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Bear Employees at a Crossroads

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By Jessica Papini

On Wall Street, still abuzz about **Bear Stearns**' rapid fall, there are probably less than six degrees of separation between finance professionals. So, few Wall Streeters do not know of someone at Bear or of someone with contacts at Bear wrestling with the question of what to do next. Do they stay and risk being laid off, or do they seek other options in a turbulent job market?

Last month, at the behest of the **Federal Reserve**, **JPMorgan**
purchased Bear Stearns at $10 a share. While neither firm has announced specifics, the merger is expected to result in layoffs. Spokesmen for both firms declined to comment about the prospect of job cuts.

Employees at Bear are, not surprisingly, nervous, say recruiters. "Within the first six to nine months of a merger, cost synergies are usually worked out, such as job redundancies," says **Mark Arian**, managing director, mergers, acquisitions and restructuring at **Towers Perrin**.

As of last week, Bear employees in Asia and Europe were offered redundancy packages, but these have not yet been seen in the US, a recruiter close to the situation says.

"Many employees have a wait-and-see approach right now as to what type of package JPMorgan will offer them," says **Les Carter**, recruiter with **Carter Stone & Co.** At the same time, some professionals may choose to collect unemployment benefits, he says.

While Wall Street has not seen as tough a job market in over two decades, some Bear employees may readily find work at other brokerages or hedge funds as well as investment management firms. Recruiters say that banks have conducted interviews with professionals in recent weeks at the Waldorf-Astoria hotel, just a five minute walk from Bear's headquarters.

"Any bank from the third-tier level to **Goldman Sachs** is looking into hiring Bear employees," says one recruiter who declined to be named.

Also, "regional banks and boutiques are going to take this chance to upgrade their firm with talented professionals," says **Richard Lipstein**, a recruiter at **Boyden Global Executive Search**.

While senior professionals and rain makers will be courted, lower-level employees such as vice presidents and associates may have a tough time finding a new job "particularly in this weak deal environment," says Lipstein.

In the meantime, many employees may find they cannot join a rival firm right away.

"Investment bankers generally have standard provisions in their employment agreements that prevent them from contacting clients for a specific period of time following their departure from a firm," says **Michael Deutsch**, partner at **Singer Deutsch**.

A Bear managing director has a mandatory garden leave of 90 days. Other positions lower in the food chain could have 30 or 60 days garden leave.

Additionally, "if Wall Street banks start to poach a lot of employees from JPMorgan, the bank could file suits against them to prevent the mass defections which JPMorgan may view as a worthwhile attempt to stem the tide," says Deutsch.

Bear already took action against one employee last month. A US district court temporarily banned executive director **Douglas Sharon** from joining **Morgan Stanley** and attempting to take clients and colleagues with him. Sharon was a member of the private client services group in Boston who produced more than $5.12 million of annual commissions.

And, while JPMorgan may offer incentives and packages, recruiters warn that two Wall Street firm cultures may not always mesh. "Even if employees wanted to stay, it would be tough psychologically," Carter says. "It's kind of like the Marines and the Army," he adds.

Whenever a merger happens, professionals on both sides are going to be unhappy. In this case, JPMorgan professionals may believe they are a large enough firm and don't need the 14,000-person Bear force, but "in general, no employee is going to be upset about working with an A+ player," says the recruiter who declined to be named.

Aside from the extraordinary circumstances surrounding the deal, mergers such as JPMorgan and Bear are nothing new on Wall Street. **Donaldson, Lufkin & Jenrette** folded into **Credit Suisse** and **Salomon Brothers** was brought under **Citigroup**'s umbrella. What often makes a merger work and allows firms to retain valuable professionals is that acquirers "exhibit leadership," according to Arian.

"Leadership is very important in times of transition, and a leader from the acquiring firm needs to be visible, connect with employees, and offer a shared vision for the future," he says. "The franchise is the employees."

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