University of New Hampshire

University of New Hampshire Scholars' Repository

Honors Theses and Capstones

Student Scholarship

Spring 2020

Analysis of Jamie Dimon: Impact of Leadership and Culture at J.P. Morgan Chase & Co.

Abigail Elisabeth Chapman
University of New Hampshire, Durham

Follow this and additional works at: https://scholars.unh.edu/honors

Part of the Business Administration, Management, and Operations Commons, and the Corporate Finance Commons

Recommended Citation

Chapman, Abigail Elisabeth, "Analysis of Jamie Dimon: Impact of Leadership and Culture at J.P. Morgan Chase & Co." (2020). *Honors Theses and Capstones*. 509.
https://scholars.unh.edu/honors/509

This Senior Honors Thesis is brought to you for free and open access by the Student Scholarship at University of New Hampshire Scholars' Repository. It has been accepted for inclusion in Honors Theses and Capstones by an authorized administrator of University of New Hampshire Scholars' Repository. For more information, please contact nicole.hentz@unh.edu.

University of New Hampshire

Spring 2020

Analysis of Jamie Dimon: Impact of Leadership and Culture at J.P. Morgan Chase & Co.

Abigail E. Chapman

University of New Hampshire, Durham, aec1024@wildcats.unh.edu

Peter T. Paul College Honor’s Thesis

Analysis of Jamie Dimon: Impact of Leadership and Culture at J.P. Morgan Chase

Abigail Chapman

Advisor: Professor Richard Kilbride

University of New Hampshire

Table of Contents

Introduction

Jamie Dimon is one of Wall Street's most effective and intelligent leaders who has transformed J.P. Morgan Chase into one of the largest and most well-respected banks in the world. To understand why this is, it's important to analyze Dimon's leadership style and how this has impacted the performance of J.P. Morgan. Under heavy regulatory oversight and strong competition, the industry continues to receive backlash over ethics and bureaucracy, however, J.P. Morgan continues to outperform its foreign and American competitors. Over the past 10 years, J.P. Morgan has consistently outperformed its competitors, and many believe that this success can be credited to its CEO, Jamie Dimon, whose character, knowledge, and leadership style have guided J.P. Morgan to become one of the most elite banks in the entire world.

This paper investigates the performance of J.P. Morgan Chase under Dimon, how his character embodies both a Transformative and Transactional leadership style, and how his leadership has transformed the culture and performance of J.P. Morgan today.

Leadership Study

Definitions

A leader is a person who "influences, directs, and motivates others to perform specific tasks and also inspire their subordinates for efficient performance towards accomplishment of the stated corporate objectives" (Ojokuku et. al., 2012). Leadership is defined as "a process of influencing others' commitment towards realizing their full potential in achieving a value-added, shared vision, with passion and integrity" (Jeremy, 2012). There have been many studies around affective leadership styles and what types of leadership styles help a company succeed. A leadership style, on the other hand, is the manner and approach of providing direction, implementing plans, and motivating people (Ojokuku et. al., 2012). For thesis, we will be looking at two types of leadership styles: transformational and transactional.

Transformational and Transactional Leadership

In 1978 James MacGregor Burns, a Pulitzer Prize-winning presidential biographer and a pioneer in the study of leadership argued that there were two main leadership styles. Transformational leadership is focused on inspiring and transforming employees to improve overall performance. Bass explained that transformational leadership “occurs when leaders broaden and elevate the interests of their employees when they generate awareness and acceptance of the purposes and mission of the group, and when they stir their employees to look beyond their own self-interest for the good of the group” (Bass, 1990). On the other hand, Transactional leadership can be defined as transactions between leaders and subordinates to improve the performance of subordinates. Bass described transactional leadership as “leadership which is based on transactions between manager and employees” (Bass, 1990). Bass also described transactional leadership in detail, explaining that “changes in degree or marginal improvement can be seen as the result of leadership that is an exchange process: a transaction in which followers’ needs are met if their performance measures up to their explicit or implicit contracts with their leader” (Bass, 1985). These leaders tend to specify certain requirements and conditions of the task and provide rewards for completing those requirements.

Both transformational and transactional leaders have characteristics that encompass each leadership style. Transformational leadership has four characteristics. The first is Charisma, which Bass defines as a leader who “provides vision and sense of mission, instills pride, (and) gains respect and trust” (Bass, 1990). Charismatic leaders are driven by their convictions and commitment to their cause by conducting a feeling of a shared mission. These leaders have a compelling vision and that they find a way to communicate it. Charisma has been proven to help companies. One study specifically looked at the recommendations of stock analysts in relation to CEO charismatic rhetoric articulated in annual letter shareholder letters (Fanelli et. al., 2009). The second characteristic is Inspiration. Inspiration, according to Bass, is when a leader “communicates high expectations, uses symbols to focus efforts, (and) express important purposes in simple ways (Bass, 1990). The third transformational leadership characteristic is Intellectual Stimulation. These leaders usually look for creative solutions and constantly search for a unique approach to completing tasks. They also “promote intelligence, rationality, and careful problem solving” (Bass, 1990).

The first characteristic of transactional leadership is Contingent Reward. Contingent reward is a “contract exchange of rewards for effort, promises rewards for good performance, (and) recognizes accomplishments” (Bass, 1990). The second characteristic is Management by Exception (Active). This is when a leader “watches and searches for deviations from rules and standards, (and) takes corrective action” (Bass, 1990). The third characteristic of a transactional leader is Management by Exception (Passive). This is when a leader “intervenes only if standards are not met” (Bass, 1990). The last characteristic is laissez-faire leadership when a leader “abdicates responsibility (and) avoids making decisions” (Bass, 1990).

Studies have found that leaders who can utilize both transactional and transformational leadership have greater success. A study conducted in 2005 of leaders within the building industry (design, construction, maintenance, etc.) looked to see if transformational leadership augmented transactional leadership (Chan et. al., 2005). Their research concluded that "transformational leadership can augment transactional leadership to produce a greater effect on the performance and satisfaction of employees; however, transactional leadership does not augment transformational leadership" (Chan et. al., 2005). Although being a transactional leader is important to an organization, transformation leadership can substantially impact the power of transaction leadership. Employees even "rated outcomes of extra effort, perceived leader effectiveness, and satisfaction with the leaders in the sample of building professionals (Chan et. al., 2005). These studies have found importance in the balance between both and excelling at both to be an exceptional leader.

Jamie Dimon

Background

Duff McDonald outlines much of Dimon's past leading up to 2010 in his book *Last Man Standing: The Ascent of Jamie Dimon and JPMorgan Chase.* Jamie Dimon was born to a banking family. His paternal grandfather, Panos Papademetriou, was a "Greek from Smyrna who worked in banking before leaving Greece during its war with Turkey" (McDonald, p. 1, 2010). Panos changed his last name to "Dimon" after moving to the United States. His father, Theodore, also joined Dimon's paternal grandfather in financial services as a stockbroker, even joining him later in his career at Shearson Hammill, a Wall Street Brokerage and Investment Banking firm, in 1953. Jamie Dimon would later expand on the impact his family had on his career. He said he learned a great deal about the brokerage industry “across the kitchen table” (McDonald, p.2, 2010). After graduating from Tufts University in 1978, he joined Harvard’s business school to pursue his MBA. Although Dimon had a very tempting offer to join Goldman Sachs after his internship in 1978, his future mentor, Sandy Weill, convinced him to turn it down and join him as his assistant at the American Express Company.

Much of Dimon’s character and leadership were formed out of his and Weill’s relationship and experiences. When Weill left American Express in 1985, Dimon decided to follow him to a company called Commercial Credit and became the CFO. While working at Commercial Credit with Weill, Dimon was exposed to some fundamental business and leadership practices that we now see at J.P. Morgan. This includes efficient M&As, always having a long term view, organizing complete businesses verses just certain lines, the advantage of being capital-rich, and to *not* hog the spotlight from your senior team to list a few (McDonald, p. 130, 2010). Weill was one of Dimon’s most influential mentors and their relationship immensely impacted Dimon as a leader and business figure. Between 1985 and 1998, Commercial Credit acquired a wide variety of financial services and insurance companies. In 1988, Commercial Credit purchased Primerica, a financial services and direct-marketing and parent company of Smith Barney, Harris Upham & Co. investment firm, for $1.7B and would operate as Primerica Corp. (Stowell, 1988). In March of 1993, Primerica purchased Shearson, an investment banking and brokerage firm, for $1.1B creating Smith Barney Shearson. A month later Primerica completed a $4.2B merger of Travelers Corp, combining the brokerage and consumer finance and insurance companies into one. In 1997, Travelers decided to acquire Salomon Inc., a New York- based Investment Bank, with $9B in stock purchases.

Although Dimon was with the company throughout all these changes, Weill and his relationship started to become strained when Dimon failed to promote Weill's daughter multiple times. Weill claimed that Dimon "drove her out" (McDonald, p. 82, 2010). This tension only continued to build as Dimon understood that he "had lost a power struggle" (McDonald, p. 124, 2010) and the future idea of holding a co-CEO position was an annoyance to him (McDonald, p. 121, 2010). Dimon was, however, blindsided when Weill asked him to resign in 1998. After Dimon's departure, Citicorp and Travelers merged in a $70B deal, creating the largest financial services company in the world called Citigroup. Citicorp held several international subsidiaries but was primarily known for Citibank. After the merger, Citibank carried $698B in assets (Schultz, 1998).

A little over a year after leaving Travelers and turning down a handful of employers, including Amazon, Dimon joined the fifth-largest bank at the time, Bank One, in Chicago as Chairman and CEO. Bank One had been suffering from a series of missteps and poor investments. Dimon backed up his leadership and belief in the company by purchasing two million shares of Bank One (Kurson, 2002). In his first year, Dimon focused on cost-cutting, saving more than $1B through waste-reduction efforts, and replacing 11 out of the top 12 executives. When Dimon joined the company a high-level executive informed him of the company's numerous subscriptions held by the company. Dimon said, "You're a businessman; pay for your own *Wall Street Journal"* (Kurson, 2002). Throughout his time at Bank One, Dimon turned down a handful of opportunities to expand as he felt the company was not ready to take on another line of business.

In 2004, Dimon decided to negotiate a deal that would merge Bank One and J.P. Morgan Chase. As the landscape of banking was evolving, both companies realized they needed each other to compete globally within the industry. J.P. Morgan acquired Bank One for roughly $58B in stock. Dimon would become the President and COO of J.P. Morgan and succeed J.P. Morgan's Chairman and CEO William Harrison at the beginning of 2006. Since taking the reins of J.P. Morgan, Dimon has been able to directly challenge the leadership style of his former mentor, Sandy Weill, and become the leader that he feels will best allow his company to perform at its best.

Transformational Leadership

Throughout Dimon's life, his experiences have transformed him into the leader he is today. Bill Harrison, the former CEO of J.P. Morgan, said three leaders have stood out during his career, "Jack Welch at GE, Larry Bossidy at Honeywell and Jamie." To become one of the most recognized and respected corporate leaders, Dimon embodies many of the characteristics of both a Transformational and Transactional leader. These characteristics have in turn helped Dimon lead J.P. Morgan to its past and current success.

The first characteristic Dimon embodies as a leader is Charisma. Dimon is known as one of the most charismatic leaders on Wall Street which has helped him create a cult-like following of customers, employees, and other business leaders. What makes his followers passionate about J.P. Morgan's vision and mission is Dimon's ability to clearly paint a picture of what kind of business he wants to lead, the values he upholds, and the principles that he follows throughout his work and life. Duff McDonald said, "Dimon has emerged with a mix of traits rarely seen—a master of detail and operations, but also an inspiring and charismatic leader who elicits a level of loyalty among subordinates that I'm not sure I've ever seen before." Even

Dimon's employees at J.P. Morgan trust and admire his opinions, principles, and leadership. Much of this confidence and respect has not only grown from Dimon's interviews and actions, but also from the quality and honesty within his Annual Letters to Shareholders.

In 2005, Dimon wrote his first Annual Letter to Shareholders, and his charisma was quickly highlighted throughout the letter. He started by connecting to shareholders through sharing his feelings and thoughts, "I feel a tremendous mix of emotions: excitement about our potential, and a great sense of obligation and responsibility both to you, our share-holder, and to those who have built our company over the years" (McDonald, p. 3, 2010). It's also Dimon's transparency which continues to nurture his charismatic charm and that many of his followers appreciate. This transparency is noticeable when it comes to Dimon's beliefs about almost any topic, including things like small business formulation, reforming policies of immigration, infrastructure, and healthcare, and education in inner cities, taxes, regulations, student lending, etc. In his 2018 Letter to Shareholders, he dedicated 2 pages to discussing America's problems, what he felt was reducing opportunities and holding back productivity and economic growth. One topic he covered was ineffective and out-of-touch education systems. He wrote, "Our inner-city high schools are failing their communities and are leaving too many behind" (Dimon, 2018). Dimon's transparency garners trust, respect and allows customers, employees, and fellow business owners to truly connect to him.

After the 2008 financial crisis, the banking industry became the enemy in the public's eyes. Many felt that banks had "played the system," caused the financial crisis, and benefited from the misfortune of many. Even today confidence around banking is low. A Gallup poll conducted in 2017 found that only "27% of U.S. adults now say they have "a great deal" or "quite a lot" of confidence in the institution" compared to 22% in 2009 (McCarthy, 2017). Before the financial crisis, in 2004, 53% of Americans expressed confidence in these institutions (McCarthy, 2017). Despite the negative light shed on Wall Street, Dimon has been able to inspire those around him to use the power and capital of their firms to make an impact on the community. This was somewhat of a shift from the historical mentality where firms should solely focus on the return for shareholders.

In 2019, the Business Round Table, an association of chief executive officers of America's leading companies working to promote a strong U.S. economy and expand opportunities for all Americans, redefined the purpose of a corporation. Dimon, a leader within the association, advocated for firms to focus on providing for their employees and their communities. His analysis over the years concluded the importance of companies upholding commitments to all stakeholders, such as employees, customers, suppliers, and the communities they operate in, just as much as shareholders. Dimon, always an advocate for providing long-term value to shareholders, was one of the first modern-day corporate leaders to invest within a city to creating long-term value.

J.P. Morgan has had a long history serving the community of Detroit, however, Dimon saw Detroit as more than just a market. He saw Detroit as one of the few American cities who failed to have a true renaissance. Before J.P. Morgan's investment, Detroit experienced the largest city bankruptcy, was in $19B in debt, and had an unemployment rate of 14%, which was double the national average. In 2014, J.P. Morgan announced an original $100MM investment. The firm increased their investment in 2017 by $50MM, totaling $150MM. In 2019 they increased the investment by another $50MM, topping $200MM. While Dimon understood that many aspects of his investment would not be returned in kind, his view was that the investment was “venture banking, where you look beyond what you do normally, take a bit of extra risk, and give more help” (Dimon, 2016).

The original investment was broken up to tackle a wide variety of issues within the city. One aspect of the investment was creating the J.P. Morgan Chase Detroit Service Corps which brought 12 J.P. Morgan employees from New York, Sydney, Sao Paulo, Mumbai, and Hong Kong to work on specialized projects at 4 Detroit based organizations. $40MM of the investment came in the form of flexible, long-term debt capital and $10MM in grant money for development-focused non-profits Invest Detroit and Capital Impact Partners (Thibodeau, 2014). $25MM was targeted at solving urban decay through financing the Motor City Mapping project. $12.5MM was invested in workforce development. The last $12.5MM was focused on supporting small businesses and strategic initiatives such as the M-1 Rail streetcar. This investment was a true testament to the message and values that Dimon expressed at the Business Round Table. Dimon has inspired businesses to be better and provide more than just return of shareholders.

Dimon has always advocated for awareness and understanding of risks, this, in turn, has truly created his strong Intellectual Stimulation. Dimon is known for his attention to detail and problem-solving. This intellectual stimulation grew throughout Dimon’s youth. At Browning, Dimon’s high school, Dimon “demonstrated an intuitive grasp of math” (McDonald, p. 5, 2010). During his senior year, Dimon was forced to teach himself advanced calculous after his teacher passed away from a heart attack. As Dimon grew older, even his work colleagues noticed Dimon’s passion for detail, “there were no numbers or statistics that he wasn’t interested in, whether it was the number of tickets bought for a Billy Joel concert or the number of phone calls people made each day" (McDonald, p. 197, 2010). Jeremey Paul, Dimon's former high school classmate and colleague at Travelers, said, "Dimon invariably knew more about every topic than anyone else in the room, including those presenting" (McDonald, p. 63, 2010).

Dimon has obtained one of the best reputations when it comes to managing risk. His risk-averse style of banking became associated with the nickname the "Dimon principle." "The 'Dimon principle' was shorthand for a safe bank with regular profits" (Smoak, 2018). Despite Dimon's reputation for being a safe banker, there has been one event that has tainted the public's understanding of his attention to detail; the London Whale. In 2012 a trader within J.P. Morgan's Chief Investment Office lost at least $6.2B in through proprietary trades of synthetic derivatives. The London Whale, Bruno Iskil, and the London CIO office were consistently racking up losses in the form of hundreds of millions of dollars every day. When the CIO management discovered these investment positions, they chose to take action to conceal the magnitude of their losses. Although Dimon initially accepted a temporary increase to the Firm-wide Value at Risk limit, he told the Senate panel that he was "dead wrong" about the trading losses. Management quickly took action to ensure the investments in the CIO would solely be focused on conservative investing excess deposits to earn a fair return. Dimon also fired every CIO manager connected to the Synthetic Credit Portfolio and restructured the powers of the Chief Risk Officer. Despite this incident, Dimon has proven in various cases his mastery of risk aversion.

After Bank One merged with J.P. Morgan in 2004, Dimon insisted on carrying a "fortress balance sheet." While many felt that this "fortress balance sheet" was an excuse to deliver poor returns compared to other banks, the strategy instilled by Dimon is what helped the bank survive the global financial crisis better than almost any other bank. When it comes to his diligent and disciple business, Dimon notes that “you have to know every asset, every liability, every person. You have to know your facts.” This characteristic was also prevalent while Dimon was at Citigroup, “Awareness of any potential downside was one of Dimon’s most ingrained character traits, and although he eventually came around to the merits of the deal, he obsessed over its risks much more than Weill” (McDonald, p. 93, 2010). This specific deal related to the acquisition of Salomon Inc. in 1997. Although Salomon had been performing well, Dimon was concerned about the potential risks the potential acquisition would bring if the company started to perform poorly. Dimon’s attention to detail has followed him throughout his various roles. This has allowed J.P. Morgan to succeed in downturns and continue to grow despite the climate.

One of Dimon’s strongest characteristics is Individualized Consideration. Dimon learned one of his most important leadership lessons from the CEO of Yum Brands, David Novak: Recognition. Dimon said that “Good management is about the heart. It’s about people trusting you and people knowing you give a damn.” Many of Dimon’s colleagues could attest to attention Dimon gave to individuals. Even after Dimon and Weill’s fallout at Citigroup, Weill spoke to the strength of Dimon’s relationship building, “‘I think Jamie built terrific loyalty from some people and developed a group of people who he really had a great friendship with’” (McDonald, p. 82, 2010). Todd Maclin, former CEO of J.P. Morgan’s Commercial Bank, highlighted Dimon’s power to connect with individuals saying, “He’s got an extraordinary ability to connect with people, help them do what he wants them to do, and also feel good about working for him” (McDonald, p. 188, 2010). This loyalty to individuals trickled down to the customers of J.P.Morgan. During Dimon’s first six months at Bank One, “one shareholder complained that service had deteriorated to a point where it was nearly impossible to get a live person on the phone, Dimon offered his own number" (McDonald, p. 154, 2010) in return. In a recent interview, Dimon said that his secret to great leadership is "humility and heart." He continued to tell his reporter that "People want to be treated with respect. They have ideas. They want to contribute. So you have to include them…" (Ignatius, 2018). Dimon understands the importance of recognizing individuals, no matter their role in the company.

Transactional Leadership

When it comes to Transaction Leadership, Dimon has been able to utilize all three characteristics, Contingent Reward, Passive Management by Exception, and Active Management by Exception to push employees to do their best and to steer the company in the right direction.

Dimon has stressed the importance of properly rewarding employees for their work in order to attract and retain talent. One way Dimon felt he could reward employees was by increasing the firm's minimum wage for American employees from $10.15 (almost $3 above the national average) to $12- 16.50/hour in 2016 (Dimon, 2016). The pay increase mainly impacted bank tellers and customer service representatives. He also added that the minimum wage would increase to $20/hour by 2021. Dimon felt that a raise in pay would allow "more people to begin to share the rewards of economic growth." Dimon was one of the first American executives to highlight the importance of taking care of employees compared to building shareholder value, "Building shareholder value is the primary goal of a business, but it is simply not possible to do well if a company is not properly treating and serving its customers, training and motivating its employees, and being a good citizen in the community" (Dimon, 2016). Employees are also linked to improving shareholder value because many are paid in equity compensation, linking the firm's overall performance with their shareholders. In 2007, "140,000 out of 180,00 employees owned stock in the company" (Dimon, 2007).

Dimon doesn't only rely on Contingent Reward to help J.P. Morgan and its employees succeed, he also believes in Active Management by Exception. Dimon has completely recognizes the bureaucracy that tends to form in large corporations, "Organizations get too bureaucratic. They slow down. There's too much 'strategize' and B.S. like that. They become petri dish of politics" (Ignatius, 2018). Dimon stresses urgency in action and a good decision process which can often be hindered by office politics. Dimon is notorious for ignoring and dismissing office politics. One colleague attested to this saying, "Dimon refused to play office politics. He didn't give a whit where people came from and cared only that they had the ability to do the job at hand" (McDonald, p. 146, 2010). Because Dimon understands how office politics can stand in the way of efficiency, he developed a "different leadership approach, which is based on his abilities, fairness, and directness," (McDonald, p. 132, 2010) and if there was one action that Dimon was diligent and quick to make it was severing weak links that he felt stood in the way of company's success. Dimon has been consistently looking for deviations and problems that set the company back and has been quick and professional about making corrections.

While being an active manager is extremely crucial, it is also important for managers to also step away and intervene only when standards are not met. Dimon knows that managers don't always have the answers. Sometimes, "a bank teller often has better answers than he does" (Ignatius, 2016). He understands the power in trusting his team and depending on others to also make decisions to help the business succeed, "I think it's important that you're open-minded to other people's ideas" (McDonald, p. 177, 2010). Dimon noted in an interview that as “managers rise in an organization, they depend on others more and more. The team is increasingly important – many team members know more than their managers do about certain issues – a team working together can get to a better outcome” (Dimon, 2016). Sometimes intervention on Dimon’s end is not the most efficient action. Managers should avoid hoarding information from other employees, but having dependence on their team to make the best choices sometimes. While Dimon does actively manage many aspects of J.P. Morgan, he is able to balance this with trust and feedback from his team. As a Transactional Leader Dimon has successfully exemplified three strong characteristics that have helped him supervise his employees which has, in turn, has impacted the performance of J.P. Morgan.

Review of Recent Economic and Banking Climates

2008 Financial Crisis Impact on Banking Regulations

After the 2008 financial crisis, the U.S. enacted the Dodd-Frank Act which was one of the greatest legislative changes to U.S. financial regulations since the 1930s when financial regulations were enacted (Glass-Steagall Act, Securities Exchange Act, etc.). Of the many reforms that the Dodd-Frank Act brought to the industry, (Exhibit 1) the overall goal was to provide oversight to the sectors of the financial system which contributed to the financial crisis of 2008.

<u>Exhibit 1</u>

Key reforms in the Dodd-Frank Act	
Systemic Risk Regulation	Securitisation – Credit Risk Retention
Financial Stability Oversight Council	Financial Stability Oversight Council
Office of Financial Research	Elimination of the OTS
Enhanced Prudential Standards	Deposit Insurance Reforms
Living Wills	Enhanced Regulation of Banking Entities
Orderly Liquidation Authority	Payment, Clearing and Settlement Systems
Volcker Rule	Consumer Financial Protection
Swaps Pushout rule	Restrictions on Emergency Stabilisation
Bank Capital (Collins Amendment)	Federal Reserve Governance
Derivatives	Pay it Back Act
Hedge Funds	Insurance
Investor Protection	International Sovereign Assistance
Enhanced Regulation of Securities Markets	Mortgage Market Reforms
Credit Rating Agencies	

(Guynn et. al., 2010)

These changes helped banks maintain stronger balance sheets by limiting leverage ratios, monitor liquidity, regulate derivatives, and conducting annual stress tests among a wide variety of other things, but at the same time also hindered the performance of banks in some aspects. The Act also forbids the Federal Reserve from bailing out individual companies.

Dimon has been a critic of many aspects of the Dodd-Frank reforms. One regulation that Dimon was specifically outspoken about were the regulations around the "$600T swaps market" (Drawbaugh, 2011). Dimon was also vocal about his disapproval of the Act's ability to reduce debit card fee transitions. Despite his views surrounding Dodd-Frank, he did feel that corporate American was well-financed and well-funded in 2011. Dimon even pointed out that Dodd-Frank helped J.P. Morgan build a "bigger moat" against the competition. He saw Dodd-Frank as a set of rules and regulations that deterred smaller financial institutions from jumping into new business lines, which would limit their opportunity to steal market share. In 2017, there was action to undo parts of Dodd-Frank. Although Dimon has been an advocate for fine-tuning Dodd-Frank, he told Congress to "Do the right thing regardless of the impact on banks' share prices" (Lawler, 2017). In 2018, President Trump signed into law a bill that rolled back some banking regulations that were put into place in 2010. This bill "exempts some small and regional banks from the most stringent regulations and also loosens rules aimed at protecting the biggest banks from sudden collapse" (Werner, 2018).

During the financial crisis, many industries were impacted. From January 1, 2007 to February 1, 2009, the S&P 500's stock price fell 38.76%. The KBW Nasdaq Bank Index, on the other hand, fell almost double that of the S&P 500; down 74.16% from 2007 to 2009, one of the worst-performing indexes throughout the crisis. Even the KBW Nasdaq Insurance index outperformed the banking index over that period of time. Overall, the crisis impacted many for years and touched almost every industry in some form. The Banking industry particularly suffered severely.

2019 Economic Performance

To understand the impact of Dimon's leadership on the performance of J.P. Morgan Chase against its industry competitors, it's important to take into consideration the current economic environment. The U.S.'s pre-COVID-19 economy made up the longest bull market in history. For the second consecutive year, the U.S. economy outperformed expectations and broke from recent trends of improvement, however, the U.S. and other countries faced economic challenges including uncertain trade barriers between the U.S. and China and Brexit. In 2019 U.S. Real GDP grew 2.1% in Q4 (Lundh, 2020), but global economic growth slowed to its "weakest pace since the global financial crisis a decade ago, reflecting common influences across countries and country-specific factors" (Gopinath et. al., 2019). 2019 also saw a historic low for unemployment (3.5% in November 2019). Around June of 2019, the U.S. started to feel the potential impact of a trade war with China. As a result, the U.S. felt a decline in both imports and exports from China. Many expected to see markets slump in response that could contribute to a $600B hit in 2021 if tariffs expand to cover U.S.-China trade (Holland et. al., 2019). In January of 2020, the U.S. and China signed a "phase one" deal which helped elevate some stress around the situation. The S&P 500 (^GSPC) produced an annual gain of 30.1% compared to a very volatile 2018 which saw a negative 5.3% return (Yahoo Finance, 2020). Overall, 2019 was a strong year for many corporations despite the various obstacles it provided.

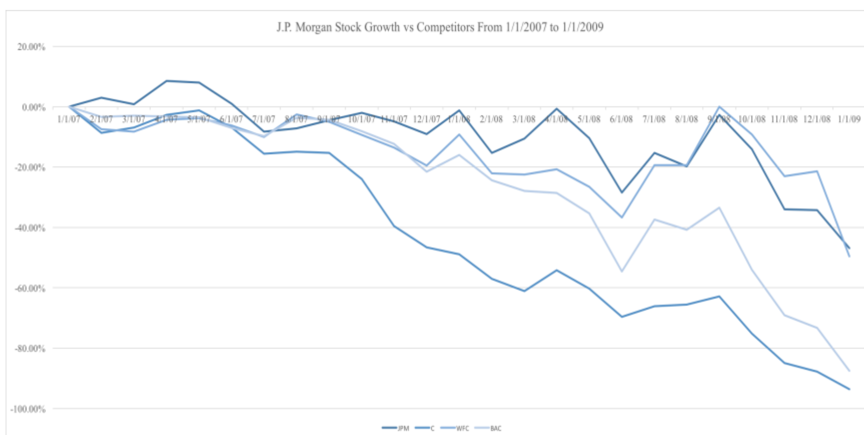
J.P. Morgan Chase & Co. Performance

2008 Performance

2008 brought one of the most challenging and unanticipated tests for banks, however, the financial crisis highlighted the strength of J.P. Morgan's balance sheet, along with Jamie Dimon's leadership. Within the industry J.P. Morgan experienced a decrease in stock growth of 42.8%, this was a little over half of the loss experienced by Citigroup, the worst performer in the industry during the financial crisis. J.P. Morgan fared well compared to all its banking competitors during this time (Exhibit 2).

Not only was the firm forced to operate amongst the economic conditions that all banks were faced with, but they also were asked by the U.S. government to acquire Bear Stearns, a failing global investment bank, securities trading and brokerage firm, just ten days after buying Washington Mutual, a failing bank which was seized by federal regulators. Dimon still regrets stepping up to purchase both businesses. J.P. Morgan faced a whirlwind of legal fees and losses because of the acquisitions. During this time period, J.P. Morgan also loaned "$70B in the global interbank market when it was needed most" (Dimon, 2009). J.P. Morgan was the only bank willing to lend $4B to the state of California, $2B to the state of New Jersey, and $1B to the state of Illinois. During the crisis the firm also loaned an additional $1.3T to its clients, providing

Exhibit 2



(Yahoo Finance, 2020)

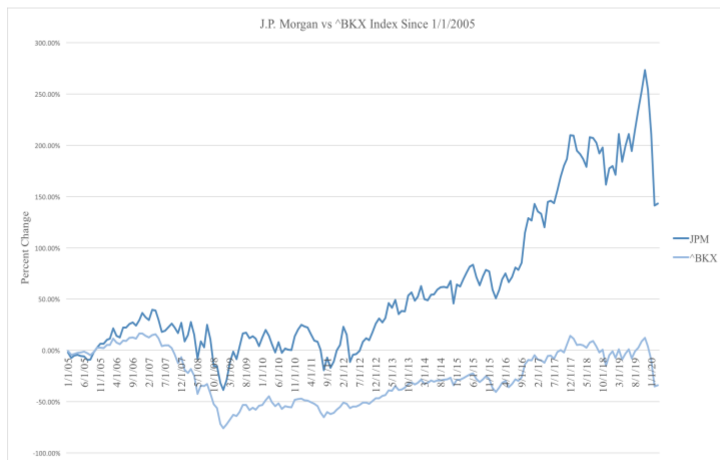
more than $100B to local governments, municipalities, schools, hospitals, and non-for-profits throughout 2009.

While some felt as if J.P. Morgan was taking advantage of the economic downturn to boost profits or that the company had received a bailout from the U.S. government, Dimon completely disagreed. In 2008, J.P. Morgan received almost half-a-trillion dollars in federal loans, including $25B in TARP funds. One of the major concerns around TARP from companies' perspective was its ability to issue compensation guidelines for companies who received special assistance. Many saw TARP as another "too big to fail" situation, but in Dimon's 2012 hearing with the Senate Banking, Housing and Urban Affairs Committee, he set many of these false assumptions straight. He told Jeff Merkley, a member of the committee, that "JP Morgan took TARP because they were asked to by the Secretary of the Treasury of the United States of America" (Winn, 2012). He clarified that "at that point, we did not need TARP. We were asked to, because we were told, I think correctly so, that if the nine banks there, and some may have needed it, take this TARP, we can get it into all these other banks and stop the system from going down" (Winn, 2012). Dimon accepted the funding because he felt it was in the best interest of the U.S. financial system and the country as a whole, even though J.P. Morgan specifically did not need the capital. The firm also stepped up to the plate by acquiring Bear Sterns, which contributed a handful of losses and a $19B lawsuit, primarily connected to the Bear Sterns and Washington Mutual deals.

In the end, J.P. Morgan found some benefits through its somewhat forced acquisitions. The merger of WaMu allowed J.P. Morgan to become the largest U.S. depository institution, totaling $900B in customer deposits and increasing its regional banking presence. Bear Sterns provided J.P. Morgan with an opportunity to increase its prime brokerage and hedge fund trading divisions. While there were some long term benefits, at the time the acquisitions were very much calculated risks that the company didn't need to incur at the time. Overall, J.P. Morgan performed well from 2007 to 2009 despite the major acquisitions it was forced to make and funding it was required to accept.

2004- Present

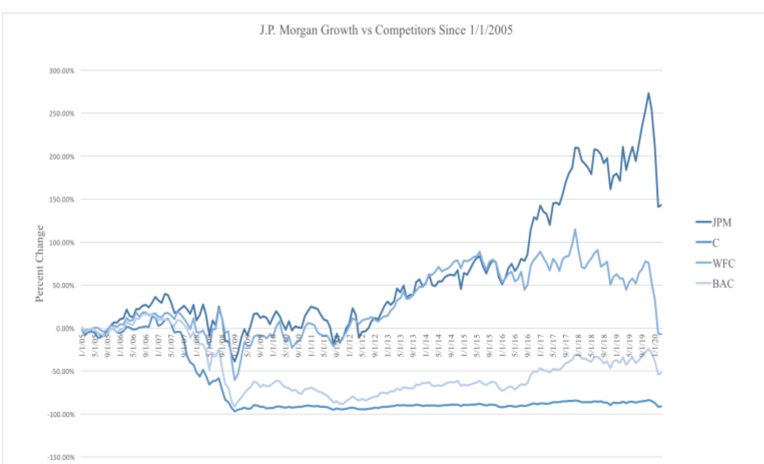
<u>Exhibit 3</u>



(Yahoo Finance, 2020)

Since the beginning of Dimon's leadership, which was slightly after the Bank One and J.P. Morgan Chase merger in 2004, the company has performed strongly within its sector. In relation to the KBW Nasdaq Bank Index (^BKX), J.P. Morgan Chase was only outperformed by the index once in 2006 (Exhibit 3). Compared to other major U.S. banks (deposit banks only), J.P. Morgan outperformed or competed closely with all four companies in terms of returns since 2004, exponentially passing competitors in terms of stock price growth since 2016 (Exhibit 4). The firm has outperformed all three major competitors yearly. As of September of 2019, J.P. Morgan recorded a stock growth from 2004 of almost 280%, almost 200% more than Wells Fargo. Dimon's attention to

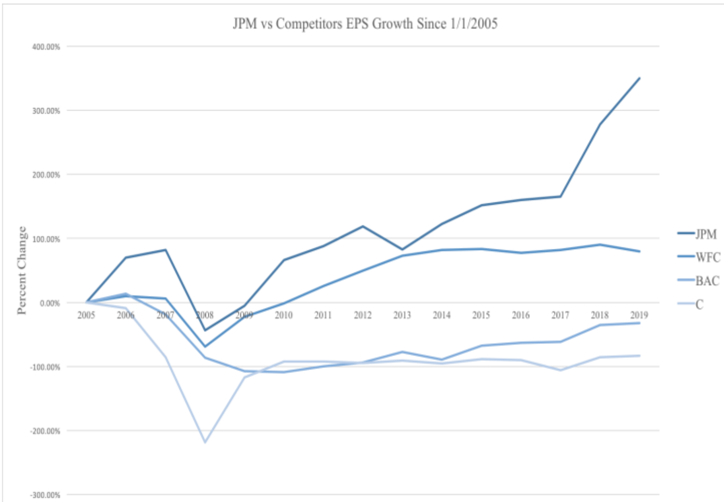
<u>Exhibit 4</u>



(Yahoo Finance, 2020)

returns and the bottom line has also allowed J.P. Morgan to showcase impressive earnings per share growth since 2004 (Exhibit 5). In Dimon's 2019 Annual Letter to Shareholders he highlighted J.P Morgan's return compared to the Standard & Poor's 500 Index and the Standard & Poor's Financial Index, J.P. Morgan Chase has outperformed both over the past 10 years (Dimon, 2019). For the past years, the bank has consistently provided strong returns of investors, weathered unexpected economic events, and been a dominating force within the industry.

<u>Exhibit 5</u>



(Yahoo Finance, 2020)

2019 Performance

In Dimon's 2019 Letter to Shareholders, released on April 6th, 2020, he spoke to the strength and performance of J.P. Morgan over the last year (2019). Out of the last 10 years, J.P. Morgan Chase delivered record results, including 2019 which produced $36.4B in net income and $118.7MM in revenue (Dimon, 2019). Competitors Wells Fargo, Bank of America, and Citigroup produced $85.06MM, $91.24MM, and $74.29MM respectively. In Q4 alone, J.P. Morgan returned results higher than analysts anticipated, increasing profits by 21% and managed revenue by 9% (Son, 2020). Bond trading did particularly well posting an 86% increase in revenue from Q3. Due to lower interest rates, the bank did lose net yield on interest-earning assets which impacted profit for both the Commercial Bank and core banking business. In terms of growth across business lines, J.P. Morgan grew its core loans by 2%, increased deposits overall by 5%, and generally broadened market share across all business (Dimon, 2019). In 2019, the company “extended credit and raised capital of $2.3T for business, intuitional clients, and U.S. customers” (Dimon, 2019). In terms of return on the stock price in the short run, J.P. Morgan returned 37.9% at the end of 2019, while Citigroup’s stock increased by 43.75%, Bank of America’s by 35.81% and Wells Fargo’s by only 9.49%. Since 2011, J.P. Morgan has also carried the most assets on their balance sheet compared to major competitors, with assets totaling $2.7T at the end of 2019. Wells Fargo, Bank of America, and Citigroup all end the year with $1.9T, $2.4T, and $2.0T in total assets respectively. Overall, J.P. Morgan posted strong returns in 2019, expanded across all business units and was able to show growth despite declining interest rates.

Despite its strong financial performance in 2019 and the looming threat of COVID-19, J.P. Morgan has been able to contribute to a wide variety of philanthropic causes which were highlighted in the 2019 Annual Letter to Shareholders. J.P. Morgan has pledged $50MM to address the immediate humanitarian crisis caused by COVID-19 on top of the many causes the firm already supports. These other philanthropic ventures include financing for $5.5B in affordable housing, Women on the Move, an effort to empower female employees, clients, and consumers, Service Corps, an effort to mobilize employee volunteers to help non-profits, and the Detroit investment, which was previously discussed.

One of the firm’s largest philanthropic contribution was the creation of the Entrepreneurs of Color Fund. J.P. Morgan worked with the W.K. Kellogg Foundation and the Detroit Development Fund to bring minority-owned businesses greater access to capital and business assistance. The loans range anywhere from $50,000-$150,000, and the capital can be used to expand, finance equipment, address short-term cash flow needs, and provide contractor lines of credit. “Between 2015 and 2018, more than 300 Detroit based minority-owned businesses have received more than $14 million in capital from the Entrepreneurs of Color Fund” (Dimon, 2018). This program has even expanded beyond its Detroit roots to Chicago, San Francisco, South Bronx, and the Greater Washington region.

Conclusion

Known as the “King of Wall Street,” Dimon’s knowledge, drive, leadership, and vision have been some of the main vehicles behind the success and mission of J.P. Morgan. In 2010, the New York Times described Dimon as the “America’s least-hated Banker.” Dimon has combined all characteristics encompassed in Transactional and Transitional leadership to become the leader he is today. Dimon constantly strives to be the best version of himself, telling an interviewer in 2019 that when he dies he hopes that “people simply say, ‘You know what? We're going to miss him, and he made the world a better place.’” Dimon has built his reputation as one of the best leaders through dignity, honesty, and respect. Because of this, Dimon is the only head of a big Wall Street institution whose tenure predates the 2007-2008 financial crisis. Dimon is not only a master of operations and attention to detail, but he is also a charismatic and transparent leader that has been one of the main driving forces behind J.P. Morgan’s success.

Work Cited

Bass, Bernard M. *Leadership: Good, Better, Best*. Organizational Dynamics, 1985.

Bass, Bernard Morris. *From Transactional to Transformational Leadership: Learning to Share the Vision*. 1990.

Boot, Arnoud W. "The Coronavirus and Financial Stability." *ECON Star*, 2020, www.econstor.eu/bitstream/10419/214882/1/1692877798.pdf.

Chan, A T, and E H Chan. "). Impact of Perceived Leadership Styles on Work Outcomes: Case of Building Professionals." *Journal of Construction Engineering Management*, 2005.

"Coronavirus Disease 2020." *World Health Organization*, 2020, www.who.int/docs/default-source/coronaviruse/situation-reports/.

Dimon, Jamie. "2007 Annual Letter to Shareholders." *J.P. Morgan Chase & Co*, 2007, www.jpmorganchase.com/corporate/investor-relations/document/2007ARComplete.pdf.

Dimon, Jamie. "2009 Annual Letter to Shareholders." *JPMorgan Chase & Co*, 2009, www.jpmorganchase.com/corporate/investor-relations/document/2009_AR.pdf.

Dimon, Jamie. "2016 Annual Letter to Shareholders." *JPMorgan Chase & Co*, 2016, www.jpmorganchase.com/corporate/investor-relations/document/ar2016-ceolettershareholders.pdf.

Dimon, Jamie. "2018 Annual Letter to Shareholders." *JPMorgan Chase & Co*, 2018, www.jpmorganchase.com/corporate/investor-relations/document/ceo-letter-to-shareholders-2018.pdf.

Dimon, Jamie. "2019 Annual Letter to Shareholders." *JPMorgan Chase & Co*, 2019, reports.jpmorganchase.com/investor-relations/2019/ar-ceo-letters.htm.

Drawbaugh, Kevin. "Top Banker and Regulator Offer Dueling Agendas." *Reuters*, Thomson Reuters, 30 Mar. 2011, www.reuters.com/article/us-financial-regulation-dimon/top-banker-and-regulator-offer-dueling-agendas-idUSTRE72T5D020110330.

Fanelli, Angelo, et al. "In Charisma We Trust: The Effects of CEO Charismatic Visions on Securities Analysts." *Organization Science*, vol. 20, no. 6, 2009.

Gopinath, Gita, and Gian Maria. "2019 In Review: The Global Economy Explained in 5 Charts." *IMF Blog*, 23 Dec. 2019, blogs.imf.org/2019/12/18/2019-in-review-the-global-economy-explained-in-5-charts/.

Guynn, Randall D, and Davis Polk & Wardwell LLP. “The Financial Panic of 2008 and Financial Regulatory Reform.” *The Financial Panic of 2008 and Financial Regulatory Reform Comments*, Harvard University , 20 Jan. 2015, corpgov.law.harvard.edu/2010/11/20/the-financial-panic-of-2008-and-financial-regulatory-reform/.

Holland, Ben, and Cedric Sam. “A $600 Billion Bill: Counting the Global Cost of the U.S.-China Trade War.” *Bloomberg.com*, Bloomberg, 27 May 2019, www.bloomberg.com/graphics/2019-us-china-trade-war-economic-fallout/.

Ignatius, Adi. “Managers Don't Have All the Answers.” *Harvard Business Review*, 19 June 2018, hbr.org/2018/07/managers-dont-have-all-the-answers.

Jeremy, Mitonga-Monga. “Perceived Leadership Style and Employee Participation in a Manufacturing Company in the Democratic Republic of Congo.” *African Journal of Business Management*, vol. 6, no. 15, Apr. 2012, www.researchgate.net/publication/271190011_Perceived_leadership_style_and_employee_participation_in_a_manufacturing_company_in_the_democratic_republic_of_Congo.

Kurson, Ken. “Jamie Dimon Wants Respect To Get It, the Fallen Citigroup Star Must Fix the Most Pathetic Stock in High Finance: Bank One.” *CNNMoney*, Cable News Network, 1 Feb. 2002, money.cnn.com/magazines/moneymag/moneymag_archive/2002/02/01/316785/index.htm.

Lawler, Joseph. “JP Morgan's Jamie Dimon to Dodd-Frank Defenders: Don't Hurt the Public Just to Hurt Our Stock Price.” *Washington Examiner*, 8 Aug. 2017, www.washingtonexaminer.com/jp-morgans-jamie-dimon-to-dodd-frank-defenders-dont-hurt-the-public-just-to-hurt-our-stock-price.

Lundh, E. “US Economic Growth Is Settling Into a Flat Growth Path Around 2 Percent.” *The Conference Board*, 2020, www.conference-board.org/press/gdp-q4-january-2020.

McCarthy, Justin. “Americans' Confidence in Banks Still Languishing Below 30%.” *Gallup.com*, Gallup, 5 Jan. 2017, news.gallup.com/poll/192719/americans-confidence-banks-languishing-below.aspx.

McDonald, Duff. *Last Man Standing: the Ascent of Jamie Dimon and JPMorgan Chase*. Simon & Schuster Paperbacks, 2010.

Ojokuku, R M, and T A Odetayo. “Impact of Leadership Style on Organizational Performance:A Case Study of Nigerian Banks.” *American Journal of Business and Management*, *Ladoke Akintola University of Technology*, vol. 1, no. 4, 2012.

Schultz, Randy. “Travelers, Citicorp Merge.” *CNNMoney*, Cable News Network, 1998, money.cnn.com/1998/04/06/deals/travelers/.

Smoak, Anthony. “The London Whale Trading Incident.” *Smoak Signals | Data, Business Intelligence & More*, 26 Apr. 2018, anthonysmoak.com/2018/12/27/the-london-whale-trading-incident/.

Son, Hugh. “JP Morgan Earnings Crush Analysts' Estimates as Bond Trading Revenue Surges by Nearly 90%.” *CNBC*, CNBC, 14 Jan. 2020, www.cnbc.com/2020/01/14/jp-morgan-chase-jpm-earnings-q4-2019.html.

Stowell, Linda. “Commercial Credit To Acquire Primerica For $1.7 Billion Precede NEW YORK.” *AP NEWS*, Associated Press, 29 Aug. 1988, apnews.com/54fafba76f68833a5ae65e97f5770dd3.

Thibodeau, Ian. “JP Morgan Chase to Work with Detroit Nonprofits as Part of $100 Million Investment in City.” *Mlive*, 3 Nov. 2014, www.mlive.com/news/detroit/2014/11/jp_morgan_chase_announces_new.html.

Werner, Erica. “Trump Signs Law Rolling Back Post-Financial Crisis Banking Rules.” *The Washington Post*, WP Company, 24 May 2018, www.washingtonpost.com/business/economy/trump-signs-law-rolling-back-post-financial-crisis-banking-rules/2018/05/24/077e3aa8-5f6c-11e8-a4a4-c070ef53f315_story.html.

Winn, Pete. “JPMorgan Chase CEO: Bank Took TARP, 'Because We Were Asked to' by Treasury Secretary.” *CNSNews*, 2012, www.cnsnews.com/news/article/jpmorgan-chase-ceo-bank-took-tarp-because-we-were-asked-treasury-secretary.

“Yahoo Finance.” *Yahoo! Finance*, Yahoo!, 7 May 2020, finance.yahoo.com/quote/.