Organizational Resilience and Moral Purpose:
Sandler O'Neill & Partners, L.P. in the Aftermath of the September 11, 2001 World Trade Center Attack[1]

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Abstract

Sandler, O'Neill & Partners was decimated in the September 11, 2001 attacks, losing 39% of its workforce, 2/3 of its management committee, and its entire physical plant, yet within one year, the firm had not only recovered, but was doing better than ever. Using a novel team-based case study design to promote rigor in data collection and inductive analysis, we document the extent of losses the firm suffered and explore situational factors that affected its recovery, including key situational aspects that augured relatively well for all the 9/11 firms. The primary source, however, of Sandler O'Neill's particularly remarkable recovery was a compelling invocation of moral purpose. This moral purpose propelled resurgence by direct motivation, by enabling outside help, and by unleashing extraordinary physical and psychological resources in concert with "the pull of opportunity." Whereas this strong sense of moral purpose was *why* Sandler O'Neill rebuilt so successfully; our study also shows *how* Sandler O'Neill recovered. We detail the actual problems faced by the organization and how these were overcome by leadership that adroitly neutralized potentially paralyzing grief and anxiety and by a culture that facilitated teamwork and self-management. We draw together literatures on individual resilience, general systems theory, organizational learning, and values and leadership to develop theory on organizational resilience. Our resulting theory conceptualize distinguishes the domain of control, resilience as a strategy, and the hows and whys of organizational resilience.

Key Words

Disaster, Crisis management, Adversity, Psychological containment, Response to Loss, Organizational Resilience, Moral Purpose, September 11, 2001

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If we possess our why of life, we can put up with almost any how - Nietzsche (1968:23)

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. A decimated workforce had to not only conduct the regular work of the enterprise, but additionally, undertake all the costs of rebuilding, hiring and training, while managing personal trauma, loss of friends and colleagues, and responsibilities for their families. The firm suffered loss of relationships, tacit knowledge and understandings, lost income and lost equity, at the same time as it absorbed a wide array of extraordinary costs. Yet within one year, Sandler O'Neill was doing better than ever, with record profits and revenues and new highly desirable lines of business, while providing extremely generously for both surviving employees and the families of the deceased.

As managers consider how to prepare for the possibility of such a disaster and, more generally how to deal with fundamentally uncontrollable events, an inchoate literature on organizational resilience (Sutcliffe & Vogus 2003, Lengnick-Hall & Beck 2003) has undertaken to understand how to cope with adversity (e.g., Hamel & Valikangas 2003, Coutu 2002, Harvard Business Review 2003) and manage the unexpected (Weick & Sutcliffe 2001). These works have tended to emphasize cognitive capabilities, and, to a lesser degree, slack resources and organizational design features. Leadership attributes and slack resources, as well as aspects of organizational culture and effective containment of grief and anxiety enabled Sandler O'Neill to recover, but their astonishing post-attack performance was primarily attributable to an entirely different source – a compelling invocation of moral purpose. This moral purpose propelled resurgence by direct motivation, by enabling outside help, and by unleashing extraordinary physical and psychological resources in concert with "the pull of opportunity."

SANDLER O'NEILL AND SEPTEMBER 11TH, 2001

Sandler O'Neill is an investment bank for thrifts, community banks, and savings and loans. The firm manages equity investment and trading for its clients; advises on how to maximize shareholder and company value; and underwrites mergers, acquisitions, and conversions to fixed income. 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.

Table 1: Sandler O'Neill employees on September 11, 2001

Sandler O'Neill employees September 11th 2001	171	
Total based on the 104th floor of the World Trade Center	149	
Killed by the attacks	66	(two consultants and two visitors were also killed)
Exited building and survived	17	
Witnessed events from concourse or nearby	24	
Traveling or not yet at work	42	
Total based in satellite offices	22	

The 66 dead left behind 46 widows or widowers and 71 children under the age of 18, inclu-ding one child born in August 2001 and another born in October. Over 100 parents lost sons and daughters; many of them had sent their adult child to work for their colleague, friend or banker at Sandler O'Neill. 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.

The following week. On Monday September 17, Sandler issued a press release stating that it was open for business and trading, even though it was suspending its market-making activities. CNBC misunderstood the release and broadcast that Sandler O'Neill would not remain in business because its losses were too devastating. The broadcast prompted numerous calls from clients, friends and others who believed the story to be reasonable. How could the company remain viable after such devastating losses? Surviving employees asked the same question.

But by the day after the attack, Jimmy Dunne, the lone surviving member of the management committee, and his remaining partners had already decided that the firm *must* survive. The next day (9/13), Dunne announced this in an emotional meeting with the employees. On Wednesday, 9/19, two days after the erroneous CNBC announcement, he went live on CNBC pledging that the firm would remain in business and not let “terrorists win and undermine America.” Dunne set three goals for the firm in the near term: to determine the extent of human loss and care for the families of missing colleagues, to ensure the safety and health of all surviving employees, and to personally assure the firm’s clients and friends that the firm would continue.

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. (All occurring as Wall Street experienced a major downturn.)
- The firm substantially strengthened some of its core areas through new hires
- Developed a new business underwriting an annualized $23 *billion* in initial public offerings, and a second new business in preferred stocks

Moreover, all this was achieved as the firm rebuilt their primary business, reconstructed their records and infrastructure, hired replacements, attended funerals, built out a new facility (into which they moved on January 18th, only four months after the attack) – and while providing generous care, salary, bonus, and benefits to the families of the deceased.

THEORY: ORGANIZATIONS NON-RESILIENT IN RESPONSE TO LOSS

General Organization Theory

General organization theory suggests that organizations are *not* particularly resilient – at least not in the positive sense of being able to respond effectively to catastrophic events. To the degree organizations have been described as “resilient,” it is in the sense of *inability* to change patterns and processes, i.e., processes resist change (Molinsky 1999). Extensive findings document inability to respond effectively to even narrowly circumscribed loss. Technological change commonly leads to swift decline of established firms in an industry (Christensen, 2000, Anderson & Tushman 1990, Tushman & Anderson 1986).

Organizations have equivalent difficulty adapting to social changes (e.g., Hoffman 1997 on the challenges faced by the Chemical industry in response to environmental concerns) or new business conditions (e.g., Freeman 1999 on the US auto industry in the 1960s and 70s).

Crisis research (Erikson 1990, 1994; Shrivastava 1987) indicates it is still far more difficult to recover from a fatal disaster. When the hard work of change and adaptation would need to be undertaken, the people who would do it are dead, traumatized, or consumed with extraordinary responsibilities. Individual recovery from loss is notoriously slow, painful, and difficult; when the community that would normally provide support in times of distress is also distressed, recovery may be impossible. Erikson (1976) concluded that such "collective trauma," is far worse yet than the substantial sum of these private wounds.

Moreover, problems in business tend to amplify through reinforcing feedback loops (Sterman 2000), or, more specifically, vicious circles (Masuch 1984). Rudolph & Repenning (2002) observe a convergent insight in organizational studies: even small problems can become major disasters (Vaughan 1996, Perrow 1999, Weick 1993). A setback can deplete an organization's resources. Creditors, alarmed by a shortage of cash, may be unwilling to risk additional capital. Employees facing the possibility of joblessness may seek work elsewhere. Customers and suppliers worried about continuity of service may seek alternative means to ensure continuity of their own services. Doubt begets more doubt and the firm spirals downward in a doom loop.

Yet despite catastrophic losses, Sandler O'Neill not only avoided a rout, but managed to actuate a "virtuous circle" in which effort, opportunity, hope, and motivation created an *upward* spiral of confidence and performance.

Emerging Theory on Organizational Resilience

Sutcliffe & Vogus (2003) identify two related categories of antecedents of resilience on the individual, group, and organizational levels: (1) resources to build and enhance competence and (2) mastery systems to maintain or restore efficacy. For organizations, these imply access to social capital, conceptual slack, and abilities to quickly process feedback and to rearrange expertise and resources. In situations that require change, these antecedents enable firms avoid a maladaptive rigid response (Staw, et al 1981) and, instead, adapt intelligently.

Lengnick-Hall & Beck (2003) identify three component dimensions of resilience, each with five factors. *Cognitive* resilience results from decision-makers able to intelligently analyze and respond to a discontinuity (e.g. through constructive sensemaking). *Behavioral* resilience results from organization members able to effectively respond collaboratively to a discontinuity (e.g., through learned resourcefulness). *Contextual* resilience (e.g. social capital) provides the setting that nurtures resilient behaviors and attitudes.

Empirical Bases for Current Thought on Organizational Resilience

Together the two articles draw on three bases of empirical work and theory.

Psychology. Over the past two decades, resilience has become an increasingly important topic in psychology (Wilkes 2002). The topic has struck a resonant chord in the popular press and also holds a prominent place in the emerging paradigm of positive psychology (Reibich & Shatte 2002, Masten & Reed 2002). Sutcliffe & Vogus (2003) draw heavily on individual level research, as we did in our framing our initial inquiry. Freeman & Maltz (2002) identified four situational factors and twelve characteristics (skills, practices, and attitudes) from this research on human resilience. We hypothesized equivalent organizational characteristics as possible explanatory factors for Sandler O'Neill's success. These were adapted and used in our initial questionnaire and interview protocol (Freeman & Maltz 2002, App A).

General Systems Thought. Ecological **s**tudies such as Hollings (1979) introduce the idea of resilience as a survival *strategy*. Wildavsky (1988) clarifies, develops, and extends the concept: Safety, he points out, cannot be straightforwardly attained. Risk is unavoidable. Everything we need for life can also maim or kill: water can drown; food can poison … childbirth can kill. … The trick is to use risk to get more good and less bad.

Most official efforts to secure safety entail ***anticipation*** – attempts to predict and prevent potential dangers before damage is done. Wildavsky (1988:77-82) reasons, however, that anticipation can only secure safety and cope with risk if (1) we can predict with high probability the worst outcomes we face and (2) we can apply that foresight in policies to avoid or mitigate these outcomes. Unfortunately, we can rarely predict outcomes. Military prophecies, for example, are notoriously wrong; likewise economic projections and important technological advances. Crises usually arise precisely because they cannot be foreseen. Catastrophes like 9/11 are virtually unanticipatable (at least on the organizational level). Moreover, even when we can predict risks, we often cannot incorporate these predictions into policy. Consider even the example of a relatively simple technical decision: experts recommend spraying to protect trees from budworms based on a tree-stress index, but usage data over 20 years shows no correlation between the two. Rather, decisions are made based on individual attitudes towards budworms (some decision-makers just loath them), external negotiations, and annual budgets.

Usually the better strategy for coping with risk is ***resilience***, a generalized capacity to act without knowing in advance what one will be called to act upon. This competence not only adapts an entity to its present environment, but also helps prepare it for competence in the next period.

Organizational Learning (e.g., Senge 1990, Argyris 1995) is a third basis for thinking about resilience. Learning has been the *sine qua non* of organizational resilience theory: adapting to change requires an ability to detect misalignments with the environment, and is aided by learning what actions might help ameliorate the condition. Wildavsky criticizes attempts to secure safety by avoiding possibility of error; trial and error, he points out, is essential to learning, and more generally for developing resilience. Sitkin (1992) explicitly develops a "strategy of small losses" using small failures to learn, develop systemic resilience, and enhance ability to adapt to change.

The experiential benefits of mistakes have become widely accepted in entrepreneurship and innovation, but most organizational learning insight on resilience (notably Weick & Sutcliffe 2001) comes, surprisingly, from research on high reliability organizations (HROs), such as nuclear power plants, air traffic control centers, and hospital operating rooms. Given the risks, one might think that HROs, unlike budding entrepreneurs, could not afford even remote possibility of error. Indeed, efforts to secure safety in nuclear power plants and other HROs once entailed purely anticipatory strategies--writing highly detailed procedure specification, documentation, and closely monitoring compliance. But Carroll (1998:713) explains how such efforts can be self-defeating:

> … the increased burden of procedures and supervision can be perceived by maintenance employees as mistrust and regimentation. This may result in loss of motivation, blind compliance to procedures that may still be incomplete, malicious compliance when workers know the right thing to do but also know that only rote compliance is safe from disciplinary action, the departure of skilled workers who find more interesting work elsewhere, and, ultimately, more problems.

Thus even for HROs, the preferable alternative solution is resilience, an ability to detect small problems and react thoughtfully to prevent them from spinning out of control. To promote this resilience, organizational learning practice utilizes a wide variety of cognitive techniques including *mindfulness* (Langer 1989a, 1989b), *constructive sensemaking* (Weick 1995), *entrepreneurial orientation* (Jelinek & Litterer 1995), and *virtual role systems* (Weick 1993).

Summary. These ideas, especially those on individual resilience, helped guide our working hypotheses, but findings at Sandler O'Neill suggest that although received theory offers important insights about the logic, mechanics, enablers, and restrictors, it overlooks several key aspects of organizational resilience, including its central wellspring.

RESEARCH APPROACH

Maltz was brought in by Sandler O'Neill on September 12, 2001 to provide clinical help and consultation. Freeman and Hirschhorn joined him to conduct research on the organizational effects and response to adversity. Soon into the project, we took up the question: *How can a firm that has suffered such losses be doing so well?*

A Case Study Research Design and a Team Approach to Ensuring Rigor

Consistent with the circumstances of our research, we adopted an inductive case study research design, with a team approach to mitigate potential problems of this design.

The induction problem. Case-based induction has a long successful history in organizational research (Yin 2004, Hammersley & Gomm 2000) and for *teaching* virtually every topic covered in management and organization, but even advocates admit that case studies often lack rigor: Yin (2004) laments that equivocal evidence and biased views often influence findings and conclusions. More fundamentally, the "scandal of induction" (Quine 1990) is critiqued on epistemological grounds. Part of this "scandal" is a paradox: How can you look for something that you don't already suspect? And if you already suspect it, won't that bias your observations?

This critique is manifested in contradictory guidance by qualitative methodologists: "Structured" approaches such as Yin (2004) or Miles & Huberman (1994) advise formulating theses, hypotheses (and counter-hypotheses), propositions, variables, constructs, and criteria for interpreting the findings *prior to* data collection, in part to provide direction, but also to provide rigor by ensuring methods to evaluate the evidence fairly. "Open" approaches of ethnography (Van Maanen 1988; Lincoln & Guba 1986), grounded theory (Strauss & Corbin 1990) or direct research (Mintzberg 1979) advise caution or even disregard of existing theory. Eisenhardt's (1989:536) "most important consideration" for building theory from case research is that it begin "as close as possible to the ideal of no theory under consideration and no hypotheses to test … because preordained theoretical perspectives or propositions may bias or limit the findings."

Our split-team solution. Striving for both structure and openness, we took a split approach to our research process: Freeman took leadership in maintaining theoretical relevance and rigor – developing a structure with preliminary directions and considerations that were important to explore (Freeman & Maltz 2002), based on theories of resilience among individuals and the HRO/ Learning theory literature. (We were unaware until after the study was completed of either Wildavsky's line of reasoning or the Collins/Porras suggestions on the relationship between core values and resilience). Hirschhorn, meanwhile, maintained atheoretical purity; he did not learn theory, but rather examined the entire body of data at the midpoint of the interviews, and again at the end, independently drawing his own conclusions inductively. Both of us wrote separate drafts of the findings reported in this article. Ultimately, the positions were reconciled in consultation with Maltz. The procedure is documented in Appendix A.

Given his position as counselor/consultant for Sandler O'Neill, Maltz also added a third dimension to our team – that of ethnographer[2] intimately involved with the company. The three principal investigators were assisted by three research associates.

Logic of the Investigation on Performance

Although we drew broadly from ethnographic, grounded theory, and case methodologies, we relied most heavily on Yin's (1994) in-depth case study research design. We sought to create a "chain of evidence … to allow an external observer to follow the derivation of any evidence from initial research questions to ultimate case study conclusions." (Yin 1994:98)

Logically, there are four possible explanations for Sandler's performance:

Possibility #1. False appearances: Sandler O'Neill is *not*, in fact, doing that well.

Possibility #2. The attack represented a tragic human loss, but economic consequences of death and destruction are not so great for the organizations hit. Economically speaking, people and others assets can be covered by insurance and replaced.

Possibility #3. Only certain kinds of catastrophes result in a "doom loop", whereas others may be more likely to result in recovery.

Possibility #4. Exceptional performance was the result of Sandler O'Neill attributes and/or actions taken in the aftermath of the attack.

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2 Given that Maltz was employed by Sandler O'Neill to provide clinical assistance, one might see him as an "action researcher" (Schein 1987), but in fact, our research involved no test of therapy or intervention. Rather, Maltz participated as one who knew the firm intimately and was trusted its members, and could therefore make the kinds of observations and inquiries that outsiders could not.

Findings (to be presented) show that, yes, they really were doing that well (reject #1) despite *economic* losses even more severe than one might imagine (reject #2). The crisis *is* different from other catastrophes (#3: true, but …), which has interesting implications for organization theory, but nothing inherent in the nature of the crisis could explain the rapidity and strength of Sandler's recovery, let alone post-attack performance that supersedes pre-attack levels. Accordingly, we focused our efforts on trying to understand what attributes and actions of the firm could explain such success (possibility #4).

Conducting the Study:

To conduct our investigation, we established a case study protocol (Yin 1994:62-65) identifying our purpose and procedures. Although we drew on all six of Yin's sources of case evidence, we determined that the best way to understand what had and was happening was to begin to talk to the people involved as promptly as could reasonably be arranged, and set up a pilot case study involving six interviews.

Interviews. These six interviews were used to develop a full interview protocol, which was revised slightly at the midpoint of the interviews. In total, 52 employees and 10 external stakeholders (family members, clients, advisors and a banking partner) were interviewed between February and May 2002. The 52 employees were selected from a weighted representative sample of 56 (four declined to participate), representing all divisions, levels, functions, and length of organizational tenure at the firm.

Our goal in the interviews was to understand what the firm was like pre 9/11; what happened to them as individuals, to their department, and to their firm as a result of the attacks, and what the firm was like six months later. We asked about pre- and post- 9/11 routines and tasks, productivity/work effectiveness, communications/relationships, and leadership. We made no presumptions that the firm had recovered or was doing well, but if the interviewees indicated this, we had them elaborate and explain.

The interviews were semi-structured: we prepared an interview protocol with specific questions (Appendix B) but the manner was conversational with as much latitude and time as necessary for interviewers to probe interesting lines and unforeseen issues, as well as for interviewees to expound on issues important to them. Interviews were designed to be a minimum of 30 minutes long, but most went on longer, some much longer. All were taped and transcribed. Interviewees were assured anonymity, and given the option of shutting off the tape recorder at any time. To better understand some of the complexities of economic losses of the firm, we held longer meetings with the general counsel, the chief financial officer, the newly appointed *Managing Director of Family Relations*, and each of the three members of the newly formed management committee.

Along with each interview, to help elicit less verbal sentiments, we used a diagram in which we asked them to identify where along the radius of a circle they would place themselves pre- and post-9/11 (the center of the circle representing the "core" of the firm). We also asked them to complete a brief questionnaire comparing characteristics of the firm pre- and post-9/11. The questionnaire did not yield significant results, but like the diagram, it did lead to discussion. For example, several participants spoke with pride about the firm's values.

Other Data. In addition to interview data, we also used Yin's (1994) other five data sources:

- *Documentation* and *archival records***.** We used financial data provided by the corporation, analyst comments, and journalistic accounts to ascertain pre- and post- 9/11 financial performance. We also used these sources to obtain performance data and other news about other organizations hit hard by the attacks.
- *Direct observation*. All interviews and most research-team meetings were held in Sandler O'Neill offices, where we could directly observe typical workplace interactions. Additionally, we developed process flow-charts to better understand the specific tasks performed in each area and how these had changed after 9/11.
- *Participant-observation*. Maltz, in his work as counselor/consultant, provided unique insights from the first days after 9/11 including those stemming from attendance at memorial services, and in establishing new work sites including the new permanent headquarters.
- *Physical artifacts*. We observed the creation of the new permanent headquarters, and details about how the dead are remembered.

Data Analysis

From the interviews, we identified, in a research team meeting, 27 emergent themes, which were subsequently grouped into three broad categories ("What happened," "Sources of resilience" and "Effects to-date"), each with several subcategories (specifics are detailed and elaborated in Appendix A). As a team, we brainstormed on sources of resilience drawing from evidence in the interviews, and systematically analyzed the possibilities.

As a team, we also brought rigors to the case analysis that would be difficult, if not impossible, for individual researchers to match. Most important among these is *replication.* Replicability is widely accepted as a great advantage of laboratory research, but Schein (1987) recommends that researchers make it a part of qualitative research as well. As a team we did, by asking in all cases:

- Do others see what I see?

Beyond observation, the team conducted mental experiments to ensure the reasonableness of inductive insights arising from field research. With copious case data it is usually possible to find support for almost any hypothesis (Freeman 1998). Thus, it is important to ask, 'Is this an isolated incident? How much data would one expect to see? Is there any disconfirming data?' In the spirit of Weick (1979), we considered as a team the counterfactual:

- If this were not the case, what kind of data would we have expected to see?

For every finding we report, we also asked:

- Is it possible that the data would *not* have supported this assumption?
- Does the data generally support this observation (i.e., is there a preponderance of data or only isolated indications)?

We only report items with consensus among the full research team, with expected support from the data, and for which we could have, but did not, observe disconfirming data.[3]

OVERVIEW OF FINDINGS

We present three sections of findings. This first section consists of precursory findings identifying (a) the nature and extent of the organizational losses from which the firm had to rebound, and (b) aspects of the situation that made recovery possible.

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 – is presented in the middle section. Our analysis explicates how moral purpose 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."

In the third section, we detail mechanics of organizational resilience – actual problems faced in implementing recovery, and how the firm adroitly coped.

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3 We also presented our initial findings to a Sandler O'Neill committee. We conferred with them about any doubts in our understanding, from which we made some clarifications, but no major changes. We subsequently presented our findings to the entire management team – along with analysis of the effects to date on the firm and recommendations for actions. Most discussion that ensued concerned these effects and the recommendations; as such these comments had little impact on the report.

Organizational Loss and Resilience in the Aftermath of the Attack

Sandler's performance one year after the attacks might suggest that, in fact, the 9/11 losses were perhaps not economic (i.e., insurance covers the physical assets; people can be replaced, etc.) Our findings suggest, however, that the losses – economic and otherwise – were, if anything, even more severe than media reports and death tolls might indicate. These losses can be placed into three categories: people, wealth, and systems.

People. "When you lose people, you lose mentors, friends, colleagues and skills," one manager said. The one surviving member of the management committee, barely containing his emotion, told us, "I lost my mentor and my best friend… who do I even consult now?"

The deaths of colleagues and friends were particularly severe for Sandler O'Neill because it was an exceptionally related and tight-knit firm. One long-time employee noted that, "We all grew up together." This was a firm that "worked hard and played hard" together. Employees' families were best friends, vacationed together, belonged to the same social networks and owned homes next to each other.

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. And certainly, client relations were at risk. Ray Soifer, an independent banking consultant, issued a dire warning in Business Week on 9/13: "The loss of life is catastrophic in an industry that relies on personal relationships." This is one reason why CNBC could report that Sandler would be terminating operations.

Aside from the cost of death, came the cost of surviving. In the months following 9/11, surviving employees needed to:

- Attend numerous funerals/memorials, deliver eulogies and help the families of the deceased with both consolation and concrete tasks such as childcare and estate management.
- Contact and speak with well-wishers, the media and virtually "everyone we ever had contact with."
- Make personal sense of what happened, attending to their own psychological and emotional needs and those of their families.

Even to the degree that people could be replaced, hiring is hardly an overnight process. Moreover, management had to hire, orient and train on a mass scale at the same time that they were struggling to rebuild, deal with the tragedy and actually do the ongoing work with a sharply reduced workforce.

Wealth. The moneymaking machine was shut down, at least temporarily. At the same time, expenses soared. In addition to all the ordinary expenses of running the business and the extraordinary expenses involved in rebuilding quickly (insurance covered much, but not all the costs), the company had to acquire an array of special services -- counseling, legal and public relations help in order to manage the demands of the families of those lost, the employees, well-wishers, the media, etc.

The balance sheet was hit equally hard. Paying out the deceased partners' interests reduced the firm's equity and cash to a fraction of pre-9/11 levels.

Systems, Routines and Processes. Accountants and investors believe that much if not most of a firm's worth consists of "intangible" assets that reside in tacit knowledge of systems, routines and processes (Lev 2001, 2002). At Sandler, this knowledge prior to 9/11 was rarely documented (a practice that the firm has since changed). On 9/11, the firm lost not only the tacit knowledge that was in the heads of the dead, but also:

- *Computers, paper files and corporate records.* Physical records needed to be reconstructed (mostly from memory). Client and contact lists had to be recreated from memory. "The firm had to replace its underlying structure piece by piece."
- *Technical processes, including trading, research and client management. The* firm had to reapply for all trading licenses and redevelop and re-implement all corporate protocols.
- *Physical systems*. The firm had to develop temporary systems quickly, while also planning intermediate and long-term solutions.

The supervisory structure was decimated. Rebuilding the management structure was an enormous responsibility for surviving partners.

> For every function, we had to ask, 'Who's left here to do it? Can we still do it? Who do we need in the short term? Who do we need in the long term?'

Finally, the coordination that comes from years of teamwork was gone and dearly lamented.

> 66 of my colleagues died, [which] made my ability to do everything much more difficult. **Z** and I had a shorthand. I would talk to him at least 3 times a day every day. We didn't need to speak for long, just 30 seconds. But that takes 5 minutes with anyone else.

Situational Differences in Industrial Crises

Nine other organizations suffered large numbers of 9/11 deaths: five more World Trade Center financial service firms, the Pentagon, the NY City Fire and Police Departments, and the Port Authority. Although none has enjoyed the enormous post 9/11 success of Sandler O'Neill, all have survived and seem to have recovered or are on a path of recovery. The relative resilience of all ten organizations suggests that either this crisis or these organizations are significantly different than those previously studied by organizational theorists.

The nature of the crisis. Research on personal resilience (Werner 1984; Joseph 1994; Garmezy 1991, 1993; Vaillant 1995) suggests that victims are more resilient to abuse or attacks when:

1. There was no prior history
2. The abuse was short-lived, e.g., a one-time rape rather than ongoing abuse
3. The violator was a stranger, rather than someone who was trusted, even a little bit
4. Their environment supports rather than blames them

The same situational factors that contribute to or undermine resilience among individuals seem to also apply to organizations (Freeman & Maltz 2002): In the case of the 9/11 attacks, all these situational characteristics were favorable to recovery:

1. Sandler O'Neill suffered no prior abuse.
2. Although the attack was deadly, it was over quickly.
3. Osama Bin Laden is the consummate stranger, characterized as "evil incarnate."
4. Sandler was not only blameless, but noble, attacked because they were a symbol of American success.

The environment has been extraordinarily supportive. Competitors did the work, cut the firm into deals, and passed along a part of the profits. A supplier provided temporary office space. Past clients remained loyal to the firm and new ones called to initiate deals.

Causal relationships between organizational health and crisis. Poor crisis recovery rates may also be attributable to underlying organizational problems. Past research on organizational crises suffers from an important confounding factor: organizations, like people, are often embroiled in crisis because of deep problems preceding the crisis. A firm that is unable or unwilling to pay for proper security measures, for example, is far more likely to suffer a security breach than a healthy, well-managed firm. The September 11th attacks, however, were targeted at the strong: the symbols of the nation's military and financial dominance.[4] Sandler O'Neill, in particular, was by any measure – wealth, reputation, personnel, culture, systems, and relationships – an extremely healthy firm on 9/10/01. The general resilience of the 9/11 organizational victims and the particularly successful recovery of Sandler O'Neill suggest that (healthy)

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4 A minor qualification: Ever since the 1993 bombing, space in the WTC had been substantially discounted compared to equivalent locations in the financial district. There was a good deal of sentiment at Sandler O'Neill to relocate, but Herman Sandler was staunchly in favor of staying.

organizations may be generally more resilient than we had believed.

The Source of Sandler's Resilience: Moral Purpose

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.

This 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 their link to moral purpose.

Moral Purpose

It was not 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 and the Israeli Philharmonic. Several senior partners were informally "semi-retired" and searching for what they were going to do next, including Fred Price, who after 9/11 took over the day-to-day operations of the firm. 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 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. 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:

> 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.
>
> … 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 [in it].
>
> 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). The firm created a Sandler O'Neill Assistance Foundation dedicated to helping the children of their lost colleagues and 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 "Mobius Prism" with the names of all the employees who died engraved on it and placed it in the new office. The firm is still providing counseling services to the families and the foundation has assumed responsibility for mental health services' through to the end of 2003. The firm also created a family resource center to help the families of those killed cope with financial and emotional needs. (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. Sandler employees continue to maintain active contact with family members of victims.

Customers and competitors treated the firm differently as well. 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 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.

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, childcare, 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 outside help to deal with most extraordinary functions. On 9/12 Sandler hired a public relations firm and on 9/13 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 and public relations 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 lend a hand. Relatives answered phones, laid cable and set up computers; ex-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 as 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 be cut into whatever deals 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 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 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 (Wall Street Journal 2001). He lacked the openness 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. One respondent noted that "for every destruction 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, 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 without prompt in some form by a solid 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 product opportunity. There will never be enough hours in the day.

New business opportunity. Likewise, the tragedy created opportunities at the firm level, which 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 firm 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. 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 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 crises such as this, 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, they are 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.

The combination of moral work and the pull of opportunity released extraordinary physical and psychological resources at Sandler O'Neill. Table 3 depicts the 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.

Table 3: Moral Work and Opportunity

		Moral Work	
		No	*Yes*
Pull of Opportunity	*Yes*	**Normal business life** Average psychological and physical resources	**Invigoration** (Sandler O'Neill) Substantially increased psychological and physical resources
	No	**Demoralization** (a failing firm or ineffective volunteer efforts) Psychological and physical resources are depleted	**Volunteer work** Average psychological and physical resources

THE MECHANICS OF RESILIENCE

Our analysis reveals compelling motivation as the most important source of Sandler O'Neill's resounding recovery. But even the most powerful "why" needs a "how." Sandler O'Neill's recovery required that they neutralize potentially paralyzing grief and anxiety and that work be initiated and carried out despite the loss of so many workers and managers.

Containment of Grief

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 place to grieve. Had Sandler employees not grieved it is unlikely that they 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." As such, the firm provided for staff and family members many settings to safely express and metabolize difficult feelings. Appendix C details these and the overall counseling process at Sandler O'Neill.

Leading, Following, and the Containment of Anxiety

In the aftermath of the 9/11 crisis, followers and would-be followers looked to leadership to ensure a future for the firm and a place for them within that future. Sandler O'Neill leadership quickly allayed doubts about survival through actions that demonstrated commitment and engendered confidence. More surprising to those who were familiar with the firm, leadership seems to have assuaged anxieties through actions that demonstrated continuity and engendered identification.

Demonstrating Commitment. The first anxiety for everyone who depended on the firm was whether it would continue:

> On September 11th, I didn't think the firm existed anymore.
>
> 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?'

After initial deliberations, Dunne provided convincing confirmation that, yes, the firm would go on. He hired support, made an emotional announcement to the firm, and rebuilding plans were formulated, communicated and implemented. Temporary space was secured in a friendly bank. By 9/17 the firm had a makeshift office and an IT capability, so that it could trade on the exchanges. When rumors began on the Street that Sandler would close, Dunne made himself available to reporters and appeared on several newscasts affirming the firm's commitment to remaining in business. He immediately put policies in place to care for the victims' family members and was in touch with all of them.

Dunne and the surviving partners knew that unequivocal commitment was critical, and every action in the tragedy's aftermath was undertaken to strengthen this commitment. This clarity and certainty of purpose was the first step in reducing employees' uncertainty about their own futures.

Table 4: Recovery Timeline

9/11	WTC attack
9/12	Dunne and partners decide the firm must survive.
9/13	Dunne holds emotional meeting with employees announcing the decision to rebuild the firm.
9/17	Firm relocates to temporary offices, begins trading when markets open.
10/22	Thirteen new employees hired; new permanent office announced.
11/30	Nine deals on the books before September 11 completed.
1/18	Firm relocates to permanent new headquarters.
1/22	Firm resumes market making in 300 stocks.

Confidence. Followers need to believe not only that leadership is committed, but that they are up to the task. Employees reported that Dunne provided such assurance:

> 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.

One interviewee 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."

Dunne's unswerving commitment to recovery and his skill in directing it gave his leadership the feel, the patina of charisma. Once he decided that the firm was obliged, almost duty-bound to continue, he projected confidence and certainty, both in person and with particularly effective public displays of perseverance and emotion. His media appearances were all the more noteworthy in an industry that generally keeps a low public profile. Dunne's charisma helped his subordinates mobilize their own psychological and physical energy to rebuild the firm. One said, "He made us feel like, 'I'll show you the path through the trees.'"

Assuming firm survival, the next broad anxiety is whether they as individuals would have a place in the new organization. Prior to 9/11, Dunne was part of a triumvirate, and most employees were frankly closer to one or both of the other two leaders.

Continuity. Pre-9/11, Dunne was responsible for operations, and was experienced as tough and hard driving. Employees noted:

> He is a hard driving guy. Let's put it this way, he was what you call a coach with tough love.

> Wall Street personalities don't like to fail in general and (B) don't like to fail in the presence of a Jimmy Dunne.

> He was the guy that marked you to market in investment 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, the other two senior partners, were less involved in the operations of the firm. Instead, they provided market-facing leadership by building relationships with clients. While Dunne was the driver, Quackenbush was experienced as gentle, someone who forgave people their limitations; Sandler, a mentor to Dunne and others, was seen as the outward face, above the operations issues.

Post 9/11, Dunne linked his leadership to Sandler and Quackenbush: On September 12th, he spoke emotionally to the group, "From now on I've got to be Herman and I've got to be Chris." People noted that after 9/11 Dunne appeared more accessible. He appeared less the stereotype of the hard driver, and more rounded as a leader:

> I think his anger is a little bit more tempered now (although you never know with him.) But he's, you know, I think he's kind of -- you know, he's taken it to a new level.

> 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.

Dunne seems to have understood that with his partners' deaths he had to represent their way of leading as well, and this helped assuage concerns about continuity in the firm.

Identification. Interestingly, Dunne's grieving tied his subordinates to him as much as his will. A 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 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.

Flexibility. Dunne displayed 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. 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, but after 9/11 Dunne became a more accessible, rounded leader. Reflecting that in the past Dunne often yelled, one interviewee concluded, "Jimmy is a changed man."

We suggest that Dunne became more nurturing for two reasons. He too was suffering. The loss of Sandler, his mentor, and Quackenbush, his best friend since age 12, was personally devastating to him; this also put him in touch with other people's suffering. But there are likely subtle leadership skills on display as well. Perhaps Dunne's hard-nosed behavior pre 9/11 had less to do with his nature or leadership style than a belief that he needed to play this kind of role to balance out the way in which Quackenbush and Sandler led. One interviewee said, "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.

Teamwork and Self-Management

In the first few days after the attack, it was unclear who was alive or dead. With routines shattered and so many people gone, it was not clear what work needed to be done and who would do it. Sandler was advantaged, however, because it had a strong tradition of teamwork and self-management 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 this 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." As a consequence, the firm had a family feeling. Two of the three managing partners were friends since childhood; a third was a mentor to both of them. Prior to 9/11 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 loyalty that binds people together.

This family feeling was reinforced by the firm's small size. On September 10, 2001 it had 171 employees, compared with, for example, over 20,000 at Goldman Sachs. There was 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.

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:

> 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.

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 9/11.

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 feeling like a family 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. One partner reflected on the difficulty that post-9/11 newcomers had when joining the firm:

> 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 *no*t 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-hour days. Many said they did "whatever needed to be done." One explained:

> 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."

RESILIENCE THEORY REVISITED

Our study leads us to confirm, in part, existing thought on organizational resilience, but also to reconceptualize the phenomenon, identify several new factors, and most important, to establish a new hierarchy of factors that promote resilience.

The Context of Organizational Resilience

Our literature review suggests two understandings of resilience. In common parlance, psychology and material science, resilience means the ability to *bounce back* from stress or adversity; in the organizational literature, it has been characterized as an ability to *adapt*. The two may often go together, but conceptually they are distinct: the need to adapt does not necessarily imply adversity, and firms that endure a crisis may or may not have to adopt fundamentally new operating processes (although dealing with a crisis itself presumably requires at least a temporary change from business-as-usual). A related distinction among organizational crises is degree of organizational responsibility. Crises precipitated by underlying problems are different from those that unforeseeably beset strong entities (although most crises may fall somewhere along this continuum). The Sandler O'Neill case suggests that strong organizations facing crises that they did not precipitate may be more resilient than had been assumed.

Pragmatically, we are led to distinguish situational factors from capabilities, behaviors, attitudes, and practices. Situational factors should be understood in order to assess the expected impact of an event, but they cannot be controlled. Other factors are under varying degrees of control. Skills, behaviors, attitudes, knowledge, and actions that might help an organization survive bear closer study and managerial consideration.

Resilience as Strategy

The case substantiates Wildavsky's arguments about the relative importance of resilience as compared to anticipation. Even though Sandler O'Neill had neither anticipated nor prepared for anything like the 9/11 attack, the firm was able to recover from horrendous losses … and then some.

Wildavsky's thesis, however, has not widely diffused into practice, policy, or theory. Commentators routinely offer examples of anticipation as evidence kind of resilience. For example, Coutu (2002) writes that "almost all theories of resilience" posit that resilient people and organizations are characterized by three traits, one of which is to anticipate and prepare for the worst. She provides as her example the World Trade Center offices of Morgan Stanley, which had practiced extensive fire drills simulating a deadly crisis. The drills may have helped save employees' lives that day (Morgan Stanley's offices were, unlike Sandler O'Neill's, below the point of impact) hence mitigating the loss – a classic example of anticipation and planning – but there is no evidence that it did anything to subsequently help the firm recover or rebuild.

The distinction is not merely academic. In the aftermath of September 11, organizations invested substantial resources in risk management, the great majority of which has gone towards planning and anticipation: massive security investments and technological precautions (e.g., off-site backup systems) to prepare for specific disasters. But technology and planning played no role in Sandler O'Neill's recovery; rather, the firm's accomplishments are due entirely to the ability to absorb an enormous loss and not only rebuild, but to use their loss to rebuild stronger than ever.

The How (Mechanics) of Resilience

Theory on organizational resilience has focused on cognitive capabilities, behaviors, and resources that promote or inhibit resilience. Although we concluded that these features were not the source of Sandler O'Neill's remarkable performance, they were enablers and essential aspects of ***how*** the firm managed to recover. Indeed most of the skills, practices and attitudes suggested by Sutcliffe & Vogus (2003), Lengnick-Hall & Beck (2003), and Freeman & Maltz (2002) played some role in Sandler's recovery.

Cognitive capabilities. Learning, conceptual slack, and ability to quickly process feedback were important elements of Sandler's recovery. The firm could draw on a cadre of semi-retired partners, friends, and highly experienced new hires. These senior people not only knew their jobs and the overall business (Weick 1993's virtual role systems), but also managed to reframe the loss as opportunity: to lead, to do the jobs that they wanted to do, to restructure departments, to perform in the spotlight, to meet a challenge, and to be a hero.

Resources also seem to be an important factor in Sandler's recovery. The firm possessed financial wealth, social capital, and access to other resources that matter. Moreover, the nature of the crisis provided even greater access.

Our investigation suggests, however, that there were also other important factors.

Organic Structure. Perrow (2003)—yet another HRO scholar—contends that structural considerations are critical to resilience, in particular that *mechanical* systems augment the impact of disasters, whereas *organic* systems mitigate them. By *mechanical*, he means hard-wired, undirectional, efficient, and dedicated (single purpose) connections with hierarchical structures. *Organic* systems, in contrast, contain "web-like characteristics": high redundancy, quick replication, dormant or excessive resources, and decentralized structures with redundant nodes and distributed authority. The ability of Sandler O'Neill to rapidly reconstruct seems attributable in large measure to *organic* systems: workers who know their colleagues' business (redundancy), an adaptive ability generated from trust, familiar friends and supporters (dormant resources), and a self-regulating work force (decentralized structures with distributed authority).

Attitudes. Research on individual resilience suggests three important attitudes that help overcome adversity:

- *Self-responsibility*: To assume one's own place in the world, rather than let others dictate it. Being proactive allows one to accept the new conditions and move forward effectively.

- *Attitude of excellence*: Those used to pushing themselves will find it easier to give the push needed in a crisis.
- *Other orientation* provides a purpose, encourages help from others, helps one avoid obsessing about one's own problems, and helps organize response.

Each of these attitudes strongly characterizes Sandler O'Neill. An entrepreneurial firm that charted its own course from the beginning, it demands the best from its employees and rewards them commensurately. Most important, however, Sandler O'Neill in the aftermath of 9/11 strongly adopted an *other orientation*. They were always philanthropic, but after 9/11 they committed to rebuilding to honor their dead colleagues and to provide well for their families.

Psychological Containment. For all the firm's strengths, grief and anxiety could easily have undermined Sandler O'Neill's efforts. It did not because the firm managed to allow employees to appropriately grieve and express their anxieties without permitting either to consume them. At work, grief and anxiety were contained – using external clinical expertise – so that employees could focus on the tasks at hand.

Purpose: the *Sine Qua Non* of Organizational Resilience

Above all, this case suggests purpose as the source of and the key to resilience. Purpose is the "why" of organizational resilience. Sandler O'Neill could have dissolved after 9/11. It did not because it had a purpose. Not just the standard purpose of an investment bank (to make money), but also a parallel moral purpose: to rebuild for their dead colleagues--to protect and provide for their families; to fight on the front line of the battle against terrorism--to not let those who attacked bring them down; and to accept a challenge to rebuild better than ever.

Built to Last: **Visionary Organizations**. In reconceptualizing a theoretical basis for resilience, we are drawn to Collins & Porras (1994). given their focus on the "enduring" firms, Collins & Porras' six-year study may in fact be the most thorough work to date on organizational resilience. They concluded that the financially successful, "premier institutions widely admired by their peers" that they studied are different because they are *visionary* organizations, making a significant impact on the world around them.

The applicability to Sandler O'Neill of Collins & Porras' pillars of enduring visionary organizations is striking. *Homegrown managers* (Ch. 8), pursuing *audacious goals* (Ch. 5), never even considering *the tyranny of the OR (*a refusal to accept trade-offs between making money and quality or doing good – Ch.

3) Rather, they committed to doing everything possible for families of deceased colleagues while rebuilding and still achieved record profits. *Opportunistic non-planners* (Ch. 7), Sandler O'Neill is what Collins-Porras mean by a *cult-like culture*. (When Dunne apoplectically described to two of us on the research team how he only wants employees that are going "to bleed Sandler through their eyeballs," we both knew that *we* would never work there. – Ch. 6)

"Psychological Sense of Community" and a Virtuous Circle. In conducting this research, we were able to witness the particular power of these qualities in response to crisis. Sandler drew moral strength from the work of rebuilding and giving play to the pull of opportunity. By providing a psychological container for safely managing emotions, and drawing on its traditions of teamwork and family culture, the firm created a 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. Rather than suffer a vicious circle doom loop, Sandler O'Neill enjoyed a virtuous circle: moral purpose attracted physical and psychological commitment, and this commitment yielded yet greater contributions of resources and effort.

To be sure, this virtuous circle has limits. When we reported the results of our research to the top management team they made clear that this period of "white heat" could not be sustained. People were becoming depleted psychologically and physically. The firm needed to become "normal" again. Nevertheless, this period of non-normalcy was remarkable – with implications for research and practice in crisis management, general management, resilience, and beyond.

DISCUSSION

The principal contribution of this study has been a clear finding of the centrality of moral purpose in a case of resounding organizational resilience. The limitations of the study are all too apparent. It is a case study, and a unique case at that. We did not use any measures, and no measures are forthcoming. To pursue the generalizability of our findings will require ingenuity and originality in formulating propositions, specifying and operationalizing variables, and developing measures.

Nevertheless, despite its uniqueness, it is in many ways a good case, and not just for the strikingly vivid nature of the event. Unlike past research on organizational disasters and adversity, there is no confounding in this case between organizational weakness and adversity. And, because of the highly public nature of the attacks, we are privy to an extraordinary wealth of supplementary data sources.

Finally, the findings seem to have face validity. They are consistent and parallel with the findings on individual resilience, and it makes equally good sense that purpose would be front and center for organizational resilience

Extensions: Relevance for General Management

The study also has three general management implications beyond crisis management and resilience.

Intersection of Moral Work and Opportunity. We were astounded by the productivity and performance we observed at Sandler O'Neill, a phenomenon we have attributed to the combination of a firm both morally engaged and pulled forward by opportunity. This phenomenon warrants further investigation under both crisis and non-crisis conditions. Can managers and entrepreneurs use this powerful elixir to build organizations under less extreme conditions?

Mitigation of Workplace Stress and Anxiety. We were likewise impressed by Sandler's ability to limit the effects of grief and anxiety. Raines & Leathers (2001), Cooper (1998), and Barley & Knight (1991) document increasing levels of debilitating workplace stress and anxiety. We wonder whether these techniques of psychological containment cannot also be effective in mitigating stress and anxiety (or at least their effects) in minor crises and non-crisis conditions.

Beyond Resilience. The term *resilience* presently has a powerfully positive connotation, but literally it is insufficient to capture the magnitude of Sandler O'Neill's accomplishment. *Resilience* means the ability to spring or bounce back (from stress, illness or adversity), but how do we characterize a phenomenon in which an entity is almost destroyed yet emerges stronger than ever?

We opened this article with one maxim by Nietzsche; we close with another – his ubiquitous quote "What does not kill me makes me stronger" (1968:8). A web search reveals *thousands* of hits, but what should we make of this popularity? Is it evidence of a world desperate for palliatives or is there a verifiable phenomenon? At least some compelling examples can be found, such as the autobiographical experiences related by Frankl (1946) and Armstrong (2000). Beyond crisis management, beyond resilience, the case begs the question 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 those who face great challenges and endeavor great deeds.

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APPENDIX A: DATA ANALYSIS PROCESS

Step 1) List themes that emerged from the interviews (the whole research team):

1. Departmental impact
2. Intra-firm social ties (before and after)
3. Employee family ties (before and after)
4. Long term effects
5. Back to normal
6. Emotional changes
7. Physical changes
8. Surviving employee family reactions
9. Personal opportunities
10. Departmental opportunities
11. Firm opportunities
12. Individual's role in recovery
13. September 11th
14. Workload
15. Decision-making
16. New employees
17. Leadership
18. When it hits
19. Reminiscent of other traumas
20. Coping and counselors
21. Loves/likes about the job
22. Values
23. Firm goals
24. Culture
25. Guilt
26. Shame
27. Pride

Step 2) Organize interview themes for company presentation (Freeman & Maltz)

What Happened?	Sources of Resilience	Effects To-date
Organizational losses	Situational factors	Emotional and physical changes
Rebuilding	Organizational reserves	Family ties
Stages of recovery	Crisis leadership	Leadership transition and decision making
Recovery and beyond	Moral purpose	Workload and work changes
What hasn't been recovered?	Brand identity	Culture, cultural changes and employee mix
	Pull of opportunity	Business direction
	Coping mechanisms	

Step 3a) Freeman : Sources of Resilience draft (Starting from theory)

Mitigating factor: Situational differences

1. Firm as "*psychological container*" neutralized the potentially paralyzing emotions through (leadership's) Commitment, Charisma, Continuity, Management of emotions and the "Outsourcing" extraordinary demands.
2. *Loss seen as challenge and opportunity*. Invigorated partners and some employees to do far beyond what they had been doing. This sense of challenge and opportunity inspired them to not only rebuild the firm, but to also redesign it as they felt it ought to be.
3. *Moral purpose* fueled efforts and drew help in from all quarters.

Step 3b) Hirschhorn draft (atheoretical, derived from Data review)

Hirschhorn listened to the tapes and reviewed the transcripts, and wrote independently a report identifying the following five main factors explaining Sandler O'Neill's performance:

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. Grieving was supported and "psychologically contained.
3. The firm sought help successfully from external sources.
4. 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.

Step 4) Conference and reanalysis.

In a subsequent conference and reanalysis, we considered (a) which variables are most important and their relative weights, and (b) which factors, or *latent* variables might underlie the variables that our data suggested, but did not directly capture in our initial analysis.

In the next round, we considered both logically and empirically new combinations of variables organized as more powerful explanatory factors. In particular, we analyzed (c) the relationships between variables, ultimately classifying them as *mitigating factors*, *sources*, or *mechanisms*. Finally, our last analytical phase consisted of a process similar to the quantitative procedure, principal components analysis (Bartholomew, et al. 2002, Dunteman 1989) in that we looked at our explanatory variables or factors and asked if these could be replaced with a smaller number of uncorrelated variables that contain most of the information of the original set.

Ultimately, this process yielded the analysis presented in this article. We identified:

- Several ***mitigating factors***. Losses *were* substantial – even more than one might imagine, but situational factors were relatively favorable for recovery.
- A single dominant ***source*** of resilience: *Invocation of moral purpose***,** consisting of three factors, each of which has independent explanatory power and among which there are strong positive correlations and interactions, i.e., the effect of the three together is far greater than the sum of their individual effects.
  - Motivated partners, employees, customers (worked in concert with):
  - The ability to attract *help* and support from outside the firm.
  - The pull of opportunity. Death created opportunities for advancement, leadership, new business and structural change. Moral purpose encouraged the firm to openly seize opportunities.
- Three principal ***mechanisms*** of resilience:
  - Ability to contain grief, while providing space for it.
  - Ability to contain anxiety:
    - Leadership commitment
    - Leadership charisma
    - Employee identification with new leadership and the new organization
  - Teamwork and Self-Management
    - Sources of social capital: Family feeling, small size, flat structure, culture of merit delimited the impact of status, work organization.
    - Capacity to self-regulate: trust, flexibility, and self-management.

APPENDIX B: COUNSELING AT SANDLER O'NEILL

	Crisis Stage (First Two Weeks)	Consolidation Stage (Weeks 3 – 12)	Integration & Development (Ongoing)
Support for Bereaved Families	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	Periodic check-in Provide specific counseling services as needed Continue the referral process Establish periodic support groups and workshops as needed Assess emotional/psychological issues to identify emergent themes and potential risks
Employee Support	Support the crisis center On-site counseling support Night on-call coverage Assist in planning memorial service	Transition staff to long-term counseling support where necessary Organize and facilitate several group discussions/meetings to help people continue to "metabolize" their experience Educational seminars for staff on longer-term effects of traumatic experiences, and how to best respond Coach partners on how to respond to emotionality (i.e., anger, resentment) from bereaved families and employees	Continue individual on-site counseling, as necessary Continue referral process as necessary Provide periodic firm-wide support groups and workshops. Assess psychological/ emotional issues and need for on-going support
Recon-structing and Develop-ing the Firm	Identify psychological issues involved in rebuilding the firm Help people understand how these events are leading to a shift in their roles	Help groups clarify the challenges posed by the radical changes they face Help leaders and managers understand how roles have changed and help them to be effective under current conditions Support establishment of a new Executive Committee Support development of the partners as a leadership group Develop a consistent and open process for recruitment that communicates to employees the organizational need	Assist functional groups in developing new operating routines and integrating new hires Support development of the Executive Committee Support continued development of the partners as a leadership group Assess psychological/emotional impact of the tragedy on firm functioning

TRIAD found that it had to create separate support groups for each of four classes of employees, those who: (1) exited the building safely, (2) arrived as the events unfolded and witnessed the tragedy from the concourse or elsewhere nearby, (3) were out that day for some reason, and (4) employees from other offices. 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 among the 17 who left the building described his relationship to the others:

> 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.