

“Getting Optimistic Again”



An executive search consultant and former investment banker discusses the job market for investment professionals

BY JONATHAN BARNES

So, where are the jobs these days?

In late 2008, we did a “Career Chat” on the state of sell-side equity research. For the first time in three or four years, we heard very positive comments about the profession from directors of research at Morgan Stanley, Credit Suisse, Macquarie, Citigroup, and Bank of America/Merrill Lynch. The sell-side equity research world hadn’t suffered to the same degree the last two years as many other professionals had (such as those focused on mortgages and the financial sponsor community) and is experiencing a revival of sorts.

Now that the stock markets have come back, there’s an increased demand for equity research analysts. Furthermore, because many analysts who were let go at larger firms moved to the smaller firms, overall employment hadn’t gone down among research professionals.

Risk managers are also in great demand as a result of the troubles the banks have found themselves in. If you understand risk analysis, then you are in relatively good shape. Risk management has become an even more respected profession, with many risk managers reporting directly to the CEO.

Are you starting to see a jobs recovery?

Yes. Wall Street has had a tendency to restructure to excess when times are difficult and then has to recover jobs quickly when times pick up. I’ve been in the search business for 20 years. This recovery reminds me of the 2002–03 and 1992–93 periods when the market started to pick up after a bottom and firms were getting optimistic again.

In the world of executive search, Richard Lipstein has seen it all. During his 20-year career as an executive search consultant, Lipstein, a managing director for Boyden Global Executive Search, has interviewed approximately 10,000 Wall Street professionals. Since 2007, he has chaired the Career Development Committee of the New York Society of Security Analysts (NYSSA), organizing the monthly “Career Chats” and “Author Series” seminars as well as the recent “Federal Careers” job fairs. In recognition of his efforts, he was named one of NYSSA’s “Volunteers of the Year” in 2008.

A former financial executive with the American Broadcasting Companies and investment banker at Henry Ansbacher, Lipstein became a “Wall Street casualty” in the late 1980s. Being unemployed during a recession, Lipstein says, has given him “tremendous empathy for what individuals are currently experiencing.”

In this interview with *CFA Magazine*, Lipstein discusses career opportunities in an evolving financial world—and how to find them.

What is the “Federal Careers Job Fair” like?

NYSSA held two federal government job fairs in 2009. The first, in April, was attended by about 500 members. Thirteen agencies participated. We put on a more focused one in October in which three agencies and about 250 professionals attended. Given the high unemployment on Wall Street and the need for Washington to hire experienced financial professionals for a wide variety of positions, we felt it would be a perfect opportunity to bring these two parties together. While the federal government hiring process is much more laborious than that of the private industry, as well as lower paying, the flip side is that the stress is less and the benefits are great.

To my knowledge, we are the only Wall Street organization that put on such an event. Agencies which attended the April event included the CIA, FBI, Federal Deposit Insurance Corporation (FDIC), Federal Reserve Bank of New York, and U.S. Security and Exchange Commission (SEC). The October job fair was attended by the FDIC, Federal Housing Finance Agency, and the SEC. I was disappointed that the Treasury Department declined to attend both.

How have structural changes on Wall Street affected employment?

During the last 20 years, much of the growth in the American economy was due to growth in financials, as opposed to manufacturing. That growth was out of whack with historical standards. If you assume we're not going to see this same growth in the deal and mortgage business and we're not going to see banks lending so easily to finance acquisitions, then Wall Street won't be making as much money. As a result, a lot of the profession that dealt with the “product of the moment” is going to disappear. The syndication market has changed. The idea of tearing securities apart and selling them into thousands of pieces and thinking you eliminate the risk—that is going to go away.

Wall Street is going to return to a much more conservatively run business, whether on the deal side in mergers and acquisitions (M&A) or the public financing side in IPOs and secondaries. That alone will have an impact on compensation, on the number of people working in the business, and on the numbers of firms. Every time you see a large firm go away, it gives rise to a lot of smaller firms that come out of the remnants. But ultimately, the number of people employed on Wall Street has shrunk, and it is unlikely to come back in the near future. In terms of restructuring, we will have fewer large firms and there will be fewer overall transactions and fewer dollars changing hands. All of that leads to fewer people working in the business.

What is your recruiting process like?

As part of a retained search firm, we tend to focus on mid- to senior levels (as opposed to a contingency search, which focuses on junior to mid-levels). In a retained

search, the fee is paid in several installments over the course of the search.

Let's say the offered salary is US\$100,000; the standard retainer and fee is one-third, or US\$33,000. We allocate resources to researching the marketplace, conducting recruiting, and managing the overall process. If we interview 50 people, we might present six and the company might continue with three of them. The goal is that one of these would eventually be hired. In a situation like that, you are paid for the consultative part of the business (who is the population of appropriate candidates). The actual placement comes out of this process.

On a contingency search, you are basically told by the client, “If you find us somebody, we will pay you.” You can't allocate the same amount of resources to go into the marketplace and find the right people. You can only do a minimal amount of work, depending on how well you know the market, present a few people, and then try to place those people either at that firm or any other firm that might be looking for the same kind of person. In a retained situation, you have been hired by the firm. It is inappropriate, both from an ethical standpoint as well as a legal standpoint, to actually show those candidates to other clients.

So, when the job market picks up, companies begin to be frustrated by the increased difficulty in hiring the best people. They will talk to firms like ours, and after being hired, we will go out and find people. We are in that stage now. It has been a difficult year and a half for the search business. But we are now seeing increased interest on the part of clients in going to a retained search.

We're in the market every day, so it is a combination of talking to professionals on the searches we're working and talking to perspective clients. I think we are salesmen as well as amateur psychologists, and I believe what I do also creates an efficient marketplace.

What kind of motivation is needed to find a job?

It's like writing the great American novel—the inspiration to write the novel might not happen on its own. You've got to work at it. You've got to figure out how to get information on the markets, on people, on companies and then figure out what to do with it. Looking for a job is a full-time job, and you can't despair, even if most of what you do gets rejected. It's sort of like the difference between practicing 10 or 15 free throws a day and practicing 300 free throws a day. You keep pushing yourself. Most people don't understand the rigor involved in the job search, and some people may but don't want to do it—even if they need a job.

How do you make networking work?

If you Googled everyone you ever worked with, you could probably figure out a way to get help from each of them. You've got to get people to want to do things for you—not to sound too cynical or manipulative, but the act of looking for a job is that you are looking for people to help you



when you need them. What a lot of people don't understand is that they also need to help people before asking for help. More often than not, that will happen *while you are employed*. Networking while you are working is not something that a lot of people make a sufficient investment in. The payoff is that when you are looking for work, if you have networked appropriately, there will be people that you can ask for that meeting or that reference or that job. At the same time, it helps to know your strengths, your personal brand.

What do you mean by “personal brand?”

Personal brand is creating an identity that you are known for. It's a result of figuring out what you are good at and following through on it. It's knowing yourself and letting others know who you are. It's easier to have a personal brand when you are 45 than 25, because you've lived longer and you've been in the marketplace and you know your strengths and weaknesses. But even if you are a college student and you have a certain passion, you can articulate that to others by joining groups that share your passion.

Using the word “passion” is important because you have to figure out what you like to do. And ultimately, you have to find out if you are good at it. Obviously, if you are good at it, people will notice. If you are not good at it, then you have to determine what else you are good at. So, the personal brand is the identity that you create by dint of having a passion and being good at it and then letting the world know about it. Easier said than done.

How does the personal brand play into an interview?

When I interview someone, I have to know *what they are*. In that interview, you are a microcosm of what you are as an individual. Think about it, when you meet someone for the first time, that person can say anything. If they are negative or they say something inappropriate, you get an immediate impression of that person. So, it is almost like the personal brand is not necessarily the first sentence out of your mouth. It's more of what you articulate in that hour. What does your resume look like? Is it just a collection of jobs, or does it tell a story?

You've said that everyone goes through a personal journey in job searching. What do you mean by that?

If you're in institutional equity sales at Morgan Stanley and you get laid off, your first inclination might be to interview at similar firms, whether that's Bank of America/

Merrill Lynch or Goldman Sachs. One's inclination is to do the exact same thing. If you can't find a job, you have several alternatives. You can decide that you *are* a financial products salesperson, but it's not going to be in equities. Maybe you can sell another product or you can move into private wealth management instead of institutional sales. Or it may not be in financial services—maybe you will sell something else. Or ultimately, you may decide you are not a salesperson. So, the personal journey is that as you look for a job, you find out about yourself by the responses that you get from others. This gives you an increased sense of introspection.

Often, if someone has changed jobs frequently, they may think, “Well this firm is not right for me” or “My boss is not right for me” rather than thinking that something is systemically wrong. You don't always know why an interview didn't go well. But if it happens enough, you may conclude that maybe it didn't go well because you are not right for that kind of job, rather than you said the wrong thing or the interviewer had a bad day or you didn't get enough sleep.

How is the idea of salary capping affecting the job market?

While people won't necessarily take a job somewhere because there is a pay cap or not, I think it all plays into the amount of job satisfaction that people have working at an organization. I've been able to recruit a couple of people away from one of the large Wall Street banks in the last year because they couldn't stand working there anymore. They walked away from money. People will walk away from things if they are not happy. I am sure that firms will be able to recruit away people at companies that are under close scrutiny by the government. But I think that is just part of the story going on in terms of compensation.

Nobody wants to be capped, but I think that clawbacks (and other more complicated compensation structures) will be the alternative to the government setting wage controls. So, if you've been involved in a product that two years later blew up—the profits you generated two years ago have disappeared—you will have to give the money back, or more likely your payout will be deferred over a certain period of time. Just 6–12 months ago, clawbacks might have been impossible to imagine. These things will make some firms more desirable and others less desirable, but that will only be part of the process in which people make decisions.

Do you think clawbacks will become an industry standard?

I would say the odds of clawbacks becoming the standard form of compensation for mid- and senior-level executives are high. The idea of deferred compensation is pretty much the norm, and the idea of the garden leave (60–90 day non-competes) has become the norm. So things that we didn't think possible have become acceptable. //

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