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Lift Outs

How to Acquire a High-Functioning Team

by Boris Groysberg and Robin Abrahams

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Companies looking to expand quickly into a new geographic or functional area often choose to merge with or acquire other companies. But the risks of such moves are well-known, and the success rates are dismal. Of course, companies can also build capability by making strategic individual hires, but the process is much slower than a mass acquisition, and you never know whether an assortment of stars will work together effectively once they are separated from the conditions and resources that made them successful in previous environments. Star performers don't operate in a vacuum; they operate as part of a team, and their success stems at least in part from their team relationships.

There is an alternative, one that's gained attention in recent years: a *lift out,* which entails hiring a high-functioning group of people from the same company who have worked well together and can quickly come up to speed in a new environment. The first high-profile team move in corporate America occurred in 1946, when Air Force colonel Charles B. "Tex" Thornton brought nine other members of his elite statistical-control unit to the ailing Ford Motor Company. There, the team revolutionized, rationalized, and quantified the business much as it had done for the military. These "Whiz Kids" are considered by many scholars to be the founders of modern strategic management.

Today, lift outs are increasingly common in many professional-services industries—law, advertising, investment banking, consulting, general management, and even medicine. They enable a quick ramp-up in talent without the logistical and psychological stresses of an acquisition or the sociodynamic challenges of creating teams from scratch. The advantages of long-standing relationships and trust help an experienced team make an impact much faster than could a group of people brought together for the first time. There's no need for team members to get acquainted with one another or establish shared values, mutual accountability, or group norms. Instead, the team can hit the ground running and help the company as business opportunities arise. A liver transplant team from Beth Israel Deaconess Medical Center, for example, moved to the Lahey Clinic in June 1999, then was called on to perform an unprecedented joint liver-kidney transplant just a few months later. The surgery, involving three operating rooms and more than 20 medical professionals, required a level of skill and teamwork unlikely to be found in any newly assembled group. Acquire the right team in the right way, and you may get not only cohesive, plug-and-play talent but also valuable external relationships, learning opportunities for existing staff—and the chance to embarrass a competitor.

A good lift out can even inflict financial or competitive damage on a rival. When Conseco Capital Management lost its chief equity investment officer and multiple members of his department to one competitor, and 16 or so associates in the fixed-income management group to another, the company also lost a significant number of clients. Another company, the investment bank HSBC, was left with only a graduate trainee to take charge of analyzing media equities after its entire team of media analysts decamped for ABN AMRO. As in that case, the sudden departure of a team can lead to premature internal promotions. Moreover, if the injured company is forced to poach from another institution, it may have to deal with a tricky integration and perhaps pay premiums to win over new recruits.

Lift outs, however, carry their own set of risks. Companies often take shortcuts in the giddy courtship stage, but the stakes are too high to be sloppy. A poorly handled lift out can lead to a loss of money, opportunity, credibility, and even native talent, if your lifted-out team later flees for still greener pastures with some of your original staff. To understand the risks and opportunities that lift outs present, we interviewed leaders of lifted-out teams and work groups in multiple industries and countries, analyzed over 40 high-profile moves, and researched best practices as reported by headhunters who regularly facilitate these maneuvers. We also conducted two in-depth longitudinal case studies of this phenomenon. The first was of a series of involuntary team moves that followed the 1990 bankruptcy of investment bank Drexel Burnham Lambert in the wake of the Michael Milken scandal. The other was of Philadelphia law firm Duane Morris, which continues to successfully build new practices—both geographically and functionally—through lift outs.

For the purposes of this article, we have restricted the definition of lift outs to two or more people moving from one company to another at the same time. Hence, we disregard instances in which a new employee, over time, brings some former colleagues on board. Neither do we address the legal matters surrounding a lift out—questions of noncompetition, nonsolicitation, confidentiality, and intellectual property. These issues are highly contested, vary by country, and reside within the domain of labor lawyers.

Our research shows that, regardless of industry, nationality, or team size, a successful lift out unfolds over four consecutive, interdependent stages that must be meticulously managed. (See the exhibit "The Stages of a Successful Lift Out.") Here, we'll outline those four stages, drawing on triumphs as well as failures to illustrate the advantages and risks of a legitimate lift out.

Stage One: Courtship

During the first stage, prior to the move, the interested company's representative and the leader of the targeted team meet to hash out their plans and determine if the proposed hire is, indeed, a good idea. The two parties can then move on to define their business goals and discuss strategies for achieving them. In addition, the hiring company should examine its assumptions about the team's relationships. Simultaneously, the team leader begins conversations about the potential move with the rest of his or her group and assesses their level of interest. The dialogue at this stage isn't about salaries and contracts but, instead, constitutes due diligence. If the courtship stage is slighted, both parties risk failure.

Make sure the market is really there. The very first item on the agenda for both parties is to confirm that the market opportunity exists. The lift out will be ill-advised if the hiring firm's expectations are unrealistically high; if the firm does not have the status, reputation, and capabilities to succeed in the market it wishes to enter; or if it is unwilling or unable to provide the complementary resources that the new team will need in order to succeed.

A poorly planned venture can lead to profit losses and public humiliation and can damage the careers of the lifted-out team members.

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This was the case in at least two of the Drexel team hires during the early 1990s. While the Drexel name may be tarnished today, thanks to the actions of Milken and his junk-bond unit in California, the company—particularly the New York–based equities unit—used to enjoy an excellent reputation. When the firm went bankrupt, its competitors took advantage of the virtual bonanza of talent that became available. Barclays de Zoete Wedd (BZW), the UK Barclays investment banking unit based in New York, for instance, had been looking to break into the U.S. equities business, and it nabbed a team of high performers from Drexel.

At the time, even U.S. firms were finding it difficult to break into this market. Sure enough, BZW's U.S. securities branch was shut down little more than a year after it opened, leaving the Drexel alumni once again unemployed—and many at an even greater disadvantage than before, because their performance had dropped. After the unit folded, the *Economist* scolded the company for its rash hires: "BZW did not pause to carry out market research on the venture [of entering the U.S. market]. At the very least it might have asked itself how it intended to make money selling American shares to Americans at a time when Wall Street's native giants were incapable of doing so." Despite its great success at Drexel, the team could not change the fact that a foreign bank simply did not have the credibility, reputation, capabilities, and clout to break into the competitive, tight-knit world of U.S. equities in the early 1990s.

In 2003, by contrast, Orrick, Herrington & Sutcliffe, a San Francisco–based law firm, recognized Italy as a market ripe for expansion because of the Italian government's strides toward deregulation and privatization. The firm hired a team of 23 Italian lawyers, including seven partners, from a Milan-based affiliate of Ernst & Young to open its first Italian branch. At that time, Ernst & Young operated as a multiservice professional firm, and the team, led by Alessandro De Nicola, embraced the move because it had felt hamstrung by the complex conflict-of-interest rules that accompanied the multiservice focus. Orrick's Milan office has nearly doubled in size over the past three and a half years. In February 2004, the company opened an office in Rome, and De Nicola was made the leader of all Italian operations.

Sometimes, the hiring company might not be the one to identify the market opportunity; instances where a team leader opportunistically approached a hiring company have also proven to be successful. What is important is that the opportunity exists and that at least

The Stages of a Successful Lift Out

A lift out—the hiring of an existing high-performing team from another company—unfolds over four interdependent stages. The way these are managed can make or break the move.

STAGE ONE	STAGE TWO	STAGE THREE	STAGE FOUR
Courtship *(prior to lift out)*	**Leadership integration** *(post–lift out)*	**Operational integration**	**Full cultural integration**
Team leader and leadership of acquiring company hold conversations to achieve clarity on market opportunity, business goals, strategy, and viability of external relationships. Team leader begins conversations with team members to determine interest in migrating and to forestall possible counteroffers.	Team leader works to ensure cultural fit with leadership of hiring firm and continued access to resources and top leadership.	Team leader secures vital operational resources for the team so its members can do their day-to-day work and succeed in their new environment.	Having established credibility through operational success, the new team can achieve full cultural integration, working seamlessly with new colleagues. Team members build relationships with other groups and become culturally socialized in the new firm.

one side of the relationship has done the requisite due diligence.

Define your shared business goals and strategies. Next, the company and team leadership need to come to a shared understanding of their business goals and the strategy needed to achieve them. One lift out in which the two parties demonstrated this kind of insight was Lehman Brothers' hiring of Deutsche Bank's entire editorial and production department in March 2000.

That team's leader, Cheryl Tortoriello, had worked at Lehman back when Jack Rivkin was head of global equity research. Rivkin's tenure was widely regarded by the research department as a sort of golden age: He'd taken over the then-troubled team in 1987, rebuilt the culture, and raised the department from number 15 in the influential *Institutional Investor* rankings to number one in 1990, 1991, and 1992, the year he left. By 1994, the department had fallen to number nine.

Steve Hash, Lehman Brothers' current head of equities research, wanted to get the research department back to the top of the list. He believed that to do so the company needed a first-rate editorial and production team that could ensure that the firm offered clear, client-friendly financial information. The most prescient stock predictions in the world are of little use if they are not effectively communicated to clients, he reasoned.

A good lift out can inflict financial or competitive damage on a rival.

Tortoriello agreed. Even more important, however, the two leaders shared a clear vision of the kind of culture they wanted to create: one that would revive the best practices and style of the Rivkin era. The move has proved to be an unqualified success, both in terms of employee satisfaction and external metrics. Lehman's research department rose from number eight in the *Institutional Investor* poll in 1999 to number five in 2001, the year after Tortoriello's team arrived. Continuing to rise in the ranks, the department went on to achieve first place in 2003, with the largest margin of victory for any front-runner in 20 years, then maintained that status in 2004 and 2005.

A lift out of Drexel employees in March 1990 by Banque Indosuez, by contrast, was doomed by a lack of clarity. The company had hired a team led by Richard Sandor, a star futures expert, into its newly formed Indosuez International Capital Markets unit, which focused on swaps and derivatives. Unfortunately, the senior ranks could never agree about what, exactly, the Drexel team brought to the table—a full repertoire of capital market activities or a more narrow focus on swaps and derivatives. Just over a year after the move, Sandor left Indosuez, and the rudderless team drifted along, never gaining access to the firm's leadership or a clear sense of direction. The venture in swaps and derivatives may have reflected a genuine opportunity, but the business goals were never clearly communicated to the team. As a result, the enterprise floundered.

Examine your assumptions about the team's external relationships. The hiring company should also look at what it hopes to get out of the team's external relationships. Is the new team expected to bring along high-profile, high-profit clients? Is it assumed to have relationships within a geographical area or a certain demographic? Because client loyalties are hard to predict, it's important both to ask directly about these relationships during the courtship phase and to take the answers with a grain of salt. Even if the relationships do exist, the move could burn bridges, so it's dangerous to pin too much on what may be an elusive asset.

Bridges were burned in all directions, for example, when the advertising giant Interpublic Group brought in 17 creative and sales executives from Saatchi & Saatchi nearly two years ago in one of the largest lift outs in advertising history, hoping that the lucrative General Mills account would follow them. Sadly for Interpublic, the conservative General Mills remained with Saatchi & Saatchi—in a relationship that dated back to the 1920s—though the company did issue a series of terse press statements that, while not explicitly critical of Saatchi & Saatchi, suggested disappointment with the agency's people management. In the end, the move left Saatchi & Saatchi in a PR mess, General Mills feeling disgruntled, the team's leader out of a job because of a noncompete lawsuit filed by the agency, and the rest of the team members settled less productively as an independent group within Interpublic, with rumors swirling around them.

By contrast, when Smith Barney brought on a corporate-restructuring team of about 15 people from Drexel Burnham Lambert in February 1990, the group's external relationships were so strong and fertile that many of their ventures were described in the press as "Drexel

Access to senior executives was most often cited as the factor responsible for the success of a lifted-out team.

alumni bashes." Clearly, Smith Barney's move brought aboard more than just talent. The ability to exploit these relationships made Smith Barney a powerhouse in the restructuring business almost overnight, growing from two assignments in 1988 to 39 in 1991.

Start discussions within the team. Along with conversations between the team leader and the potential hiring firm, a series of discussions between the leader and his or her team members needs to take place. How should the group be structured in the new firm? Should the team be kept as intact as possible, or should some members stay behind? In Tortoriello's case, the move was comparatively simple because the group was a self-sufficient entity that elected to relocate en masse, but the issue is rarely so straightforward. It can be tempting to zoom in on the stars in an organization, but these forward-facing professionals' success may well depend on the backstage efforts of less visible players. (In their May 2004 *Harvard Business Review* article, "The Risky Business of Hiring Stars," Boris Groysberg, Ashish Nanda, and Nitin Nohria demonstrated that star equities analysts who moved in teams were more successful in their new companies than those who moved alone.) For that reason, a hiring company should make sure to interview all members of a team under consideration, while being careful not to jeopardize their relationships with their current employer.

Finally, once they know who they want on the team, leaders face the challenge of enticing those people to make the move. Leaders will probably need to be very persuasive with junior members, who perhaps hope for a promotion once the senior members have departed. In fact, team leaders would do well to go a step further and prepare employees for how to respond to any counteroffers the original company might make. Lehman's Tortoriello, after ascertaining that all members of her team did indeed wish to move, coached and role-played various scenarios with them in case Deutsche Bank counteroffered. As it turned out, the bank made no effort to retain the group—which only affirmed the team's decision to switch to a company where it would be more valued.

Stage Two: Leadership Integration

After a team has come on board, the first priority should be the integration of the team leader with the new company's executive leadership. Integrating the rest of the group is important too—but without a good fit at the top, access to the company's top leadership will be limited, and the overall effort will not succeed. In our interviews with lift-out leaders, access to senior executives was most often cited as the factor responsible for the success of the team. (In the rare cases where there is no team leader, the group itself must secure strong support from the organization's leadership. This may have been one factor behind the failure of the BZW-Drexel lift out; it was one of the few we studied that didn't have a leader orchestrating the move.)

Cultural compatibility is critical with any new hire, but it is particularly important in lift outs. Because groups change companies without changing bosses, they can often be more loyal to their leaders than to the companies they work for. This was especially true of many of the Drexel moves: Strong leaders were often responsible for their staff's reemployment after the firm's bankruptcy, thus creating formidable ties between the team members and the boss who got them back in the game.

Leadership integration goes more smoothly when the hiring company has a clear culture that is communicated through its operations. Of course, culture and values should be discussed during the courtship phase, but even the most comprehensive dialogue can't convey all the nuances until the team is on board. Integration is not the time for self-delusion or "big happy family" talk. Statements like "We here at X company value Y characteristic" should be backed up by specific practices that illustrate the value placed on Y. For example, law firm Duane Morris, founded by Quakers, has a strong and explicit culture that is embodied in its compensation policies, strategic planning, and consensus-based style of decision making. It's even represented in the company's office decor, which is uniform across the firm's many locations. This is not to suggest that Duane Morris's cultural ethos is the only correct one. Rather, it is to say that Duane Morris knows what its culture is, backs up its values and preferences with specific behavioral practices, and is able to explain its culture clearly to potential new teams—which it has done repeatedly, and with success, through the years. This approach makes it easy for team leaders to fully understand the environment they will

Ideally, the lifted-out team will start by working with the same or similar clients, vendors, and industry standards.

be entering. Given the firm's emphasis on growth through team acquisition, the company certainly benefits from communicating its values right from the start.

Hiring firms should be wary of the temptation to bring on a new team in order to reinvigorate the existing culture or facilitate change. In business, as in romance, opposites may attract, but they may also have difficulty living together once the thrill has passed and temperamental differences come to the fore.

Stage Three: Operational Integration

The third stage is about making sure the team can get the job done. The success of this phase depends directly on the success of stage two: A team leader well integrated with the leadership of the new company will be able to ease transitions. As J. Richard Hackman observed in his influential book *Leading Teams,* effective team leadership consists less of posturing and rallying the troops than it does of setting clear directions and securing necessary resources.

Moises Curiel, a Mexican tax attorney, led approximately 60 lawyers from Mancera Ernst & Young to law firm Baker & McKenzie's tax practice in 2004. Curiel had gone through a long courtship phase and had worked closely with Baker & McKenzie's leaders to reach an understanding of how the entities would work together. As a result, he was able to ensure that all his team members would start on their first day with the resources they needed to do their jobs. In Curiel's words, "All the desks, all the offices, all the laptops, all the cars: Everything will be ready for these new guys, to say 'Hello, welcome, this is a great place, and this is a great position.'...They cannot arrive and feel like nobody's waiting for them and feel like a dog alone off the street, because of course they will be not motivated, they will be so sad and frustrated [at] the start of the situation."

Continuity is another key condition for operational integration. Ideally, the lifted-out team will at least start by working with the same or similar clients, vendors, and industry standards. In one successful move we studied, the majority of staff (approximately 50 people) from a law office based in Prague, Czech Republic, led by partners Jason Mogg and Michael Schilling, signed on in 2000 with the international law firm Linklaters to help its Central and Eastern European expansion. In Mogg's words, "We didn't lose anybody; right down to the cleaning lady and the receptionist, every single person came with. They were all very enthusiastic about it."

Employees experienced so little disruption in their day-to-day work that, as Mogg put it, "We changed the nameplate on the door, changed everyone's business cards, and were in business the next day." Linklaters' interest in Mogg and Schilling's teams was rooted in their regional expertise, so the lawyers merely continued with the work they had been doing all along with the same clients, but for a different employer. Schilling told us, "It may be, over the years, that [the team] will then be asked to do many different things and grow beyond what you initially recruited them for. But certainly in that initial phase, if they can do…what they are good at already, you allow them to prove themselves and to make themselves feel that they have earned a place in the firm." In 2004, Mogg was promoted to managing partner of the Bratislava, Slovakia, office, responsible for all Central and Eastern European operations.

These examples are all the more noteworthy because they involve teams lifted out by companies based in other countries. A lift out that crosses national as well as corporate boundaries is almost certain to bear a higher level of operational and cultural dissonance, and entail a steeper learning curve, than a domestic move. The most successful transnational lift outs are those in which the teams are hired for their regional expertise and allowed to continue in the same business practices, as with Mogg and Schilling's groups as well as Curiel's. In cases where they are hired for functional expertise and expected to grow a new business or open doors to a new market—as at BZW and Banque Indosuez—the risks seem to be greater.

One thing that history makes clear is that, though teams should not isolate themselves from the rest of the new organization, they paradoxically need a degree of autonomy. Most teams move, after all, in order to stay together. Tortoriello appreciated Lehman's confidence in her abilities because it allowed her to manage the integration process as she saw fit and run her own shop. Mogg and De Nicola likewise identified a "light management style" from the top as a key to their teams' success. Teams should be given clear goals but wide latitude in the means by which they achieve their ends. Failure to grant some autonomy is counterproductive and demoralizing. Such a man-

The members of a new team must be willing to re-earn credibility. They must prove their value and gain their new colleagues' trust.

agement style may well have played a role when Richard Sandor's team unsuccessfully moved to Banque Indosuez. His group felt micromanaged yet did not fully understand what it was they were supposed to accomplish.

Stage Four: Full Cultural Integration

In the final stage, the new team must be willing to re-earn credibility. Once the team members hit their new environment—regardless of their prior accomplishments and no matter how strenuously the hiring company wooed them—they must prove their value and gain their new colleagues' trust. Due diligence during the courtship stage can ease this challenge a bit, but even the most rigorous interview process is no substitute for working side by side. Indeed, while feel-good team-building exercises have their place (Curiel credits a company soccer team that mixed newcomers and existing Baker & McKenzie staff for some of his group's achievement of cultural integration), real operational successes are paramount. As Mogg put it, "Delivering successful results and making contributions to the business—every time you do that, you gain credibility, and that's absolutely crucial....You don't always start, when you move to a new firm, with huge credibility. You have to earn it." Operational successes help new as well as established employees avoid developing what social psychologists call "in-group" and "out-group" relationships.

Perhaps the most famous investigation of in- and out-group relations was the Robbers Cave experiment, conducted in 1949 and 1953 by social psychologist Muzafer Sherif and colleagues. The researchers gathered nearly two dozen preadolescent boys in a summer camp setting, then separated them into two groups (the "Rattlers" and the "Eagles") that were initially kept apart. When the campers were brought together, prejudices and tensions quickly formed, and the conflict escalated to the point where the rival teams were ransacking each other's cabins and burning each other's flags. Attempts to pacify the groups through a positive-propaganda campaign were useless. So, too, was a series of communicative and noncompetitive activities that were not unlike the team-building exercises of today's corporate retreats. The only way the two groups could reconcile their differences (though, interestingly, they maintained a sense of separate group identity), was when they were forced to rely on each other to complete difficult joint projects, such as fixing a leak in the water supply. These activities allowed each group to perceive the other's true abilities and realize that the success of one would benefit both.

One might expect lawyers, investment bankers, advertising executives, and software engineers to be more sophisticated in their social interactions than young boys, and generally they are. But the events of Robbers Cave have been replicated in many situations, with adults as well as children. What's more, subsequent research has shown that groups are most likely to develop mutual respect by working not only cooperatively but also complementarily—that is, when each group has specific skills to bring to the table that the other does not. In these situations, respect can quickly flourish.

Another aspect to developing credibility involves managing the expectations of existing employees. When the Deutsche Bank team joined Lehman, Tortoriello made clear to the 90 analysts her group would be supporting that the system would work well if they adhered to certain practices and standards. As she put it, "If somebody drops 150 pages on me and says it has to go out today, that's just not going to happen." This is a process that needs to be handled tactfully, however, because existing employees may already resent or be suspicious of the high-profile newcomers. As De Nicola described, "The risk…is either that the people of the firm joined by the group feel themselves alienated because maybe they are less [important] than the group that joined the firm, or they are less profitable, or they think that now they don't count for anything. So don't alienate the people who already are in your firm." Banque Indosuez made this mistake when it closed an unprecedentedly fast deal to acquire Drexel talent for its International Capital Markets unit. The transaction was so great a departure from the firm's usual mode of business that, according to a 1993 analysis in *Investment Dealers' Digest,* it "flabbergasted Indosuez executives," who were accustomed to a much more deliberate pace. According to an ex-employee quoted in the article, "They were used to sending memos back and forth, and dragging things out." The uproar ensured that the ex-Drexelites would remain in the spotlight and that resentful existing employees would look for every opportunity to downplay and undermine the newcomers' contributions.

No two companies are identical, of course, and some degree of cultural mismatch may be inevitable. When significant differences exist, however, a strong team leader can help his or her team members integrate with and become socialized to their new environment.

Roberto Casati, a partner in the Milan office of an international law firm, has gone through both mergers and team moves. He spoke of his own experience as a team leader with some nuance: "The best thing you can do to make sure you smoothly merge or integrate with the new organization is to step back a little bit, make sure that you do not position yourself as the point of difference or defender of the team, and manage in a way that makes the team recognize that there are other leaders in that organization that they can turn to and look at as being as good and as reliable as you are."

High Stakes

The move by Cheryl Tortoriello and her team to Lehman Brothers embodies the ideal lift out in many respects. She and Steve Hash had worked together in her first stint at Lehman, and their existing relationship facilitated the courtship phase, but she also went to great lengths to prepare her team for the move and to make sure it was the right decision. The leadership integration phase, too, went smoothly, because Tortoriello and Hash shared a vision of the future and how to get there. The operational stage benefited from a high level of autonomy and creative freedom along with Hash's executive sponsorship and logistical support, even allowing the team to continue production with almost no interruption after September 11, 2001. The events of that day, wrenching as they were, drew together Tortoriello's original group and existing Lehman staff, setting the stage for full cultural integration. Tortoriello's realistic view of the challenges of merging with the Lehman research department also supported this final phase. She realized that some of Lehman's people would feel out of place and eventually leave and that a new team dynamic would form. She also strongly encouraged her team to build relationships with other departments and looked for feedback on their performance from related functions. All of these factors allowed for smoother cultural integration.

The move of the Saatchi 17, however, lies at the other end of the spectrum: All of the players—the team, its leader, the hiring company, the losing company, and the team's most significant client—were worse off after the lift out than before. A columnist for *Adweek* described the move as a "fiasco from the get-go" and suggested that "everyone involved should have to teach a class on 'How Not to Steal a Piece of Business.'" Mike Burns, a 25-year veteran at Saatchi & Saatchi, was joint chief executive of the New York office and vice chairman and worldwide account director for the estimated $550 million General Mills account until September 2004. That's when worldwide CEO Kevin Roberts replaced him with Mary Baglivo, an advertising superstar from outside the company, as chief executive officer of the New York office and worldwide marketing director. A furious Burns resigned the following February, and 17 of his loyal staff—a mix of senior creative and account executives who had worked on the General Mills account—submitted their resignations within a week.

Almost immediately, the 17 executives were reportedly engaged in conversations with Interpublic Group, which presumably hoped that the General Mills account would follow Burns's team to its new home. The 17 were hired en masse at Interpublic to form an independent unit, the General Mills account stayed with Saatchi & Saatchi, and the latter slapped Burns with a lawsuit (since resolved) to prevent him from joining another agency and leaving his former team without their leader. The Saatchi 17 remained at Interpublic, but, at least for the first several months, the unit's Web site listed no current projects. Instead, it played on the group's notorious founding with an artistic collage of clips from the advertising industry media detailing the "rebellion" of the Saatchi 17.

This case is remarkable for the harm it inflicted on all the players. Saatchi & Saatchi lost a talented team and alienated and demoralized remaining staff. It also angered a major client, General Mills, which was dragged into a maelstrom of negative publicity. Mike Burns was denied the job he'd pinned his hopes on at Interpublic and separated from his team; his credibility took a hit as well. The Saatchi 17 lost the General Mills account and their leader. Interpublic found itself in sudden possession not of a well-tended $550 million account, but rather of a highly cohesive and rebellious team.

After the move, the team's identity was centered on its contentious history, and, at least for some time after the move, the group was unable to attract significant clients. (Things have brightened all around since then.)

The Saatchi 17 move may be unique in the breadth and depth of its lose-lose results, but it does illustrate the dangers of an unsuccessful lift out. For the hiring company, the most common risk is defection. If a team leaves after only a brief tenure, the company loses the investment it has made in the team's integration. Losing a lifted-out team, especially one whose acquisition had been hailed as a strategic triumph, can also be humiliating. Such a loss of face can have tangible consequences in the professional-services industries, where a company's reputation for wise counsel is in large part its stock-in-trade.

For team members, an unsuccessful lift out can mean isolation or unemployment. The move may destroy relationships—with former colleagues, clients, and vendors—and impair the employees' effectiveness for years to come. For both teams and hiring companies, lift outs represent a gamble on credibility, portability of performance, and human capital—but if managed well, the maneuver can be both economical and effective in the war for talent.

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