibility and longer time horizon inherent in the associate role. Even though "direct promotes" (i.e., analysts promoted to associate positions without an MBA) are perhaps more common now than they've been in the past, banks still expect that the vast majority of analysts will "graduate" from their 2- or 3-year program and go on to business school or pursue career opportunities outside of banking. Associate candidates, on the other hand, are expected to become long-term bankers. Though they often work the same grueling hours as their analyst counterparts, associates typically make proportionally greater lifestyle sacrifices since they're more likely to be juggling professional commitments and family obligations simultaneously.

Technical accuracy, attention to detail, and quantitative aptitude are of critical importance to both analysts and associates, but associates are also expected to develop a big-picture perspective on their work, as well as a comprehensive understanding of how the analysis being performed addresses the client's most

pressing strategic and corporate financial needs. While analysts spend much of their time building presentations, associates spend a greater proportion of their time determining what materials should go into the presentation to begin with, and how the “story” of the presentation should flow. Unlike analysts, associates will often speak at client meetings and will be expected to build relationships with the client’s senior management.

Undergraduates

When you’re interviewing for an analyst spot, your interviewers have relatively few data points to consider when they’re assessing how well you’re likely to perform on the job. Because analyst candidates have little to no full-time work experience on their resumes, recruiters focus on academic achievement, extracurricular involvement, and the quality of candidates’ part-time work or summer internships. It’s also important to remember that getting hired as an undergraduate analyst is based more on intangibles than any other position in the bank. Those of you who can demonstrate an understanding and real enthusiasm for the job, attention to detail, a team-oriented sensibility, and a humble eagerness to follow directions may be way ahead of your peers who took accounting 4 years straight. In short, attitude counts for far more than aptitude at the analyst level, and your proven ability to handle a considerable amount and high standard of work is more important than the direct relevance of your internship or academic major.

That said, recruiters know all too well that many undergraduate candidates don’t have a clue what investment banks do and have a smaller network of former classmates and colleagues to consult about the job than their counterparts in MBA programs. As such, undergraduates (particularly those without a summer banking internship under their belts) are much more likely to confront questions about the role of an investment bank and the specific responsibilities

of an analyst. Likewise, interviewers are much more likely to hone in on whether candidates truly understand the lifestyle sacrifices that the job requires and whether they are prepared to prioritize career demands over personal commitments. Interviewers focus primarily on time management and multi-tasking ability rather than people management, since investment banking analysts must manage hefty workloads on multiple transactions but rarely assume team leadership responsibility.

Although many senior bankers generally believe that analysts should be “seen and not heard” (and many live in perpetual fear of what an analyst might say to a CEO if left unsupervised), interviewers will still place a premium on candidates’ ability to demonstrate a high level of maturity and to speak clearly and articulately on a range of topics.

MBA and Experienced Candidates

From a recruiter’s perspective, associate-level hiring decisions are considerably more difficult than those at the analyst level because MBA candidates are typically more polished and sophisticated than undergraduate hopefuls. As one insider says, “It’s substantially more difficult to distinguish between the person who’s really committed to becoming a banker and the person who just interviews really well.” If you’re an associate candidate, your past academic experience is still relevant, but less important than past work experience. While your undergraduate studies, GPA, GMATs, and SATs matter, your work experience, the reputation of the business school you attended, and your potential to become a long-term asset to the firm are far more important. If you’re enrolled in a top MBA program, recruiters know that you have unlimited access to classmates and business school alumni who can give you first-hand accounts of both the job in general and the culture of individual firms. As such, they expect that you’ll be reasonably well informed about the nature of the associate role and the lifestyle sacrifices required.

Instead of asking you to describe the role of an investment bank or outline what you think your day-to-day responsibilities will include, interviewers will generally zero in on your past work experience. For former analysts, this may include a granular discussion of the transactions you've worked on in the past: the underlying assumptions, valuation techniques, and the outcome of each deal on which you worked. For career changers, this means describing your professional experience in a way that implies you'd flourish in banking and offering credible reasons for pursuing a banking career instead of returning to your former career path.

Regardless of your professional background, you should expect questions about your management style and leadership aptitude. As an associate, you'll be expected to manage not only projects and processes, but people as well: internal and external team members, clients, and analysts on each of your deal teams. Therefore, interviewers will be assessing whether you can inspire confidence among clients and productivity among junior bankers. If you've historically managed people through brute intimidation tactics and a series of to-do lists, recruiters will be wary of your ability to adapt to an intensely team-driven work environment. Come prepared to discuss the performance reviews you've garnered in the past and the specific steps you've taken toward professional self-improvement. In addition, you should be ready to demonstrate that you're a virtual paragon of self-sufficiency, excellent judgment, and good common sense. Associates are expected to manage transaction processes with little direct supervision or senior-level hand-holding; the more you can convince your interviewer that you've worked independently in the past, the better your chances of securing an offer.

One-Way Streets: Dos and Don'ts

The next chapters cover a lot of detailed information about specific interview questions intended to cover a range of possible topics and themes. There are a few interview best practices, however, that transcend boundaries of interview question category, context, and scope. Keep the following guidelines in mind regardless of the particular questions that interviewers lob your way.

Don't Ramble

If you do, you're considerably more likely to lose your way—and more likely to exhaust your interviewer in the process! One insider recalled his very first Super Saturday interview with two senior vice presidents of Goldman Sachs' M&A group. After the 30-minute interview was over, one of the bankers followed the candidate out of the interview room, closed the door behind her, and said, "Listen, you're going to do great here. But in your next few interviews, you have *got* to be more concise!" This candidate only needed to hear this well-intentioned advice once: He took a less-is-more approach in subsequent interviews, secured an offer, and spent his next 3 years as a Goldman analyst. Remember, it's easier for a recruiter to ask follow-up questions than it is for her to rein you back in after you've gone off on a tangent.

Learn How to Read Your Interviewer

Along similar lines, some interviews find long-winded answers particularly repugnant, while others may as well have a therapist's couch in their office for you to lie on during the interview (the former group is far more prevalent than

the latter, however). Some are more intense, while others treat the interview as a relaxed, get-to-know-you session. The more promptly you can pick up on your interviewer's particular style, the better off you'll be.

Don't Ever Bad-Mouth a Previous Employer or Colleague

In fact, you should be wary of sounding even the slightest bit sour on your previous work experiences. Not only would doing so suggest that you're generally negative and cynical, but it would not go over well at all with notoriously image-conscious investment bankers. If you use the interview as an opportunity to vent about a previous employer, your interviewer will wonder how you'll talk about this company when you're given the opportunity at an interview, a cocktail party, or in the dentist's office for that matter.

Recruiters know that it's a small world, and the last thing they need is a former employee griping about their beloved firm.

Keep an Interview Journal

It doesn't have to be a glossy leather cover embossed with your initials, and you don't even have to keep it on your bedside table. Our point is this: If a question comes up once, it's quite likely it will come up again. Particularly if you feel you haven't answered a question effectively, take a minute or two after the interview to jot down the question and outline what you would say if given a second chance. You'll be glad you did when you hear the same question again in subsequent rounds.

Answer the Question Asked

We know it sounds obvious, but it's easier said than done (particularly if you're a rambler). If you're really set on a banking career, chances are you'll have more interviews than you'd care to remember. Some candidates get so accustomed to

fielding questions, they become robotic: They hear a few key words, and they're off on their unintentionally well-rehearsed spiel. Interviews will indeed begin to sound the same, but don't forget to listen to the question!

Think in Bullet Points and Key Takeaways

Not only will this type of thinking in your interview preparation stages keep you focused and concise, but framing your responses this way in the actual interview will endear you to your investment banker-turned-recruiter. Bankers love bullet points and key takeaways: If you can speak their language, they'll see you as one of their own!

Don't Lie, Embellish, or Exaggerate

Remember what your mama said: When you tell one lie, you have to tell five more lies to cover up the first one. For each of those lies, you have to tell five more, and so on. Mom was right about this one; it's hard enough to keep your stories straight through countless rounds of two-on-one interviews when you're actually telling the truth, so don't make it harder on yourself. Plus, Wall Street is a small town. Analysts at one bank are often roommates with analysts at another. Word gets around, and the truth almost always prevails in the end. Don't tempt fate.

Act Happy and Excited to Be There

We know that interviews are inherently stressful, but interviewers simply won't rally behind a candidate who seems uncontrollably nervous or just plain miserable. Keep reminding yourself that interviews are fun—when else do you have the opportunity to talk about yourself for 30 minutes straight?

Popular Destinations

- Self-Awareness Questions
- Capacity Questions
- Interpersonal Aptitude Questions
- Commitment Questions
- Technical Questions

Self-Awareness Questions

If you've read the title of this section and quickly checked the cover of this book to ensure that you haven't accidentally purchased *Dr. Phil's Guide to Investment Banking Interviews*, hear us out. Contrary to popular opinion, the number of interview questions intended to test your knowledge of finance is significantly smaller than the number of questions designed to test your knowledge of *you*—not just your resume, but the choices, motivations, strengths, weaknesses, and failures behind that resume. This surprises a number of candidates, especially those who have spent the majority of their interview preparation time cramming an undergraduate business degree—plus 6 months' worth of the *Wall Street Journal*—into their already frenetic schedules.

Don't let yourself make this mistake. At their best, self-awareness questions provide an opportunity to tell your own unique story and let the radiant light of your personality shine through. The most straightforward self-awareness questions ask you to describe why you decided to attend a particular university, pursue your chosen field of study, or indulge your quirky intellectual interests through extracurricular pursuits seemingly unrelated to investment banking. At the other end of the self-awareness spectrum, self-awareness questions (typically those encountered in later rounds of interviews) often require a significant degree of judgment, diplomacy, and tact, as interviewers probe for motivations or personality traits that would turn into vulnerabilities on the job.

Examples

Perhaps the most frequently used self-awareness question asks you to describe your biggest weakness (or, perhaps, your three biggest weaknesses). Other favorite self-awareness questions include the following:

- Walk me through your resume and tell me how you decided to pursue a banking career.
- Explain your role in the such-and-such job listed on your resume.
- If I were to call up your [most recent supervisor, best friend, older sister], what would s/he say about you?
- If you could go back and complete your undergraduate education over again, what would you do differently?
- What didn't you like about [your last job, your college or university, your MBA program]?
- What did your last performance review say?
- Tell me about a time you made a mistake. How did you handle it?
- Tell me about your biggest failure.
- Describe an ethical dilemma you have faced in the past. How did you resolve it?
- What achievement are you most proud of?
- What are you passionate about?
- What motivates you?
- If you could have any job in the world other than banking, what would it be and why?
- What is a common misconception that people may have about you after they meet you for the first time?

What They Tell Your Interviewer

Self-awareness questions (along with interpersonal questions, described later) allow your interviewer to become acquainted with the person behind the resume. Through both the content and the delivery of your answers, these types of questions allow you to showcase your maturity, thoughtfulness, and humility and to prove that you are as comfortable describing your mistakes and failures as you are your achievements.

In addition, they give you an opportunity to explain any apparent gaps in your resume or transcript and to tie seemingly disparate experiences and achievements together with common threads and themes. With enough preparation, self-awareness questions will allow you to prove that your decision to pursue a banking career is not only well-thought-out, but completely consistent with your past decisions and achievements. And by putting a positive (and honest) spin on your story, you can paint a consistent picture of yourself as someone destined to excel in investment banking. As you answer these questions, your interviewers will be assessing the following:

- How well you understand (and how eloquently and convincingly you can describe) the motivations and decisions leading up to the experiences summarized on your resume
- To what extent you understand others' perceptions of you
- Whether you are thoughtful, honest, and candid about your weaknesses, limitations, and vulnerabilities (particularly as they pertain to a career in banking)
- The thought process and motivations driving each of your important decisions to date
- Whether you are honest about your past mistakes and actively seek to learn from them

Why They Matter

If you think these questions come dangerously close to the touchy-feely, you're only partly right. Self-awareness is of critical importance to bankers for a number of reasons. First, your responses to these questions offer the interviewer insight into your motivations and decision-making processes, enabling him to determine whether your motivations for seeking an analyst spot are likely to be well thought-out and sincere. On Wall Street, there's no shortage of compelling reasons to throw your hat in the recruiting ring: attractive compensation packages, the prestige of working among the elite of the financial world,

and (for analysts) the opportunity to defer a longer-term career choice for at least 2 more years. While none of these motivations is inherently wrong, none is sufficient to justify the lifestyle sacrifices and the unique physical demands that come with the territory.

The intensity of the work environment tends to exaggerate an individual's unique strengths and weaknesses: Interviewers know this all too well, and they want to make sure they know the real person—not your interviewing alter ego—before they bring you on board.

In particular, questions regarding your mistakes and failures tap into your ability to learn from past experiences and continuously improve your performance. They also reveal whether you're honest and accountable when it comes to your mistakes. In banking, the volume and pace of the work (and the sleep deprivation that's an unavoidable part of the job) mean that in all likelihood, you're going to make a few mistakes along the way. Recruiters want to know whether you'll assume responsibility for the wrong number in the pitchbook as readily as you'll take credit for the flawless LBO model you built from scratch. They want to assess whether you'll readily bounce back when you oversleep and arrive late to a roadshow presentation, or whether you're likely to make excuses and assign responsibility to external circumstances (or, even worse, to another team member). As a junior banker, knowing when to admit you've screwed up (and knowing how to mitigate the damage) is key.

Finally, self-awareness is closely linked to interpersonal effectiveness, which we'll discuss in later sections. People who are self-aware have a leg up in interpersonal relationships, because they are conscious of how others perceive them. They are (typically, but not always) sensitive to the ways in which people may react to them and cognizant of how their particular audience may require them to tailor their communication style. The candidate who can deftly address his most notable weakness without coming across as evasive, dishonest, or

completely unsuited to banking usually wins points for forethought, diplomacy, and good judgment. In a profession in which client interaction (even at the junior levels) is not uncommon, these skills are absolutely critical.

Rules of the Road

Rule 1: Predict, prepare, and practice!

Some questions arise so frequently in one form or another that you'd be foolish not to take the time to outline your response well before your interview. Questions regarding your choices, motivations, and everything on your resume are fair game and should be prepared well in advance. Give some serious thought to how you'll attack those gnarly weakness questions, and make sure you're armed with two or three talking points about each line item on your resume. If there's something particularly unusual on your resume (e.g., you ran the New York Marathon, you went to medical school before you completed your MBA), you can be sure that it will come up again and again. Consider the points you'd most like to convey, and then practice your spiel.

Rule 2: Be honest, but emphasize the positive.

We all like to present the best possible image of ourselves during job interviews, so it stands to reason that none of us particularly enjoys talking about our faults. Still, these questions are an opportunity for you to really shine. No one likes perfect people anyway. If you can demonstrate your maturity, humility, and sense of humor about your foibles, your likeability (and credibility) will skyrocket. Be honest about your screw-ups, but end on a positive note; emphasize what you learned from each experience. Use the infamous weakness question to prove that you acknowledge your Achilles heel and that you're constantly working to improve it (or, better yet, give a specific example of an instance in which you overcame it).

Rule 3: Keep your audience in mind.

This is an interview, not a confessional. Self-awareness questions are not an invitation to inappropriate self-disclosure. Don't delve into anything you wouldn't (or at least shouldn't) discuss on a first date: your political views, religious beliefs, or anything else known to spark controversy. (Cats and lawyers are less obvious—but equally dangerous—examples of topics that tend to polarize people. You never know who your interviewer's got waiting for her at home. Maybe a cat and a lawyer!) Your objective is to highlight motivations and strengths that are compatible with a career in banking. Along these lines, remember to temper your honesty with a healthy dose of good judgment when addressing your strengths and weaknesses—try to steer clear of anything so incompatible with banking that you'll send your interviewer headed for the hills.

Just because you can be honest doesn't mean that there are no wrong answers: "I tend to take things personally," "I'm not very detail-oriented," and "I get nervous when I have to interact with others," for example, are bad answers to the weakness questions.



Insider Tip

Use the infamous weakness question to prove that you acknowledge your Achilles heel and that you're constantly working to improve it (or, better yet, give a specific example of an instance in which you overcame it).

Capacity Questions

Capacity questions seek to answer the question, “Can you do the work?” As a general rule, recruiters ask fewer of these questions of associate candidates who have already excelled in investment banking analyst programs before business school. If this describes your background, interviewers will typically assume that there is little need to probe your ability to do the job, and they’ll instead focus on the areas of demonstrated strength (as well as opportunities for professional development) that characterized your analyst performance reviews.

If you don’t offer prior banking experience, however (and this is the case for the vast majority of analyst candidates), be prepared to convince every prospective employer that your achievements outside the world of investment banking will translate into success within it.

Examples

The following are examples of capacity questions:

- Tell me about a time when you worked on a highly quantitative or analytical project. Describe the context, the project, and the outcome.
- What is the greatest challenge you’ve faced to date? How did you overcome it?
- Describe a typical day for you.
- Describe a time when you achieved a goal that required significant personal sacrifice. How did you stay motivated to achieve the goal, despite the hardships that it involved?
- Judging from your resume, you must be extraordinarily busy. What do you think is the key to successfully juggling so many different activities, all while maintaining your high GPA?

- I'm looking at your transcript, and I'm noticing that your two lowest grades were in introductory accounting and intermediate economics. Why should I be comfortable with your quantitative aptitude given your relatively low grades in these classes?
- I noticed that you haven't taken a single class involving numbers during your first 3 years of college. How can you convince me that you're good with numbers?
- Give me an example of a project (either academic or work-related) that required significant attention to detail. Do you consider yourself a detail-oriented person?

What They Tell Your Interviewer

With enough preparation and forethought, your answers will convince your interviewers that you're a good corporate athlete who can consistently produce a quality work product regardless of the level of complexity or time pressure involved. Whether you focus on the hundreds of statistical analyses you performed while working at the Federal Reserve, or whether you spend more time discussing your experience on your university's rowing team, recruiters will hone in on the extent to which you have demonstrated the following:

- Exceptionally high performance standards
- Considerable intellectual curiosity, quantitative aptitude, and analytical ability
- Willingness to work extraordinarily long (and often unpredictable) hours
- Willingness to do unglamorous and tedious grunt work
- Ability to learn quickly and work efficiently
- Consistent attention to details, even under significant time constraints
- Ability to stay calm and productive under pressure
- Capacity for juggling several complex projects (at various stages of development) simultaneously

Why They Matter

When we asked insiders what attributes make a successful banker, one phrase came up again and again: a willingness to “run through walls.” There’s a reason that this expression arises so frequently; it’s the sensation that most closely approximates investment banking at its worst—unnecessarily harsh, physically painful, seemingly impossible, and simply not worth it. Unfortunately for recruiters (and fortunately for job-seekers), there is still no reliable way to simulate the challenges that a junior banker faces in the context of a 30-minute interview. There’s no good proxy for determining whether a prospective analyst can consistently crunch perfect numbers regardless of the number of consecutive sleepless nights he endured the previous week. To make recruiters’ jobs especially difficult, relatively few candidates (particularly at the analyst level) have extensive prior experience in investment banking when they apply.

With relatively few data points available to accurately predict your on-the-job success, recruiters are left to infer your tolerance for hard work based on your other endeavors. As a candidate, your job is to convince your interviewer that you’ve demonstrated the same skills before—either in an investment banking context or in other pursuits. Former athletes are particularly effective at positioning themselves in this way, since they can credibly say that they’ve devoted a considerable amount of time to a single endeavor, made significant personal sacrifices to succeed, and endured substantial physical discomfort along the way. Further, former athletes typically possess a competitive spirit and a determination to excel, both of which translate well into investment banking.

Capacity questions test not only your willingness to work hard, but also your ability to learn quickly. Although investment banks devote substantial resources to training their incoming analysts and associates, training programs cover a considerable amount of material in a relatively short period. Deal teams are lean relative to the volume of work to be done, time frames are often tight, and

there is little tolerance for missing deadlines. To add value to the transaction team, junior bankers must learn quickly and work efficiently, often with little supervision. Since senior bankers' time is both valuable and limited, they appreciate analysts and associates who only need things explained once.

Rules of the Road

Rule 1: Be prepared for confrontation.

Because your interviewers are assessing your fundamental ability to do the work, questions in this category (along with commitment questions) tend to be the most confrontational. Be prepared to discuss your C-plus in macroeconomics or accounting, the curious absence of anything financial or quantitative on your resume, or the three consecutive summers you spent lounging in the Caribbean. (Even if you don't have any low grades or low-key summers to worry about, don't be complacent: One of our insiders was asked about the single A-minus among the sea of straight A's on her transcript). Regardless of your background, you may encounter a series of rapid-fire multiplication questions or a wacky brainteaser designed to rattle your cage and test for an allergic reaction to numbers. Come prepared and stay calm—the wrong answers won't disqualify you, but tears most certainly will.

Rule 2: Imply—but don't state directly—that your previous achievements prove that you're highly capable of doing the work.

Recall our discussion above: The more directly comparable experience you have, the more comfortable recruiters will be in your ability to do the analytical heavy lifting on each of your teams. As you prepare for your interviews, keep the profile of an analyst or associate's responsibilities in mind. If you've worked as a summer analyst for an investment bank, written highly analytical papers in college, crunched numbers for a government agency during a high-profile

internship, or excelled in athletic endeavors, be sure to discuss these topics (enthusiastically) during your interview.

Conversely, don't belabor the point for less relevant pursuits. Trying to convince your interviewer—through excruciating detail—that the summer you spent working on a Montana dude ranch is highly applicable to investment banking may not achieve the desired outcome. Particularly in the case of seemingly unrelated pursuits, it's best to let your interviewer draw conclusions about your capability (unless, of course, you're asked). If you make this leap yourself, it's likely to come across as forced, canned, and presumptuous.

Rule 3: Remember that “capacity” refers to more than just raw intellectual horsepower.

Particularly at the junior levels, a “can-do” attitude counts for as much as analytical aptitude. Regardless of your academic training or work experience, don't forget to highlight experiences that suggest you can learn quickly (perhaps you taught yourself Italian in your spare time and are now fully conversational), work well under pressure (don't forget the summer you worked as a short order cook in Cape Cod), and have a healthy attitude toward grunt work. One insider describes her interview with a senior VP and business unit manager at a leading Wall Street firm: “This guy had the final say as to who was hired into the group, and he had this thing about hiring people who had waited tables. He'd ask everyone he interviewed —analysts, MBAs, lateral hires—whether they had ever waited tables. If you hadn't (and I hadn't), you'd better be able to describe something you had done that proved you weren't opposed to doing tedious, unglamorous work.” Investment banking may be a white-shoe kind of profession, but as a group, bankers like people who aren't afraid to get their hands a little bit dirty.

Interpersonal Aptitude Questions

As the name suggests, questions in this category are designed to assess whether you're generally a "people person." They focus on your ability to build and maintain relationships, inspire confidence among clients and colleagues, and resolve interpersonal conflict (not to mention your ability to avoid conflict in the first place). Not surprisingly, these questions reveal an emphasis on teamwork—you'll be expected to describe your first-hand experience on teams, and you'll often be asked to discuss the characteristics of effective and ineffective work groups. Since investment banking associates must assume a managerial and supervisory role over the analysts on each transaction team, associate-level interviews often require candidates to describe their management style and leadership aptitude. In both associate and analyst interviews, recruiters assess candidates' communication abilities, as well as their perceived ability to get along with their colleagues.

Examples

Common interpersonal aptitude questions include the following:

- Describe a time when you received criticism that perhaps you didn't agree with or didn't expect. How did you react to it?
- Tell me about a situation in which you've had to work with someone that you didn't particularly like or get along with. How did you overcome personal differences to achieve your goal?
- What role do you typically assume when you work in a team setting? Describe the last time you worked on a team and the role you assumed.

- Have you ever worked on a team that wasn't successful meeting its goals? What do you think went wrong?
- Describe an occasion when you persuaded someone to do something they didn't want to do.
- How would you characterize your leadership/management style?
- Tell me about a time when you had to rally people behind a cause. Were you successful?

What They Tell Your Interviewer

Regardless of the specific questions you encounter in your interview, the way in which you respond to the questions is often just as important as answers themselves. When interviewers assess a candidate's interpersonal effectiveness, intangibles such as confidence, enthusiasm, poise, and polish are especially critical. Of course, you should be ready to provide solid examples that establish your comfort and efficacy in a team-based work environment, but your ability to establish a rapport with your interviewer will solidify your case. Recruiters will look for signs that you're self-assured, professional, and generally "client-ready" (remember the CEO test we described in the beginning of the guide?). In addition, the content of your answers will help interviewers assess the following:

- Whether you are extroverted, social, affable, and likely to thrive in a dynamic, team-based environment
- Whether you would fit in to the unique culture of the specific group(s) for which you are being considered
- Whether you are likely to be a consistently positive contributor to the teams with which you'll work, especially in high-pressure, time-sensitive situations
- Whether you communicate in a way that will inspire confidence among colleagues and clients (this includes both effective speaking and active listening)

- Whether you take both direction and criticism well, without taking things personally and creating conflict (i.e., whether you have a “thick skin”)
- Your ability to manage difficult and demanding personalities effectively, particularly when faced with competing priorities from different deal teams

Why They Matter

At its core, investment banking is a service business on the outside and an extremely team-oriented enterprise on the inside. On the external side, client interaction with companies’ senior management requires junior bankers to be articulate, tactful, and credible. Internally, an investment banker’s quality of life depends largely on her relationships with co-workers, due to the sheer number of hours involved and the highly interactive nature of the work. “I think that’s one thing that’s hard to grasp when you come into this business straight from college,” says one insider. “The quality of your relationships with colleagues is by far more important than the actual job. You—as well as your interviewers for a particular position—need to be absolutely sure that you’ll complement the team that you’re joining.” Simply put, you’ll be working extremely closely with your new colleagues for many, many hours. You need to be comfortable and effective working with people, and your interviewers need to be confident that they’ll enjoy working with you.

In addition, social interaction is a significant component of the analyst or associate experience from the very first day; training programs for new recruits are as socially intense as they are intellectually rigorous. Firms place a high value on relationship building, networking, and team building at all levels, but particularly among their analyst and associate classes. To thrive in this environment, it helps

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The quality of your relationships with colleagues is by far more important than the actual job. You—as well as your interviewers for a particular position—need to be absolutely sure that you’ll complement the team that you’re joining.

to be fairly social and extroverted—if you prefer to keep to yourself and to keep your personal and professional lives separate, you may not excel in a setting where these two worlds continually overlap. It also helps if your interpersonal style meshes with a corporate culture that’s generally fairly conservative, hierarchical, and politically correct; in other words, free spirits and individuals with highly entrepreneurial sensibilities may not feel at home in the world of investment banking.

Finally, as a junior banker, you’ll often need to manage the somewhat demanding (and often difficult) personalities of your colleagues and supervisors. Most likely, you’ll be staffed on several deal teams simultaneously, each of which will (paradoxically) demand 100 percent of your attention. You’ll constantly be pulled in a number of directions—can you effectively accommodate one deal team without infuriating the senior VP on the other? Your ability to assuage high-maintenance temperaments, manage multiple expectations, and cool the hottest tempers is of paramount importance. Interviewers will be wary of candidates who seem especially high-strung, eccentric, resentful of authority, or overly sensitive to criticism. Instead, they’ll be looking for candidates who are both likeable and teachable, with the right combination of diplomacy and resilience.

Rules of the Road

Rule 1: Where possible, highlight the team-based components of the pursuits listed on your resume.

Keep in mind that it may not be immediately obvious to your interviewer what activities depended on your ability to interact effectively with people. For example, you may feel that your experience as a staff writer for the student newspaper is highly relevant because you managed multiple deadlines for a high-maintenance editor and leveraged relationships with key contacts to obtain hard-to-find information, but “staff writer” may not scream “team player” to

your interviewer. Be on the lookout for opportunities to highlight relevant experiences, and don't expect your interviewer to read between the lines.

Rule 2: No bragging, blabbering, or bluffing!

The three Bs are always dangerous, but they're especially surefire ways to fail both the cubicle test and the CEO test in one fell swoop. No one will want to work with someone who's already too big for his britches, nor will they want to share a cubicle wall with a chatty Cathy who never lets them get a word in edgewise. Last but not least, don't overstate your team contributions or pretend that you've never met anyone that you didn't get along with famously—your interviewer will conclude that you're not credible.

Rule 3: Be comfortable, but not *too* comfortable.

Yes, you want to give people the impression that you'd be fun to work with, but don't be too complacent while you're trying to convince your interviewer that you can become one of the boys. Even when you know the interviewer is trying to assess whether you'd be an entertaining colleague, don't assume this is an appropriate forum to discuss your antics at a classmates' recent bachelor party, your prowess on the golf course, or your picks in the March Madness office pool. Save these scintillating topics for your sell night. Remember, it's still an interview, so you'll need to mind your Ps and Qs!

Commitment Questions

Whereas capacity questions are designed to determine whether you *can* do the work, commitment questions are intended to figure out whether you genuinely *want* to do the work. As one insider says, “At the end of the day, the people who distinguish themselves in banking are the people who really want to be bankers.” Interviewers will undoubtedly ask you to outline your specific reasons for pursuing an analyst or associate position. Our insiders report that your ability to provide credible, thoughtful answers—substantiated by a good deal of legwork and realistic job expectations—will definitely advance your candidacy. “Every year, I’m surprised by the number of people who come into this process without really knowing why they’re there, or what distinguishes one department or one firm from the next.”

To prove that your interest is more than just a fleeting fancy, use these questions to showcase your meticulous firm-specific research, your fervent interest in the financial markets, and your unwavering loyalty to not just the investment banking vocation, but the specific firm to which you’re applying.

Examples

By far, the most commonly asked commitment question is, “Why do you want to be an investment banker?” followed closely by, “Why do you want to be a banker at this firm?” Carefully crafted and well-rehearsed responses to each of these questions will serve you well. Here are a few of our other favorites in this category:

- What other industries are you considering?
- Are you interviewing with consulting firms? Why/why not?

- If you're offered positions with multiple firms, how will you choose among them?
- Why should we hire you? Why do you think you'd be good at this?
- What do you think you would like most/least about this job?
- With which other firms are you interviewing? Have any of them extended offers yet?
- Where do you see yourself in 5 years?
- Walk me through what you think a typical day is at the office for an analyst/associate.
- In which group (product, industry, function) do you see yourself. Why?

What They Tell Your Interviewer

Let's face it: No one expects you to have known since the age of 6 that you wanted to be an investment banker, or that you would have made every significant decision over the subsequent two decades with Wall Street in your sights. Still, you will be expected to describe your professional and personal endeavors as a rational sequence in which this particular banking position at this particular firm is the next logical step. You should be able to articulate exactly what you hope to gain—both personally and professionally—from the experience and to demonstrate your preparedness for the unique intellectual, physical, and personal challenges of the job. As you respond to these questions, your interviewer will be asking himself whether

- You've done your homework on the industry, the firm, and the specific position for which you're applying.
- You present thoughtful, credible reasons for wanting to pursue the analyst/associate track.
- You have considered whether the program advances your own personal/professional goals.
- You have realistic expectations about the roles and responsibilities of an analyst/associate.

- You understand the extent to which the profession requires personal sacrifice.
- You're likely to accept an offer at this particular bank if one is extended.

Why They Matter

Investment bankers are typically a pretty risk-averse bunch, at least when it comes to recruiting. As such, recruiters interviewing analyst and associate hopefuls (especially those with little or no experience in banking) may devote much of the interview to assessing whether candidates genuinely grasp the nature of the job and the personal sacrifices it requires. "People always act as though they understand the long hours," one recruiter says, "but sometimes, you just know that the person doesn't get it. I mean, they've heard all the stories about the all-nighters, the working weekends, and the canceled vacations, but they just don't grasp how intense it is, and you sense that they'd absolutely hate it." Despite the reputation that sometimes precedes them, bankers aren't sadistic in this regard: They don't want you to hate your job any more than you do. If you don't really understand the nature of the job going in, and you don't have well-articulated reasons for pursuing the job, recruiters (rightly) believe that they should spare you the trouble of learning the hard way that banking isn't for you.

Not only are investment banking recruiters risk-averse (and significantly nicer people than their interviewing personas might suggest), they're also intensely goal-oriented. They know exactly how many analyst and associate spots are available, and they will take the necessary steps to ensure that those spots are promptly filled. As such, they aren't eager to extend offers to candidates who will ultimately decline them. If a particular firm extends ten offers at a particular school, only to have eight candidates take offers elsewhere, the recruiting team at that bank (not to mention the business units that the team

serves) will find itself in a real pickle. To avoid this administrative nightmare, recruiters will work hard to assess the likelihood that a candidate will accept an offer if one is extended, giving preferential treatment to candidates who have expressed a clear preference for their firm. This is true even in a job seeker's market, but when hiring activity declines, sincere interest in a given firm will make or often break your chances.

“ ”

People always act as though they understand the long hours, but sometimes, you just know that the person doesn't get it . . . and you sense that they'd absolutely hate it.

Rules of the Road

Rule 1: Know exactly why you want to be an investment banker.

We cannot emphasize this enough—this is the single-most frequent question you will face. There are a number of good reasons that you may include in your response, but don't even think about suggesting that you consider it a stepping-stone to something else, that you stumbled across it, that you generally think finance and Wall Street are pretty cool, or that you really want to work with CEOs. Remember, your answers to these questions should reflect both a commitment to investment banking and your realistic expectations for the job. Once you've written it down, rehearse it until you can deliver your spiel in your sleep!

Rule 2: Examine your resume and transcript for anything that your interviewer may perceive as a gap or inconsistency.

Don't be caught off guard by interviewers who ask you to explain your degree in Renaissance Language & Literature or your summer internship with Greenpeace. These are noble pursuits, but be sure you're prepared to convince your interviewer that they're not inconsistent with your interest in investment banking. Remember, it's not that recruiters view off-the-beaten-path experiences as less

valuable than achievements of the buttoned-up, pinstripe variety, but they want to ensure you're really interested in the work and not just dabbling. Investment banks have had far too many new hires jump ship exactly 6 months and 1 day from their start dates (1 day sooner, and the employee would be contractually required to repay his signing bonus and relocation expenses). Don't expect that recruiters will make too great a leap on your behalf; you've got to make it for them.

Rule 3: Remember that investment banks love to be loved, just like the rest of us.

We can't emphasize this point enough. If there's one thing we hear over and over again from recruiters, it's that commitment to a specific bank—not just the industry generally—always influences the choice between two (or more) otherwise comparable candidates. If you're interviewing for corporate finance and M&A jobs while simultaneously exploring opportunities in equity research and fixed-income sales, don't volunteer this information. And we've said it before, but mentioning that you're also interested in management consulting won't win you many points either.

As one recruiter put it, "When people are interviewing all over the place, it makes me think that they don't really want this particular job that badly. If someone tells me that he still doesn't know whether he wants banking or consulting, I have to remind myself not to tell him that I interviewed ten people that morning that had already made up their minds."

Technical Questions

Ostensibly, technical questions probe your familiarity with the fundamental concepts behind valuation, corporate finance, financial market theory, economics, or accounting. Unlike the questions in the other four categories we've discussed, this category represents a virtual grab bag of questions for which your interviewer often (but not always) has a single correct answer in mind.

The specific technical questions that you'll confront will probably reflect not only the particular area for which you are interviewing, but any areas of technical expertise—expressed or implied—that your interviewer expects you've developed. For example, anyone interviewing for a corporate finance or M&A analyst position should expect at least a few basic questions regarding valuation techniques or discounted cash flow analysis, while candidates on the sales and trading side may expect questions on options pricing or bond math. In addition, interviewers may wish to test undergraduates majoring in relevant disciplines on the topics that they've studied: For example, finance students may be asked about portfolio theory, economics students about regression analysis, or accounting students about working capital or deferred taxes. Analyst candidates who have not been exposed to these disciplines in their undergraduate coursework are generally expected to demonstrate an intuitive understanding—rather than a granular level of technical detail—in their responses.

Of course, the bar is significantly higher for MBA-level associate candidates and experienced hires, who should know their finance and accounting concepts backward and forward, and who should come prepared to discuss the technical details of any transaction cited on their resume.

Examples

Examples of technical questions include the following:

- If I gave you \$1 every year between now and 100 years from now, how much would you have—in present value terms—at the end of the 100th year?
- How would you go about calculating a company's free cash flow?
- Define beta.
- If interest rates rise, what happens to bond prices, and why?
- How much would you pay to receive a 15-year bond with a par value of \$1,000 and a 12 percent coupon rate?
- How would you go about valuing XYZ Company?
- If you had \$10,000 to invest in a single stock, which would you choose and why?
- What is the relationship between the income statement and the statement of cash flows?
- What is the Capital Asset Pricing Model?
- Walk me through the steps you would take to calculate the weighted average cost of capital.
- What is the difference between the yield on a bond and the rate of return on a bond?
- I noticed that you completed a substantial project in your finance class on how Gateway Computers could improve its stock price. What did you conclude, and what recommendations did you devise?
- I noticed on your resume that you worked on the AOL–Time Warner merger. How did you value both parties' contribution to the transaction value?

What They Tell Your Interviewer

Here's the bottom line: You will most likely encounter some form of technical question in your investment banking interviews. If that makes you a little bit uneasy, you should know that there are many banking-specific interview prep

books out there that focus exclusively on quantitative and technical questions. If you're so inclined, you can sit down with one of these guides and memorize formulas, financial ratios, pricing models, and valuation methods until your head literally explodes. If you're an art history major and you're studying this stuff for the first time, you may feel pressured to cram 4 years of business education into a few short weeks, in the hopes that you'll dazzle your interviewer with your initiative and intuition. We genuinely believe this would be a waste of your time. If you've never studied finance, chances are you won't be asked about option pricing or weighted average cost of capital calculations. If you did major in finance, accounting, or economics, you may get a "pop quiz" question here or there to test your knowledge, but the interviewer is probably just as concerned with how you respond to pressure as he is with the accuracy of your response. Take comfort in the fact that your interviewer is probably not trying to trip you up, but is instead trying to determine the following:

- For finance, accounting, and economics majors: Did you grasp the material you studied, and can you discuss it in an intelligent way? Are you simply reciting formulas, or do you really understand the underlying concepts?
- For nonquantitative majors: Can you use your common sense, analytical reasoning, and business intuition to walk through a case-style interview question on valuation? Do your answers suggest that you're interested enough in finance to learn some of the basics on your own?
- For MBA candidates with banking experience: Do you know the deals cited on your resume inside and out? Can you answer detailed questions about the financial projections, transaction structure, and valuation behind each transaction?
- For MBA candidates without banking experience: Can you demonstrate a strong enough foundation from your MBA finance and accounting courses to hit the ground running as an associate?
- For all candidates: Can you explain complex concepts clearly and concisely, especially when responding to a question you didn't expect?

Why They Matter

As we've already mentioned, the thoroughness and accuracy of your responses to these questions probably matters a lot less than you'd think—at least if you're vying for an analyst spot. When we spoke to insiders who currently hold investment banking analyst positions, most of them said they confronted significantly fewer technical questions than they expected. Of those who did encounter technical questions, the vast majority had academic backgrounds in finance, accounting, or economics at the time they interviewed. Some analyst insiders even confessed that they completely botched technical questions and still emerged successful at the end of the process. “I remember one of my Super Saturday interviews with a bulge-bracket firm. In one interview, a senior VP was grilling me on my understanding of statistical analysis because I was taking a statistics class in the Economics department that semester. He asked me to define r^2 . In hindsight, I realize he was referring to the correlation coefficient used in regression analysis. But at the time of the interview, we hadn't gotten to that chapter yet, so I hadn't heard the term before. So I actually said, ‘You mean, like the radius?’ I had no idea why he was bringing up a geometry formula when we were talking about statistics. I'm sure he thought I was a complete idiot, but I got the offer anyway.”

While technical expertise certainly matters a great deal to bankers' ultimate career success, very few analyst candidates possess the requisite technical ability at the time that they interview. In fact, bankers almost universally recognize that incoming analysts—even those with undergraduate degrees in finance and accounting—will develop their job-specific technical skills primarily through the firm's formal training program or (to an even greater extent) through continuous on-the-job learning. So unless you're applying for an associate spot with 2 or more years of analyst experience behind you, these types of questions tell the interviewer very little about the technical aptitude that you're likely to demonstrate once on the job.

So if technical aptitude isn't expected of analyst candidates, why do interviewers even bother asking technical questions? Well, as we've said before, a sincere interest in investment banking is perhaps the single most important critical success factor for new hires. Whether they're quizzing the Wharton finance major on how to unlever a beta or guiding the history major through an introductory valuation case question, interviewers have a knack for determining the candidate's level of genuine interest in the job. If a candidate provides a textbook answer but appears to be reading from a cue card as she does so, she won't necessarily advance in the process. Aside from enthusiasm, interviewers pay close attention to how clearly candidates explain relatively complex or obscure topics. Even junior bankers must often explain complicated concepts and processes to junior colleagues or clients who are hearing them for the first time, so your ability to do so comfortably—in a range of circumstances—counts for a lot.

Rules of the Road

Rule 1: Keep your answers short and sweet.

Don't go on and on, regardless of how well you understand the material being covered. Investment banking interviewers will often cut candidates off midsentence once it's apparent they know how to solve a problem. Nonetheless, make sure that your interviewer cuts you off because it's obvious you know your stuff, not because you've bored him to tears. Remember that interviewers can and will ask follow-up questions if they want to know more.

Rule 2: Think concepts, not formulas.

Anyone can recite a formula. The real question is, can you explain to your grandmother—or to the client's CEO—what the concepts mean without sending them into a coma? Even if you're fortunate enough to remember the

formula for the present value of an annuity, you can be sure that your interviewer won't find the formula alone sufficient—she'll want to know whether you understand the underlying logic behind the formula.

Rule 3: If you don't know, say that you don't know.

Don't apologize. Don't offer excuses. And no matter what, don't *ever* pretend you know the answer when you don't. Keep your cool, maintain your sense of humor, and move on.

Hitting the Road: 16 Questions

- Self-Awareness Questions
- Capacity Questions
- Interpersonal Aptitude Questions
- Commitment Questions
- Technical Questions

To help you practice for your investment banking interviews, work through the practice questions in this chapter. For each question, use a blank piece of paper to compose your own answer. Be sure to refer to the rules of the road that we discussed in the last chapter when preparing your answers. We've repeated the rules here for your convenience. When you've finished, you may look to the next chapter for examples of good and bad answers to each.

Bon voyage!

Self-Awareness Questions

Remember the rules for self-awareness questions:

1. Predict, prepare, and practice.
2. Be honest, but emphasize the positive.
3. Keep your audience in mind.

As you prepare for self-awareness questions, ask yourself the following:

- What were the motivations and decision-making processes behind each of the experiences summarized on my resume?
- What personal qualities do I possess that would make me a particularly strong candidate for an investment banking analyst or associate role?
- How would other people (friends, colleagues, classmates) describe me?

- What are my personal and professional weaknesses, limitations, and vulnerabilities, and how might they impede my success in an investment banking role?
- What have been my most significant failures and mistakes? What have I learned from each of them, and how have I applied these lessons to other endeavors?

Question 1

Why did you choose ABC University (or XYZ Business School)?

Question 2

I see that before business school, you worked at Fix My Business Consulting for 3 years. Since consulting firms are so focused on developing their analysts and associates, I'm sure you participated in a fair number of performance reviews during your tenure. What did your last performance review say?

Question 3

Tell me about a time that you had to overcome a weakness to achieve a personal or professional goal.

Capacity Questions

Remember the rules for capacity questions:

1. Be prepared for confrontation.
2. Imply—but don't state directly—that your previous achievements prove that you're highly capable of doing the work.
3. Remember that *capacity* refers to more than just intellectual horsepower.

As you prepare for capacity questions, think of specific instances in which you have demonstrated the following characteristics:

- Exceptionally high performance standards
- Considerable intellectual curiosity, quantitative aptitude, and analytical ability
- Willingness to work extraordinarily long (and often unpredictable) hours
- Willingness to do unglamorous and tedious grunt work
- Abilities to learn quickly and work efficiently
- Consistent attention to details, even under significant time constraints
- Ability to stay calm and productive under pressure
- Capacity for juggling several complex projects (at various stages of development) simultaneously

Question 4

Of the academic and work experiences listed on your resume, I wondered if you could discuss the role that required the most juggling or multitasking of complex projects?

Question 5

Describe a time when something that you worked on—whether in an academic, extracurricular, or professional setting—required considerable personal sacrifice. How did you stay motivated to achieve your goal despite the sacrifices it required?

Interpersonal Aptitude Questions

Remember the rules for interpersonal aptitude questions:

1. Where possible, highlight the team-based components of the pursuits listed on your resume.
2. No bragging, blabbering, or bluffing.
3. Get comfortable, but not too comfortable.

As you prepare for interpersonal questions, think of specific anecdotes or experiences that will help your interviewer assess the following:

- Whether you are extroverted, social, affable, and likely to thrive in a dynamic, team-based environment
- Whether you are likely to be a consistently positive contributor to the teams, especially in high-pressure, time-sensitive situations

- Whether your communication skills will inspire confidence among colleagues and clients (this includes both effective speaking and active listening)
- Whether you take direction and criticism well, that is, without taking things personally and creating conflict (i.e., whether you have a “thick skin”)
- Whether you can successfully navigate intraoffice personality conflicts (especially avoiding them in the first place!)
- Your ability to manage difficult and demanding personalities effectively, particularly when faced with competing priorities from different deal teams

Question 6

Have you ever had to work with someone that you didn’t particularly like or get along with? How did you overcome personality differences to get your job done?

Question 7

I noticed that here at Stanford Business School, you currently serve as the co-president of the student association. I wondered if you could describe your role in this group, focusing on the people management (rather than the project management) component of your job. If I spent some time here on campus and spoke to the students who worked with you in this organization, what would they say that they liked (and perhaps disliked) about working with you? Do you think that you were an effective manager?

Question 8

Have you ever worked on a team that didn’t achieve its objectives? Why do you think the team wasn’t effective?

Commitment Questions

Remember the rules for commitment questions:

1. Know exactly why you want to be an investment banker.
2. Examine your resume and transcript for anything your interviewer might perceive as a gap or inconsistency.
3. Remember that investment banks love to be loved, just like the rest of us.

As you prepare for commitment questions, make sure you've given some thought to the following questions:

- Why am I pursuing a job in this industry; specifically, why am I pursuing a job at this firm, in this specific function?
- How will I walk my interviewer through my resume in a way that suggests a logical progression to a career in investment banking?
- Are my reasons for pursuing the analyst/associate track thoughtful and credible?
- How will this job advance my own personal and professional goals?
- Can I provide a realistic outline of the roles and responsibilities of an analyst/associate? What does an analyst/associate do every day? What is appealing to me about assuming those responsibilities?
- Do I understand the extent to which the profession requires personal sacrifice? How can I convince my interviewer that I have thought this through?
- If I secure an offer at this particular bank, will I accept it? Why? What makes an offer from this bank more appealing than an offer from another?

Question 9

Describe what you think the role of an investment bank is.

Question 10

Why do you want to be an investment banker? Explain how you arrived at the decision to pursue an analyst position in investment banking.

Question 11

So I know why you want to be a banker, but why here specifically? I mean, if we at ABC Bank give you an offer, are you going to accept it over your other offers?

Question 12

Aside from the hours, what do you think you'll like the least about investment banking?

Technical Questions

Remember the rules for technical questions:

1. Keep your answers short and sweet.
2. Think concepts, not formulas.
3. If you don't know, then just say that you don't know.

As you prepare for technical questions, keep the following things in mind:

- **For finance, accounting, and economics majors:** What was the most complex or difficult concept you encountered in your quantitative studies? Would you be able to explain this concept to your grandmother so that she would understand it (or at least so that she wouldn't lapse into a coma)?
- **For nonquantitative majors:** Can you use your common sense, analytical reasoning, and business intuition to walk through a case-style interview question on valuation? If faced with a technical question regarding valuation, what top-line concepts will you draw on to craft an effective answer?
- **For MBA candidates with banking experience:** Do you know the deals cited on your resume inside and out? Can you answer detailed questions about the financial projections, transaction structure, and valuation behind each transaction?
- **For MBA candidates without banking experience:** Have you reviewed your graduate-level finance and accounting courses so that you know the material cold? Can you demonstrate a strong enough foundation from these classes to hit the ground running as an associate?

Question 13

If you had \$10,000 to invest—but you had to invest the money in a single common stock—which company’s stock would you choose, and why?

Question 14

I see on your resume that you worked on the acquisition of Company B by Company A. I wondered if you could tell how the buyer arrived at a value for the seller, and tell us whether you think it was a good deal.

Question 15

So far, we’ve talked a lot about multiples: You’ve mentioned EBITDA multiples in your discussion of the analysis you did at Morgan Stanley, you’ve talked about P/E multiples in your analysis of a common stock. I wondered if you could tell me what a multiple really is—to say that a company is trading at “eight times.” How would I make sense of that? How is that meaningful to you? What does it tell you about the company?

Question 16

If I asked you to tell me what a skyscraper in Manhattan was worth—let’s say the one we’re sitting in right now—how would you go about valuing that skyscraper?

Finding Your Way: 16 Answers

- Self-Awareness Questions
- Capacity Questions
- Interpersonal Aptitude Questions
- Commitment Questions
- Technical Questions

At this point, you've had the opportunity to review a few commonly asked investment banking interview questions in each of the five categories we've described, and we hope you've jotted down a few notes outlining your own responses to each question, along with some anticipated follow-up questions. How would these questions and your answers play out in an actual interview? That depends. A number of factors affect the trajectory of your investment banking interview: the specific recruiting goals of the firm with which you're interviewing; the round of interviews—first, second, or final—in which you are participating; and (perhaps most notably) the professional, academic, and extracurricular experiences you've listed on your resume. Other factors, such as the personality and mood of your interviewer and any interests or experiences you may share with her (perhaps you went to the same high school, or you both played on the Williams basketball team for 4 years straight) often play a significant role in the evolution of the interview.

Obviously, we don't know what your resume or transcript look like, and we don't know what kind of day your interviewer will have had by the time he sits down to speak with you. Nonetheless, the following sample answers are intended to illustrate how a dialogue might evolve between an interviewer and a candidate and how a prospective investment banking recruit might apply our advice from preceding chapters in crafting an effective response to each question.

A quick note on the layout: Each question is followed by at least one example of a bad answer and a good answer. The questions and dialogue between the hypothetical recruiter and candidate appear in normal type; our advice, analysis, and commentary appear in italics.

Self-Awareness Questions

Question 1

Why did you choose ABC University (or XYZ Business School)?

By the end of the interview process, you'll have become quite adept at answering this particular question; it will probably arise in every single interview, in one form or another. Investment banking recruiters invariably focus on the decisions you've made that have led you to this point in your academic or professional career. What factors tend to dominate your decision-making processes? Are your choices consistent with the rest of your "story"? In retrospect, can you honestly assess the decisions you've made?

Bad Answer

Candidate: Because I got in, and it's Harvard.

Even if this is the reason why (and it may very well be—we're not here to judge), you should try to weave a story that implies a thoughtful and deliberate approach to the decision-making process.

Good Answer

Candidate: Well, when I applied to HBS, I obviously wasn't sure whether I'd get in; it's such a tough MBA program to get into, and based on the colleagues and friends who had applied and attended in the past, I knew that the bar was high—I mean, the caliber of applicants is just outstanding. I was genuinely honored to be accepted into the class.

Certainly, I found the same things compelling about the school that anyone else would: its stellar reputation, the strength of the alumni network, its track record

for placement at the best firms. But for me, the class size was a big draw. When I applied to business school, I wasn't exactly sure what I wanted to do professionally once I graduated. It was important to me to be able to meet as many people as I could, who represented professional and career interests that I perhaps hadn't considered. Because each HBS class is relatively large, I knew I'd be exposed to that type of diversity. And I liked the idea of a "small community within a larger community." I talked to a lot of alums and current students before I enrolled, and one thing I kept hearing was that your section and your extracurricular activities provided you with a smaller, tight-knit group of colleagues, even though there are 800 students in each class. I really liked that—as a student, you have all the benefits and resources that come with a large student body, but a real sense of community as well.

Much better—the candidate implies that he's humble (even though we could do without the "am, shucks" approach) and that he's human (of course, he wanted to go to HBS for the same reasons anyone else would). But he goes a step further and explains his process: He knew what he wanted to learn when he went in (diversity of perspectives), and he really did his research before he applied (he talked to other students and alumni to be sure the school would be a good fit).

Good Answer

Candidate: When I was a senior in high school, I applied to six schools. I chose to apply to Berkeley initially because of two things: the strength of its English department—because I knew I wanted to major in English—and the fact that it consistently appeared at the top of the list of the best public universities. When I actually considered my college acceptances, though, and decided which school to attend, I went with my instinct. I narrowed my choices down to Berkeley and Columbia and then visited both campuses. Columbia is a great school, and it definitely offers the excitement of New York and the cache of being in the Ivy League, but I just felt as though I fit in better at Berkeley.

More than anything, I was really overwhelmed by the sense that everyone at Berkeley seemed to really love the school. You could really sense this collective affection for the place that tied everyone together. That was important to me—that sense of community. With any college, there will be times that as a student, you complain about it . . . a bad class, a lazy professor, endless bureaucracy. But at the end of the day, it really matters whether everyone around you loves the University—that sort of attitude is contagious. And I'm glad I made the choice that I did, because it really made my 4 years memorable.

Here, the candidate succinctly outlines her decision of which college to attend. This is a strong answer because it is both honest and informative; this candidate recognizes the importance of intangibles such as cultural fit, and she will likely assign equal importance to these factors when she decides which firm to join. It's also clear that she hasn't made past decisions solely on the league tables, which may resonate with interviewers from smaller, up-and-coming firms.

Interviewer: And you're a double major in Economics and English? Tell me more about your decision to choose these two particular fields of study.

Candidate: Well, when I started college, I had absolutely no idea that I'd major in Economics. But throughout high school, I just loved English. I've always been a person who's really fascinated with language, with the way that nuances in an author's word choice can completely change the message that she is trying to convey. I liked the precision and the detail of studying literature—if you're reading a Eugene O'Neill play, for example, every single word—even in the stage directions—counts. You can't overlook any detail, and I liked that sense of discipline. Because I majored in a very reading-intensive subject, I had to manage my time fairly well. If you major in English, there's just a ton of reading. You could easily have a thousand pages of reading per week, but because your classes are small, discussion-based seminars with a lot of group discussion, you can't afford to cut corners. You need to get it all done and develop a view on everything you read. You also need both a big-picture perspective and an eye for detail—as I

mentioned, you're focusing on a lot of minute details, but you're also continually thinking about how this particular work fits into the historical and social context of the time in which it was written.

This candidate starts off strong in the sense that she manages to convey an important message about herself even discussing something as innocuous and seemingly irrelevant to banking as her major: We already know that she's probably a detail-oriented person (at least her response suggests that), and she's emphasizing that she's capable of doing a lot of work to a high standard in a short period with an eye for both detail and big-picture issues.

The message here? If your major seems unrelated to investment banking, try to highlight ways that it might be more related than the interviewer would think. There are no unimportant questions in banking interviews. Each one offers you the opportunity to convey an important message about yourself.

Our only quibble? About halfway through her response, she trails from the question she was asked. (She was asked why she chose her field of study, not what she learned from it.) Even in self-awareness questions, don't take too many liberties.

Economics, on the other hand, was another story. I took Economics 101 as a freshman in college and came very close to failing the first mid-term. I know for sure that I failed the first quiz. The thing about Economics for those who are studying it for the first time is that it's not only an entirely new language, but an entirely new way of thinking about things. It took a while before it all clicked, but once it did, I found that I really loved it. Economics gives a framework for just about everything—if you really break it down, it's the science of decision-making. I took another class the next semester and then another after that, and before I knew it, I had taken enough classes to declare another major.

Interviewer: So how long did it take before it all “clicked”—what did you get in your introductory Economics class?

Interviewers will often ask for your grades in specific classes (and they may have a copy of your transcript in front of them, so don't fudge your answers).

Candidate: In the end, I got an A. That first midterm was the lowest grade I had ever gotten, and I just wasn't willing to accept that. In retrospect, I guess I just became fiercely determined not to get a C in Economics, no matter how difficult I initially found the material. In that course, your final grade would either be the average of your midterm and final, or just your grade on the comprehensive final (whichever was higher). I knocked myself out between the midterm and the final and got an A.

Again, this candidate proves that every question can provide an opportunity to highlight things about your background that will be highly relevant to a career in banking. Let's remember some of the things that we discussed in the capacity category: high performance standards, ability to learn quickly and work efficiently, and the capacity for continuous learning and improvement. This candidate's anecdote about her near-miss with economics suggests that she has exhibited these three traits in the past.

Interviewer: Well, by looking at your transcript, it seems as though you've done impressive work in your Economics classes. But quite frankly, a lot of these courses look pretty theoretical—I'm not seeing a lot of academic work in finance or accounting. Why do you think we should hire you, as opposed to someone from Wharton with a more quantitative background?

Candidate: I think that the Economics classes that I've taken have represented a balance of theoretical and applied—and even the theoretical classes involved a ton of problem sets and (perhaps more importantly) a thorough understanding of the quantitative theory driving economic decision-making. I actually found the theoretical classes more challenging—in applied classes such as statistics, you really just learn formulae and learn to plug in numbers. In a theoretical Economics classes, you're doing a lot of proofs and a lot of calculus and you



Insider Tip

When an interviewer is confrontational, be respectful but unapologetic. Stand by your academic and professional decisions, and describe your decision-making process.

have to genuinely understand the quantitative relationships driving, say, the shape of an indifference curve.

She's handling the confrontation well—she's probably anticipated that this question would come up, and she's presented a convincing case for how her coursework demonstrates ample quantitative acuity.

It's definitely true that I haven't taken a lot of finance or accounting. I was a double major, so literally half of my classes were in Economics and English. For the remaining credits, I tried to take classes in subjects that I knew I probably wouldn't get to study again. I knew that regardless of which profession I chose after graduation, I'd probably have the chance to take a finance or accounting class, either through an analyst training program or in graduate school or on my own initiative. But I probably wasn't going to have a comparable opportunity to study government with a world-renowned political analyst, or renaissance art with a professor who had taught at the Sorbonne. If I could be an undergrad for a little bit longer, I would have definitely taken those classes, but now that I'm almost done, I'm looking forward to immersing myself in a new discipline after graduation. I've talked to analysts from last year's class, and they've said that the professors who conduct new analyst training are amazing.

Important safety tip: When an interviewer is confrontational, it's a good idea to be respectful but unapologetic. Stand by your academic and professional decisions, and share your decision-making process with your interviewer. Keep in mind, however, many undergraduates fall into the trap of saying things like, "Finance and accounting just aren't that hard to learn. It's not rocket science, and I'll obviously just learn it on the job." Keep in mind that your interview is a finance professional and may very well have studied finance when he was an undergraduate,

so it's best not to dismiss the intellectual rigor required of the discipline. Just emphasize—as this candidate does—that you're looking forward to learning a few new tricks.

Wharton is a fantastic school, and I know that your firm hires a significant number of its graduates every year. Undoubtedly, these candidates have already mastered a lot of finance and accounting and will admittedly pick up a lot of the job faster than I will. Hopefully, I'd be able to learn a lot from my Wharton School analyst classmates. But at least from the research I've done, proven analytical and quantitative skills are only one component of what it takes to be a successful analyst: teamwork, time management, energy, stamina, attention to detail, and so forth. I think I offer all of these qualities, and I genuinely believe that the training program will enable me to get up to speed on the financial toolkit that I'll need to excel in the job.

Question 2

I see that before business school, you worked at Fix My Business Consulting for 3 years. Since consulting firms are so focused on developing their analysts and associates, I'm sure you participated in a fair number of performance reviews during your tenure. What did your last performance review say?

Associate candidates in MBA programs are almost sure to confront questions about their performance reviews in their previous full-time jobs. At the undergraduate level, a likely variation on this question would be, "If I were to call up your summer internship supervisor, what do you think she would tell me about you?" Before your interviews, give some serious thought to what your reviews said and whether your areas of improvement will be red flags to an investment banker. As always, it's best to be honest, but introduce a positive spin wherever you can.

Bad Answers

Candidate 1: It basically said that I just needed to keep doing what I was doing—that I was a real asset to all of my teams and to the firm in general and that they didn't want to lose me. The only real area of improvement was that I tended to work a little bit too hard and that I should try to spend more time out of the office.

This answer doesn't really tell your interviewer anything, other than that you're determined to evade the question. Even if you really were a consulting deity, you should at least be specific and thoughtful about your particular areas of perceived strength.

Candidate 2: In my last review, my manager pointed out that my performance was always exceptional, but they questioned my enthusiasm and my commitment to the job. Candidly, my heart wasn't really in consulting. I didn't like the fact that I never really got to see the results of my work. Once I spent a year on the job, I knew that I'd be better suited to a career in investment banking. I prefer the faster-paced environment, the collaboration and camaraderie with my colleagues, and the transaction-oriented nature of the work.

This candidate is not only evasive, but is using one question as an opportunity to answer another one. In addition, a response like this will leave your interviewer wondering whether you're likely to jump ship after a year of banking. There's nothing wrong with having your sights set on a career change, but address your reasons for pursuing it when you're asked, not when you're asked to describe your last performance review.

Good Answer

Candidate: Let's see. Well, at FMB, performance reviews centered around several different competency areas. There were probably seven or eight competency areas, and I'm not sure that I can remember them all, but the primary areas of focus were insight generation, product creation, teamwork, project management, and client engagement. I was a business analyst, so for me, those areas measured

the quality of my analysis, research, and deliverables, as well as my ability to work with each of my project teams, juggle several simultaneous projects, and interact effectively with clients.

Well done! This candidate outlines exactly which metrics her performance assessments depended on. Even if you can't provide as detailed an overview as this candidate, try to give your interviewer some sense of what constituted exceptional performance at your previous employer, especially if your previous employer wasn't an investment bank.

Candidate: In terms of my last performance review, it said that my strengths were content mastery and work product quality. It also mentioned my strengths in new analyst coaching and mentoring, which I was particularly pleased with.

So far, so good. She's outlined her response in "bullets"—her response is pithy, concise, and lets her interviewer know where she's going. In addition, she starts by discussing her strengths—remember that the question was not, "What constructive criticism did you receive on your last performance review?" Take the opportunity to highlight your strengths as well as your areas of improvement.

Candidate: I was fairly comfortable changing gears and moving from one industry to the next—basically, I could immediately get smart on the company and industry that each new project involved. By the end of each project, I would generally feel as though I was an “expert” in that space, and my team leader would often call on me to share that content expertise with teams on subsequent engagements.

On the product side, my team leaders were typically pleased with the client-readiness of the analysis and written work I produced. I was intensely detail-focused, which I think served me well in consulting. Senior consultants want junior people to focus on the “micro” issues without a lot of guidance so that they could focus on the more strategic, “macro” issues.

Amen! Senior bankers do, too! Attention to detail and self-sufficiency are important “capacity” data points to mention as areas of proven strength.

Interviewer: You mentioned that you were particularly happy with the positive feedback you received on your coaching and mentoring efforts. Tell me more about that.

Candidate: Well, everyone says it, but the learning curve is pretty steep when you go to a top consulting firm right after college, especially if you have little prior experience with the work. There’s just so much new material to learn, and you’re expected to learn it quickly if you want to add value to your client teams. The first couple of months on the job were pretty difficult for me—I was hearing a lot of this material for the first time, and I had never really built an Excel model before or used PowerPoint. During those first couple of months, I felt like I was just trying to keep my head above water. I was always asking questions, and I couldn’t really envision that I’d ever be the person answering them. By the time I was a second year, though (and to an even greater extent during my third year), I had a pretty good sense of what I was doing, and I was asked to do a lot more coaching and mentoring. It was satisfying for two reasons: Being asked to mentor or coach affirmed that I had navigated the learning curve fairly well and could be entrusted with coaching responsibility. Second, I just liked the process of coaching and mentoring. It was satisfying for me to help new consultants through their first year, especially since I could relate to what they were going through.

Remember that particularly for associate candidates, interviewers are looking for people who have demonstrated managerial aptitude and who are likely to be exceptional mentors and coaches. It’s one of the key distinctions between associates and analysts. Associates are expected to manage teams of analysts and provide coaching and mentoring (official and unofficial) when necessary.

Interviewer: Well, it sounds like in the end, you were able to add substantial value to both teams and clients, even if those first few months were a little bit

rough. But in addition to the areas of strength that you described, did your performance review describe any “areas for opportunity”?

Candidate: The big “development area” for me was team leadership—my manager thought that I could be more assertive and proactive sharing my thoughts in internal and external meetings. I think this was a result of those first few months on the job that I described. Because I was trying to find my footing during the first half of my first year, I wouldn’t really speak up in internal client teams and meetings. I was basically trying to learn by observing and absorbing, and also trying not to make some sort of obvious rookie mistake. And then I guess it became difficult to break the pattern; even though I was developing content expertise and getting better at the technical and analytical parts of the job, I had gotten into the habit of not taking as much of an explicit leadership role in team meetings.

Interviewer: That’s understandable to some extent. I can understand how team leadership might come up on your first performance review, but why do you think it came up on your last performance review, after you had been at the company for a few years and developed more technical expertise? What steps did you take to address the feedback the first time you got it? What steps are you taking now?

Investment bankers expect that you’re not only conscious of your development areas, but that you’ll continually work to improve them. If you’ve gotten constructive criticism more than once, be sure that you’re ready to provide a credible reason why and provide evidence that you’re working on it.

Candidate: I think that in any profession, there will be elements of each job that come naturally to some people and not to others. For me, I loved the process of learning about companies and industries that I didn’t know a lot about—I really enjoyed the research component, and I loved all of the interviews that I did with

companies' management. That's probably part of the reason why my performance reviews emphasized my ability to develop real expertise within a given company. On the other hand, team leadership takes a little more effort for me. First of all, I'm the type of person who learns by watching and observing and asking questions—I tend not to speak up proactively unless I'm confident that I can add value. Plus, it's hard to remind yourself to speak up in a consulting scenario when you're an analyst—you're the junior-most person, and your job involves so many details; sometimes, the discussion is so "big picture" that you tend to speak up only when asked.

Interviewer: So going back to my original question, what did you do when you heard that criticism the first time around?

Candidate: First of all, I invested a lot of time in mentoring and coaching. The more you practice explaining things to newcomers who are unfamiliar with the material, the more confident you become in your own mastery of it. The more confident (not to mention less junior) you are, the more self-assured you are when you speak up in meetings. Secondly, I'd spend more time preparing for meetings than I had in the past—in other words, I didn't just show up. I'd think about the work I had done and the topics we were likely to cover and I'd devise a list of talking points that I thought might be valuable. I guess I just decided to be more proactive and less reactive when it came to meetings. I'm still learning, though. Even though it came up again on my last performance review, I still like to think that I developed significantly in that area from my first day on the job to the last.

Interviewer: What about areas for improvement that you perhaps didn't agree with or didn't expect? Did any of those come up on your last performance review?

Candidate: One of the great things about working at FMB was that you got informal feedback fairly regularly, so it wasn't as though anyone could drop a bomb on you and say something really unexpected on your performance review. You

knew as you progressed from one project to the next and worked with more and more people that certain things were going to come up in your review. I'd have to say, though, that I was a little surprised that someone said I should work on my stress management techniques. That was kind of random—I had never gotten that feedback before, and I think I'm fairly good at handling stressful situations.

Interviewer: Why do you think that the issue came up?

Candidate: Well, I guess I wouldn't consider myself an exceptionally laid-back person. The job could be very intense because the quality bar was so high, and sometimes if I'd be really stressed or under a lot of time pressure, I'd sort of go into my little zone. I didn't really pay attention to what was going on around me, or whether other people noticed my stress levels. I would never throw a temper tantrum or anything like that, but I'd just sort of disengage and focus in on whatever needed to get done. Because you work so closely with your team members in consulting, it's hard to contain your stress and not affect team members with any negative energy. So I guess I learned that my definition of handling stress well (which was not to yell or cry or slam things) may not be consistent with what my teams thought. Shutting everyone else out is equally ineffective.

Interviewer: So how did you respond once you got that feedback?

Candidate: After that review, I certainly focused more on how I might be perceived in stressful situations, and how I might manage stress levels more effectively. Because I was only at FMB for a month or so after that review, I didn't really have a chance to apply the feedback in my job, but in retrospect, I'm glad my manager highlighted it for me before I went to business school. We work so closely in groups here, and I would have never known that my natural tendency to tune things out under stress would have had a noticeable and detrimental effect on my study groups. Of course, I still find myself in incredi-

bly stressful situations, but I guess I make a more conscious effort to “act” my way through them. Even if I’m stressed, I try to act as though I’m not by staying not only focused, but engaged with the rest of the group.

This candidate most likely scored big points with her interviewer as a result of this dialogue. First, as we pointed out earlier, she framed her response by giving her interviewer adequate context for what constituted exceptional performance in her last role. Not only did she begin her subsequent response by discussing her strengths rather than her weaknesses, she highlighted areas of professional aptitude that investment banking recruiters prize particularly highly: quality of work product, attention to detail, self-sufficiency, and coaching aptitude. When asked about her professional weaknesses, this candidate provided an answer that was candid, plausible, and diplomatic. Remember, you won’t win any credibility points by insisting that your last performance review included only praise and little constructive criticism. This candidate cites a weakness that’s credible, and one that her interviewer is likely to be sympathetic to rather than critical of: Like junior consultants, junior bankers must always walk a fine line between leadership and deference.

Finally, this interviewee navigates the unexpected criticism question like a star: Whereas this question has been known to elicit sour grapes from even the most composed prospective recruit, this candidate seems to welcome the unexpected criticism as an opportunity to hone her teamwork skills. Do we think that she’s probably still a little bit irked by this criticism? Of course we do, but that’s not the point. Investment bankers love it when junior folk run toward criticism rather than away from it, and this candidate will be well served by both preparing for this query and keeping her audience in mind.

Capacity Questions

Question 3

Of the academic and work experiences listed on your resume, I wondered if you could discuss the role that required the most juggling or multitasking of complex projects.

This is a capacity question, pure and simple. As a junior banker, you'll often be staffed on several different deal teams simultaneously, so well-developed sensibilities regarding time management (and expectations management) will serve you well, as will a knack for effective prioritization. The type of multitasking involved in investment banking also requires a relatively high stress management threshold: Given the inherent unpredictability and intensity of the job, recruiters want to ensure that you're not likely to self-destruct the first time you're faced with an unexpected challenge.

Bad Answer

Candidate: Well, I've always taken the view that it's better to do one thing really well than to do a lot of different things halfway. So in college, for instance, I really focused on my studies rather than trying to spread myself too thin.

While this is a perfectly legitimate point of view, you'd probably be better off being a little less candid with your response. As an analyst or associate, you will be expected to carry a full workload of multiple projects, and you typically won't have the luxury of focusing on one project at the expense of another. By definition, juggling requires you to keep a lot of balls in the air at once; if you drop one, your reputation may not recover.

Good Answer

Candidate: Before business school, I worked for 2 years as an assistant account manager with an advertising firm, which required a lot of multitasking. As an account manager, you're essentially the liaison between the client and the advertising firm. First and foremost, our job was to keep the customer happy with the services that we provided; if the client wasn't happy with our work, we were expected to resolve the issue by going back to the internal team to figure out what went wrong and propose solutions. A lot of that was setting realistic expectations: sitting down with the client at the outset of a product launch, for example, and listening to what they envisioned for the campaign. Then, we'd have to translate that vision into a workable strategy that our team could accommodate. It was always a tricky balance, because you never wanted to say "no" to the client, or they'd think you were inflexible, but you couldn't say "yes" indiscriminately because you needed to be sure that your company had the resources to meet those expectations. The job also required a tremendous capacity for remembering lots of details—you were continuously making promises to clients that you had to keep to sustain and build the relationship. If you overlooked a detail or let something fall through the cracks, you jeopardized the firm's credibility.

This is a nice overview of the account manager's role in an advertising firm, but our candidate is starting to ramble a little bit and is straying from the question asked. You want to give enough context to set up your answer, but keep it succinct. The candidate hasn't yet addressed the specific ways in which his role required juggling or multitasking, which was the question the interviewer posed.

Interviewer: So how did your role involve a lot of juggling?

Candidate: It involved handling numerous individual clients, managing multiple campaigns, and addressing a lot of individual tasks that required completely

different skill sets. I needed to be reactive and proactive, analytical and creative, customer-focused and business-minded.

For example, I might arrive at the office one morning, expecting to devote the first few hours of my day to writing a competitive strategy brief for one of our publishing clients planning a new magazine launch. When I would check my voicemail, though, I'd realize that one of our other clients—one of our consumer products clients, for example—was annoyed because they didn't see the TV spot that was supposed to air the night before. Rather than working on the strategy brief, I'd have to switch gears from analytical mode to customer service mode. I'd call the client back right away to tell them I was looking into the issue. Then, I'd start an internal goose chase to find out what went on. I'd call our media department to find the spot aired. Meanwhile, I would have gotten three other internal voicemails about three other issues that require my attention: One might be a budget issue, for example, and another might involve a deadline that the research team doesn't think it can meet . . .

Whoa, Nelly! He's off and running. You don't need to tell this kid twice to get right to the point. What he lacks in brevity he makes up for in detail, but sometimes your interviewer holds brevity in higher esteem. Don't get flustered if your interviewer cuts you off midsentence. She's got a lot of material to cover in a relatively short period; so once she's satisfied that you've checked one item off her list, she'll want to move immediately to the next one. He's proven that he's done a lot of multitasking, but did he thrive in that environment?

Interviewer: Okay, okay. You've clearly had to do a lot of juggling before. Did you thrive in that sort of environment where you had to constantly react to changing circumstances, or was that an aspect of your job that you didn't particularly like?

Candidate: In general, I liked the uncertainty of the job. I liked that every day was different, and that you never quite knew what was waiting for you when

you walked into the office on a given day. But I did get frustrated from time to time when I had to react to crises that were completely beyond by company's control. A retailer would be disappointed with a particular product's sales, and they'd attribute that to the advertising, when in actuality sales in luxury goods were down everywhere. That used to get to me a little bit, but not the constant juggling. Even though I'd often think that it would be nice to sit down at my desk uninterrupted for an hour and get something done, I'd probably find it really boring to sit for too long concentrating on one thing.

Hmmm, then how bored would you be working on a single Excel spreadsheet for an 8-hour stretch that begins after you've finished your dinner? The candidate gets so caught up in proving that he loves multitasking that he tips his hand a little bit at the end. The lesson here? Don't get too carried away telling the interviewer what you think she wants to hear. Associate candidates should be very adept at multitasking, but it's also probably best not to suggest that you're going to be bored out of your mind staring a spreadsheet for hours at a time. The interview picks up on this and drills down a bit into his answer.

Interviewer: That's interesting. It's obvious to me that you thrive in a pretty fast-paced and unpredictable environment, but if you're accustomed to jumping from one thing to the next all day long, I'm curious how you'd handle working on a complicated analysis that consumed the vast majority of your time. Why don't you tell me about a time that you had to work on a single project for a sustained period of time, perhaps doing a lot of data analysis or number crunching?

This interviewer sure isn't subtle, but then again, investment banking interviews often aren't. Now that she's comfortable with this candidate's multitasking capability, client interfacing skills, customer service ethic, and ability to assume a high degree of client responsibility, she's in hot pursuit of demonstrated quantitative aptitude. Regardless of your academic or work experience, this is an area you can always, always expect to arise in an investment banking interview.

Candidate: I didn't do a lot of number crunching myself in that job, but the position certainly required me to be comfortable drawing conclusions based on market data analysis. When we'd work with a client on a given product, we'd be responsible for reviewing spreadsheets of data and analysis that the company's internal strategic planners would typically provide. The client's marketing strategists would have crunched the numbers and done all of the trend forecasting and market analysis, but we'd have to translate all of that data into practical implications for our advertising strategy. In that sense, it was a good mix of quantitative and qualitative rigor. The quantitative analysis was always interesting to me, though, and through my MBA studies I've become even more fascinated with the idea of using numbers to run a company.

Given the choice between honesty and embellishment, this candidate wisely opts for the former. If possible, he may have decided to switch gears and cite a situation (perhaps during a summer internship or undergraduate course) that required him to do a little bit of numerical slicing and dicing. If he genuinely couldn't point to a relevant example, he's done a good job of taking the "next best thing" approach; the ability to draw conclusions from raw data is certainly a useful skill for an investment banking associate to possess. Depending on the whimsies of this particular interviewer, she may probe his performance in his finance and accounting classes, or she may throw a quantitative question his way to further test his facility with numbers. Either way, he'll certainly confront questions about the reasons behind his career switch as the interview progresses.

Question 4

Describe a time when something that you worked on—in an academic, extracurricular, or professional setting—required considerable personal sacrifice. How did you stay motivated to achieve your goal despite the sacrifices it required?

Another pure capacity question. Investment banking analysts and associates sacrifice a lot in the name of career advancement, and recruiters want to see that candidates have demonstrated similar dedication to other endeavors. If you're an Olympic athlete, this is the time to broadcast your own personal Wheaties commercial and describe how you overcame adversity in the name of achievement. Otherwise, you should highlight other pursuits that prove that you're driven, dedicated, and willing to endure more than a little bit of pain.

Bad Answer

Candidate: To be honest, I've never really had to make huge personal sacrifices because I've always been someone who has valued balance in my life. I'm not saying that I don't work hard—I do whatever it takes to get the job done, but I work quickly and efficiently so that I can live a fulfilling personal life as well. After all, professional advancement is important, but it's not the end-all, be-all. I've always had my priorities in order, so I try not to overcommit myself to one area of my life at the expense of another.

This isn't so much a bad answer as it is a problematic one given the context. It's a bit like saying you're committed to medical school, but you could do without the whole Hippocratic Oath thing. As a job seeker, you're entitled to assign your personal and professional priorities however you see fit. That said, keep your audience in mind. You may very well be speaking to someone who hasn't seen his kid in 3 weeks, partly because he's sitting here, hundreds of miles away from his home and his family in New York, talking to you and your esteemed classmates to ensure that his firm brings in the best and the brightest next year. If he can't have a personal life, you sure as hell can't either.

Good Answer

Candidate: Well, serving as editor-in-chief of the student newspaper certainly comes to mind. I took over as editor-in-chief at the end of my junior year, and ever since, I've made sacrifices in just about every other area of my life. Basically, every Sunday through Thursday night, I'm at the *Student Daily* office from about noon to midnight. This semester, I had to schedule all of my classes for the morning—I'm in class by 8 or 9 every day of the week. That's meant that for my senior year, I've had to miss a lot of classes that I wanted to take because they're not offered in the morning.

Obviously, I've had to skip a lot of social engagements as well: not only things that happen during the week, but on the weekends, too, because I have to catch up on a lot of my coursework on Friday, Saturday, and Sunday. This year, I also had to give up other extracurricular activities that I really enjoyed—I used to be a resident advisor in one of the dorms, I used to play intramural soccer, and I was much more active in my fraternity than I've been this year. And then there's the issue of vacation: Before the academic year had even started, I gave up the last 3 weeks of my summer to return to campus early for planning sessions with my editorial staff, and I missed fall break because I needed the time to catch up on work I had missed during the first half of the semester. So basically, I have no free time for myself. It's a real full-time job—one that I unfortunately don't get paid for.

Let's assess our progress so far: No evenings, no weekends, no time for personal interests, no vacations, and no money. Is this guy ready to be a banker or what?

Interviewer: Wow—you certainly have sacrificed a lot for this position! I'm interested to know how you fit everything in. Could you walk me through a typical day?

Bankers love the “describe a typical day” question and often use it on its own. Your objective is to cram in as much legitimate activity as possible, in order to convey a lifestyle that sounds virtually impossible to maintain. If you typically sleep until noon, catch up on Days of Our Lives, and roll into your 2:00 class before running back to catch General Hospital, we don’t have to tell you that you’ll need to do a bit of creative spin-doctoring to avoid getting the gong right there and then.

Candidate: Sure. On Mondays, for instance, I’ll wake up at around 7:00 or 7:30 a.m. so that I can make my 8:00 a.m. class. I’m in class from 8:00 to 8:50, then from 9:00 to 9:50. (Tuesdays and Thursdays are 8:00 to 9:15, and then 9:30 to 10:45. The good news is that I’m only taking 12 credits this semester, so for better or for worse, I don’t have to spend too much time in class.) But back to Monday: At around 10 a.m. or so, I generally head either to the library or the career center, because it would take up too much time to go all the way home. Between 10:00 and 12 noon, I’ll check e-mail (a lot of which is newspaper-related), and I’ll catch up on a lot of my job search work: reading up on companies that I’m interviewing with, searching the alumni database so that I can contact people at various firms to learn more about their jobs, and basically keeping myself updated on current events. It’s a good thing I’m only interviewing with investment banks, because I can keep my search relatively targeted.

As if this guy weren’t perfect enough, he’s telling us that he’s only interviewing with investment banks and that he’s taking the time to get first-hand accounts of what it’s like to work at each one. Give him a pen and ask him to sign the offer letter! We can’t let this one get away!

Candidate: Okay, so at noon, I’ve got to head to the *Student Daily* office. Luckily, the office is in the same building as the student cafeteria, so on my way in, I grab something to eat and head down to the basement. There aren’t that many people in the office yet, so it’s a good time to get a lot of work done because I don’t have too many crises to deal with or fires to put out.

(Unfortunately, there's a high element of unpredictability with this job: One of your section editors has an emergency and can't come in, a front-page story gets pulled at the last second. You just never know, so it's best to get as much done as you can before people start coming in.) Because I act as the paper's liaison with faculty, administration, and student governments, there's a lot of communication that goes on between me and representatives from these various constituencies. Right now, for example, I'm negotiating a budget issue with the chancellor.

It's almost too good to be true. He already eats at his desk, so we can add that to the list of things that we don't have to teach him. He's both adept at handling a highly unpredictable job, and he's credible enough to negotiate with senior university administrators to get more money? Pinch me!

Candidate: As the afternoon goes on, more and more of the editorial staff comes in. Together, we might discuss page layouts and any last-minute copy that needs to be assigned (or written ourselves). As editors continue to arrive at the office, they're working with their writers to get copy out the door, and then I'm the one who's got to give final sign-off and put all of the pieces together at the end. It can get really frantic because it's so deadline-intensive. Then, it typically goes from very frantic to excruciatingly boring: In those last few hours, I'm poring over pages and pages of copy, fixing mistakes that section editors may have overlooked, and making sure that the paper is error-free in all respects before it prints. By about 11:00 p.m. I'm usually pretty tired, so that last hour or two is brutal.

Frantic to excruciatingly boring? Looking for typos late at night with little sleep under intense time pressure? This candidate has more or less described the analyst experience.

Candidate: There's a Starbucks on my way home from the paper. It's open until midnight, so sometimes I make it in before it closes, and sometimes I

don't. If it's open, I grab a coffee and head home. Between 12 a.m. and 3 a.m., I do my reading and homework for class the next day: that might mean problem sets, papers, or studying for a final. Sometimes I get a good 4 hours of sleep. Sometimes, I have just enough time to shower, change, and go back to class.

We can't believe this guy does this kind of work for nothing. At least investment banks make sure that people can take a car when they've got to shower and go back to the office.

Interviewer: Tell me something: What makes it worth it? Why on earth would you want to give so much up during your last year of college?

We know, we know. Is this an example of the pot calling the kettle black or what? This question has a self-awareness component: Now that the interviewer has established that the candidate is probably more than capable of doing the work, he's trying to get a sense for his motivations and passions. We know the guy can probably do the work, but is he here for the right reasons? More important, does he pass the cubicle test? Can we see ourselves sitting around a conference room table with him, eating Chinese takeout at 10:00 p.m. on a weeknight?

Candidate: Candidly, there are times when I'm not sure why I do it (laughs). When I first got to college, I didn't have any aspirations to run the school paper. The second semester of my freshman year, one of my friends on the newspaper staff was in a bind and asked if I could write a short feature article. Basically, one thing turned into another, and before long, I was a staff writer. I was the features editor during my junior year, and somewhere over the course of that year, I just decided that I was going to run for editor-in-chief.

It's been a steady progression for me—the paper has been the thing that's made my college experience cohesive. There's no question that it's hard work, but it's also a lot of fun. My best friends are on the paper, and we have a great time together. We eat dinner together five nights a week, and they've become a

second family. My favorite part of the job is that every night, you've created a tangible product. It almost wouldn't matter if one day, no one bothered to read it, because you've learned so much during the process of creating it. You've got your finger on the pulse of what's going on in the college community, and you've got this product to immortalize everything that went on that day. It's like having a journal that 12,000 other people read. I guess that's what makes it worth it for me.

He seems to really like the camaraderie at the paper, so he'd probably feel at home in another intense, collaborative environment. But what about his GPA—is he taking really easy classes that he can blow off in order to run the paper?

Interviewer: I'm still not sure how you manage to get all of this done and maintain a 3.6. What do you think is the secret to doing so many things well?

Candidate: Honestly, it's just about rigorous time management and planning in advance. As I said, I've been actively involved in the paper for a few years, so I've known for a while that I'd need to leave my senior year relatively open if I wanted this job. I planned for that by taking heavier course loads the first six semesters. I also came into college with some advanced credit, so that helped. Aside from planning, the key is just being disciplined with my time. If I had more free time, I would probably waste more time. I'd put off writing papers until the last second and spend more time getting together with friends or catching up on my television shows. But because I have no free time, that's not an option. If I have a 10-page paper to write, I have to start working on it when it's assigned, and I have to work on it for 1 hour every night. I don't have the luxury of waiting until the night before it's due. I just have to get it done. The less free time I have, the more productive I am.

We have a winner! I'd hate to be the candidate that comes in next. If that happens to be you, don't worry. We know not everyone has a leadership position like this to discuss, but if you

prepare responses to questions like these in advance, you can be sure to convey a lot of information in a short time. Of course, the interviewer in this scenario will probably follow up with questions about the candidate's commitment to banking (after all, why isn't he pursuing a career in journalism?), but many of the recruiter's capacity concerns have most likely been addressed.

Question 5

Tell me about a time that you had to overcome a weakness to achieve a personal or professional goal.

This is either an easier or more difficult adaptation of the standard "What is your greatest weakness?" question, depending on your perspective. It's a more difficult question for candidates who are determined to whip out the overused "I'm a perfectionist" answer, thinking that it's the only weakness that investment bankers are willing to accept. Why is the question more difficult for these candidates? Because this question almost forces honesty out of you. Even if your greatest weakness really is your insistence on perfection, it would be pretty difficult to cite an example of a situation in which this personality trait seriously threatened your ability to achieve a goal. Why do we actually think this version of the question is a little bit more candidate-friendly? Because you can be relatively honest about your vulnerabilities while demonstrating that you've successfully overcome them in the past. When it comes down to it, that's the issue that self-awareness questions are intended to address. Investment banking recruiters aren't looking for perfect people, but they are looking for people who intend to work hard and learn from their mistakes.

Bad Answers

Take your pick.

- I can't function on fewer than 8 hours of sleep a night.
- I'm easily intimidated and I tend to take things too personally.
- I tend to resent it when people tell me what to do.

- I don't look great in black, navy, or gray.
- Anything else that is fundamentally incompatible with a career in investment banking.
- Mediocre (but clichéd) answers that your interviewer may not believe (whether they're honest or not):
 - I'm a perfectionist.
 - I have trouble saying "no."
 - I have a tendency to overcommit to projects at the expense of my relationships with friends and family.

Good Answer

Candidate: To be honest, I'd say that one thing I've really had to work on has been managing my time without external deadlines.

We know what you're thinking: bad time management? Isn't time management pretty important to the analyst or associate role? Hold your horses—this candidate does a good job of giving a candid answer without making her interviewer break out in hives. Believe us: It can be done!

Candidate: I've never had a problem managing time when I had a lot of specific things to get done: I never missed deadlines in college, for example. I never turned in papers or assignments late, and I always knew the course material by the time I had to take an exam. I've actually always preferred working in deadline-intensive environments. Particularly in college, though, I wasn't very disciplined about managing my time in advance of the deadline. I did a lot of things at the last minute—always to a high standard, but always at the 11th hour. Maybe I liked the adrenaline rush; I always did better under tight time frames, so I became really bad about putting this off until the last minute.

Okay, so she's basically saying that she's a chronic procrastinator. She puts things off and puts things off until she can't put them off anymore, and then she panics at the end but get things done to a high standard (which her 3.7 GPA substantiates). Could procrastination be

a problem in investment banking? Absolutely! But here's the truth of the matter: Any weakness that you name could be a problem in banking, or in any job that you'll have over the course of your career. That's not the point. The point is, do you know yourself well enough to know what your weaknesses are, and have you thought about how they may affect your ability to succeed in a given role?

Candidate: These bad time-management habits presented an interesting challenge during my senior year in college when I decided I wanted to do a thesis project. You don't have to do a thesis at my university to earn your degree, but you do have to write one if you want to participate in the department's Distinguished Majors Program. I really felt strongly about writing a thesis; I wanted to develop a very specific area of expertise, and it was important to me to have a tangible product at the end of my 4 years that I could have a real sense of ownership over.

Lovely! A perfectly legitimate, well-defined goal with solid, credible motivations behind it. Plus, she's mentioned that the thesis project wasn't a degree requirement, so she's probably scored extra points for choosing to do more work than she has to.

Candidate: I knew it was going to be difficult for me to organize my time without any sort of real deadlines. The thesis counted for three credits, but there were no classes, no midterms—nothing other than a deadline looming at the end. Plus, it was my last semester in college—so there were a lot of distractions to keep putting off my thesis work.

Interviewer: So how did you overcome your tendency to procrastinate?

Candidate: I know it sounds obvious, but the first thing I did was choose a topic that really fascinated me. That definitely made time management a little bit easier—I could choose the subject that I was researching and writing about, so I usually looked forward to working on it. If it had been a project that I didn't feel so strongly about, it definitely would have been harder.

Aside from that, I basically created deadlines for myself, even though no one else was creating them for me. At the beginning, I set a schedule that laid out exactly what I had to accomplish each week. That was an accomplishment in and of itself. I had never taken the time to organize a work schedule for myself before—I'm generally too impatient to take that much time planning in advance, so I usually just dive right in without always having a clear idea of where I'm going. I gave a copy of the schedule to my thesis advisor, and I requested biweekly meetings with him. Even though these meetings weren't required, I knew that they would keep me on track. My thesis advisor was a professor that I really respected, and I would have never wanted to waste his time by coming to a meeting with him unprepared.

This candidate proves that you don't have to defer to the hackneyed "I'm a perfectionist" response to create and sustain a favorable picture of yourself. She's candid about her biggest weaknesses, but her answer demonstrates that it's a surmountable one; she anticipated that she might have a problem managing her time from the outset, so she took active steps to ensure that she stayed on track.

Candidate: Finally, I set myself up for success by removing distractions wherever I could. I always used to write papers and study at home, but I knew I'd have a harder time being disciplined if I had to deal with all of the distractions at home. I worked at the law school library instead, where I wasn't as likely to run into people that I'd want to sit and catch up with. I worked on the thesis at the same time every Monday, Wednesday, and Friday—just as though it were a class—so that I'd treat it like any other commitment that I couldn't just skip or put off. I'll admit it was a difficult transition to make. There were definitely weeks that I started to get behind on the schedule, but creating a detailed, written schedule for myself really helped. It was so much easier for me than it was for classmates who ended up cramming all of the work into those last 5 or 6 weeks. Now, I'm considerably better about time management because I've

learned what a huge difference it makes. It's worth the extra time it takes in the beginning to know you're not going to have a heart attack at the end.

Interpersonal Aptitude Questions

Question 6

Have you ever had to work with someone that you didn't particularly like or get along with? How did you overcome personality differences to get your job done?

This is one of the great interpersonal aptitude questions that investment banking interviewers love. One insider endured five consecutive two-on-one meetings in her final round of interviews and encountered this question in every single meeting. There's a good reason this question arises so frequently: There are a lot of high-maintenance personalities in this profession and a lot of potential interpersonal conflict as a result. Be sure that your response to this question highlights your ability to build relationships despite initial differences in personality or perspective.

Bad Answers

Candidate 1: Off the top of my head, I can't think of a time when that's happened. I'm definitely a people person, and I make a real effort to get along with everyone, especially people that I work with. I can't really think of a time that I've had difficulty getting along with anyone in a work context.

Really? Not even someone in an MBA study group? Someone who you had to work with on a college project? The chairman of the senior prom planning committee in high school? Surely, there's got to be someone out there who's gotten under your skin just a little bit. You might think that you'll win points for declaring that no one—not even Dale Carnegie himself—is better at winning friends and influencing people than you are. To the contrary, you'll be better off if you come clean and provide an example of a time where you've had to make a real effort to overcome personality or opinion differences, as long as you can prove that you kept it professional and learned something from the experience.

Candidate 2: Well, I didn't get along with one of the associates that I worked with at my consulting firm. Even though she was very good at her job, I didn't feel as though she was a good manager. She focused way too much on details, whereas I consider myself much more of a "big picture" person. For example, she would really get worked up about page formatting and font sizes and things like that, and I just don't believe that those types of things really add value. Eventually, our manager just stopped putting us on teams with each other, which I think was best considering that she was way more Type A than I was.

As this candidate demonstrates, you can take honesty a bit too far. Not only would you effectively forfeit an offer if you gave this response, you may not even get a taxi ride back to your hotel. We just can't emphasize it enough: Few things are as important to a prospective analyst or associate than a meticulous attention to detail coupled with a well-sharpened ability to assuage demanding personalities. If you think that you'd have trouble doing either on a daily basis, you may seriously wish to rethink your choice of career.

Good Answer

Candidate: I can definitely think of a time when I didn't get along with someone in a work setting. As it happens, I ended up getting along with this individual very well on a personal level once we didn't have to work together so closely.

Provided that you don't take the same approach as the previous candidate, it may be easier to describe someone you didn't like working with rather than someone you didn't like personally. When you're discussing someone you didn't get along with at work, it's a little bit easier to be diplomatic since you can restrict your discussion to differences in work style or management approach. Loose lips can get the best of you when you're discussing someone you just don't like at all. Just remember: Never bad-mouth anyone, especially a previous employer!

Candidate: During my first 6 months with ABC Consulting, I worked with an associate who I considered somewhat difficult to work with. When you're a business analyst at a consulting firm, the associate on each of your client teams is effectively your manager, and it's that individual with whom you work most closely. As I soon figured out, each associate on each client team has their own unique requirements for every deliverable, and their own preferred communication style.

Nice introduction, and it's no coincidence that the situation the candidate describes is highly applicable to banking. Now, we'll see whether or not the candidate can pinpoint the source of friction without bad-mouthing a former colleague.

Candidate: Providing specific, actionable feedback was not this particular associate's strength. When I would submit either written or quantitative analysis for her review, she would often return it to me with entire sections circled and comments that read, "rework this section." No specifics. No details. No idea what particular aspect of the project she wanted me to rework, or what constituted reworking. As a new business analyst, you can imagine that this would have been particularly frustrating. If I had been a more tenured analyst at the time, I may have had a better frame of reference for what I needed to do and how best to do it, but I certainly didn't have that kind of clarity 3 months into the job.

Interviewer: So did you approach her and ask her to provide you with more specific feedback?

Candidate: Yes. When I asked for more specific feedback, it became clear that she expected me to do things exactly the way she would have done them if she were the analyst. To give you a little bit of background, this associate had been one of those “star” analysts who was promoted early. She had been so successful as an analyst that I think she may have had difficulty transitioning into a role with more managerial responsibility.

Interviewer: I can definitely understand your frustration with her feedback, but since she had been a particularly effective analyst—while you were brand new on the job—shouldn’t you have done things the way she advised?

Candidate: Well, I definitely would have tried to produce work according to her expectations if I understood exactly what those expectations were. But as I mentioned before, that was part of the problem: She wasn’t specific enough in her feedback. In addition, I don’t think she recognized that not every analyst approaches the work process exactly the same way. She would usually insist that you do things exactly the way she would have done them, regardless of whether it was the most efficient way for you to get things done in that particular situation. And sometimes, I just didn’t agree with the way she felt the information should be organized in the final deliverables. As the analyst, you’re a lot closer to the underlying data, and so you have a better sense of how it should fit together. I just didn’t feel as though she trusted my judgment, which made it difficult to work with her.

At this point, alarm bells are starting to sound in the interviewer’s head. The candidate started off strong by describing a situation that’s highly relevant to the job for which she’s interviewing, but now the interviewer is concerned about her ability to take direction. At the associate level, she’ll be expected to follow the vice president’s lead on deal teams. (Remember our discussion about the investment banking hierarchy?)

Interviewer: Okay. So you’ve explained how you didn’t completely agree with her management style. But exactly how did that affect your working relationship?

You can disagree with someone's management style but still get along with that person. How did your differences make it difficult to get the job done?

Candidate: We just went back and forth a lot with each other. It wasn't emotional or anything; it was just frustrating. She'd give me a round of comments, and I wouldn't understand them, so I would go into her office and ask her to walk me through her edits. We'd sit down, and after a while, she'd tell me how she thought I could organize the data into the final product. I'd suggest a different way based on my understanding of the information, and she'd stand her ground. It was clear that I wasn't the only one who was frustrated. She was a new associate, and I was a new analyst. I think that was the main problem. Neither of us was comfortable in our new role.

Interviewer: So what did you do? How did you get past all of the frustrations to do what you needed to do for the client?

The interviewer is still trying to probe whether or not the candidate is likely to be a loose cannon on a transaction team.

Candidate: At the end of the day, she was the boss. If I provided solid reasons for my approach and she disagreed, I just had to live with that. It was her name going on the final document, and she was senior to me. I didn't love working with her, but in the end, it was a lot easier to just do what I was told.

Nice recovery. Exceptional junior bankers consistently demonstrate good judgment: They know when to speak up and when to keep quiet and get the job done. You never want to give the interviewer the impression that you inherently resent authority, or (even worse) and that you've had trouble managing upward in other situations.

Interviewer: Did you ever have to work with her again?

Candidate: She wasn't on any of my teams for another year. In the interim, we got along great on a personal level. The next time we worked together, she had

more managerial experience under her belt, and I was a more senior analyst. I had a better sense of what I was doing, and she had more confidence in my ability because I had developed a track record for producing quality work. Our next project together went a lot more smoothly. And we're still good friends; we've actually kept in touch since I left ABC.

The candidate ties this up nicely; not only does she understand why the friction occurred initially, but her responses confirm that she didn't allow professional differences to become personal ones. Remember, banking is a relationship business. When you respond to interpersonal aptitude questions, it's always best to present yourself as someone who builds relationships, rather than someone who's likely to burn bridges.

Question 7

I noticed that here at Stanford Business School, you currently serve as the co-president of the student association. I wondered if you could describe your role in this group, focusing on the people management (rather than the project management) component of your job. If I spent some time here on campus and spoke to students who worked with you in this organization, what would they say that they liked (and perhaps disliked) about working with you? Do you think that you were an effective manager?

This question is a hybrid between an interpersonal aptitude question and a self-awareness question. As we mentioned earlier in the guide, interviewers often ask associate candidates to describe and assess their own managerial style. If a candidate's response suggests that he's either a rigid taskmaster or a spineless pushover, then the interviewer will probably question his ability to assume an effective managerial role on a deal team. Unlike their analyst counterparts, associate candidates must demonstrate the ability to manage both upward and downward; in your responses, be sure to present yourself as someone who can effectively give—as well as receive—direction, guidance, and both positive and negative feedback.

Bad Answers

Candidate 1: Well, I think I would characterize my position as more of a leadership role than a managerial position. I was elected by my peers into the co-president spot, and as an elected student leader, I oversee eight committee heads who plan and execute various student initiatives. They're really the "managers" of the organization, whereas the co-presidents are really responsible for setting the overall vision of the association, speaking at various student events, and basically representing the business school. That said, I think the student association members would say that I'm a very effective leader. As an organization, we've been very successful so far achieving all of the objectives that we set for ourselves at the beginning of the academic year.

It's unclear whether this candidate's distinction between leadership and management is intended to be self-congratulatory or self-deprecating. In either case, this response is ineffective. This candidate doesn't provide any insight into how he motivates and inspires people to be productive; in fact, he doesn't even really answer the question of how the association members would describe him. His answer is so general and evasive that it almost undermines the value of an otherwise impressive extracurricular achievement.

Candidate 2: If you spoke to any Student Association members, I'm pretty sure they would tell you that I'm a very effective manager. As a manager, my first priority is to recognize that I'm working with extremely competent people. My management style is very straightforward: I tell the committee chairs what needs to be done, and then I basically get out of their way. I don't believe in micromanaging people.

This candidate obviously doesn't believe in providing a detailed response to the question asked, either. We've said it before, and we'll say it again; pay attention to the question that the interviewer has posed. In this case, the candidate was asked both to characterize his management style and assess whether his colleagues would consider it effective. Also, you should be

vary of coming across as too hands-off; if you're interviewing for an associate spot, you'll be entrusted with supervisory responsibilities over the analysts on each of your teams. As such, it's important to come across as a manager who's truly invested in the success of his junior colleagues.

Good Answer

Candidate: Well first, let me give you a little bit of background about the organization. The Student Association (or SA) is the business school's student government. Students serve as officers, senators, and committee members on the SA. Basically, the SA is organized around various committees that focus on different areas of the business school experience: For example, there's an academic committee that focuses on interaction between professors and students, as well as an alumni committee, social committee, and so on. In total, there are eight committees, each with its own committee co-chairs and student representation. Basically, my job as co-chair is to oversee the committee chairs, ensuring that the association as a whole addresses students' needs.

Unlike the first two candidates, this associate hopeful gives a brief overview of the organization to give the interviewer some context. In addition, it's clear that this is a high-profile leadership position within her business school community. In a recruiting context, student leaders are basically the number-one draft picks of the investment banking universe. If you've assumed a meaningful leadership role on campus, don't minimize its importance! Understating your accomplishments won't win you any points here.

Candidate: I think if you spoke to the committee chairs that I'm currently working with, they would probably say that one of my strengths is my team-building capability. So far, I think I've been able to create and maintain a team dynamic in an organization that had previously been perceived as highly fragmented—each committee chair basically did its own thing and provided valuable services to students, but there was very little collaboration among the various committees. When I took over as co-president, one of my goals was to

create an environment where people were motivated by a strong sense of affiliation, not just with their individual committee, but with the association. Aside from introducing a team-oriented culture, I've also made a real effort to be very approachable regardless of my own schedule or workload—I don't think any of my committee chairs would say that they don't feel that they could ask questions or look for guidance on the projects they're working on.

These two managerial strengths—team-building and approachability—are certainly valuable ones to highlight. Still, we might suggest that the candidate substantiate her claims with specific examples. For instance, how did she go about encouraging collaboration among the various committee leaders? When you're preparing for interviews by considering how you'd respond to questions like these, make sure you're armed with specific details that will convince the interviewer that you're not all talk. Your interviewer may be satisfied with your general overview, or he may just as easily probe for more detail—don't let him call your credibility into question by coming to the interview unprepared.

Interviewer: Okay, that's what you think they would say about your managerial strengths. What do you think they would suggest you improve about your approach? In other words, if I asked your committee chairs for some constructive feedback, what do you think that they would say?

This is an important point to remember: No interviewer is going to let you off the hook without asking you to come clean on your managerial shortcomings.

Candidate: I think that some of the committee chairs think that I'm not always specific enough when I provide my input on an event or initiative. When we're discussing an alumni dinner, for example, I'll provide the alumni committee chairs with very clear expectations about what the end result should look like: the theme of the event, the types of student-alumni interaction we're trying to achieve, the number of people that attend the event, and so on. But because my co-chair and I are overseeing eight different committees, my

perspective necessarily has to be big-picture. I don't go into too much detail about the specifics of each event with each co-chair: how to recruit volunteers for the event, what the invitations should look like, that sort of thing. I leave it to them. I trust their judgment to make any event-specific decisions and resolve any committee-level issues that come up.

But some people really want more guidance than that, and I think they sometimes become frustrated that I give them so much latitude and don't always give them enough specific feedback. I think they'd say I needed to work on developing a more detailed understanding of the particular issues that each committee faces so that I'm better prepared to give the committee chairs actionable advice if they need it.

This response is effective because it's both credible and trainable. Remember, you can be honest about your shortcomings as long as you demonstrate both an awareness of your development areas and a commitment to continuous improvement (provided, of course, that the underlying "development area" doesn't suggest that you'd self-destruct if you actually got the job).

Interviewer: It sounds as though you have a sort of "anything goes" approach to management—unless they ask for help, you pretty much get out of people's way and are pretty hands off. Are there times where you've had to really roll up your sleeves and pitch in so that a committee chair could accomplish a particular task?

Keep this in mind: Although you should certainly highlight any leadership experience you bring to the table, you don't want to give the impression that you consider yourself too important to do the truly unglamorous work behind the scenes. Interviewers definitely look for evidence of leadership potential in associate candidates, but a willingness to slog through the trenches of Excel models and pitchbooks will be equally important.

Candidate: Oh, absolutely. I get involved in the nitty-gritty details all the time. For example, the career management committee (which acts as an intermediary

between students and our career management office) recently planned to offer a “mock interview day” here on campus. Because it’s been such a tough year for recruiting, the career committee wanted to give students a chance to practice their interview skills in advance of the recruiting season. They collaborated with the alumni committee and contacted alumni at companies that regularly recruit here, asking if they could take a day to come out and conduct on-campus mock interviews with current students. This was a great idea, and one that students were incredibly enthusiastic about, but the logistics were a little bit difficult to execute. Basically, the project team underestimated the time it would take to secure participants, and 3 weeks before the event, we still didn’t have enough mock interviewers to accommodate student demand. So I came in over the weekend with the rest of the project team and started making phone calls—hundreds and hundreds of phone calls targeted to the alumni most willing to participate in the event. Those types of things just happen sometimes, and I try to help out wherever I can.

Good answer! Notice how much more effective this candidate’s response is as a result of the example she provides. She’s probably resolved any lingering doubt the interviewer may have about her ability to advance a collective effort as both a manager and an individual contributor. As this dialogue illustrates, it’s not enough to simply assert your strength in a given area. When you’re preparing for your interviews, think of specific instances in which you’ve demonstrated those strengths in your professional, personal, or extracurricular pursuits.

Question 8

Have you ever worked on a team that didn't achieve its objectives? Why do you think the team wasn't effective?

While you may be asked to regale your interviewer with stories of your stunning team successes, keep in mind that you're equally likely to confront questions about your involvement in ineffective teams. As with any interpersonal question, your interviewer will be on the lookout for a strong teamwork orientation; as with any question that requires an honest assessment of your strengths and weaknesses, your interviewer will also be on the lookout for honesty, humility, and a willingness to learn from mistakes.

Bad Answers

Candidate 1: You know, I've really never worked on a team that didn't accomplish exactly what it set out to do. I'm an excellent team player, and I also have exceptionally high performance standards. If one of my teammates is having trouble, then I step in and pick up the slack.

There are a number of problems with this answer. First of all, if you've never once worked on a dysfunctional team before, then chances are you haven't worked on a lot of teams. Second, let's review the advice we provided earlier in the guide. It's better to admit your mistakes (individual or collective) and use them to demonstrate your maturity, humility, and willingness to learn, rather than to deny them outright. In addition, simply stating that you're an excellent team player with high performance standards really doesn't tell the interviewer anything, other than you know enough about investment banking (or the world in general, for that matter) to know that teamwork and high standards are generally perceived as good things. Specific examples—as opposed to sweeping generalities—are more likely to convince your interviewer that you're competent in a given area.

Candidate 2: Definitely. In one of my economics classes last semester, we had to work in teams of four students to complete a semester-long group project.

The other three people in my group were total slackers. They didn't pull their weight, and I ended up doing the majority of the research and writing. One of the other team members insisted that he should give the presentation at the end, and he was a terrible public speaker. So we ended up getting a B-minus on the project, and my final grade in the class suffered as a result. In fact, you'll notice that this particular Economics class is the lowest grade on my transcript, and it's solely because of that team project.

Here's a good rule of thumb: When you're discussing team or group activities, it's always a good idea to attribute successes to the team, rather than taking individual credit for a collaborative effort. On the other hand, you should claim some level of individual accountability for situations in which one of your teams fell short, even if you truly believe that you put forth your very best individual effort. As we've said before, investment banking is a team-based enterprise. True team players tend to attribute successes to the entire team, even when they've done the majority of the work; on the flip side, they tend not to assign responsibility to other team members when things don't go their way.

Good Answer

Candidate: Well, I can think of one example in particular from my recent summer internship. Over the summer, I worked for a market research firm, with a team of three full-time associates. While we worked on our various analyses individually, the market research teams worked on broader initiatives that would benefit the department as a whole. In other words, these quarterly team initiatives were internal projects and not projects for the client.

When you're answering these types of questions, the specific examples that you cite aren't nearly as important as your ability to communicate a strong team orientation. In other words, don't feel as though you'll be expected to describe the time you worked on the Coalition to End World Hunger for your response to be valuable. A situation as straightforward as the one that follows says a lot about the candidate's approach to a team-based project.

Candidate: At the beginning of the summer, my team sat down to discuss the team initiative for that particular quarter. We decided that we would update the company profile database. By way of background, the internal company profile database was literally a giant Excel spreadsheet with profiles of both client companies and their chief competitors. The database enabled market research analysts to do their job relatively quickly; when they needed a company profile, they didn't have to go to each company's website and look up its business profile, annual revenue, number of employees, and so forth—the database provided all of this information at their fingertips.

This was actually a relatively straightforward team project. There were 800 companies in the database. We had to divide the 800 companies among the four of us, so each of us had about 200 companies to update. This sounds like a lot to do, but we had 3 months to complete the work. Two hundred divided by 12 weeks is fewer than 17 companies per week, divided by 5 days is fewer than four companies per day. The updates were not difficult to do; literally, all you had to do was look up the company's website, check the information, and plug the new numbers into the spreadsheet. If you had actually done three or four profiles a day, it would have taken no more than a half an hour per day, if that. It was a no-brainer team initiative.

Check out that unprompted series of calculations! This kid can divide like nobody's business!

Interviewer: So what happened? Where did the team run into trouble?

Candidate: Basically, we came up with this team initiative, and then we went about our daily routine. I divided up the companies alphabetically and gave each team member the range of companies they were to do—for example, one person had all of the companies from Abbott Labs to General Motors and so forth. We set a deadline of August 1st, and everyone was supposed to have the updates done by then. Well, August 1st came around, and I looked at the

spreadsheet, and maybe one quarter of the updates had been done. We had already told the department heads that we'd distribute the new spreadsheet by August 5th, which was coincidentally the last day of my summer internship.

Interviewer: What do you think went wrong?

Candidate: I think there were a number of problems. First, we didn't communicate frequently enough throughout the project; in retrospect, I think we should have set interim deadlines for the project. Someone on the team should have checked in with the other three members every 2 weeks or so to assess our overall progress. Second, there were no real consequences if we didn't get the project done. I mean, we had told our manager that we would have it done by a certain date, and she would have been disappointed if we hadn't completed the project, but it's not like anyone's annual bonus was on the line or anything. Because this was an "extracurricular" project, the team wasn't really motivated to get the work done, even though the work wasn't difficult. Our manager had always told us to prioritize client work over internal work, so when things got really busy, no one wanted to be bothered with an internal administrative project. So basically, there were three problems: insufficient communication, no accountability, and no motivation—all because none of us gave the project top priority. That's why we didn't get the project done.

This candidate conveys two important messages in her response. First of all, she has clearly given some thought to what went wrong; she makes astute observations about the specific factors that contributed to the team's missed deadline, which suggests that she really has learned something from the experience. Second, she doesn't blame anyone else for the botched team initiative. Remember, there's no "I" in team . . .

Interviewer: So what did you personally do? I know you said that all of this happened during the final week of your internship?

Candidate: Well, I thought about just finishing the project alone, but then I realized there was just no way I could complete 600 updates by myself in such a short period. One of the team members was already on vacation, so that left three of us. Two hundred updates apiece over four workdays, which meant 50 per person per day—that’s a lot more than the three per day we had initially planned on. My last few days at that company involved a few late nights, that’s for sure. We ordered a lot of pizza that week, but we got it done.

Here, the candidate implies (without explicitly stating) that she’s the type of person who will roll up her sleeves and pitch in when work needs to be done. She doesn’t say it outright, but it’s clear that she could have completed her internship, returned to campus, and let the full-timers worry about the initiative. But her response suggests that she felt personally invested in the team’s success. Major bonus points!

Interviewer: If you could go back and do the project over, what would you personally do differently? Has this changed your idea of the role you should play on the teams you’re a part of?

Candidate: Looking back, I should have taken the initiative, volunteered to be the coordinator for the project, and assumed responsibility for communicating and enforcing deadlines with the rest of the team. At the time, though, I was an intern, and all of the other team members were full-time market researchers. I didn’t feel comfortable taking charge of the project, especially since it was my first or second week on the job. I think that would have been awkward. In hindsight, though, I could have gone to our manager and asked her what she thought about officially assigning me responsibility for the team initiative. That way, she could have framed the project to the team as one of my learning initiatives, so there would have been no awkwardness. I would have been the single person in charge of the project’s success, so that probably would have addressed the accountability issue. Plus, my team members would have probably been more motivated because they were a genuinely supportive group of

people who wanted me to learn a lot through the internship; they would have wanted to help me out, so they'd probably have been a little bit more motivated to meet the deadlines I set.

By the end, the candidate leaves little doubt that she'd be a valuable contributor in a team environment. Again, it's clear she's given some serious thought to what went wrong, and she doesn't shy away from taking personal responsibility for the team's blunder. Not only does she demonstrate that she's learned from the experience, but she gives a credible reason for why she didn't take on more accountability in the first place. Consider this candidate's answer compared to the first sample answer outlined above. Which candidate would you rather hire: the one who insists that all of her team endeavors have been successful, or the one who's candid about her mistakes and can prove that she's learned from them?

Commitment Questions

Question 9

Describe what you think the role of an investment bank is.

Undergraduate analyst candidates—especially those with little evidence of prior exposure to financial concepts—are more likely than MBA candidates to address this question. That said, it’s an important one to get right. Not only should you know what an investment bank does, but you should know the differences among its various functions. You should make clear, for example, that you know the difference between investment banking, sales and trading, equity research, and asset management—at the very least, make sure you know the specific position for which you are interviewing.

Bad Answer

Candidate: Basically, investment banks are the dealmakers of the financial world. When you think of the “deal of the year,” or that big IPO or merger on the front page of the *Wall Street Journal*, there were investment bankers behind that. Investment banks are the biggest securities firms in the world; they buy and sell stocks and bonds, write research on companies for investors, and provide corporate finance services.

*There are two primary problems with this answer. First, the question asks what the role of the bank is. To say that banks are out “doing deals” doesn’t really explain the advisory services that they provide. In his enthusiasm to secure a job where he’ll be the analyst on the deal of the year, the candidate gives a pretty vague, starry-eyed answer about IPOs and the *Wall Street Journal*. Second, the candidate gives away that he does not fully understand the distinction between investment banking, sales and trading, and equity research. These*

functions may reside under the same roof, but they are altogether separate jobs with different client bases, daily routines, and job descriptions. This question is about the specific role of the investment banking function within those large, global financial services and securities firms.

On this last point, we should take a moment to emphasize how the various arms of a global securities firm differ in their job descriptions. Sales and trading professionals, generally speaking, are in the business of working with institutional investors (their clients) to buy, sell, and trade public debt and equity securities. They are market makers for the public financial markets. The sales force explains to clients why they should buy newly issued securities underwritten by their firm, while traders serve as intermediaries who can help public market investors trade in and out of investments over time (for a nominal trading commission). Contrast this role with equity research analysts, who provide independent analysis of publicly traded companies that includes a forecast for a company's future stock price and, thus, a recommendation to investors as to whether the stock looks like a good buy today. Investment bankers play an altogether different role, and their clients are the companies themselves.

Mediocre Answer

Candidate: Well, investment banks are the CEO's closest financial advisor. They advise on topics like M&A or IPO opportunities and are the ones who execute their clients' largest, most important deals. A bank is basically a consulting firm that specializes in finance, and their job is to know everything there is to know about mergers and financings so that they can step in when a transaction arises.

Nothing about this answer is wrong, per se, but it's a bit big picture and doesn't delve into the actual service provided by the bank. This answer implies that investment banks are financial think tanks that wait for the phone to ring and then opine with CEOs on weighty matters in the world of high finance. While CEOs do turn to their bankers for advice on big deals, and while investment banks are surely hired largely for their expertise on mergers and financings, this answer is a bit thin on the actual role or service that banks provide in such transactions.

Good Answer

Candidate: As I understand it, an investment bank works with companies to structure transactions that will enhance their value. This may include accessing the capital markets in order to fund growth or expand operations or investing in another company through a merger or acquisition. I think the value that investment banks provide their clients is twofold. First, they function as intermediaries between their clients (who need capital) and the financial markets (who wish to invest capital). So in a way, investment banks are relationship-builders. Second, and perhaps more important, the investment bankers provide invaluable advisory services by structuring the transaction in a manner that best meets the unique needs of its clients. Banks are not only the matchmaker between the parties involved in a transaction, they are largely the architects of the deal itself. So if I'm a client who wants to raise money, I would look to my investment banker not only to introduce me to investors but also to design a transaction structure that best meets my objectives.

Interviewer: I agree with all that. So what's your role within the investment bank? What do you expect to be doing day-to-day?

Obviously, you should tailor your response to the specific position—analyst or associate—for which you are interviewing. Your answer should convince the interviewer that you have both realistic expectations for the job, as well as an infectious enthusiasm for the work you'll be doing.

Candidate: Well, after I completed the analyst training program, I expect I'd be assigned to one or more transaction teams within my group. On each of those teams, I would work most closely with the associate on deal generation and execution. I'd be responsible for collecting and analyzing company- and industry-specific data relevant to the transactions I was working on and for building detailed Excel models that forecast the company's financials in a range of different financing scenarios. If I were fortunate enough to work on live

transactions (as opposed to just “pitches” for new deals), I would probably sit in on organizational meetings and conference calls, where the team would discuss the strategy and the timeline driving the deal. I’d also hope to participate in meetings with the company to understand their business model and strategize on the structure and timing of the transaction with the company’s management. It’s this part of the job that I’m most looking forward to—really understanding the company’s strategy and growth objectives, creating financial models for a transaction that meets their needs, and then “selling” both the company’s story and the merits of the transaction to potential investors.

Remember, you have two objectives when you’re answering this type of question: You’ve got to convey realistic job expectations that prove that you’ve done your industry homework, and you need to communicate a genuine enthusiasm for the role. This candidate weaves the two together here. He knows what the analyst role entails, and he’s identified the components of the job he finds most compelling.

Candidate: I’d probably also be expected to pay close attention to all of the documentation involved with the deal (such as the prospectus and any internal or external memos). As the junior-most team member, I’d probably be responsible for a lot of the nuts and bolts of the deal: creating and editing client presentations (under the supervision of associates), for example, and coordinating the flow of information internally and externally among a lot of different people (such as lawyers, accountants, and the other investment banks involved in the transaction).

This level of detail is just icing on the cake: Without prior banking experience, you probably wouldn’t be expected to know any of it, but as long as you’re not wildly off base, it doesn’t hurt to demonstrate that you’re interested enough in the job to have learned a lot about its specific responsibilities. In particular, this candidate makes it clear he doesn’t have any ill-founded delusions of grandeur regarding his likely role on the deal team. He knows that he won’t be high on the investment banking food chain, and he’s probably scored points for that.

Question 10

Why do you want to be an investment banker? Explain how you arrived at the decision to pursue an analyst position in investment banking.

If you only have enough time to prepare your response to one question outlined in this entire guide, please make sure it's this one. We'd be very surprised if you didn't hear it in just about every interview (in fact, we'd be inclined to think that you showed up at the wrong place if you didn't). One of the most popular variations of this question is, "Why don't you take a moment to briefly walk me through your resume and tell me how you arrived at the decision to pursue an investment banking career." As always, be sure to answer the question asked. If you're not asked to walk your interviewer through your resume, then you probably should dive right into your reasons for pursuing an analyst or associate spot.

Bad Answers

Candidate 1: You know, I've always been interested in learning more about the business world, and what better place to learn about business than on Wall Street? I've always been fascinated by the world of finance, and I think that my dynamic personality would really serve me well in such a fast-paced, high-pressure environment. I decided to pursue investment banking jobs because I'm looking for a career where the learning curve is steep, with lots of opportunities for personal and professional growth. Also, I'm hoping to start my own business one day, and I really want to learn about how the world's leading companies run their businesses. In particular, I'm really interested in learning about mergers, acquisitions, and the international aspects of business.

Here's the problem: This answer is honest, enthusiastic, and well-intentioned, but it's so incredibly general. Remember: This question is one of the most important litmus tests of how serious you really are. Use it as an opportunity to demonstrate that you genuinely understand the role of an investment bank, the interrelationships among its various functions, and the specific requirements of the particular job for which you are interviewing. Your answer should demonstrate not

only that you've given some serious thought to why you want to be a banker, but also how your past experiences—professional, personal, and academic—have prepared you to thrive in this unique professional environment.

Candidate 2: Well, throughout most of my college career, I figured I would go to law school after graduation. But after I talked to a lot of my college friends who were in law school (or who had just graduated), I realized that while a lot of them loved law school, few of them actually enjoyed practicing law. I didn't want to spend 3 years in law school only to enter one of the most overpopulated professions—not to mention a profession with one of the highest rates of career dissatisfaction—unless I was really sure that I wanted to go. So I decided that I'd postpone the application decision for 2 years or so. That way, I can gain a few years of work experience and decide during that time whether law school is for me. Or maybe I'll decide to go to business school instead. In either event, I'll have the opportunity to save a little bit of money in the process and figure out what I want to do next. I figure that if I had gone to law school, I would have worked really long hours as a law school student. In fact, I know that I'm going to work hard at whatever job I decide to take for the next 2 years, so I might as well work hard at a firm where I'll be assured a top-notch learning experience.

If this answer actually is swirling around in your head, we need to level with you: You're not alone. Every single investment bank will hire analysts with exactly this career path in mind: 2 years as an analyst, back to law school, and on with an exciting career in law armed with a prestigious first job on Wall Street, more than a little business acumen and some cold hard cash picked up along the way. But this is the interview stage, and you'd be better off keeping this little agenda to yourself until after you get the job.

Let's take a step back and review our advice from the first half of this guide. While there are many solid, credible reasons for pursuing investment banking analyst positions, that doesn't mean that there aren't just as many illegitimate reasons for doing so. Untenable responses to this question include those suggesting that you somehow stumbled across banking

and thought you'd give it a shot, responses that frame the analyst experience as a stepping-stone to bigger and better things, and answers that reference the amount of money that you're likely to make if you land a banking job. This candidate mentions all three. Additionally, his response is vague and noncommittal, so he won't win any points for being enthusiastic, interested, or focused on the industry. He doesn't seem to have a clear idea of what he'd hope to get out of an analyst program. And believe it or not, there's more: It's never a good idea to advertise that you see the analyst program as a 2-year commitment only. Although it's true that banks expect a fair amount of attrition after analysts' second year, you never want to make it sound as though you've checked out before you've even checked in! The interviewer has probably given him a mental "ding" already and has now turned his attention to what he'd like for lunch.

Good Answer

Candidate: Well, I think there are a lot of desirable things about this job, but I've focused primarily on three things. First, and perhaps most important, I want a job where I'm going to learn a ton. Everyone I know in this profession has emphasized that the learning curve is essentially vertical and that after 2 years analysts have earned a fantastic education on corporate finance, valuation, the capital markets, and business strategy. Whether I am fortunate enough to have the opportunity to make my entire career in banking, or even if I eventually pursue a career elsewhere in industry, I know that 2 years as an analyst will provide an outstanding foundation. Second, I want a job where I'm going to work with extremely bright, motivated people. I have always thrived in situations where my co-workers, classmates or friends have challenged me to perform at my highest level, and I expect that I'll learn as much from my colleagues at an investment bank as I will from the day-to-day analytical demands of the job. Finally, I want a job where I'll be able to take a great deal of responsibility right off the bat. I don't mind working extremely hard if I know that I'm making a significant, valuable contribution to a project that is of critical importance to one of our clients. From everything I've heard about

banking, analysts are part of two- or three-person teams who essentially run the deal from start to finish. With that few people handling that much responsibility, I know I'll be in a position where I'll be given as much responsibility as I demonstrate I can handle, and that really excites me.

In the course of this answer, this analyst has identified not only three great reasons to join this profession, but also a number of personal qualities likely to endear himself to the interviewer and to his future senior colleagues at the bank. He demonstrates true humility in his desire to learn and his recognition that his colleagues will be smarter and more experienced than he. Yet he also demonstrates the ambition and hunger that characterize the very best analysts.

On his fourth consecutive all-nighter, Red Bull and Mountain Dew coursing through his veins, this analyst will be thinking not only about his desperate need for some sleep but also about the importance of this upcoming presentation and about the potential payoff of working on a live transaction of critical importance to the client. We're not kidding—all of that is conveyed in the answer above.

That said, a number of recruiting professionals shared with us that while there are right and wrong answers to this famous question, it isn't just about spitting out a robotic "right answer" that you've memorized and rehearsed. At its core, you need passion, hunger, and determination to be a good analyst; these should all come out in your interview, and particularly when you answer this question. So whatever you say in response to this question, this is one situation where you will be expected to look your interviewer in the eye and speak from the heart. Even if your response is completely different (e.g., "I am absolutely passionate about learning how the markets value companies," or "I want to spend the rest of my career helping companies execute transactions that will improve shareholder value"), it needs to be an honest assessment of why you're ready to jump into this demanding, challenging, and often-rewarding profession.

Now, just in case you gave the exact answer above, it would also behoove you to prepare for this little curveball . . .

Interviewer: Those are all good reasons, but you can get all of those things from a management consulting position, or even a career within a company. What is it about banking specifically that appeals to you?

Candidate: Hmm . . . well, let me take those separately. I imagine you can get many of the same experiences above in consulting, but I understand that consultants tend to be more generalists in their interactions with clients, analyzing big-picture strategic questions or very specific operational or IT-related challenges. While I'm interested in business strategy, fundamentally, I do want to work in finance, and I want to acquire a serious toolkit for financial analysis. I don't want to emerge from 2 years as a consultant with only a cursory understanding of how to analyze financial statements, or how companies are valued. And while I suppose a career in the finance arm of a company in industry could provide such skills, my understanding is that the learning curve is just much steeper in banking.

Good answer. Remember our point earlier that bankers (bless their hearts) tend to have big egos. Ergo, finance = good, while consulting = bad. Also note the things this analyst didn't mention, such as the money you can make on Wall Street, the desire not to travel as much as consultants, and so on. This follow-up answer dovetails perfectly with the initial response to the question.

Interviewer: So in addition to that analytical toolkit, what specific things do you think you'll take away from the program?

Candidate: I think the next 2 or 3 years will allow me to fulfill very specific personal and professional goals. While in the process of learning how to analyze and value companies, I think a great side-benefit would be a unique and first-hand exposure to the capital markets. My understanding is that when bankers work on debt or equity offerings, they learn a great deal about what drives the financial markets, and that's something of real interest to me. In

addition, I imagine the group I end up joining within the investment banking division will shape my learning experience. If I were in an industry group, I would probably learn a lot about different strategies and business models within that sector. Or, if I end up in a product group like mergers and acquisitions, I would probably get a first-hand education in some of the negotiating and deal structuring skills involved in completing a deal. Finally, while I have no grand expectations of flying on jets with CEOs, I do think it would be personally rewarding and fascinating to work closely with the senior management of your clients on occasion. I think it would contribute to my own professional maturity and development to have to speak intelligently with a senior executive on the technical aspects of the deal we're working on together. I imagine that once you've done that, it would be big boost to your self-confidence—nothing much would scare you after that!

Again, remember that it's about more than just the candidate's particular reasons for pursuing this career that make him stand out: the specificity, sincerity, and the well-informed job expectations driving his response collectively make this an A+ answer.

We probably don't have to tell you this, but we don't recommend that you simply memorize the "good" answer outlined here. There should be more than a kernel of truth and sincerity behind your answer; the bigger the kernel, the more convincing you'll be. If you can bolster the credibility of your answer by personalizing it with the specific experiences that sparked your interest in the first place, so much the better. There are lots of good reasons for wanting a career in the industry; don't feel compelled to limit your response to the ideas we've included in our sample answer.

Question 11

So I know why you want to be a banker, but why here specifically? I mean, if we at ABC Bank give you an offer, are you going to accept it over your other offers?

This may be the toughest question out there. It's tough for a number of reasons. First of all, it's fundamentally unfair. It's a catch-22: We'll give you an offer, but only if you promise to accept it. Second, you probably don't know enough about what makes one firm different from another to make an accurate assessment. And even if you actually know that you desperately want to work for ABC Bank and have a great reason for making them your favorite, you can't tell that to the other six firms you interview.

But it's also an understandable question. Let's say ABC Bank is in the bottom half of all the recent league tables and has never in its history successfully hired an analyst who also got an offer from Goldman Sachs or Morgan Stanley. ABC Bank still needs to hire three or four analysts from your school, and they can't just give dozens of offers in hopes that a few souls will fall through the cracks. And by the way, ABC Bank knows that they can offer analysts a great working experience, and that former ABC analysts are now CEOs, hedge fund managers, and multimillionaire managing directors at ABC with houses in the Hamptons. They have every right to know what analyst candidates actually want to work there and are therefore likely to accept an offer if one is extended.

You need two strategies to get through this question unscathed. First, try to do the research to come up with an answer that's actually believable for every firm. Do your homework, read articles about league tables, and talk to current analysts at different banks. Remember, as a wise person once said, "The key is sincerity—if you can fake that, the rest is easy." Second, if you actually don't want to work for ABC Bank, but you don't yet have an offer from your first-, second-, or third-choice banks, then try to create a believable diversion. Create points of differentiation. Let's look at these answers to show you what we mean—we've actually included several examples of plausible good responses to this question.

Bad Answer

Candidate 1: Well, honestly, I know I want to be an investment banker, for all the reasons we just finished discussing in your last question. And at this point in my job search, I haven't gotten any other banking offers yet. So obviously I would consider yours very strongly. I mean, after all, you're a great firm, and my friend Chip who you hired last year is having a great experience.

This is another of those candid, honest, sincere answers that won't get you anywhere. Would you want to give someone an offer if every other bank has passed her over? Of course not—you're just as smart and selective as every other bank! If they saw something they didn't like about this candidate, obviously I'm too smart to take the bait. Next, this answer doesn't do anything for the interviewer's ego. The interviewer may work at ABC Bank, but he still considers himself a real stud, because after all, he works on Wall Street on multimillion-dollar deals and he has a really great bachelor pad on the Upper East Side.

Candidate 2: Yes, I'll definitely accept an offer with ABC. I have offers with Lehman and Merrill, but honestly I didn't like the people as much as the ABC people I've met. The ABC people just seem really friendly and down-to-earth, whereas some of the people I met at other firms—I honestly can't imagine working with for 100-hour weeks! Also, my offers at Lehman and Merrill are both in industry groups, and I don't want to work only on one industry; I'd much rather work in a product group, so that I could gain experience across a number of different industry sectors.

There are two problems with this answer, which could very well represent an honest assessment of where this candidate stands vis-à-vis ABC Bank. First, although every bank invariably thinks that its people collectively represent a superior brand of banking professional, you should never highlight that there are some people you've met whom you didn't like! Every banker knows colleagues at their firm who are tough on junior people, and don't want signs that an analyst candidate has already met bankers with whom they would clash when the

going gets tough. Although every firm cites “The People” as the number-one thing that attracted them to their particular bank, it’s not a good enough answer to this question.

Second, although we give some points to this candidate for trying to pick a relevant point of differentiation between ABC Bank and his opportunity to join Lehman or Merrill, the fact is that these days, most of the available job offers are in industry groups. It may be that this interviewer works in an industry group himself and thinks it’s the only way to go. If you honestly want to work in a product group, you can probably put a more positive spin on it than “I don’t want to work on only one industry,” which suggests you might bore easily.

Good Answers

For an Investment Banking Job at a Large Commercial Bank

Candidate: Well, I would obviously be honored to get an offer from ABC Bank, and I would be very inclined to accept it. For one thing, I know that ABC Bank benefits from the full product offering it offers as one of the largest commercial banks. The analysts I’ve talked to at ABC Bank have told me that more and more, clients are awarding investment banking business based on their ability to bundle commercial banking services that have historically been unattractive to pure-play investment banks, who can’t lend money from their own balance sheet as aggressively as ABC Bank can. The ability to be a one-stop shop in this regard will probably enable ABC Bank to gain market share in M&A and equity underwriting over time, which in turn makes it a pretty exciting place to grow professionally for a junior banker.

Do your homework and figure out which banks really offer this point of differentiation—you don’t want to try this one when interviewing with Goldman Sachs or Morgan Stanley! But since the wave of consolidation that swept through the financial services sector in the mid-1990s, this is one of the few genuine points of differentiation between the traditional investment banking powerhouses and their aggressive competitors that are affiliated with the world’s leading commercial banks. Also, we think the interviewer will give the candidate

kudos for ambition and for the ego-friendly theme that he would see ABC Bank as a place to dig in his heels and carve out an entire career beyond the 2-year analyst commitment.

For a Firm that Isn't Top of the League Tables, but Is Gaining Ground

Candidate: Yes, I would be thrilled to get an offer from ABC Bank, and I would absolutely accept it. My understanding is that the firm has real momentum right now, and that you've been steadily climbing in the league tables. Didn't you jump to like fourth in equity underwriting last year?

Note to candidate—get this right, or don't try it at all!

Candidate: It's my understanding that in banking, business tends to be contagious, and that the more deals a firm does, the more likely they are to win new business as a result. I think deals like the recent \$10 billion acquisition of SmallCo by BigCo that ABC advised on will generate enthusiasm among other potential clients in the widget industry, while also signifying what a force ABC Bank has become in the M&A business. I want to join a firm that's moving forward, and gaining share versus its competitors, because that's the kind of place that could really offer me opportunity going forward if I get in and prove myself at the analyst level.

Have you ever wondered how different firms pitch themselves when they know they're competing for a big equity or M&A mandate against five or six other firms? While every firm tries to cut the league tables to show that it actually is the number one firm in this industry for this specific product, often firms have to get creative. More often than not, firms will use an argument like this with clients: Instead of acknowledging outright that they aren't number one or even number three in the league tables, they'll say, "Our firm has real momentum right now, we are climbing in all the relevant league tables, our own stock price is up X percent this year, and we recently advised on all these important offerings. . . ." The implication? Don't choose the firm of yesterday—go with the bank of tomorrow! You need to do your homework to actually be credible spinning this answer in an interview, but we think this could be a very

effective approach. Like the first good answer we presented above, this answer also demonstrates the analyst's humble but fervent ambition to get in the door, do a good job, and rise up the ranks.

For Your First-Choice Firm

Candidate: I will absolutely accept this job if I get an offer. I'm obviously ready to roll up my sleeves and work extremely hard, and I know that I'll be working on a fair number of pitchbooks and client service presentations no matter what bank I choose. But I'd be lying if I didn't admit I hope to work on live deals, and ABC Bank's reputation is unparalleled. My understanding from my former classmates now at ABC Bank is that the firm's ability to point to their leading market share and history of relevant transaction experience is a huge selling point when pitching for new business. I have friends at other firms who say they have lost numerous pitches to ABC Bank, always for the same reasons. From the firm's initial presentations on campus to all of my interviews, I've been extremely impressed by the people I've met from ABC Bank and I strongly believe that I would fit in there. And I know from my friends at ABC Bank that the firm gives analysts the opportunity to step up and take on a great deal of responsibility if the analyst can prove him- or herself as being reliable, hard-working, and effective in the trenches. I would love to get that shot.

This is pretty self-explanatory, and we probably don't need to script an answer for you for your first-choice bank in any case. But just saying "because you're the best" would have been a little bit arrogant, implying the candidate thinks he's too good for anything but the best. This candidate gives the real reason why being atop the league tables matters: It ultimately helps generate more business, which is good for analysts seeking live deal experience. Also, this is a great chance to shamelessly (but indirectly!) praise your interviewers by saying you really like the people you've met at ABC Bank and believe you'd fit in there. They'll ultimately make that decision for you, but a little plug doesn't hurt. And you may be sensing a theme with how we end this sample answer—once again, sell, sell, sell. I recognize you're the best, but if you

hire me I won't spend time wallowing in my glee over working for ABC Bank—I'm going to dig in and make you glad you gave me the chance. Be humble and ambitious, no matter who you're interviewing with.

You probably note that in every single "Good Answer" above, the candidate utters some version of the words, "Yes I will absolutely accept this job offer if I get it." There is clearly a moral issue here, and we are not advising that you say this if you don't mean it. But consider the alternative. Nobody wants to be told, "Well, I mean, I'd consider it, but I don't know if I would accept it. . . ." There's no good way to spin that, considering the egos involved.

Question 12

Aside from the hours, what do you think you'll like the least about investment banking?

A tougher variation of the infamous weakness question, this is a juicy hybrid between a self-awareness question and a commitment question. (Another nuance to this question: What concerns you most about this job?) Both versions test whether you are self-aware enough to know where your vulnerabilities lie, but also whether you understand what a banker does every day well enough to determine where you're likely to run into trouble if you get the job. Of course, the interviewer has already taken away the most obvious answer, and the one to which your audience would likely be most sympathetic.

Bad Answers

Candidate 1: You know, I really think the hours are the main thing. That's what everyone says. But I think even the hours are pretty manageable because I'm used to not getting sleep. For instance, when I was training for the marathon . . .

Stop! A frequently mentioned interviewer pet peeve involves a candidate who answers a question other than the one being asked, especially when she does so purposefully to dodge the more difficult query that was initially posed. There are plenty of difficult things about being a

banker to choose from other than the hours, and you should have a sense of what they are in advance of your interview.

Candidate 2: Well, I think I'll find it frustrating that the career path is so structured and inflexible. In other words, I don't think you should necessarily have to do 2 years as an analyst, then go back to business school, then do 3 or 4 years as an associate before you're promoted to vice president and so forth. Because I'm such a quick learner, I tend to prefer environments where you can rise up the corporate ladder as quickly as your talent allows. But I really want to do deals, so I'm prepared to do whatever it takes.

Let's remember our many discussions on humility, as well our emphasis on tailoring your answers to the specific audience that you're addressing. We've said it before, but it's worth repeating: There are few things more repugnant to a mid- to senior-level banker than an overconfident 22-year-old who hasn't even gotten the job yet. Your interviewer has probably paid her dues, and the last thing she wants to hear is that you don't really think you'll necessarily need to. Make sure your answer conveys realistic job expectations as well as a humble willingness to learn from your investment banking elders.

Good Answer

Candidate: Aside from the hours—which I don't think anyone learns to really like—I think that one of the most difficult things about the analyst job is the need to invest a significant amount of time on work products that may not ever be read. Specifically, I don't think that pitchbooks will ever be my absolute favorite part of the job. I know these documents are of critical importance as they are crucial to the bank's marketing efforts and new deal generation. In fact, I think that I would actually really enjoy the actual analysis involved—the valuations, comparable company analyses, industry analyses—but for me, I think I'd become frustrated after I spent hours and hours on a pitchbook, scrutinizing each page, plowing through all of the analysis, going back and forth with WP all night long, just to have the company's management flip through it (and that's if they even open it), or

only get to page 3. I've also heard from former classmates currently working as analysts that I won't always get to attend the actual pitch. I'd probably find that frustrating. On top of that, there will be many times when we don't win the pitch, which would probably be demoralizing when it happens. I know that it's just the way the job works, but that's what I'd find the most frustrating. In general, the thing that appeals to me most about investment banking is the opportunity to work with companies' management on important transactions. When you're working on a lot of pitches, you don't always have that opportunity.

Fair enough! This candidate clearly knows what the analyst job involves—she's talking the talk, so her credibility soars. She has no delusions of rubbing elbows with the CEO—she clearly understands that her job will involve a lot of thankless grunt work, and she seems to have accepted it as part of the job. The best thing about this answer? She's completely candid—she doesn't try to put too positive a spin on something that fundamentally sucks. The other best thing? Anyone in their right mind would probably be frustrated if they spent one or more all-nighters on a work product that no one ever read. But of course, it wouldn't be a banking interview if we weren't at least a little bit confrontational . . .

Interviewer: So you're basically saying that you'd get tired of the work if there was no glamorous, exciting payoff?

Candidate: I wouldn't get tired of it as long as I was learning a ton. I actually think I'd really like the financial analysis involved. I want to learn about valuation and the ways in which companies accomplish their corporate finance objectives. I'd just find it frustrating not to be able to see the whole process from start to finish; in other words, if I had worked all night on this pitch, I'd be frustrated that I often wouldn't be able to accompany the MD to the actual presentation.

She's got her story and now she's sticking to it! If we had to quibble with her answer, we may suggest that she frame her response in terms of a team effort; that is, she might think about acknowledging that while the brunt of the pitchbook heavy lifting falls on the shoulders of the analyst, the process of winning business is fundamentally a team effort.

Interviewer: So basically, you'd find it frustrating at the end when you couldn't see the results of your work, but you'd still do a consistently good job because you'd be intellectually challenged by the work?

Whenever an interviewer summarizes on your behalf, be careful; generally, he's going to try to summarize whatever you said and throw it back to you in a way that you didn't expect.

Candidate: I'd say that's a fair assessment, yes.

Interviewer: OK, so why don't you walk me through what you think is involved in creating a pitchbook.

If you're inclined to pepper your responses with "banker speak" to prove you know what you're talking about, go ahead, but be sure you get it right. Interviewers have a knack for smelling blood in the water when they suspect candidates of trying to sound like experts without really knowing what they're talking about.

Candidate: Well, I would imagine a presentation pitchbook includes company-specific information highlighting the company's financial information (in particular the financing need being addressed in the meeting), our perspective on what's happening in the markets, and an overview of our credentials—why ABC Bank is the right bank for the business.

Interviewer: So what you've said is that you need to be intellectually stimulated to be productive. What exactly is it about valuation comps and pitchbook credential pages that would sustain your interest after you've completed six straight pitches without winning a mandate for a live deal?

Candidate: Fundamentally, what excites me about this job is the opportunity to learn a lot, even if there is a lot of grunt work involved. I imagine that even in if we lose six straight pitches, I'll have learned a great deal along the way about what's going on in the markets, how companies are valued, and how ABC Bank structures corporate finance solutions for its clients. I'm sure I'm

not the only analyst who wants to do deals, but I imagine if I finish 2 years as an analyst without working on a live deal, I'll still have learned a ton from the experience.

Keep in mind that your ability to win your interviewer's endorsement doesn't rely on whether or not you've mastered the investment banking lexicon. Your ability to convey your sincere enthusiasm for the job, fundamental interest in corporate finance, and insatiable appetite for hard work will score you far more points. In your responses, try to strike a balance between healthy ambition and realistic expectations for the hours of thankless grunt work that lie ahead.

Technical Questions

Question 13

If you had \$10,000 to invest—but you had to invest the money in a single common stock—which company’s stock would you choose, and why?

While equity research analysts and equity sales professionals recommend specific stocks on a daily basis, professionals in other areas of the bank—including corporate finance and M&A—do not. Nonetheless, recruiters report that this question helps them evaluate candidates on a number of criteria: the candidate’s general level of interest in the financial markets, grasp of basic valuation concepts, and ability to speak intelligently on fundamental investing principles. MBA associate candidates in particular will be expected to have a pretty good answer for this question.

Bad Answers

Candidate 1: Probably Microsoft—they’re just completely dominant. Can you seriously imagine every business in the country switching to a new operating system? Bill Gates is the richest man in the world for a reason: huge barriers to entry. The company has a complete monopoly on software that no one could ever hope to replicate. They totally don’t seem to be hurt by all of the lawsuits either, and in any case they have something like \$100 billion in cash on the books for a rainy day. I wish I had gotten in on that company from the beginning.

It’s not necessarily the company you choose, but the rationale and detail that substantiate your answer. In this case, Microsoft may be a perfectly legitimate investment choice, but the candidate’s reasoning is almost wholly qualitative, and general and anecdotal at that. This

candidate doesn't know the first thing about how Microsoft is valued today, and this will be painfully obvious to the interviewer.

Candidate 2: I would never invest \$10,000 in a single common stock today. Maybe someday, when I'm a managing director at this firm and I have \$10,000 to just throw around, maybe then I would. The key to successful investing is diversification! I would take the \$10,000 and invest in a collection of mutual funds—you can't put all of your eggs in one basket. Right now, I don't have the time to do the research necessary to get comfortable with just one stock.

This candidate takes the approach of candor. She demonstrates that she understands a bit about personal investing and isn't a gambler. While diversification is an important investing principle, this candidate has chosen the wrong opportunity to demonstrate her mastery of the concept. Though you may certainly acknowledge that single-stock investing may not be your preferred strategy, don't evade the question that the interviewer asks. You can always lead with this, but then answer the question.

Good Answer

Candidate: Well, I must admit that I don't have a lot of practice choosing single stocks to invest in. I'm still a novice investor, and so far, I've stuck with a diversified portfolio of mutual funds that limit my risk exposure and provide a decent return. But if I were fortunate enough to have \$10,000 to invest in one company, I would choose Target Corporation.

Here, the candidate takes a moment to acknowledge that single-stock investing is not an area of expertise for the everyday investor. But by mentioning his own investing experience, he demonstrates a basic level of interest in (and experience with) the fundamentals of investing and the tradeoff between risk and return. He also offers an answer at the very beginning, providing the interviewer an opportunity to shape the dialogue.

Interviewer: Fine. Why Target?

Candidate: Well, you hear a lot about Wal-Mart, and it is a great company. But as I see it, Target has largely the same business model but comes at a lower valuation. But let's start at the beginning: First thing's first, I like the business. I believe Wal-Mart and Target will continue to succeed because they offer the customer a significant price savings on both everyday goods and smaller-ticket consumer luxuries. I think specialty, niche retailers may be able to succeed selling at a higher price point, but for the basics, I think the customer will continue to gravitate toward the savings. Wal-Mart and Target have a sustainable competitive advantage over smaller retailers and grocers through sheer scale; they're able to procure their inventory at a significant discount to competitors and can pass much of this directly onto the consumer. This will translate into earnings growth potential; I see the existing stores gaining market share and new stores opening up across the country—and perhaps internationally, although I'm *not* that close to their business model.

Interviewer: Let's say that your assumptions about growth prospects are fairly accurate. You mentioned valuation—how do you put a value on that growth?

Candidate: Well, first I would look at where Target trades today, relative to Wal-Mart as well as the market as a whole. Target's trading at 20x trailing earnings today versus Wal-Mart at 24x. So on actual, "in the bag" earnings, Target trades at more than a 15 percent discount to Wal-Mart today. But getting back to growth, and looking forward, Target's trading at 16x forward earnings, versus Wal-Mart at 19x to 20x forward earnings—again, at a 20 percent discount. Moreover, Target is actually projected to grow *faster* than Wal-Mart: 15 percent annual growth over the next 5 years, versus 14 percent for Wal-Mart and 10 to 11 percent for the S&P 500. So when you asked about valuing growth, you can look at the P/E multiples relative to the growth rate—the PEG ratio—and see that Target's trading at just over 1x its expected growth rate, versus Wal-Mart at 1.4x and the S&P at 1.6x. So, for that money, you're getting growth at a good price.

Interviewer: Warren Buffett has made a career of that. What else would you consider before investing your money, other than the price/earnings multiple and the growth rate, and the basic company strategy?

Candidate: Well, I would look at the company's management.

Interviewer: What about management? As a small investor, how can you accurately assess whether Target's management is effective?

Candidate: Well, one measure would be the extent to which the company has consistently hit its earnings estimates. I imagine Wall Street research analysts base their earnings estimates on their discussions with top management at the companies they cover; if management isn't realistic about the sustainability of its business plan or its future growth prospects, or if management doesn't make effective decisions, it's not likely to meet its quarterly earnings. If there had been a lot of change in the executive ranks recently, or if the company announced that significant leadership changes were imminent, I might be concerned about management's ability to meet estimates. To be totally honest, I don't know how Target's done relative to its earnings projections. If they've underperformed, I guess that could be one reason they're trading at a discount to Wal-Mart. If I actually had \$10,000 to invest, I'd probably want to look into that!

This candidate has clearly taken the time to develop a well-researched, well-articulated investment thesis for a single stock. Our guess is that you may never have thought in any great detail about PEG ratios, or where any one company traded versus the S&P 500. But as you consider how to prepare for interviews, keep in mind that after all, this is Wall Street. Think about how much better this candidate sounds (if a bit too bookish) than the loosey-goosey would-be Microsoft buyer above. There are numerous free financial and investing websites out there offering all the quantitative and qualitative information you'd need to develop a viewpoint on any publicly traded stock. Regardless of your background, you can certainly learn enough to be dangerous in an interview (and by dangerous, we mean armed with actual

valuation metrics and numbers to back up your great stock picking idea). As a general rule, when confronted with quantitative questions, try to ground your response in numbers and analysis, and let the qualitative data add in color around the edges.

Question 14

I see on your resume that you worked on the acquisition of Company B by Company A. I wondered if you could tell how the buyer arrived at a value for the seller, and tell us whether you think it was a good deal.

Associate candidates who have worked as analysts before business school—as well as analyst candidates with relevant summer analyst experience—can count on facing detailed questions about the transactions they’ve listed on their resume. There are two critical points to keep in mind with deal-specific questions: First, know every single transaction listed on your resume inside and out, forward and backward. It sounds obvious, but our insiders tell us that they’re consistently shocked by the number of candidates who can’t provide a reasonably articulate summary of the analysis for which they were directly responsible. Second, if you’re asked a quantitative question, be sure to provide an answer firmly grounded in the quantitative analysis. You can always fill in with qualitative color if you’re asked, but be sure that your response indicates a fundamental analytical understanding of the relevant concepts.

Bad Answer

Candidate: As advisors to the seller, we ran a broad auction process and advised potential buyers that the purchase price would need to be at least \$1 billion to be competitive. The winning bid came in at \$1.1 billion. The buyer was clearly happy with the price, because it enabled it to prevail in a hotly contested sale process and buy a fantastic company with an excellent management team that would further extend the buyer’s leading position in its industry. And while the buyer paid a full price for the target, the deal was still going to be accretive due to considerable synergies with the buyer. Of course, the seller

was happy because the purchase price of \$1.1 billion represented a full 10 percent over the price they would have accepted for the divestiture.

Fundamentally, this question is about valuation. The interviewer asked the candidate how the buyer came up with its purchase price, a quantitative question that requires a thoughtful and quantitative response. The candidate's answer could be summed up as follows: "They won the auction, so it must have been a good deal." Given the candidate's answer, the interviewer has no idea what this purchase price represents as a multiple of the sales, profitability, or cash flow of the target, let alone how these multiples compare to other relevant transactions in the industry. The qualitative commentary about the strong target management team and buyer's leading industry position are no substitute for quantitative analysis. Analysts and associates don't win points for drawing big-picture conclusions about the financials. Nobody wants a CEO-in-training running the numbers in a cubicle at 3 a.m.

Mediocre Answer

Candidate: In this transaction, Company A was the prevailing bidder in a broad auction process. Company A paid \$1.1 billion, which translates into roughly 8x EBITDA. Most of the transactions in this industry had been done at 7x to 9x EBITDA, so I think 8x was a pretty reasonable price. In addition, the buyer expected to achieve approximately \$25 million in cost savings, which effectively lowered the price to more like 7x EBITDA. The buyer was a public company trading at 7.5x EBITDA, and so it expected that this deal would be significantly accretive once the cost savings came through in a year or so.

On its face, this answer seems pretty competent—it's certainly more thoughtful and more quantitative than the response outlined in the previous example. The candidate frames the acquisition in terms of its purchase price multiples, attempts to quantify the projected synergies, and alludes to the potential accretion from the deal based on the acquirer's public market valuation. However, the candidate could have scored higher marks in two key respects: First, he begins and ends his valuation analysis with the familiar EBITDA multiple. Our

industry insiders point to this as one of the great failings of interview candidates. EBITDA is used widely as a rough proxy for operating cash flow, but it is not the be-all and end-all of financial analysis. At a minimum, interviewers like candidates to discuss why EBITDA multiples are a relevant metric in the first place, and in particular, whether they truly are a good substitute for cash flow for the business in question. Even better would have been a discussion of what multiples really convey (i.e., the stability and growth potential of one company's EBITDA relative to another's). Second, as we mentioned earlier, this question requires a quantitative response. While this candidate alludes to specific numbers, he paints with a pretty broad brush. Phrases like "roughly eight times," "more like seven times," "significantly accretive," and "in a year or so" all convey a loose grasp of the numbers and are unlikely to impress an interviewer.

Remember: If this deal was on your resume, you'll be expected to know it inside and out. Don't be afraid to point out that \$1.1 billion represented 8.5x EBITDA, the pro forma multiple after synergies would be 7.1x EBITDA, and that the deal would be accretive to earnings in the next fiscal year.

Good Answer

Candidate: Well, Company A valued the seller based on a multiple of EBITDA, which in this case was a pretty good proxy for cash flow as neither the buyer nor the target had significant ongoing capital expenditure requirements. Also, the buyer was a public company whose comparable universe tended to trade within a pretty tight range of 6.5x to 7.5x EBITDA, and it expected that Wall Street would look at the EBITDA multiple paid when assessing the likely accretion or dilution from the transaction. The buyer paid \$1.1 billion for the target's \$130 million of EBITDA—a multiple of exactly 8.5x. On the surface, this looked like a full price—indeed, the buyer won out in a hotly contested auction against several other strategic buyers. However, Company A's management knew it could eliminate \$25 million of redundant overhead costs in the first year, having exhibited a successful track record of doing just that in previous acquisitions. On a pro

forma basis for the \$155 million of adjusted EBITDA, the purchase price is a more modest 7.1x.

I liked the deal for two reasons. First, based on the numbers I just outlined, management convinced the Street (and me) that the deal would be accretive to earnings in the next fiscal year. However, even if the synergies take longer to materialize, I think the 8.5x EBITDA unadjusted valuation would still be justified based on the strong growth prospects for the target. After all, Company B is growing at 10 to 15 percent per year, more than double the rate of the larger public comparables like Company A. This growth rate justifies a higher valuation multiple; you're paying today for stronger earnings tomorrow. Between the strong growth and the "in-the-bag" synergies, I think the deal made a lot of sense for the buyer.

This candidate demonstrates a detailed knowledge of the numbers behind the transaction—as she should, given that she listed it on her resume—and effectively answers the two original questions: “How did the buyer value the target,” and “Do you think it was a good deal?” Compare her strong grasp of the numbers to the first two respondents. Whom would you rather hire to run your model and then explain it to the client’s CEO?

Question 15

So far, we've talked a lot about multiples: You've mentioned EBITDA multiples in your discussion of the analysis you did at Morgan Stanley, you've talked about P/E multiples in your analysis of a common stock. I wondered if you could tell me what a multiple really is—to say that a company is trading at “8x.” How would I make sense of that? How is that meaningful to you? What does it tell you about the company?

One surefire way to separate the recruiting wheat from the chaff is to ask a candidate to take a step back and translate technical lingo into good old-fashioned English. Our recruiting insiders report that they're often staggered by the number of candidates who expect that their deft use of financial terminology will itself win them the job. Particularly among MBA candidates, questions often enable interviewers to distinguish those who simply interview well from those who are intellectually challenged by (and interested in) financial analysis.

Bad Answer

Candidate: Well, EBITDA multiples are more widely used in some industries, and P/E multiples are more prevalent in others. They're both pretty subjective, and sometimes it just comes down to whether the research analysts who cover the sector use one or the other as their primary metric. But if someone's trading at “8x,” it just means the total enterprise value of the company is eight times its EBITDA, obviously. I think in general, 8x EBITDA is pretty cheap. There are plenty of companies with P/Es of 20x or 30x or more—think about the valuations during the Internet boom.

This answer misses the point. Valuation is all relative, and you need to understand what information is being conveyed by a given multiple. Again, this is a quantitative question—don't answer with a qualitative allusion to research analysts and their ability to move markets with their insight. The notion that some industries focus on EBITDA multiples and others on P/E is also naïve—theoretically, the markets have good reasons for focusing on one metric or the other. If

anything, you should look at both the EBITDA multiple and the P/E multiple together when comparing the valuations of two businesses. This process will tell you more than either one in isolation. In any case, there is no way you can make a blanket statement that “8x” represents a low valuation. It may or may not, depending on the company and industry in question.

Mediocre Answer

Candidate: Well, if a company is trading at 8x EBITDA (for example), you would want to look at where other similar companies trade to figure out which companies are better-liked by the markets. Also, you might figure out whether 8x constitutes a higher or lower multiple than where this company has traded over time. It might be that at 8x EBITDA, a company is undervalued because it normally trades at over 10x EBITDA, which would represent a buying opportunity. In terms of EBITDA versus P/E multiples, P/E tends to be used more for companies that actually have net income. In some industries, particularly younger or growing sectors like technology, companies are still losing money and so P/E multiples aren't relevant or meaningful. In that case, you'd want to look at cash flow and thus EBITDA multiples would be the best metric.

This is a better answer, in that it points out that multiples only provide information on a relative basis. Where is a company trading today versus yesterday? Where does it trade relative to its peers? Multiples are useful in assessing relative—as opposed to absolute—value. The candidate's point about P/E multiples, however, leaves a little bit to be desired. It's all well and good to point out that if you have no earnings (the “E” in P/E), then it's no use looking at P/E multiples. However, there are some critical distinctions between EBITDA and P/E multiples for those companies who do have positive earnings. Most importantly, two businesses in an industry with the same EBITDA might have different earnings because one has more debt and thus pays more interest expense. Taking on more debt is a financing decision, not an operating decision, and so the fact that the companies' bottom-line earnings differ doesn't necessarily imply that one business is performing better or generating more real operating profit than the other.

Good Answer

Candidate: Fundamentally, a multiple is an indication of how an investor (or a market) values the earning potential of a given enterprise. Mathematically, it's a ratio of a valuation metric (such as market capitalization or the purchase price in an acquisition) divided by financial performance, whether measured by sales, EBITDA, free cash flow, or net income. So breaking it down even further, the ratio tells you that for every dollar of, say, earnings, an investor (or the public markets) has assigned a particular value to that dollar of earnings.

Interviewer: That's a good starting point, but what does that number tell you? How do I make sense of that?

Candidate: In isolation, the multiple tells you very little. The multiple is most useful when you are comparing the value of the company in question with the value of similar businesses. As I mentioned earlier, a multiple gives you the number of dollars an investor (or a public market, which is just a collection of investors) would pay for a given unit of financial performance, however you've chosen to define it. So when you compare two similar businesses in the same industry, and one—we'll call it Company A—trades for 10x earnings and the other—Company B—trades for only 8x earnings, this tells you that the market for whatever reason values each dollar of Company A's earnings more than Company B's.

Interviewer: Okay, this is a good start, but to make it easier, why don't we discuss two specific companies rather than two hypothetical enterprises? Let's compare Lowe's and Home Depot. These are both public companies, and they operate in the same competitive space. However, Home Depot trades at 9x EBITDA, and Lowe's trades at 11x EBITDA. What does this tell you about Lowe's versus Home Depot?

Candidate: It tells you that the market values each dollar of Lowe's earnings more than Home Depot's.

Interviewer: Right—but we covered that when we talked about Company A versus Company B. My question is why? Why might the market assign two different values for these specific companies' earnings, when they're in the same exact industry?

Candidate: Well, it should tell you something about the *quality* of those earnings. The market may believe that Lowe's is better positioned to grow its earnings than Home Depot, or perhaps it believes that Lowe's earnings are likely to be less volatile or more predictable for some reason. In general, the market will be willing to pay more for each dollar of a company's earnings if it believes that those earnings have either more growth potential or more stability than those of its competitors.

Interviewer: So given that the markets value Lowe's more highly today, which stock represents the better buy? In other words, which would you choose if you could buy either one?

Candidate: Wow, that's a tough one. After all, if you believe in efficient markets, then you would say both companies are valued fairly. In other words, Lowe's may be more expensive today, valued at 11x *last year's* EBITDA, vs. Home Depot at 9x *last year's* EBITDA, but if both businesses grow as expected, then today's valuation might be exactly the same for both companies—as a multiple of *future* EBITDA. So I don't think the multiple differential today necessarily tells you which company is a better value today.

But, if I had to answer your question, given that both companies are in the same business fundamentally, I would question whether Lowe's really will grow measurably faster than Home Depot. In any event, that growth is completely “on the come,” whereas last year's (trailing) EBITDA is in the bag. I think Home Depot is the market leader, and is a better value on actual trailing EBITDA today, so I would probably go with them.

The conclusion above is thoughtful and defensible, but the candidate could just have easily defended selecting Lowe's. You might conclude that Lowe's is still building new stores and expanding nationwide, and that you'd rather back a growing business, whereas a more mature number-one player like Home Depot that already has stores everywhere might have a tougher time finding ways to increase profits. If you really believe in efficient markets, there's no right answer to the question of which company is the better buy. The point is, have good reasons for your point of view, and at a minimum, make sure to have a point of view!

Interviewer: But why EBITDA multiples? Is that the right metric for this industry?

Candidate: Well, in this case I think it's a safe bet that both businesses have similar capital expenditure and working capital requirements, so EBITDA is probably a fair back-of-the-envelope metric for comparing operating cash flow. I don't know whether one company has more debt (and thus more interest expense) than the other, so I don't know whether the P/E multiples are truly comparable.

Interviewer: Can you think of a hypothetical scenario where EBITDA wouldn't be a good valuation metric for comparing two businesses in the same industry?

Candidate: One example comes to mind. When I worked at Morgan Stanley, I completed a comparable transaction analysis involving acquisitions in the food industry. Two similarly sized companies that were equally profitable had been purchased for 5x EBITDA. If you relied only on the EBITDA multiples, you'd conclude that the two buyers paid similar purchase prices: after all, same EBITDA, same purchase price multiple, same industry. But in this case, EBITDA was misleading and not at all equivalent to cash flow. These were both food companies, but one manufactured chilled dairy products—primarily milk and ice cream—while the other company manufactured shelf-stable, canned foods.

The first company required much higher annual capital expenditures because chilled dairy products require more expensive equipment for their storage and transportation. The canned food company had much lower capex because its products could sit on a truck or in a warehouse for an eternity without spoiling. The significant difference in capex wasn't reflected in the EBITDA multiple. Therefore, the buyer of the chilled dairy business paid a significantly higher price than the buyer of the ambient food business, even though the EBITDA multiples were the same.

It should be clear that this candidate clearly gets it. Multiples can be deceptive, and should not be viewed in isolation, but they can provide a wealth of information about how the markets value a business, and why. The key in the interview is to keep it quantitative—after all, a multiple is a fraction!

Question 16

If I asked you to tell me what a skyscraper in Manhattan was worth—let's say the one we're sitting in right now—how would you go about valuing that skyscraper?

Perhaps you've read the dialogue outlined in the previous few questions and are beginning to panic. What if you don't have any previous banking experience or any frame of reference for discussing valuation techniques or the practical application of frequently used multiples? Here's the short answer: If you don't have prior banking experience, and if you haven't studied finance, we'd be shocked if an interviewer would expect fluency in these concepts. However, that doesn't mean you're totally off the hook. Questions like "How would you value a house?" (or a skyscraper, as in our example) test your intuitive, common-sense understanding of concepts you'd likely encounter in a banking role. Finance majors and English majors alike report that they've answered this question in investment banking interviews. While we've already described the reasons it may come up in an English major's interview, it also tests the way a finance major will react under pressure to a question he didn't expect.

Bad Answer

Candidate: Well obviously the first thing you would do is contact a real estate broker who specializes in high-rise office buildings in Manhattan. They'd be in a better position to assess the building's value. After all, the price depends on interest rates, the overall economy, and whether businesses are moving their offices to New Jersey (like Goldman Sachs is) or staying in Manhattan, like Bear Stearns is.

This candidate completely avoids the question, and comes off sounding slick and arrogant at the same time. He knows what a broker does, and he's up to speed on where banks are planning their future office space needs, but he hasn't proved that he understands the fundamentals of valuation.

Mediocre Answer

Candidate: Well, you'd take the net present value of the expected future cash flows, using an appropriate discount rate that reflected the inherent risk of those expected future earnings. Then, you would do a comparable transaction analysis, in which you'd gather information about the prices at which other skyscrapers had traded hands as multiples of their cash flows. Finally, you would consider the book value of the assets. The book value would effectively give you a floor for the value of the asset, and you could count on at least getting that if you sold it.

Here, our savvy finance candidate goes into autopilot mode with a technical (but broad brush) overview of valuation techniques. Finance majors beware: Even though this answer is technically sound, it doesn't tell the interviewer a lot about how well you understand the fundamental principles of valuation. Interviewers will likely dismiss your technical mumbo jumbo and ask you to describe how you would think about valuation on a conceptual level. In the case of a skyscraper, for example, what would the stream of future earnings represent? How would you go about making reasonable assumptions about those future earnings, including the appropriate discount rate? The reason questions like these arise so frequently is that they tend to level the playing field among candidates with wildly disparate academic and professional experience.

Good Answer

Candidate: Well, I have to admit that I don't know a whole lot about real estate, but I suppose the first thing I would consider would be the rent that the building's owners are collecting from various tenants. Presumably, you can look forward 10 or 20 years and estimate what that rent income will be, based on normal occupancy rates and the renewal rates expected at the expiration of tenants' existing leases.

Interviewer: That's a good start. You'd consider expected future cash flows. But what if there are no tenants today. Let's say you just constructed the building and you don't have any tenants yet. How else might you determine how much the building is worth?

Candidate: I'm guessing that you don't want me to say that I'd lease it right away and go back to my first answer. Hmm . . . well, I guess you could look at what other buildings like this one have sold for. If Donald Trump or someone like that has purchased a similar building in this part of Manhattan, you'd have some idea of what you could get for this one, say, on a per-square-foot basis.

Interviewer: But won't his price ultimately be equivalent to the price that you calculated in your first approach? I mean, assuming that Donald Trump was interested in buying your building, won't he get to the same value you did? Wouldn't you be better off (or at least no worse off) leasing out the building right away, rather than selling it to Trump?

Whatever you do, don't panic if your interviewer starts drilling you with "what ifs" and "yes, buts." Keep your wits about you and stay on your course of common sense and intuitive thinking.

Candidate: I'm really not sure. I don't know a lot about real estate, and I don't know a lot about Donald Trump, other than what I learned from watching *The*

Apprentice. But presumably, when Donald Trump buys a building, he knows exactly what he's going to do with it. He knows a lot of extremely wealthy people in Manhattan—maybe he thinks he can leverage his existing relationships to get higher-paying tenants than you could attract. Maybe he owns the building next door and wants to create a “Trump Village” in midtown Manhattan. It just might be worth more to him than it's worth to me.

Interviewer: That's a good point. But let's assume again that the building is empty, and Donald Trump isn't interested. Since you're not a real estate developer, let's say you don't want it. How would you figure out the lowest price you'd be willing to accept?

Candidate: Okay . . . well, presumably, you know what you paid to construct the building, and there's still value in the land underneath it (assuming you own that). So you own the land, and you own the bricks and mortar and steel that were used to construct the building. Depending on what's inside the building, you probably also own furniture and fixtures: the art on the walls, for example. Even if you tore down the building, you could recover value from all of that, so you wouldn't consider selling for anything less than the total value of those things.

This candidate may be somewhat green to be interviewing on Wall Street, but this is a first-rate answer: a thoughtful, common-sense approach to answering a potentially tricky valuation question. Note that even though this is a technical question, this candidate doesn't rely on technical terms, because she doesn't know them. Contrast this answer with the stock-picker in the previous question; perhaps our loyal Target customer boasts dual economics and finance degrees from Wharton, whereas this candidate may very well be an Art History major from Wellesley. She's never heard of terms like discounted cash flow, transaction comps, synergies, or the book value of assets, but it doesn't matter. In her response, she's proven that she can clearly articulate the underlying logic behind each of these concepts. Our point here? Even if you know the lingo, your interviewers will want to assess whether you can think and whether you truly understand the underlying concepts behind the valuation methods you discuss.

Asking for Directions

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Frequently Asked Questions

When it's my turn to ask my interviewer questions, what should I ask?

Good question. This is a topic on which reasonable people can (and do) disagree. Some insiders insist that you should always ask a question when offered the opportunity, and that your question should prove to your interviewer how much research you've done on the industry and the specific firm. We disagree with both points, however well-intentioned the advice. If the sole purpose of your question is to prove that you've checked out the firm's website, read its annual report, or read *Investment Dealers' Digest*, chances are your interviewer can tell a mile away. "I made that mistake," says one insider, "I attended a dinner for all of the candidates who had been invited to interview with a top-tier firm. There was a moment of silence and I asked the recruiter across from me what she thought of the recent article in *The Economist* about the banking industry. I could actually tell by the expression on her face that she was breathing a deep internal sigh of resignation. I wanted to crumple up in a ball under my chair. I'd never do that again—even if I did read *The Economist*."

As this insider learned the hard way, it's probably best to err on the side of caution with your questions. We advise that you stick to those questions that you'd genuinely like answered, not to mention the questions that would be difficult for you to answer without the benefit of insider insight. So if you really *do* want to know why your interviewees chose to work at Firm XYZ, then ask away. We didn't speak to a single recruiter who dinged a candidate because their questions weren't insightful or penetrating enough. Of course, your questions shouldn't display blatant ignorance regarding the industry, the company, or the specific position (i.e., don't ask your M&A interviewer how long it will be before you have your own accounts, or your Citigroup recruiter to explain the

firm's commitment to remain a pure-play investment bank). You won't win points for playing it safe and asking your interviewer to describe the last project he worked on, but you probably won't lose any, either. If you've had a reasonably good interview so far (and perhaps even more so if you haven't), you may not want to rock the boat with questions designed to demonstrate how very clever you are.

However, if you're determined to ask a highly nuanced question that you've crafted from the bowels of the company's annual report, you'd better keep a few things in mind. First of all, botching the details is *not* an option; we were surprised by the number of insiders who recalled (with some glee, we might add, and no small degree of derision) candidates who got the name of the CEO wrong when they asked a question designed to showcase their inquisitive mind. It's also not unheard of for a candidate to ask an interviewer about a high-profile deal on which the recruiter's bank was not hired as an advisor. (Even if you're sure the bank in question was involved, however, we wouldn't advise asking questions regarding a specific transaction. The chances that your interviewer was involved directly in the deal—or even has a particularly well-developed opinion on its significance—are slim, and your question won't be particularly enlightening for either you or the recruiter.)

Not only must you keep your facts straight if you decide to show off your industry knowledge, but you'd better be ready to offer a credible reason for your particular query. Perhaps to a greater extent than their counterparts in other industries, bankers are notorious bluff-callers; if you are indeed bluffing, the person on the other side of the desk will make you rue the day you even *looked* at the annual report. And if it's a question that's so obscure they can't answer it, you'd really better hang onto your hat; you'll most likely incur their well-restrained, buttoned-up wrath, and they'll derive a particular sense of satisfaction from putting you back in your place.

If all of this advice has your head spinning, don't worry! There are ways to jazz up your standard-issue "What Questions Do You Have For Us?" queries. One recruiter suggests that candidates reframe relatively broad questions by personalizing them. For example, rather than asking your interviewer to describe the firm's culture, you may choose to put it this way: "I've talked to several analysts representing a range of product and function areas, and a number of them have mentioned that they've been surprised by how accessible the senior people are at Bank XYZ. I wondered if this was consistent with what you've experienced, and whether you feel that's indicative of the culture throughout the bank." Provided that you actually have spoken to analysts (and don't even think about referring to fictitious conversations), this question allows you to establish your sincere interest in the firm while remaining relatively safe.

Another insider tip: Pay attention when your interviewer introduces himself, and make a mental note of the group he represents. When the spotlight turns to you, give your question a group-specific slant. "You mentioned earlier that you worked in the energy group. I know that group assignments play a big part in determining analysts' experience, and I wondered if you could describe the ways in which the energy group maintains its own unique culture. I'd be interested to know whether you've worked in other areas of the bank, and how your experiences in other groups compare." Again, this question isn't so generic that your interviewer's eyes glaze over, but it doesn't suggest that your primary objective is proving your business acumen.

As with any other interviewer question, there are a few types of questions to avoid like the plague, including the following:

Presumptuous questions. "I really want to spend my third year in the London office. How can I improve my chances of getting my first-choice location?" Well, let's see: You could start *by getting a job offer with this firm in the first place*. Interviewers typically dislike questions from candidates who prematurely

assume they'll receive an offer, so be careful to avoid even the teensiest bit of presumptuousness in your questions.

Questions with a tattle-tale tone. “I know that during the 1999–2000 recruiting season, most banks on the Street significantly overestimated the number of analysts and associates they'd need to hire, and then many of those same people lost their jobs a year or two later. I'm curious whether your firm has developed a better way of adjusting hiring activity to the market.” This is a question that you may indeed want to ask, but use your better judgment. After all, it's a little early in the process to reveal your cynicism about the industry.

Questions that suggest you have underlying concerns about the job. “One of the things I've heard over and over again is that the hours are really, really brutal, and that it's tough to take vacations or even long weekends. How many weekends would you say you've had to work over the past year?” How many times do we have to tell you that the job is demanding? Interviewers expect that by the time you've gotten to this stage in the process, you know what you're getting into and that you've accepted it. If you're still worried about evenings, weekends, and vacations, you're interviewing for the wrong job.

While you're crafting questions to lob in your interviewer's direction, keep one last thing in mind: Most of your interviewers will be on a fairly tight timetable, and they'll be struggling to keep each interview to the 30- or 45-minute time slot it's been allotted. Learn to read your interviewer: If it's clear that she is trying desperately to wrap things up, don't feel pressured to ask your questions simply because you've prepared them. If you sense she's trying to move things along, a diplomatic response might be, “Thanks. I'm conscious of your time restraints and know that the interview schedule is tight. Perhaps I could take one of your cards and contact you later with any questions?” This way, you've left it up to her—if she's indeed at the end of her interview tether, she'll take you up on your offer. If she's got plenty of time, she'll invite you to ask away

(and she'll be impressed that you've respected her schedule—major interpersonal aptitude points!).

If asked to name a group preference, should I provide a specific answer, or should I say that I'm open to any industry or product group?

That depends. If a particular industry or product interests you, then by all means mention this interest to your interviewer. As with any other interview question, be prepared to provide solid reasons for your specific answer. If your unique background is consistent with your choice (e.g., you completed a summer internship at Procter & Gamble and cultivated a genuine interest in consumer products), so much the better. However, you should refrain from expressing too narrow an industry or product focus too early in the process or implying that your decision to join a particular firm depends solely on whether it can accommodate your stated interests. In early rounds, for example, it's not appropriate to imply to your interviewer that it's either an offer in the firm's health-care industry group or no offer as far as you're concerned. While firms often try to achieve a match between candidates' interest and their own staffing needs, several factors (almost always beyond your interviewer's control) determine where you'll be placed.

If you've decided to indicate a group preference, make sure that the firm's organization allows for such a specialization; many firms have reshuffled their industry and product groups significantly in the past few years, and it's possible that the group you have in mind has actually been lumped in with another one. Not all firms have a consumer products or industrials group, for example, and stating a keen interest in joining a group that does not exist may not advance your candidacy. And even if you're certain that your world would end if you don't land a spot in the mergers group, it's probably best to say you're open-minded.

One possible answer to this question might be, "Well, as I mentioned earlier, I'm a finance and accounting major, and so my academic interests and training have

typically centered around the highly quantitative and strategic analysis driving corporate finance. So far, I've gotten the sense that I might be a good fit in either Mergers & Acquisitions or Leveraged Finance, but I'm flexible. Through my conversations with current analysts, I've learned that a personality fit with a given group makes a big difference in the analyst experience, so I'd be interested to know your thoughts on which groups are likely to be a good match for me."

As part of your preinterview research process, be sure to ask current bankers whether analysts and associates are hired into particular groups, or whether placement decisions are made once the training program begins. If you join a firm that hires directly into groups, you may have little or no involvement in the placement decision. On the other hand, firms that make placement decisions once training begins allow you to meet with various groups before stating your group preferences. Still others offer a rotation program in which incoming hires work in multiple functions or products before a permanent placement occurs. Each method offers its own advantages. If you're hired directly into a product or industry group, you may find yourself specializing earlier than you'd like. Conversely, analysts who participate in a "matching" process once training begins sometimes report a sense of competitiveness with classmates to snag coveted spots in the most high-profile groups.

If you don't have a decided placement preference, don't feel pressured to name a few groups or products for the sake of doing so. (In particular, don't say "M&A" unless you can offer a solid reason for it. It's the default answer for many candidates who just don't know the names of any other functions or products, or those captivated by the apparent glamour of Wall Street). While it's probably best to demonstrate that you've given the various functions and products a thought (or—at the very least—that you know what they are), you won't lose points for being flexible in your response.

Everyone says I'm expected to "do my homework." What exactly does this mean? How much will I be expected to know about each company with which I interview?

First and foremost, "doing your homework" means that you genuinely understand the role of an investment bank and can clearly articulate the distinct roles of its various functions and that you have devoted some time to distinguishing among the major players. It means you've considered all of this information and shaped an idea of which firm you'd like to work for, and in which general area. It means that you've developed reasonable job expectations, done some good old-fashioned soul searching to decide whether or not the inherent sacrifices are worth it to you, and determined the specific benefits you'd hope to gain from the analyst or associate experience.

As we discussed earlier in this guide, the homework bar is higher at the MBA level than it is at the undergraduate level. In general, interviewers are more forgiving of analyst candidates for two primary reasons: First, no one expects a 22-year old interviewing for his first job to know for certain that his destiny lies in investment banking. Second, investment banks typically hire analysts for a 2- to 3-year time horizon, after which they expect many will go on to business school or other jobs. Nonetheless, firms will expect that both undergraduates and MBA candidates alike can articulate solid reasons for pursuing a job in the field, and they will expect to see evidence that you've invested some serious time determining whether this career—and this firm in particular—is right for you.

Regardless of the specific position for which you are applying, "doing your homework" has two primary components: understanding what distinguishes the firm in its industry, and understanding what distinguishes the firm as a place to work. The first of these relates to the firm's position in the financial marketplace, while the second has to do with its "employment brand"—the unique way the firm positions itself to prospective employees.

Our Seven-Step Homework Guide should help you to learn about both distinctions:

1. Particularly if you're an undergraduate with little prior exposure to investment banking, **make sure you understand what an investment bank does and how the various functions of a securities firm fit together.** We'd recommend that you start with WetFeet's Insider Guide to *Careers in Investment Banking*. Mariam Naficy's book *The Fast Track: The Insider's Guide to Winning Jobs in Management Consulting, Investment Banking, and Securities Trading* also provides an excellent overview. As the name implies, this book is a particularly good resource for those candidates comparing potential opportunities in multiple areas.
2. **Once you've determined which firms you'll be interviewing with, check out any firm-specific literature you can find.** This includes the WetFeet Insider Guides to investment banking firms (see the list at the end of this book), which provide insights into the firms' areas of relative strength and insiders' perceptions of the companies' culture. In addition, be sure to review any recruiting literature on file at your campus career center. This information is likely to be fairly general, but it will provide a useful overview of each firm's organizational structure and respective recruiting processes. Also, these materials will give you a general sense of the "employment brand" that the firm is trying to convey—in other words, you'll get a sense of how the firm distinguishes itself from other firms in the marketplace that compete for talent.
3. **Check out the website of each firm with which you'll be interviewing.** This does not mean that you'll be expected to memorize and regurgitate either the company's financials or its business principles in the course of the interview. However, if you're interviewing with a public company, you should probably at least take a gander at the firm's annual report (generally

available through the Investor Relations section of the firm's website). In addition to providing detailed information on the company's financials, the annual report highlights the key transactions in which the bank was involved over the course of the previous year and summarizes the relative performance of each of its major revenue-generating areas. Also, check out the most recent press releases for any noteworthy developments that have taken place since the last annual report went to press.

- 4. Refine your industry-specific knowledge and review the major transactions in which each firm is involved.** Trade journals such as *Institutional Investor*, *Investment Dealers' Digest*, and *The Daily Deal* provide a wealth of timely industry-specific information. For example, *Investment Dealers' Digest* (www.interactiddmagazine.com) offers an excellent online database for subscribers, which includes league table information, recent deal flow activity, and information on the biggest transactions in various areas (M&A advisory, high-technology, energy, etc.). Unfortunately, an annual subscription to this little gem costs a hefty \$995, but full-text articles from the print publication are available through Factiva, a comprehensive online news database; if your business school library offers Factiva access (and it's worth checking into), you may want to take a look. If not, *Investment Dealers' Digest* occasionally offers trial subscriptions at little to no cost. In all likelihood, you won't ever be asked about a particular bank's league table standings, but it doesn't hurt to develop a sense of who does what on the Street.
- 5. Keep abreast of current events—those relating to the financial markets and otherwise.** Even if you're not ordinarily a faithful *Wall Street Journal* reader or subscriber, it may behoove you to become one, at least during the recruiting season. The publication's online edition is particularly user-friendly and is available to students at a significant discount (as is the

print version). *The Financial Times* (WSJ's European equivalent) is another excellent source of financial news and not surprisingly provides a more pronounced international focus than the *Wall Street Journal*. At a minimum, you should know the major developments and trends characterizing the investment banking industry. In particular, the increasingly widespread practice of “bundling” investment and commercial banking services and the intense scrutiny over firms' investment research franchises are two trends you should feel comfortable discussing in an interview. Also, be sure to have at least a general sense of movements in the major indices (investment banking interviewers have been known to ask what the Dow closed at the previous day) and the events that most directly affect the financial markets.

6. **Attend the on-campus information session.** Trust us: The hour that you spend at each firm's on-campus meet-and-greet will be time well spent. At the information session, the company will undoubtedly address the topic of what sets it apart from its chief competitors—its competitors for business and its competitors for talented people. Pay attention to what the firm's representatives stress as its key selling points: whether it's the firm's untrammled dominance of M&A activity, its unique rotation program for incoming analysts or associates, or its unparalleled reputation as an employer of choice. In addition, these information sessions provide an opportunity for you to meet current analysts and associates and to hear them answer the questions that you've been formulating throughout the course of your research.
7. **Take the time to speak with insiders!** There's really no substitute for good old-fashioned informational networking (a process which should be relatively easy for current MBA students, who have a considerable network of b-school students, former analysts, summer associates, and alumni to

consult). If you're an undergrad with fewer industry contacts, check out your career center's alumni database for the names and contact details of current firm employees (preferably within the division to which you're applying). At the very least, contact the individuals who represented their firms at the on-campus information sessions (analysts and associates, please—firms may send VPs and the occasional MD to information session, but bankers at this level aren't likely to return your call—remember our discussion of the hierarchical structure earlier in the guide?). Not only can these individuals generally answer your most pressing queries, they can typically put you in touch with other people at the bank who can provide you with a broader perspective on what it's like to work there. Not only will this help you learn about the specifics of each firm's culture, but it will give you some real-life insight into the life of an analyst or associate.

Make no mistake about it: Preparing for interviews is a time-intensive process. If your schedule is already filled to capacity with academic and extracurricular obligations, it's particularly tempting to gloss over interview preparation in favor of the more immediate demands on your time and attention. This is a dangerous trap, and one that you should avoid at all costs. In this case, it's better to take a long-term view. As one recently hired insider advises, "Take a light course load that semester if you can. The time you spend researching companies and talking to insiders is time well spent, and definitely worth the investment in the end."

But I'm going to interview with all of the banks that I can, and I'm going to take the best possible offer. Besides, all of these banks are starting to sound the same to me. When I'm asked "Why Bank XYZ," how do I know what to say?

First of all, don't regurgitate the website! This may sound obvious, but you'd be flabbergasted by the number of candidates who simply memorize key snippets of the firm's recruiting website and parrot them back to the interviewer. As one insider says, "It doesn't really tell me anything when a candidate answers this question by talking about 'Business Principle Number Three.' All that tells me is that they can look up our corporate values on the website and spit them back at me. It doesn't tell me that they've given any real thought to whether they fit at our firm."

Second, make your answer as specific and research-driven as possible. In other words, don't use the approach that the investment banks themselves use when they answer candidates' questions at on-campus information sessions. If you've followed our advice and attended these presentations, you'll have noticed that the answer to almost every question posed by a candidate is "the people." In fact, the Q&A portion of the information session at pretty much any bank can be summarized in the following dialogue.

Candidate: "Why did you choose to work at Bank XYZ?"

Recruiter: "The people."

Candidate: "What do you like best about the company?"

Recruiter: "The people."

Candidate: "Do the hours ever get you down?"

Recruiter: "Not really, because of the people."

In one of the greatest paradoxes of the investment banking recruiting process, “the people” does not constitute an acceptable answer for you to use when the tables are turned. As the person on the other side of the desk, you must provide *specific* reasons for wanting to work at Bank XYZ. Even if your strategy is to interview with as many firms as possible and choose among your best offers (and it is for many a candidate), you’ve got to keep it to yourself. As we’ve said before, your perceived enthusiasm for a particular firm will often enable you to distinguish yourself from other candidates who are otherwise similarly qualified. Therefore, it’s imperative that you develop a specific, credible, and comprehensive answer to the Why Bank XYZ question, and not just say “the people” or “the culture.”

If you’ve followed all of the steps above, we hope you’ve developed some sense of what firm is likely to suit you best (either that, or you’ve stopped reading and picked up the guides in our management consulting series). Your answer to “Why Bank XYZ?” should include not only an honest assessment of how the firm’s strengths play into your personal and professional goals, but a carefully scripted discussion of how this company’s priorities match your own. Remember the advice we provided in the first *Beat the Street*: If Bank XYZ asserted back in September that teamwork and doing right by the customer matter more than net incomes and league tables combined, then these are what matter to you, too. (Of course, you should be prepared to cite examples that support the credibility of your response; if you answer with “diversity,” you’d be well-advised to explain how diversity has been important to you in other areas of your life, and why it’s so important to you in this context.)

If you’re still having a hard time distinguishing among firms, it’s imperative that you speak to as many insiders as you can to refine your understanding of the firm’s culture. Using the guidelines outlined earlier to identify potential contacts, ask each one if you can schedule a time to speak over the phone. Most people

(especially those analysts or associates designated as their firm's point person for a particular university) will be happy to help you, as long as you are respectful of their time and don't expect that they will single-handedly secure your place in the incoming class. The more informational interviews you conduct, the better prepared you'll be to discuss the unique components of the firms' culture and approach. These informational interviews also give you a chance to assess for yourself whether you would fit in. Most likely, speakers at on-campus information sessions will have touted the number of astrophysicists and Olympic athletes in their previous associate classes to prove how interesting and diverse their classes are—but if you don't seem to mesh well with any of the people you meet, do you really care?

Do you have any advice for my informational interviews?

If it's possible, try to speak with bankers whose background is similar to yours (e.g., if you were an Art History major, another liberal arts degree-holder will be better prepared to answer your questions regarding the steep learning curve in financial and accounting concepts). It's also worth identifying contacts outside of the firm's regular recruiting process at your school; with these contacts, you can be more assured that your questions won't have a direct influence over your subsequent hiring decision, and you can more comfortably ask questions that you wouldn't necessarily ask in an evaluative setting.

Be sure to do your firm-specific research before your informational interviews; your research will inform your questions and highlight points that you'd like to clarify with an inside source. Of course, you should ask questions that address your most pressing concerns, but we've provided a few sample questions that you may wish to pose:

- I wondered if you could tell me a little bit about your background—why did you decide to go into banking, what other industries were you considering (if any), why did you choose your specific firm? How did you choose the spe-

cific area you're working in? Did you consider other areas in addition to the one in which you now work?

- As you prepared for your interviews, how did you go about conducting research on specific firms? What strategies did you find most helpful?
- What have you found to be the most difficult and the most rewarding aspects of the job?
- Could you describe for me some recent projects you've worked on and your specific role in those projects?
- What do you think it takes for someone to be good at this job, and what do you think it takes for someone to really enjoy this job?
- Looking back at your interviews with firm XYZ, were there any areas that they focused on more than others?
- What surprised you (if anything) about the investment banking recruiting process?
- Now that you're at Bank XYZ, what has surprised you about working at this firm? About the industry in general?
- How would you describe your firm's culture? What do you think is different/better about working here than anywhere else on the Street? Are there any factors specific to your experience that might influence your answer? What do you think your firm takes particular pride in?
- How are group assignments made? Are they made before or after the training programs begins?
- Regardless of how many or how few questions you ask, you should definitely be conscious of your contact's time; these individuals are not your personal career consultants, nor should you feel as though you can enlist them to support your case with recruiters. Respect and acknowledge that they've sacrificed precious free time to speak to you, and always thank them profusely, both before and after you conclude the informational interview.

I can't go to all of the information sessions! I'm too busy excelling in my studies, doing some consulting for the World Bank, and practicing for the Olympic gymnastics trials. What do I do now?

Ignore the information session at your own peril. If it's possible, contact the analyst or associate acting as the point person for the recruiting process at your particular school (generally, you can obtain this information through your campus career center). Explain your circumstances and ask if you might be able to obtain a copy of the presentation materials—if these are unavailable to you, ask about the other ways in which you might learn more about the firm in advance of your official recruiting efforts. The contact may be able to provide you with the names and numbers of people at the firm that would be willing to speak with you on an informational basis.

When to Yield

We wish we didn't have to say it, but sometimes even the most meticulous research and thorough preparation aren't enough to land an offer with a particular bank. In the end, interviewing with investment banking firms is a little bit like the early stages of a courtship: a highly intricate dance replete with complex rituals, signals, and protocol. We trust that throughout successive rounds of interviews, you've been on your best behavior. Through a selection of carefully chosen anecdotes that demonstrate your financial acuity, unassailable work ethic, and enthusiasm for the job (not to mention your impeccable comic timing), you've truly presented the best possible image of yourself. But for some reason, your suitor didn't sense that special chemistry that would sustain a long-term relationship.

We know it's easier said than done, but you can't take the outcome of each interview personally. As one insider says, "A number of things have to go right for you to get an offer. Even if you're obviously qualified, you've done your homework and you've given solid answers, you've also got to hope for chemistry with your interviewer and a little bit of luck." As with any interview, there's a chance that someone that you meet along the way just might not sense a fit. Because hiring decisions are often consensus-driven in the investment banking arena, all it takes is one bad apple to spoil the entire bunch.

We also know how easy it is to get swept away by the momentum of the interviewing juggernaut. It's amazing how quickly the most accomplished, capable students fall into the trap of believing that rejection from their first-choice employer—or from any prospective employer for that matter—somehow invalidates all of the academic and extracurricular successes they've

earned to date. Don't let that happen to you. If you're both academically qualified and genuinely passionate about a career in investment banking, the odds are in your favor to land one or more top-notch offers. On the other hand, don't forget to listen to your instincts. If you find yourself trying a bit too hard to convince yourself—let alone your interviewer—that you're unwaveringly committed to investment banking, take a step back and reevaluate your personal motives and professional objectives. Investment banking certainly offers unique challenges and extraordinary opportunities for many people, but it's not the right career path for everyone. Rather than approaching each interview as a game that you're determined to win, consider the recruiting process an ideal opportunity to learn about yourself, polish your presentation skills, and explore one of the literally thousands of career possibilities available to you.

One last thing: If there's one thing we've heard loud and clear from the analysts and associates we interviewed, it's that candidates almost always find homes within the firms that suit them best. Very few of our insiders secured offers at every firm to which they applied, but the vast majority of them now realize (admittedly with the benefit of hindsight) that the rejections were as valuable as the offers in terms of leading them to the right place. The lesson to be learned here? Put your very best food forward, but trust the process in the end. When it's all said and done, recruiters and current bankers know their organizations inside and out, and when the dust settles, their unique insight and instincts—along with your tireless preparation and research—will have undoubtedly served you well.

Good luck!

Author Bio

Lisa Vollmer graduated from the University of Virginia with dual majors in Economics and English (and with countless first-hand interview stories—both triumphant and embarrassing—from a seemingly endless investment banking recruiting season during her senior year). After graduation, she joined the 2-year analyst program at a top-tier investment bank. During her tenure, she coordinated her group’s analyst recruiting efforts, participating in numerous first-round candidate interviews and collecting postinterview candidate feedback from senior bankers. Following her stint on Wall Street, she joined the London office of the Corporate Executive Board (a Washington, D.C.–based research firm), where she worked with global financial services firms to deliver customized research on effective recruiting and retention practices. She currently lives in Menlo Park, California, with her husband, Brian (another former investment banker, who is pursuing his MBA at Stanford).

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Ace Your Case V: Return to the Case Interview

Ace Your Interview!

Beat the Street: Investment Banking Interviews

Beat the Street II: I-Banking Interview Practice Guide

CAREER & INDUSTRY GUIDES

Careers in Accounting

Careers in Advertising & Public Relations

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Consulting for PhDs, Doctors & Lawyers
Industries & Careers for MBAs
Industries & Careers for Undergrads

COMPANY GUIDES

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Bain & Company
Boston Consulting Group
Booz Allen Hamilton
Citigroup's Corporate & Investment Bank
Credit Suisse First Boston
Deloitte Consulting
Goldman Sachs Group
J.P. Morgan Chase & Company
Lehman Brothers
McKinsey & Company
Merrill Lynch
Morgan Stanley
25 Top Consulting Firms
Top 20 Biotechnology & Pharmaceuticals Firms
Top 25 Financial Services Firm

Who We Are

WetFeet is the trusted destination for job seekers to research companies and industries, and manage their careers. WetFeet Insider Guides provide you with inside information for a successful job search. At WetFeet, we do the work for you and present our results in an informative, credible, and entertaining way. Think of us as your own private research company whose primary mission is to assist you in making more informed career decisions.

WetFeet was founded in 1994 by Stanford MBAs Gary Alpert and Steve Pollock. While exploring our next career moves, we needed products like the WetFeet Insider Guides to help us through the research and interviewing game. But they didn't exist. So we started writing. Today, WetFeet serves more than a million job candidates each month by helping them nail their interviews, avoid ill-fated career decisions, and add thousands of dollars to their compensation packages. The quality of our work and knowledge of the job-seeking world have also allowed us to develop an extensive corporate and university membership.

In addition, WetFeet's services include two award-winning websites (WetFeet.com and InternshipPrograms.com), Web-based recruiting technologies, consulting services, and our exclusive research studies, such as the annual WetFeet Student Recruitment Survey. Our team members, who come from diverse backgrounds, share a passion about the job-search process and a commitment to delivering the highest quality products and customer service.

About Our Name

One of the most frequent questions we receive is, "So, what's the story behind your name?" The short story is that the inspiration for our name comes from a popular business school case study about L.L. Bean, the successful mail-order company. Leon Leonwood Bean got his start because he quite simply, and very literally, had a case of wet feet. Every time he went hunting in the Maine woods, his shoes leaked, and he returned with soaked feet. So, one day, he decided to make a better hunting shoe. And he did. And he told his friends, and they lined up to buy their own pairs of Bean boots. And L.L. Bean, the company, was born . . . all because a man who had wet feet decided to make boots.

The lesson we took from the Bean case? Lots of people get wet feet, but entrepreneurs make boots. And that's exactly what we're doing at WetFeet.

Investment banking interviews are some of the most challenging and competitive interviews you're likely to face.

As such, they require extensive preparation. This companion to Beat the Street offers more detailed explanations of the types of questions you're likely to encounter, along with a list of recruiters' all-time favorite questions in each category. At WetFeet, we believe that you'll respond to tough questions more effectively if you know what your interviewer is really getting at with each one and you've taken the time to do your homework and prepare your responses. To focus your preparations, this book includes 16 typical interview questions.

Turn to this WetFeet Insider Guide to explore

- The real reasons I-banking interviewers ask specific questions and what they're really trying to find out about you.
- How undergrads, MBAs, and midcareer candidates should prepare for their interviews.
- Examples of good, mediocre, and bad responses to the most common I-banking interviewing questions.
- Tips from real I-banking recruiters on how to best present yourself to get the offer you want.
- Answers to candidates most frequently asked questions about the investment banking recruitment process.
- Dos and don'ts that will help you avoid the most common mistakes interviewees make.

WetFeet has earned a strong reputation among college graduates and career professionals for its series of highly credible, no-holds-barred Insider Guides. WetFeet's investigative writers get behind the annual reports and corporate PR to tell the real story of what it's like to work at specific companies and in different industries. www.WetFeet.com

