If we possess our why of life, we can put up with almost any how – Friedrich Nietzsche

ORGANIZATIONAL RESILIENCE

On September 11th, 2001 Sandler O’Neill & Partners, L.P. formerly of the 104th floor of the World Trade Center’s South Tower lost thirty-nine percent of its people, including two-thirds of its management committee, and nearly all of its physical assets and corporate records. Neither industry experts nor organizational scholars could have been optimistic about the future of the firm. Yet one year later the firm not only had recovered, but was doing better, earning record profits and revenues and expanding into new highly desirable lines of business, while continuing to care for both surviving employees and the families of the deceased.

Resilience has become an important topic in psychology and has struck a particularly resonant chord in the popular press. An unforgiving economy, war and terrorism have also generated business interest in the topic, but research has been sparse on organizational resilience.

To help fill this void, we conducted exploratory research examining Sandler O’Neill’s experience. We document what happened in the 9/11 attacks and present findings on (1) the nature and extent of the organizational losses and aspects of the situation that made recovery possible, (2) the sources of Sandler O’Neill’s recovery and (3) the mechanics of organizational resilience–actual problems faced in implementing recovery and how the firm successfully coped.

Sandler O’Neill is an investment bank for thrifts, community banks and savings and loans, offering a full service from mergers, acquisitions and conversions to fixed income and equity investment management and trading. The firm was founded in 1988 by six partners who referred to themselves as the “3-2-1 gang” (three Jews, two Catholics and a Protestant). It became a mostly Caucasian, Catholic firm that grew by hiring friends, the sons and daughters of friends, and the sons and daughters and friends of business associates. From the onset, the firm has been very successful, providing partners and key employees with multi-million dollar incomes. Partners referred to it as a “money machine.”

September 11th, 2001. At 8:45 am, 83 Sandler O’Neill employees, two consultants and two visitors were in the company’s principal office on the 104th floor of the South Tower of the World Trade Center. When the North Tower was hit, sixteen employees immediately left their offices (despite building advisories not to leave). Along with a 17th who happened to be on the 44th floor, these employees exited the building safely and survived. The South Tower was hit at 9:02 a.m. and collapsed at 9:59 a.m. No one above the 78th floor at the time of impact survived.

The Equity Department was wiped out – 20 of 24 killed. Nine of Sandler’s 31 partners perished, including Herman Sandler and Chris Quackenbush, two of the three partners who formed the management committee that ran the firm, and mentors to many employees.

Recovery. In spite of the devastating losses, Sandler O’Neill has managed not only to survive, but to thrive. Amazingly:

- No deals or clients were lost.
- Two months after the attack, the firm was profitable again.
By May 2002, profitability and revenue recovered to pre-9/11 levels and continued to trend upward. Revenue per partner, per professional and per employee was higher than ever.

The firm substantially strengthened some of its core areas through new hires – in 2002 it was number one in M&A activity in its market segment – and built a new business in capital markets, underwriting an annualized $23 billion in initial public offerings.

Moreover all this was achieved as the firm was providing generous care, salary, bonus and benefits to the families of the deceased.

OVERVIEW OF FINDINGS

In the full length paper we present three sections of findings. One section identifies the nature and extent of the organizational losses from which the firm had to rebound and aspects of the situation which made recovery possible. Another section details mechanics of organizational resilience – actual problems faced in implementing recovery and how the firm adroitly coped.

Here we present the central conclusion of our analysis – that Sandler O’Neill’s remarkable post-attack performance can be attributed primarily to a compelling invocation of moral purpose, which propelled resurgence of the firm by direct motivation, by enabling outside help, and by unleashing extraordinary physical and psychological resources in concert with “the pull of opportunity.”

THE SOURCE OF SANDLER’S RESILIENCE: MORAL PURPOSE

Several situational factors contributed to the resilience of firms hit in the 9/11 attacks (Freeman & Maltz 2003):

- The attack was an isolated incident rather than a series of recurring events.
- Although the attack was deadly, it was over quickly.
- No betrayal: Osama Bin Laden is the consummate stranger rather than someone previously trusted.
- Sandler was not only blameless, but noble, attacked as a symbol of American success. Its environment has been extraordinarily supportive.

Aspects of the situation, however, can only augur the possibility of recovery; it hardly portends Sandler O’Neill’s phenomenal post 9/11 success. Likewise, Sandler generally managed the crisis well. But crisis management can only mitigate losses; it cannot produce growth. To explain the firm’s remarkable post 9/11 performance, we were led to one dominant explanation: that a newly found moral purpose invigorated an entire community.

Moral purpose was a motivational factor in and of itself, spurring on the efforts of the partners and employees, as well as customers, suppliers, volunteers and other sources of external help. But it had multiplier effects in concert with other factors:

- An ability to get help. The world was sympathetic in the aftermath of these attacks, but Sandler was particularly effective in obtaining and utilizing forthcoming assistance.
- The pull of opportunity. Death created opportunities for advancement, leadership, new business and structural change. These opportunities could be seized without guilt because of its link to moral purpose.

Moral Purpose

It was by no means a foregone conclusion that the firm would continue. The partners were already wealthy. For several years they allowed Dunne, an effective delegator, to manage the operations of the firm while spending 200 days a year playing golf. (He was on the golf course the morning of 9/11.) He worked short hours, checked “ten e-mails a day” and spoke daily with his department heads. Herman Sandler was an active philanthropist committed to environmental issues, music and numerous other nonprofits. Several senior partners were informally “semi-retired” and searching for what they were going to do next, including Fred Price, who after 9/11
joined the Management Committee as Chief Operating Officer. We learned in our interviews that several partners believed that the firm’s natural trajectory was coasting towards a shut down or sale. There was no plan to sell the firm to a next generation of owners. To be sure, the surviving owners were concerned with the financial well being of the families of those who had died, but that obligation could be met through a distribution of the firm’s capital reserves. 9/11 changed this. The firm, once an instrument, as one owner described it, “for feeding the mouths of families,” became a moral enterprise as well: to honor the dead, care for both the family members of the deceased as well as the living, and deny the terrorists a victory. Typical comments included:

… the whole idea is that we are at war. It is important to keep our economy going.

We want to rebuild because these are the wishes of Herman [Sandler] and Chris [Quakenbush].

We are covering these families for the next five years. This is extraordinary and I take great pride.

I feel more motivated and more determined. We have more responsibility to … [rebuild the firm] for those who are gone.

One employee, who had quit before 9/11 to start a non-financial business in his home, came back:

They wanted to bring me back. [A managing partner] gave me a call, and we talked about it for a while, and the more I thought about it, the more it made sense to come back, from a lot of points of view. I never really wanted to come back to the Street after I left, but this is different. From just a moral standpoint, it is absolutely the right thing to do.

When Sandler O’Neill’s salespeople sold stocks and bonds, they were selling for their dead colleagues both emotionally and literally. As we noted, early on it was decided that commissions generated through sales and trades on the accounts of a deceased employee would go completely to that employee’s estate. In addition, the firm would pay salaries until the end of the year including bonuses that met or exceeded any prior bonus. The firm ensured that medical insurance would continue to all family members for five years (and for children until the age of 18) and created with support of friends the Sandler O’Neill Assistance Foundation, dedicated to helping the children of their lost colleagues attend the college of their choice. The firm held a memorial service for the victims and their families at Carnegie Hall, invited family members to the ceremonial opening of its new office, created a memorial – a Steuben Glass “Mobius Prism” – with the names of all the employees who died engraved on it. The firm created a family resource center to help the families of those killed cope with financial and legal needs and continued to provide counseling services (directly through 2002; through the foundation beginning in 2003). Sandler employees continue to maintain active contact with family members of victims.

Customers and competitors also responded to this sense of moral purpose. Immediately after 9/11, it seemed doubtful to analysts and the media that a relationship-based firm in a relationship-based industry could survive the death of so many relationship managers. In fact, all clients remained with the firm. Maintaining a relationship with the firm enabled clients, suppliers and other stakeholders to honor their relationship to those who died and to work through their own feelings regarding this national tragedy. Six months after the attack, Dunne noted that, early on:

I made a mistake. I thought that clients would find it a bit presumptuous on my part if I interjected myself into those relationships. I was 100 percent wrong. Not only did they want it, they expected it. Now I am furiously … contacting the key people that our key people talked to.

Dunne’s assumptions were based on the workings of Wall Street in normal times, when clients are often more connected to their investment banker or financial advisor than they are to the firm that employs them. In this case, clients wanted to transfer their relationships with the deceased to the firm as a whole.
Attracting Help

Moral purpose enabled the firm to attract and retain help from the outside. In the aftermath of the attack, the firm was faced with an avalanche of extraordinary demands: managing the media, handling waves of calls from well wishers, legal concerns, estate issues, regulatory issues, child care, funerals and counseling. Dunne retained control over some matters as a personal responsibility – he immediately put policies in place to care for the victims’ family members and was in touch with most of the widows and widowers in the first few hours after the attack; but he drew on outside help to deal with most extraordinary functions: on 9/11 Sandler hired a public relations firm and on 9/12 an organizational consulting/counseling firm. Dunne also drew upon top legal, financial and other expertise. A close friend of a deceased managing partner approached Dunne at a memorial service and asked if there was any way he could help. When it turned out he had managed communications for a prior governor of New York, Dunne recruited him to manage these functions for Sandler O’Neill.

Prominent CEOs, lawyers, financial advisers and many other volunteers showed up at Sandler’s temporary offices to help. Relatives answered phones, laid cable and set up computers; ex-employees worked the phones; and once trading began the following Monday, volunteers traded for the firm and for the deceased without taking salary and commissions. When Sandler O’Neill moved into temporary headquarters two weeks after the attack, it was impossible to tell who was a Sandler employee and who was a hired hand, relative or volunteer. One employee noted, “We were fortunate to have good people with background and training in various areas come in to help us.”

The crisis generated publicity and celebrity (including profiles on CNBC and CBS’ 60 Minutes and a cover story in Fortune). Public approval of Sandler O’Neill’s management, Dunne’s charisma, and the effectiveness with which Sandler managed public relations led to invitations for new deals. Management fully accepted the generosity of others, allowing the firm to enter deals that were made available and made business sense. One partner told us, “XX gave us a deal. It was great. They practically filled out the paperwork for us.”

Although the ability to cope with trauma depends partly on the ability to attract and use help, there is an inherent paradox. Trauma can be very isolating. Individuals and leaders of organizations alike feel violated; they worry that their experience cannot be understood and that others are judging them for the extremity of their response. They oscillate between being locked up in the emotional aftermath of the trauma, exhibiting the physical and emotional stress of their self-imposed prison, or being overly sensitive to their environment, openly reacting to a face, a memory, a picture, a plane, a siren or other noise. Just when people or organizations most need help, they are often least capable of seeking and using it. Directors may worry that if they solicit help, the resulting publicity could stimulate lawsuits and expose their weakness, leading potentially to further losses of key personnel and business. Indeed, in the first month(s) after the attack, other financial services firms that were badly damaged (especially Cantor Fitzgerald and Marsh McClellan) provided little access to the public. This might explain why CEO Howard Lutnick of Cantor Fitzgerald made and then changed decisions, after getting bad publicity, on how he would financially treat the families of dead employees. He lacked the open-ness that would have enabled him to test ideas and possible policies with friends and advisors.

The Pull of Opportunity

One person described the tenor of the months following the attack as “sprinting a marathon.” Sandler O’Neill partners and employees put forth astounding energy and effort rebuilding the IT system, reconstructing records from memory, contacting the customers of deceased employees,
and creating a workable temporary facility while also planning for a permanent move. A partner noted that the intensity had reached a level of “white heat” and wondered how long the firm could sustain this tempo. One employee noted:

After 9/11, I think everybody that worked here felt themselves as a partner because they were involved in the company in a way that they're never going to be involved in any other job in their lives. So you felt like a partner …

**Personal opportunity.** The loss of friends and colleagues was personally devastating, yet the tragedy had an upside: the loss of leadership and talent created new opportunities for survivors. “For every deconstruction there is construction,” one respondent put it. Even though the work of reconstructing the firm was physically burdensome and psychologically difficult, many stepped forward to fill voids because the situation presented an opportunity to advance.

We have not seen this observation noted elsewhere, but the pull of opportunity was clear both to interviewees at all levels of the firm and to the many job seekers who contacted the firm in the months after the disaster. Although not part of our initial interview protocol, it was offered in some form by a majority of interviewees. Comments included:

- I am ending up with a chance to work on accounts of those who have died. There is good business there. These are situations I would not have had a chance to be involved in. There is more latitude in terms of where you can go.
- I will make more money now because they need competent people to maintain the relationships.
- I think that one of the neat things about this firm is that there are more opportunities that you could follow up on—bigger account lists than a salesman could cover, the matrix of accounts and potential accounts and products and opportunity. There will never be enough hours in the day.

**New business opportunity.** The tragedy likewise created firm-level opportunities that management cautiously pursued. Some larger banks and competitors saw Sandler O’Neill as a symbol of how Wall Street, the capitalist system and the U.S.A. could and would respond to foreign attack. For the first time, Sandler O’Neill was “invited to the table” to participate on large underwriting deals. One respondent asked rhetorically:

Opportunity? A ton right afterwards. Competitors included us in underwriting. Companies that we would never speak with, such as X; there was an open forum… Some of these relationships will be enduring.

**Structural opportunities.** The tragedy also created “structural” opportunities – the chance to make changes that otherwise would have been unfeasible because of either sunk costs or entrenched personnel. For example, an IT professional said that in a sad way the disaster was an opportunity to improve the computer systems, “Opportunities start from an empty space.” One executive came over from a much larger firm because, “I thought the opportunity to rebuild the equities business was unique in such a small, well-regarded firm.”

At the organization level, the tragedy created the opportunity to completely remake the equities group and to take the firm in new directions, such as underwriting and preferred stocks. It has allowed Sandler O’Neill to get, in Dunne’s words, “people that can broaden our scope”

Some new senior hires have helped a great deal: I miss X at a business level so much but hiring Y has been a godsend for me. And it's also helped everybody else behave better.

Death generally created slots for strategic, high-quality new hires. The firm hired Wall Street talent from prestige firms who, by virtue of their skills and relationships, brought new kinds of business. In doing so, the firm took advantage of a soft labor market on Wall Street, which made talented people available; but because it received such good publicity for the moral stance it took in relationship to its families, the firm had its pick of candidates at all levels. Young people from top universities, who might normally have gone to larger firms, applied for jobs at Sandler
O’Neill.

We are led to ask under what conditions would finding opportunity in a colleague’s tragedy not feel like dancing on their grave? Indeed, some people did express ambivalence about making money and advancing because other people died:

You have been given five new accounts that were existing Sandler O’Neill clients. ... Do I deserve someone else’s money?

I took on coverage of better accounts. This is not the way you want to get [these accounts]. It is an uncomfortable idea.

A respondent who joined the firm in November 2001 said:

I don’t know how to express how I feel. I am glad to be here but not happy for the reason why.

We suggest that ambition may be experienced differently, depending on the situation. Under normal business conditions, coworkers’ ambitions often clash. This becomes a durable part of organizational politics. But in this case, when one person stepped forward to take advantage of an opportunity they were not denying it to another. Rather, by helping the firm survive, employees created future opportunities for others while creating resources to help the family members of co-workers who died. Under these conditions, one person’s ambition becomes a gift to others.

The combination of moral work and the pull of opportunity released extraordinary physical and psychological resources at Sandler O’Neill. Work typically involves a tradeoff between normal business activities, which we undertake for material advancement, and volunteer work, which we undertake for a moral payoff. At the extremes, in a failing, demoralized organization, such as Enron, people feel depleted, but in an organization that permits advancement through moral work, people feel exceptionally energetic and psychologically available.

**DISCUSSION AND EXTENSIONS**

**Implications for risk management and disaster planning**

The Sandler O’Neill experience suggests we reconsider disaster planning. Since 9/11 organizations have invested substantial resources in risk management, most of which have been technologically focused in the contingency planning tradition (IT, off-line systems, redundancies, etc.) But technology and planning played no role in Sandler O’Neill’s recovery. Rather, the firm’s recovery can be attributed entirely to human factors: relationships, the management of emotions, and, above all, invoking a moral purpose that motivated extraordinary effort.

**Beyond Resilience**

The term resilience has a powerfully positive connotation, yet it may be insufficient to capture the magnitude of Sandler O’Neill’s accomplishment. Resilience means the ability to spring back to original form from stress, illness or adversity. This case suggests a second Nietzsche maxim: “What does not kill me makes me stronger.”

Beyond crisis management, beyond resilience, the case begs questions of motivation and performance: Can we clarify the sources of strength and motivation that Sandler O’Neill drew upon? Is tragedy necessary to bring out this superlative performance or are organizations and individuals capable of such achievement under otherwise normal conditions? The most valuable extension of this research would be to help make these sources of strength generally available to those who face great challenges and endeavor great deeds.

**REFERENCE**