



Big Fish in Small Ponds: Human Capital Migration and the Rise of Boutique Banks

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Abstract

We document a rise of boutique banks in the M&A advisory industry that is traditionally dominated by bulge bracket banks. We show that high-performing individuals are more likely to migrate from bulge bracket to boutique banks, and that their clients and colleagues tend to follow. The performance of losing (gaining) banks in the transitioning bankers' specialized industries subsequently deteriorates (improves), potentially contributing to the prosperity of boutique advisors. To establish causality, we exploit the cross-department subsidization within bulge bracket banks that exogenously affects the skilled labor supply to boutique advisors. Our findings highlight how human capital mobility shapes industry structures.