

**SANDLER O'NEILL & PARTNERS L.P.**  
**IN THE AFTERMATH OF SEPTEMBER 11,**  
**2001:**  
**CRISIS AND RESILIENCE**

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Larry Hirschhorn, Ph.D.

Marc Maltz, M.B.A.

Steven F. Freeman, Ph.D.

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Sandler O'Neill & Partners LP, an investment bank that specializes in thrifts, community banks, and savings and loans, lost 39 percent or 66 of its people in the attack on the World Trade Center. The 66 left behind parents, siblings, husbands, wives, and children, including 36 widows/widowers and 71 children under the age of 18, including one child born in August 2001 and another born in October. Over 100 parents lost sons and daughters, many of whom had sent their adult child to work for a colleague, friend, or personal banker at Sandler O'Neill. Two of the three managing partners; nine of the thirty-one partners, nearly one-third, died. The equity-trading department was wiped out, 20 out of 24 were killed. Over one three-day weekend in late September, most of the people in the firm attended *twenty-one funeral or memorial services*. Sandler's offices, computers, and corporate records were destroyed. Client and contact lists were reconstructed, mostly from memory. To remain in business the firm even had to reapply for all of its trading licenses in the last quarter of 2001. The firm paid back an enormous sum of equity to the estates of partners who had died, significantly reducing its capital on-hand. It paid salaries to the families of those lost until the end of the year and ensured that all bonuses met or exceeded any prior bonus. Through December 2001 it gave commissions generated through sales and trades on the accounts of a deceased employee to the employee's estate. In short, expenses soared. Besides the expenses incurred to rebuild, the company purchased extraordinary items such as counseling, legal and public relations assistance to help employees, friends, and family members, and to respond to requests from media and the general public. The deaths of colleagues and friends were particularly severe for the tightly knit Sandler O'Neill. One long-time employee noted that, "We all grew up together." Employees' families were best friends, vacationed together, belonged to the same social networks, and even owned homes near each other. The firm hired primarily from a pool of friends and family.

Research on organizational loss and crisis predicts that a firm in this situation would simply not recover from such a disaster. After all, the people in leadership positions who could direct the recovery are dead. The community that would normally provide support to distressed individuals is weakened. Business processes are depleted, and habits of teamwork are undermined in times of great stress.

While a crisis such as this exhausts capital, there are other concerns to manage: competitors can take away business, and suppliers and customers worry about continuity of service. The latter was of particular concern. Sandler was known as a "relationship" firm on

Wall Street, a firm that prided itself on the way in which it managed its relationships with clients and potential clients. The catastrophe of September 11 put these relationships at risk. Ray Soifer, an independent banking consultant, issued a dire warning in *BusinessWeek* on September 13: “The loss of life is catastrophic in an industry that relies on personal relationships. In some specialties, business may be crimped for months because of loss of traders and analysts.” This is one reason that on September 17 CNBC reported incorrectly that Sandler O’Neill would not survive.

Yet a year later Sandler O’Neill is thriving. Two months after the attack, the firm was profitable again; 2001 profits were substantial (in an off year for Wall Street). By July 2002 revenue per partner, per professional, and per employee was higher than ever. The firm built a new underwriting business that executed an annualized \$23 billion of initial public offerings.

**Table 1: Recovery**

	<b>Prior to September 11</b>	<b>September 11</b>	<b>Post September 11</b>
<b>People</b>	Highly competent and dedicated. Some partners semi-retired or less active in the day-to-day business. Employees are close, socially related; the firm hired friends and family of friends, clients and associates.	Thirty-nine percent are dead. Others are emotionally and psychologically devastated.	People make a tremendous effort; new employees are hired and contribute immediately. (By March 2002 some people are feeling <i>personally</i> depleted.)
<b>Systems</b>	SOP is lean and well coordinated.	Facilities, records, data, and physical history are destroyed. Deaths also mean loss of coordination and communication.	Systems are rebuilt; a new office and infrastructure are established.
<b>Network</b>	External relations are very good; SOP has an excellent reputation in its markets.	Goodwill has increased; worldwide sympathy from onset, soon, worldwide respect.	External relations are extraordinary; clients, customers and competitors give very charitably. Major media stories help the firm achieve fame and admiration.
<b>Wealth</b>	The firm is wealthy and capable of creating new wealth.	Wealth is dramatically reduced through deaths. Potential for creating wealth has, for the moment, been severely hampered.	Ability to create wealth rapidly returns and expands prior capabilities.

How did this happen and what can we learn from Sandler O’Neill about preparing for disaster and recovering from trauma? Facing the prospect of terrorism and information warfare, business and government leaders must plan for the awful possibility of organizational disaster. Typically, an executive’s first impulse is to think about technical matters: how to backup computer systems, how to provide security, how to distribute assets across physical locations. These are important issues, but the Sandler experience

highlights the salience of morale, the power of a moral purpose, and the mobilizing impact of a psychological sense of community. These human factors proved decisive in Sandler's ability to survive and prosper after unimaginable loss.

Firms such as Enron face crises, but they differ from the one Sandler O'Neill experienced. At Enron an organizational weakness precipitates a crisis rather than the reverse. The already weakened and depleted firm has little margin for error. The nature of the September 11 attacks also had specific and distinctive impact on how individuals experienced the resulting trauma. Research on children that have suffered abuse<sup>1</sup> suggests that victims recover better and faster in cases where there is no prior history, the abuse is short-lived, the violator is a stranger, and family members support rather than blame the abused child. These conditions characterize Sandler's experience. Osama Bin Laden and Al Qaeda were strangers, attacked only once, and in response, the Wall Street community, the city, and the nation mobilized to help people and institutions that lost loved ones.

However, we also know from the experience of war that civilian communities such as in England or Germany during World War Two and North Vietnam during the Vietnam War can recover the capacity to be productive in the face of massive bombing campaigns. Resilience is multifaceted. We do not yet fully understand it.

Diane Coutu recently explored the general importance of resilience in light of the recent terrorist attacks, war, and recession, distilling theories about what produces resilience.<sup>2</sup> We build on this work by exploring in detail the remarkable recovery of an extraordinarily resilient firm. Our story is based on two engagements we had with the Sandler O'Neill. Immediately after September 11 Sandler hired Marc Maltz and his firm, TRIAD, to provide psychological and organizational assistance in the recovery process. Several months later, the three authors, Marc from TRIAD, and Larry Hirschhorn and Steve Freeman from CFAR, began a research project to understand the sources of Sandler's resilience. We interviewed 52 employees and 10 external stakeholders (including families, clients, service providers, and advisors) between February and May 2002. We spoke with

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<sup>1</sup> Resilience inquiry emerged from identification of characteristics of survivors, mostly children, living in high risk situations. A foundational study on human resilience was Emmy Warner's *Vulnerable but invincible: A longitudinal study of resilient children and youth*, (New York: McGraw Hill, 1982), and her work with R. Smith *overcoming the odds: high risk children from birth to adulthood*, (Ithaca, NY: Cornell University Press, 1992). These findings were popularized by J.M. Joseph in, *The resilient child*. (New York: Insight, 1994).

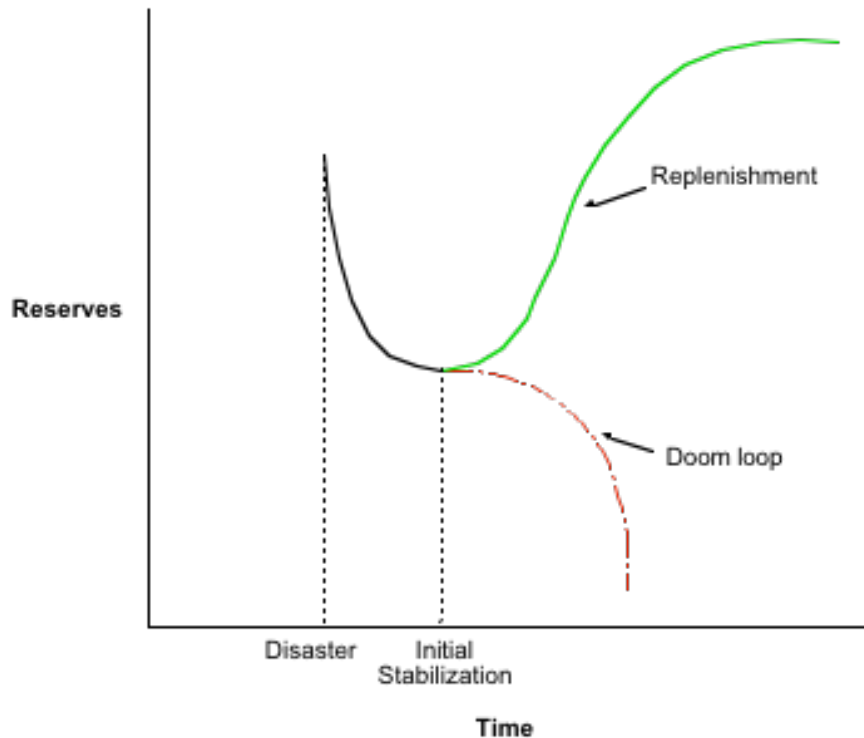
<sup>2</sup> Diane Coutu, "How resilience works," *Harvard Business Review*, Jun3, 2002, pp. 48-55

the Managing Principal, Chief Operating Officer, General Counsel, Chief Financial Officer, and the newly appointed Managing Director of Family Relations and Corporate Communications to understand the losses the firm suffered. The firm, a private corporation, did not divulge financial information so we obtained performance data from public sources (including the Sandler O’Neill Website) and analysts’ comments.

### **Resilience, Reserves, and Replenishment**

An organization’s resources are depleted after a disaster. If it takes too long to replenish its reserves, the disaster can feed on itself. Creditors alarmed by a shortage of cash may demand quicker repayment, employees facing joblessness may seek work elsewhere, and customers worried about continuity of service may seek other suppliers. Once these choices are made the firm spirals downward in what Peter Senge and others call a “doom loop.”

As the following graph suggests, destruction is a two-phase process. There is an initial and rapid loss of reserves, determined by the severity of the destructive event, followed by a second phase in which the organization enters a doom loop as people and other institutions withdraw. The latter phase is similar to a “rout” in which battlefield soldiers, frightened by the severity of an initial strike, retreat in a disorderly fashion. The retreat itself creates more losses. To avoid this doom loop an organization must decide quickly to rebuild, infuse new resources, and enable people to take up leadership roles wherever necessary.



Sandler O'Neill avoided a rout and recovered due the interplay of several forces.

1. A moral purpose and the pull of opportunity that stimulated employees, owners, and volunteers to commit great effort, energy, and time to rebuilding the firm.
2. The firm successfully balanced the work of grieving with the work of rebuilding. Too much grieving could lead to paralysis, too little to divisiveness and suspicion among members of the firm. Grieving was supported and “psychologically contained.”
3. The firm sought help successfully from external sources even though many organizations facing such conditions might isolate themselves
4. The sole-surviving managing partner, Jimmy Dunne, provided effective crisis leadership by deciding within one day to rebuild and rallied employees to work on behalf of the dead, their families, and the capitalist system. Yet in doing so he also welcomed initiative and leadership from everyone participating in the recovery, used help from every corner, and displayed

considerable emotional flexibility in adjusting the way he took up his own leadership role.

5. Despite the loss of so many lives and the resulting destruction of friendships, the firm's historic culture facilitated teamwork and self-management in the first weeks after the disaster.

### **Moral Purpose**

The decision to rebuild and the process of rebuilding occurred quickly. The following timeline shows the trajectory of Sandler's recovery.

Sept.11	WTC attack.
9/12	Jimmy Dunne announced decision to rebuild the firm.
9/17	Relocation to temporary offices, firm begins trading when markets open.
10/22	Thirteen new employees hired; new permanent office announced.
By 11/30	Nine deals on the books before September 11.
1/18	Firm relocates to permanent new headquarters.
1/22	Firm resumes market making in about 300 stocks.

It was by no means a foregone conclusion that the firm would continue. The partners were already wealthy. They allowed Jimmy Dunne, an effective delegator and leader, to manage the operations of the firm while spending 200 days a year playing golf. He worked short hours, checked perhaps ten e-mails a day, and spoke daily with his key department heads. Herman Sandler was an active philanthropist committed to environmental issues and the Israeli Philharmonic. Fred Price, who after September 11 took over the day-to-day operations of the firm, had been thinking of retiring. The partners often referred to the firm as a "money machine." As we learned in our interviews after September 11, the owners who remained alive believed that the firm's natural trajectory was moving toward a shut down or sale. There was no plan in place 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. September 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. One respondent said, “Wednesday [September 12] I got a call from one of the partners that Sandler was going to make it. This meant that the terrorists did not take everything away.” Similarly, a second explained, “... the whole idea is that we are at war. It is important to keep our economy going.” A third respondent noted, “We want to rebuild because these are the wishes of Herman (Sandler) and Chris (Quakenbush) [the third managing partner].” A fourth said, “We are covering these families for the next five years. This is extraordinary, and I take great pride.” A fifth said, “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 September 11 to start a nonfinancial 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 Sandler O’Neill employee would go completely to that employee’s estate. In addition, the firm would pay salaries until the end of the year including total compensation (base salary plus bonuses) that met or exceeded any prior year. The firm ensured that medical insurance would be continued to all family members for five years (and to children until the age of 18). The firm supported the creation of the Sandler Foundation dedicated to helping the children of their lost colleagues. The firm held a memorial service for the victims and their families at Carnegie Hall. It invited family members to the ceremonial opening of its new office. It created a memorial—a Steuben Glass “Möbius Prism” with the names of all the employees who died engraved on it and placed it in the new office’s reception area. At the time of this writing, the firm is still providing counseling services to the families of victims and to employees. The firm also created a family resource center staffed with a Managing Director to help the families of those killed cope with needs ranging from financial to emotional. (Recently the firm began a series of workshops for the deceased’s spouses to help them understand and better work with their grieving children.) Additionally, the firm

maintains a Website designed to inform families of the help and resources available to them both from the firm and elsewhere. In the several months after the attack, Sandler employees maintained active contact with family members of victims.

Customers and competitors treated the firm differently as well. Immediately after September 11 analysts wondered if any firm would survive. Indeed, as mentioned earlier, on September 17 CNBC announced that Sandler was ceasing operations. After all, it was a relationship-based firm in a relationship-based industry, and a large number of Sandler's relationship managers had died. The media and analysts underestimated the power of moral purpose to Sandler's customers. 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 out 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 good working relationships with now deceased bankers to the firm as a whole.

As this suggests, moral purpose enabled the firm to attract and retain help from the outside. The firm was faced with an avalanche of extraordinary demands—managing the media, handling the continuous waves of calls from well wishers, legal concerns, estate issues, regulatory issues, child care, funerals and counseling. Jimmy 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. Dunne drew in help from the outside to deal with these functions. On September 12 Sandler hired a public relations firm and on the 13<sup>th</sup> a consulting/counseling firm. Dunne also drew upon top legal talent and financial expertise. Larry Belinsky, a close friend of one of the deceased managing partners, approached Jimmy Dunne at a memorial service and asked if there was any way he could help. Dunne hired him to manage the firm's relationships with victim's family members.

The firm also attracted volunteers (including preeminent CEOs, lawyers and financial advisers) who showed up at Sandler's temporary offices to lend a hand. Many nonemployees pitched in: relatives answered phones, laid cable and set up computers; old employees showed up to work 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 just weeks after the attack, it was impossible to tell who was a Sandler employee and who was there to help, either as a hired hand, relative, or volunteer. As one employee noted, "We were fortunate to have good people with background and training in various areas come in to help 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 plane, a siren, or another noise. In other words, just when people or organizations most need help, they are often least capable of seeking and using it. Organizations may sensibly worry that were they to solicit help, the resulting publicity could stimulate lawsuits over who was to blame for the crisis or its consequences and expose their weakness, leading potentially to a loss of key personnel. Indeed, in the first month(s) after the attack, some of the other financial firms that were badly damaged (especially Cantor Fitzgerald and Marsh McLellan) provided little access to the public. This might explain why, after getting bad publicity, Cantor Fitzgerald made and then changed their decisions on how they would financially treat the families of those they lost. They lacked the openness that would have enabled them to test ideas and possible policies with friends and advisors.

### **The Pull of Opportunity**

Moral purpose enabled the owners of Sandler O'Neill to commit unequivocally to re-launching the firm. This commitment reduced people's sense of uncertainty about their own futures. As one person noted, before this moment of commitment "on September 11 I didn't think the firm existed anymore." Another said, "I mean that whole first day I was

thinking more about helping out and who is alive. And then the next day, I started to think, ‘am I going to pay the rent next month?’” But moral purpose alone does not explain the enormous energy and time people put into 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. One person described the tenor of the weeks following the attack similar to “sprinting a marathon.” A partner noted that the intensity had reached a level of “white heat” and wondered how long the firm could sustain this tempo. Moreover, many people were experiencing temporary physical symptoms such as weight gain and sleeplessness. One employee, wondered at the time why he should work so hard if, after all, owners were to benefit disproportionately from a successful rebuilding of the firm: “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 [but then you] realized that you weren't. This kind of bums you out a little bit.” We suggest that the *pull of opportunity* also mobilized people to work extraordinarily hard.

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. As one respondent noted, “For every deconstruction there is construction.” 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 (perhaps because it may seem unseemly), but the pull of opportunity was clear both to interviewees at all levels of the firm and to the many job seekers who sought work at Sandler in the months after the disaster. One employee noted, “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.” A second said, “I will make more money now because they need competent people to maintain the relationships.” A new hire noted, “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 product opportunity—there will never be enough hours in the day.” Another new hire offered, “I thought the opportunity to rebuild the equities business was unique in such a small, well-

regarded firm.” An IT professional responded that in a sad way the disaster was also an opportunity to improve the computer systems, “Opportunities start from an empty space.”

The tragedy also created opportunities at the firm level, which management cautiously pursued. The crisis generated publicity and a high profile. The 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 be cut into whatever deals were made available and made business sense.

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. As a result, they, for the first time, brought the firm into large underwriting deals. As one person noted, “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.” Another offered, “XX gave us a deal. It was great. They practically filled out the paperwork for us.” And, for the same reason, all clients wanted to continue to do business with the firm.

The crisis also 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. Indeed, the firm was advantaged in two ways as it sought to recruit new employees: the labor market on Wall Street had become soft prior to September 2001, which made talented people available and, because it received such good publicity for the moral stance it took in relationship to its families, 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 personal opportunity in someone else’s tragedy not feel like dancing on someone’s grave? Indeed, some people did express ambivalence about making money and advancing because other people died. As one person noted “You have been given five new accounts that were existing Sandler O’Neill clients. ... Do I deserve someone else’s money?” Another noted, “I took on coverage of better accounts. This is not the way you want to get [these accounts]. It is an uncomfortable idea.” A third 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. In normal situations,

coworkers' ambitions often clash. This becomes a durable part of organizational politics. However, in crisis situations, such as this one, when one person steps up to take advantage of an opportunity they are not denying it to another. Instead, by helping the firm survive, employees are creating future opportunities for others. Additionally, as was the case here, they were creating resources for helping the family members of those co-workers who died. Under these conditions, one person's ambition became a gift to others.

We propose that the intersection of moral work and the pull of opportunity released significant physical and psychological resources at Sandler O'Neill. As the following table suggests, we can categorize different kinds of work along the intersection of these two dimensions. In the demoralized organization, a la Enron, people feel depleted. In the organization in which people can advance *through* moral work, people feel exceptionally energetic and psychologically available.

**Table 2: Moral Work and Opportunity**

		<i>Moral Work</i>	
		<i>No</i>	<i>Yes</i>
<i>Pull of Opportunity</i>	<i>Yes</i>	Normal business life <b>Average psychological and physical resources</b>	Sandler O'Neill <b>Psychological and physical resources are increased</b>
	<i>No</i>	Enron <b>Psychological and physical resources are depleted</b>	Volunteer work <b>Average psychological and physical resources</b>

### **Psychological Containment**

Crisis compels activity, and activity itself can enable people to put off grieving, but in the four months it took Sandler to relocate and begin making markets people could not postpone their grieving. The signs of loss were everywhere: at the site of the World Trade Center, in the numerous services survivors attended, in the daily contacts many had with the spouses and children of friends who had died, and in the firm's temporary offices where letters from around the world, articles of the deceased, and a schedule of memorials were displayed. Under these conditions, people need a setting a place in which to grieve. Had they not grieved it is unlikely that Sandler employees could have sustained the intensity of work required to rebuild the firm. Unacknowledged, the sadness would have distracted people from their work while leading to misunderstandings as people made errors or failed

to meet their obligations. To be sure, employees could have sought psychological support outside the firm, with a therapist or support group, but this kind of support, however generously given, would have been incomplete. People want to grieve in the open with those who share and understand their loss; this is, after all, why we have funerals, wakes, and memorial services.

Yet people want to grieve safely so they can also meet their obligations and do their work. The grieving should not overwhelm their capacity for work; it should be “contained.” One way in which the firm helped people “sprint a marathon” is by providing safe spaces to grieve. Through the first six months the firm created and supported many settings in which both staff and family members could express and metabolize difficult feelings safely. As the chart below shows, the firm supported a crisis center, on-site counseling, night on-call coverage, referral to longer-term counseling when necessary, discussion groups, and educational seminars. TRIAD, the company Sandler hired to help it and its employees, provided an initial six sessions to any employee, employee family member, and family members of those lost, who wanted support.

	<b>Crisis Stage (First Two Weeks)</b>	<b>Consolidation Stage (Weeks 3 – 12)</b>	<b>Integration &amp; Development (Ongoing )</b>
<b>Support for Bereaved Families</b>	Staff the family support center with mental health professionals. Support and counsel partners responsible for bereaved families. Develop referral network in various geographic locations. Night on-call coverage.	Transition families from direct company support to local and appropriate long-term support. Provide on-call counseling and support. Establish theme centered, short-term support groups to help people crystallize their needs and transition to appropriate long-term support.	Continue periodic check-in with families. Provide specific counseling services as needed. Continue the referral process. Establish periodic support groups and workshops as needed. Periodic assessment of family emotional/psychological issues to identify emergent themes and potential risks.

	<b>Crisis Stage (First Two Weeks)</b>	<b>Consolidation Stage (Weeks 3 – 12)</b>	<b>Integration &amp; Development (Ongoing)</b>
<b>Support for Employees</b>	<p>Support the crisis center.</p> <p>On-site counseling support.</p> <p>Night on-call coverage.</p> <p>Assist in planning memorial service.</p>	<p>Transition staff to long-term counseling support where necessary.</p> <p>Organize and facilitate several group discussions/meetings to help people continue to “metabolize” their experience.</p> <p>Deliver educational seminars/discussions for staff to understand what is known about the longer-term effects of traumatic experiences, what symptoms they might see in themselves and each other, and how to best respond.</p> <p>Coach partners on how to respond to emotionality (i.e., anger and/or resentment) from bereaved families and employees.</p>	<p>Continue individual on-site counseling, as necessary.</p> <p>Continue the referral process as necessary.</p> <p>Provide periodic firm-wide support groups and workshops.</p> <p>Periodic assessment of staff psychological/emotional issues. Needs assessment for on-going support.</p>
<b>Reconstructing and Developing the Firm</b>	<p>Initial framing and identification of key psychological issues involved in rebuilding the firm.</p> <p>Help people understand how these events are leading to a shift in their roles.</p>	<p>Help departments and groups clarify the challenges posed by the radical changes they all face.</p> <p>Assist those with leadership and managerial responsibilities to understand how their roles have changed and how to be effective under current conditions.</p> <p>Support the establishment of a new Executive Committee.</p> <p>Support the continued development of the partners as a leadership group.</p> <p>Develop a consistent and open process for recruitment that communicates to employees the organizational need.</p>	<p>Assist functional groups in developing new operating routines as well as integrating new hires.</p> <p>Support the development of the Executive Committee.</p> <p>Support the continued development of the partners as a leadership group.</p> <p>Periodic assessment on the psychological/emotional impact of the tragedy on firm functioning.</p>

TRIAD provided, in the first six weeks after the attack, 457 hours of counseling to the families of those who had died. The service diminished to approximately 70 hours through February 2002 only to increase again at the six-month anniversary of the attack, and counseling is increasing once again with the approach the first-year anniversary. TRIAD also maintains a confidential 24-hour “800” number for families to call. Interestingly, the increase in calls six months after the attack shows that working through feelings took a long time.

Containing feelings is a subtle process. Initially, TRIAD attempted to coordinate its clinical response with an Employee Assistance Program (EAP), donated by another firm. Yet it turned out that the Sandler families and employees experienced the EAP counselors as unhelpful. They did not appear capable of simply listening to them, without providing

comments to help them overcome their grieving. Sandler employees experienced this as a pressure, as if the counselors, and more broadly the sponsoring firms, could not tolerate their grieving. Debriefing the experience with the EAP professionals, TRIAD, with the EAP's concurrence, assumed the counseling process.

In addition, TRIAD found that it had to create separate support groups for each of five classes of employees: those who exited the building safely (17); two groups of those who witnessed the events of this tragedy<sup>3</sup> because they arrived as the events unfolded (24); a number of groups of those who were out that day for some reason (42); and Sandler employees from other offices (22). The members of each group felt that they could metabolize their feelings most effectively with those who shared their experience. They were “the only ones who could possibly understand what I am going through.” One person among the 17 who left the building described his relationship to the others as, “It just feels different. It’s just a relationship on a different level, but it’s not like we necessarily spend more time with each other. But when I talk to them I feel closer to them.” Only later did TRIAD merge these separate groups into a single support group. Had TRIAD hastened this process, had it ignored people’s experiences and needs for different treatment, it might have stimulated resentment between these different classes of employees, as each might have felt misunderstood by the other.

Finally, the firm experienced some ongoing tension between pre–September 11 employees and newly hired ones. The firm hired an entirely new equity trading staff supported by the two operations staff, one of who had narrowly escaped falling debris. Initially, the traders who came from many other firms followed their own trading practices, but two months after trading resumed, Sandler decided that the new traders should conform to the firm’s procedures, for example, manually writing backup tickets to each trading ticket. Because trading at Sandler was less automated than in the firms these traders came from, they experienced the procedures as a nuisance. Consequently, they left the operations staff with many hours of clean-up work after trading closed, further stressing the two already traumatized employees. In one support group session for survivors, one of the operations staff recounted a dream in which she was living in a house above a dam. A low flying “terrorist plane crashed into and destroyed the dam,” threatening the house. Support group members took the dream to signify that the new traders were the planes crashing into

Sandler's way of doing things; the enemy was now "within." This led TRIAD to arrange for an after-hours meeting between the operations staff and the new traders. As a result of this meeting, the traders, sensitized to the impact they were having and the added stress they were contributing, implemented the Sandler procedures. In this particular case we can see how one safe space, a support group, could unexpectedly stimulate the creation of a second, an after-hours department meeting.

### **Leading and Following**

Crises call for a delicate interplay of leading and following. Leaders make the shaping decisions, "We are retreating;" "we are standing;" "we are dissolving;" "we are merging;" while followers must take initiative to resolve the unpredictable problems that the shaping decision creates. People agree that the firm could not have survived had Jimmy Dunne, the sole-surviving managing partner, not made a public commitment to its future. He understood crisis leadership intuitively. "When Jimmy Dunne walked in, he knew what he wanted to get done. He told us who should ... scout new space, [deal with] IT issues, and ... write [job] descriptions for people. This helped, and he was amazing. It was clear who was in charge." "Firm-wide conference calls happened quickly. Jimmy made it clear that we were going to make it." Describing his reactions, a third recalled that on the first day and night after the attack he had his doubts that the firm would continue, but he felt strongly that it would when "the guy [Dunne] said he's committed. I was fired up." A fourth noted, "He made us feel like, 'I'll show you the path through the trees.'"

Dunne, in his mid-forties at the time of this writing, was a founding member of the firm and oversaw its operations. He was experienced as very tough but fair, focused singularly on performance. Many people suffered under his management but were grateful for the high standards he set. "I've been in there pre-September 11 when he's, you know, he's foaming at the mouth, spitting at me basically; you know, telling me that I have to roll myself home and tell my wife why I lost my job blah, blah, blah. But you know what? He made me better. It made me cleaner, it made me sharper, made me think more about what I say and why I'm saying it."

He delegated effectively, so much so that, as we noted, he could manage the firm spending 200 days a year playing golf. He is man of passion and drive. He played golf not to

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<sup>3</sup> It is important to note that some of these employees witnessed bodies fall from the Towers and other

relax but to win, and he was frustrated that he did not play better. One respondent, reflecting on his character, noted that there are others who could win intellectual arguments with him but that his drive and his capacity to relate to clients were unmatched: “He’s smart, he gets up early and works hard, and he’s really tenacious and he’s really charismatic.”

Dunne had the temperament for crisis-leadership. In an interview he noted that he is an “existentialist,” is not preoccupied with the “term of [his] life,” and experiences his will as “indestructible.” Existentialism teaches that our actions are not predetermined; they are produced by current choices. The phrase “term of life” suggests that he be centered on the present. Finally, his experience of his will as indestructible enabled him to overcome his deeply felt sense of loss. As he noted, because he lost his business partners and closest friend “physically a part of me is dead.” But this deadness did not block him from acting. Present-centeredness, a belief in choice rather than fate, and an ability to act even while grieving enabled him to lead in a crisis.

Interestingly, Dunne’s grieving as much as his will tied his subordinates to him. Leadership is a two-way street. The leader offers his confidence, but followers have to identify enough with the leader as a person before they can internalize his confidence. People identified with Dunne because he expressed their grief as well as his own. He cried publicly and spent hours with the family members who lost spouses, parents, and children in the disaster. “In the beginning, he had bags under his eyes and pain in his face.” This alone was quite countercultural. Wall Street sanctions feelings of anger and rage at the deal that was lost or the partner who screwed up, but rarely does it sanction openly grieving.

Dunne also displayed considerable emotional flexibility in responding to the crisis. A leader in a crisis faces a situation for which, by definition, he/she is not prepared. Prior strengths are insufficient and often become the leader’s Achilles’ Heel. Prior to September 11, Dunne was part of a triumvirate, and many employees experienced themselves as much closer to Sandler and Quackenbush, the other two leaders who died. On September 10 Dunne was responsible for the firm’s operations and most major decisions. He was experienced as tough and hard driving. As one respondent noted, “He is a hard-driving guy. Let’s put it this way, he was what you call a coach with tough love.” Another noted, “Wall Street personalities (a) don’t like to fail in general and (b) don’t like to fail in the presence of a Jimmy Dunne.” A third said, “He was the guy that marked you to market in investment

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traumatic death and dying.

banking and that is an uncomfortable place to be when you're not used to it. When you're used to it, there's nothing more liberating than being marked to market because you win games." Sandler and Quackenbush were less involved in the operations of the firm. They provided market-facing leadership by building relationships with clients, Sandler in cases where he was interested and Quackenbush in investment banking. While Dunne was the driver, Quackenbush, Dunne's best friend since they were 12 years old, was experienced as someone who forgave people their limitations. Sandler, a mentor to Dunne and the others, was focused outward and perceived as above operational issues.

Had Dunne persisted in being tough, had he continued to create suffering in the interests of performance, it is likely that he would have failed as a crisis leader. His tough love would have appeared grossly insensitive and his insistence on performance as selfish. Post-September 11 Dunne linked his leadership and the firm's survival to Sandler and Quackenbush: in a September 13 meeting Dunne spoke emotionally to the partners and then to the firm as a whole saying, "From now on I've got to be Herman and I've got to be Chris." These were not just words. People noted that after September 11 Dunne appeared more accessible. He appeared less the hard driver and more a rounded leader. One person noted, "I think his anger is a little bit more tempered now (although you never know with him). ... I think he's ... taken it to a new level." A second noted, "Obviously Jimmy has been the undisputed leader of the firm. I think he's a better leader now than he was [before] just because he's easier to talk to." A third, reflecting that in the past Jimmy used to yell a lot, added that, "Jimmy is a changed man."

We suggest that Jimmy became more nurturing for two reasons. He too was suffering. The loss of Herman and Chris was personally devastating to him, and this also put him in touch with other people's suffering. Second, he is the kind of leader who has a dramatic conception of his own role. If he was hard nosed and tough, it was not the result of some automatic and unreflective behavior, he was not mean. Rather, it was because he believed that he needed to play this kind of role to balance out the way in which Chris and Herman took leadership. As one person noted, "He is more emotional then he lets on." Another explained that he had always experienced Jimmy as "human and pretty decent deep down," but his focus on results required that he distance himself from people. He didn't "allow himself to get personally involved with anybody or anything as it pertains to this firm." As his leadership task changed, so did he.

This self-awareness gave him flexibility. He understood that with Chris and Herman's deaths it was up to him to represent their way of leading, as he understood it. His leadership became more multi-dimensional.

## **Teamwork**

In the first few days after the attack, it was unclear who was alive or dead, it was not apparent that the firm could retain its customers, and no one could predict what resources and talent the firm needed. Sandler was advantaged, however, because it had a strong tradition of teamwork that survived the loss of 66 team members. While it lost financial capital, it could draw on reserves of "social capital," the bonds of trust and habits of collaboration that made it successful.

The sources of its social capital were in its hiring practices, its size, and its culture of merit. It hired through friendship networks, rather than relying on college degrees as a measure of distinction: "We never hired through *The New York Times*. This firm was woven together." The firm had as a consequence a family feeling. Two of the six founding partners were friends since childhood; a third was a mentor to both of them. Prior to September 11 eight of the top ten partners were with the firm from close to its inception in 1988. Partners and their families would take vacations together, sometimes owning vacation homes next to each other. Families are not immune to fights and conflict, but there is an underlying matrix of loyalty that ties people together.

This family feeling was reinforced by the firm's small size. On September 10 it had 171 employees, compared with, for example, the 22,000 employees of Goldman Sachs. While it was only .7 percent as large as Goldman in terms of employees, it nonetheless earned 7 percent as much income from mergers as acquisitions. In other words, it was an order of magnitude more productive in M&A work. Its size also meant that it had relatively few administrative support personnel. Professionals were accustomed to answering phones, writing trade tickets, ensuring that visitors were attended to, and cleaning up after themselves in the food service area. Despite distinction in rank and status, the shared focus on doing the "dirty work" had a leveling effect. As one employee noted, "Comparing the senior ranks of this firm with other big firms like JP Morgan Chase, our folks were more willing to go down and dirty." There was, as another noted, a "Cultural aversion to [having a large] support staff," which, while inefficient at times, meant "when you call the firm, a

partner, an associate director, a managing director, anyone who picks up the phone, is going to be completely inclined and able to help you.” This culture of working in the trenches meant that employees were ready to pitch in and do whatever work was needed (buying a phone cord, hooking up computers) to reconstruct the firm, its records, and its operating systems after September 11.

A culture of merit also delimited the impact of status: “There were a couple guys in a group who would be senior by age but just would not get the respect of the group [on that basis alone]. They might try in their own way to make some comment at a meeting as if they were in charge.... Everybody would look at them as if to say ‘are you kidding me.’ It was understood who was going to be the leader even though he might be junior in years and experience.” “There are no rumblings that management is stupid. There is respect for management, but we are all kind of like management. Everyone takes it upon himself to be presumptive.” The firm, it appears, had found the “sweet spot” between a culture based on family feeling and one based on merit. People felt loyal but to get status they had to perform.

Most importantly, the firm’s work organization built social capital: “You didn’t have a client meeting with [just] one person at Sandler O’Neill. A client meeting had five people from various disciplines of the firm to show the client what the firm as a whole could do for its clients. And I think that helped us because [although] we didn’t have to be able to do the guy’s job, we had to understand the guy’s job. When we lost the guy who did the job, at least we understood what the job was. So we could do it short term or at least we would know what we were looking for to supplement what we didn’t have anymore.” “All the different groups work together to serve clients and make money. We touch companies wherever we can with different people, and we make sure that the right person is at the meeting.”

Social capital built trust, flexibility, and self-management. Reflecting on the difficulty that post-September 11 newcomers had when joining the firm, one partner noted, “Some new employees come from a different culture, and I think I’ve noticed that in the beginning they were maybe a little bit more quizzical. [They would ask] ‘is this for real, is this guy really going to help me, or is he going to steal my clients.’ [Interviewer: So they learn that people are *not* going to steal their clients?] Right, because there’s no reason for it.

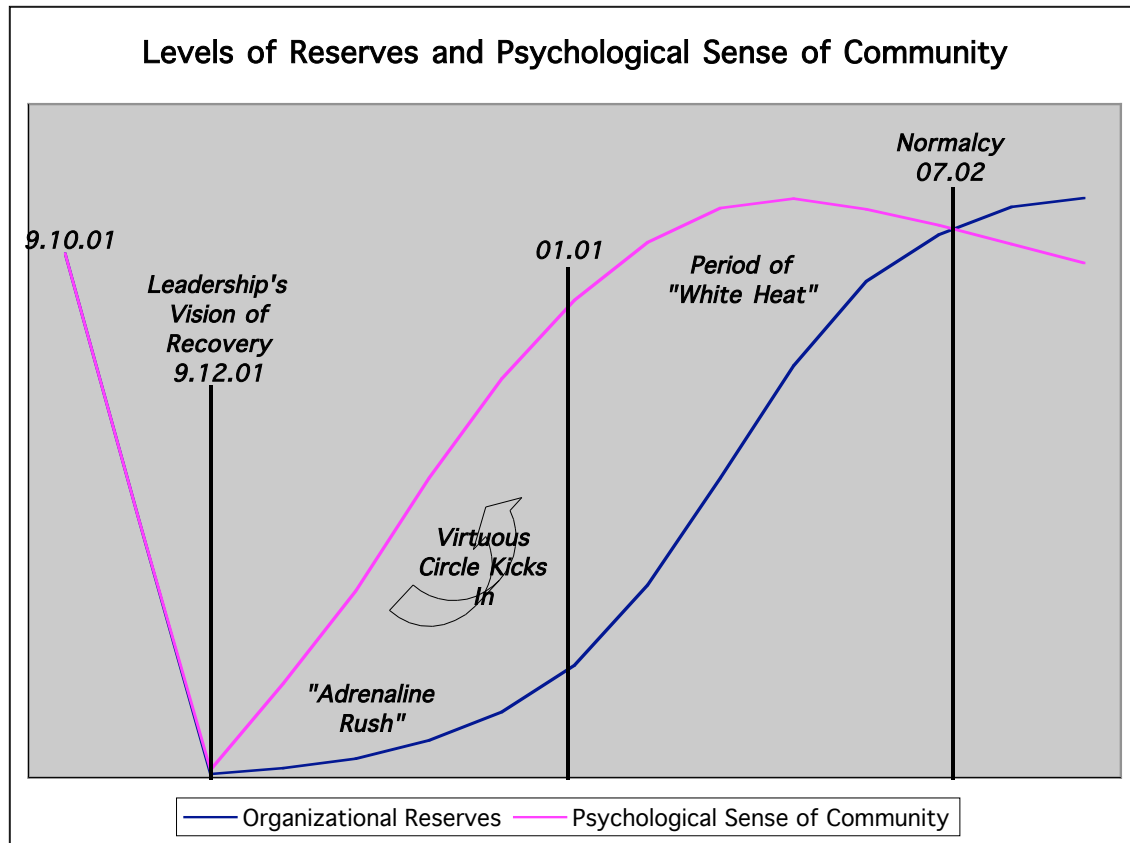
You go on vacation, I help you. The reason is, when I go on vacation, you help me.... You all benefit from the firm doing well, and you are helping the firm do well.”

During the period of rebuilding, Sandler O’Neill’s management did not specify how much or how hard people should work. People were asked to take as much time as they needed away from the office or to spend as much time at the office as they felt they needed, “There was an opportunity to lie down (if you needed to) or to show that you have the strength to keep on going.” Some employees mastered their grief by staying away while others did so by working 18 hours days. Describing how he worked, one person said, “Everything was personal. I came back Thursday. Bought a phone cord. Doing some trading, helping others trade. Trading other things for a few months. I was the big team player, forwent (sic) my own business.” This capacity to self-regulate, and the firm’s respect for this capacity, played an important role in helping the firm recover from the attack on the trade towers.

### **The Psychological Sense of Community**

Sandler O’Neill could have dissolved after September 11. It did not. Instead, by drawing moral strength from the work of rebuilding, giving play to the pull of opportunity, providing a psychological container for grieving safely, drawing on its traditions of team work and family culture, and through good crisis leadership, the firm created a remarkably strong sense of “psychological community.” This psychological community, though not an overt or conscious objective, encouraged those inside and outside of the organization to align with and support the firm’s goals of rebuilding. In other words, resilience unleashed a virtuous circle. Reserves facilitated rebuilding, and the work of rebuilding in turn added to reserves.

To be sure, this virtuous circle has limits. In particular, when we fed back the results of our research to the top management team they made clear that this period of “white heat” could not be maintained. People were at risk of becoming depleted psychologically or burned out. The firm needed to become normal again. However, this story demonstrates that when a resilient firm is in that sweet spot where employees feel psychologically contained, excited by opportunity and morally engaged, they give more than they take.



## Conclusion

This is a remarkable story of resilience. Sandler O'Neill is more productive than it was before September 11. This research suggests then that we study "crisis management" in a new light. Since September 11 organizations are spending more time than ever thinking about how to handle a major catastrophe. Major consulting, accounting, and insurance companies have all invested resources in risk management, but these efforts are aimed narrowly, focusing, for example, on information technologies, system redundancies, and off-line systems. The Sandler O'Neill experience suggests that resilience lies in the relationships among employees, between leaders and followers, and between the firm and its stakeholders. We propose that an organization that wishes to prepare for trauma due to a physical catastrophe or sudden change in business conditions focus on these human factors. They should ask:

- Can employees feel engaged morally in the task of rebuilding? What wider purposes could stimulate moral engagement?

- How will the pull of opportunity mobilize initiative?
- How will we draw on external sources of help? How will the quality of relationships to our stakeholders and community at large, as they are experienced now, affect their responses to us when we are working to recover?
- How will we respond to the emotional consequence of the trauma? How will we ensure that employees feel psychologically safe and contained?
- What is the character of the leadership we will provide?
- How deep is our social capital?
- How can we build a sense of “psychological community” that will fuel our recovery and bind us together to overcome the trauma we experienced?