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A CONVERSATION WITH JPMORGAN CHASE CEO JAMIE DIMON

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The *New York Times* once referred to Jamie Dimon as “America’s least-hated banker.” For a Wall Street titan, that’s about as good as it gets.

Dimon has been at the helm of JPMorgan Chase for more than 12 years. At 62, boyish and sometimes blunt, he remains true to his roots as a straight-talking guy from Queens (albeit one who has an MBA from Harvard Business School, runs the biggest bank in the United States, and is a billionaire).

JPMorgan weathered the 2008 financial crisis better than most. It was perhaps the healthiest of America’s big banks but felt compelled to join others in taking billions of dollars in a government bailout—a plan meant to avoid singling out banks with truly dire problems. To this day it irritates Dimon that his bank was lumped in with the ones that got themselves in deep financial trouble.

He suffered a reputational hit of his own in 2012, when a trader in JPMorgan’s UK office—nicknamed the “London Whale”—made a series of derivative transactions that mushroomed into \$6.2 billion in losses. In a letter to shareholders Dimon called the episode “the stupidest and most embarrassing situation I have ever been a part of.”

Nevertheless, Dimon has led JPMorgan on a steady path of growth. Under his watch the bank acquired and successfully integrated two once-troubled institutions: Bear Stearns and Washington Mutual. And it has continued to expand nearly every aspect of its business. Its 2016 profit of \$24.7 billion (on revenue of \$95.7 billion) is reportedly the largest ever for a U.S. bank.

PHOTOGRAPHY BY ARTURO OLMOS



Dimon has evolved as a leader as well, most notably since his recovery from throat cancer four years ago. He is more outspoken on political and social issues, well beyond those pertaining to financial regulation. And he is the lead cheerleader for JPMorgan’s deep engagement in helping to rebuild the economically troubled city of Detroit.

Dimon met with HBR to talk about social responsibility, CEO activism, and the secret to great leadership. Here’s an edited version of the conversation.

HBR: The public’s view of Wall Street is still pretty negative. Do you see it as part of your role to try to improve that?

DIMON: It’s hard to change that perception, because banks are different from normal businesses. If you walk into Walmart and have cash, they’ll sell you something. But banks have to turn people down. We won’t make the loan. Or we’ll give you the loan but tell

you that to meet your covenants, you need to practically sell your firstborn. Everyone has a horror story. We just have to do our job, serve our clients well, and let that be our reputation.

Does this negativity carry a cost?

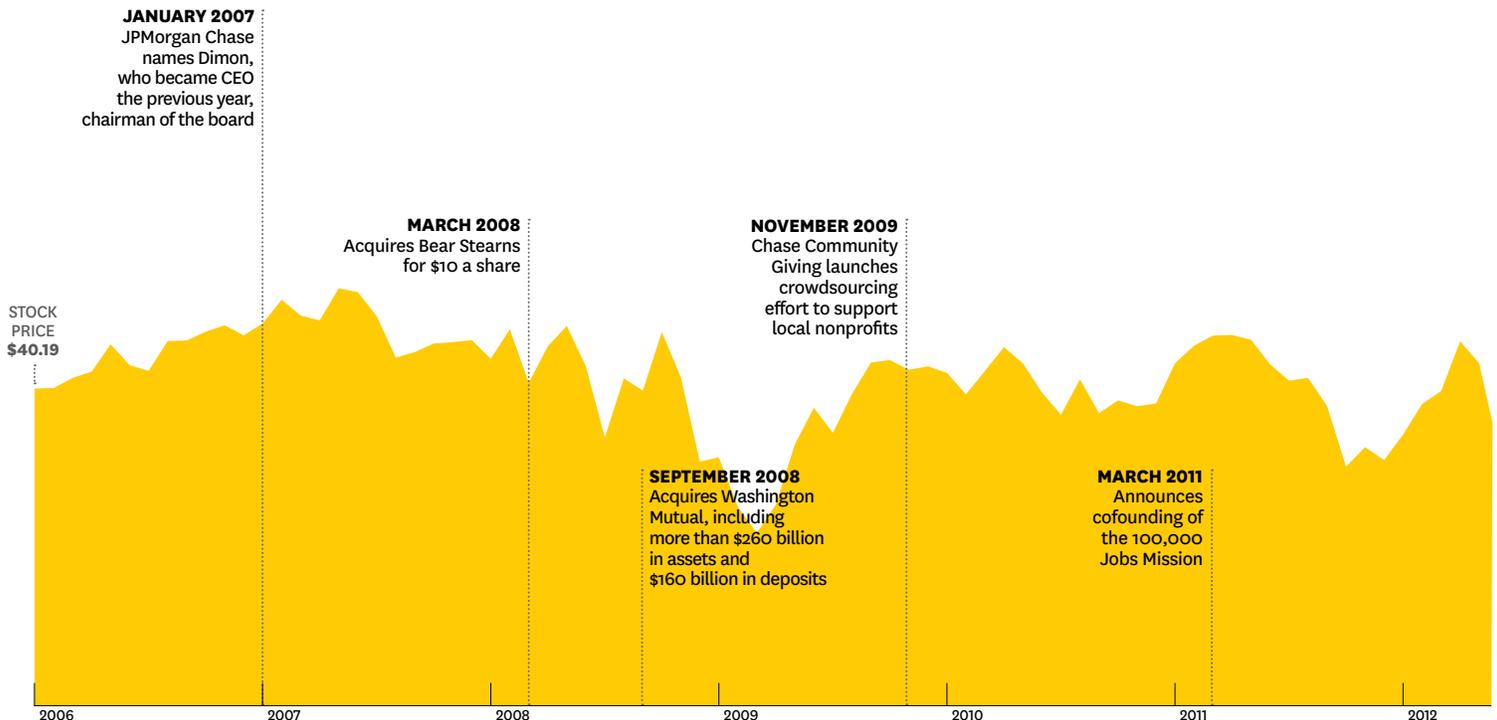
Yes, it matters. Part of that negative perception was well earned during the financial crisis. Not all banks were responsible for the failures and for the downturn in the economy, but we all got painted with the same brush: “They’re all fat cats. They all got bailed out.” It will take a generation for the industry to rebuild its reputation.

A far greater concentration of assets is now in just a few U.S. banks’ hands. Is that OK?

Yes, I think it is. People have to be rational about this. The banking industry is far less concentrated in the United States than in many other countries: Japan, France, the UK. If you’re global and diversified, you

JPMORGAN CHASE UNDER JAMIE DIMON

The bank has weathered its share of challenges and is now prospering.



have to be large. It's hard to compete if you don't have economies of scale.

Does that mean “too big to fail” is a meaningless concept?

You don't want banks that are too big to fail—if the result of failure is that the people have to pay for it or the economy goes down. But a company should be allowed to fail in a way that is safe for the economy and that doesn't require taxpayers to pay the price.

Have the laws enacted since the financial crisis helped with that risk?

The new capital-equity regulations are good. Today Lehman Brothers [which collapsed during the 2008 crisis] would be required to have three times as much equity and four times as much liquidity—and if it were in trouble, it probably wouldn't fail. If a bank does fail, regulators now have a mechanism for unwinding

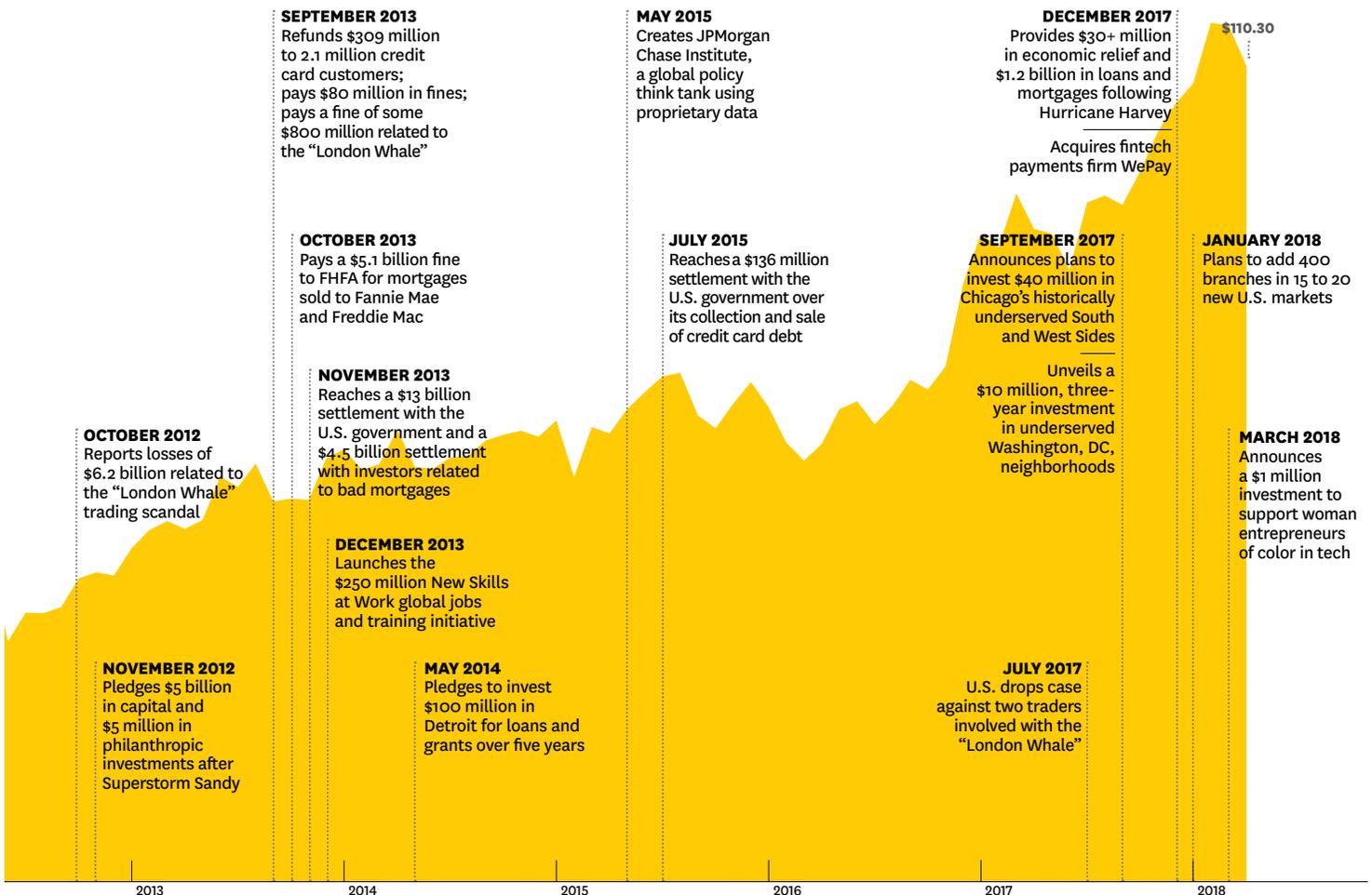
things in an orderly way. Plus, any money lost will be charged back to the banks, not to the American people.

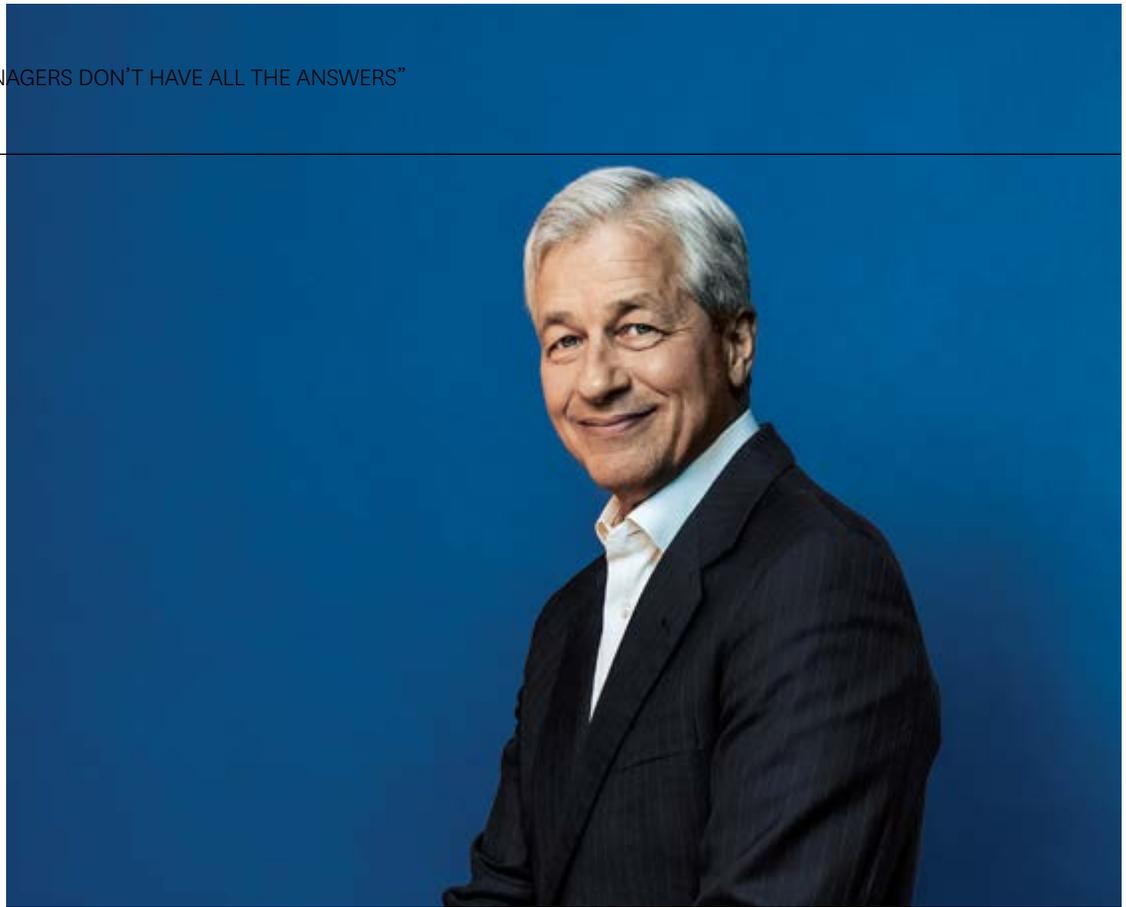
Are you happy in general with the amount of regulation in place these days?

Just to be clear, no big bank wants to throw out Dodd-Frank and rewrite everything. And some of the regulations are actually good: stress-testing, living wills, capital-liquidity requirements, transparency. But other aspects were overdone and not coordinated. If we can change those things—through calibration and eliminating duplication—we'll have a safer system that's in a better position to finance growth.

The biggest risk to the system these days might be cyberattacks. How well prepared is JPMorgan Chase?

We spend \$700 million a year in that area. That said, no matter how good you are, your adversary is good





too. It's an arms race. We're working closely with the government, but we need to do more and do it faster.

What other potential threats concern you?

We do more than 100 stress tests a week—related to geopolitics, capital downturns, recession, war. For each one, we don't just guess at the probabilities; we prepare for the worst. As a result, we have the capital and the earnings and the capabilities to withstand any of those things—just as we managed to survive during the financial crisis.

What do you consider to be your chief competitive threat?

The biggest potential disruption to our business is new forms of payment. You have PayPal, Venmo, Alipay, and more. These companies are doing a good job of embedding basic banking services in their chats, their social, their shopping experience.

Do you view Chinese banks as a threat?

I think Chinese banks could be big competitors. They're supported by their government. They make more money than we do. They have a huge home market, which is a competitive advantage. And they adopt a strategy of following their own companies overseas to handle basic banking services and then moving up-scale to more-sophisticated services. They're coming. They're ambitious.

What's your view on cryptocurrency? A few months ago you said you thought bitcoin was a fraud and that you'd fire any trader dealing in it.

The biggest potential disruption to our business is new forms of payment. PayPal, Venmo, Alipay, are embedding basic banking services in their chats, their social, their shopping experience.

I probably shouldn't say any more about cryptocurrency. But it's not the same as gold or fiat currencies. Those are supported by law, police, courts. They're not replicable, and there are strictures on them. Blockchain, on the other hand, is real. We're testing it and will use it for a whole lot of things.

Many of your fellow CEOs complain that short-term pressure prevents them from doing things for the long-term good of the company. Do you feel that?

We invest a considerable amount in projects that have a long-term payoff. Some of them are table stakes for

a business—investments in training, in branches, in technology. You can't stop-start them. They're not done in a single year. There's no magic to 12 months.

But what about the pressure to make your numbers?

I'm a fanatic about numbers, but some of what goes into earnings estimates is fiction. You might develop a product that could hurt your earnings for the year, but you're doing the right thing for the company. So you have to explain it to shareholders, and the smart ones will say, "Go ahead. I don't care if my quarterly earnings go down."

What's your view on providing quarterly earnings forecasts?

We don't give quarterly earnings forecasts, and I don't think any CEO should. They put the company in a terrible position. You can't possibly account for all the things you need to know to create that forecast. I do believe in transparency. I'll tell people what we plan to spend on technology, or how many branches we'll open. But earnings are based on decisions that have been made over the past 10 years—or maybe on the weather and how it affects business. An earnings forecast suggests precision, but we can't be precise on so many factors. It gives a false sense of security.

In your recent letter to shareholders, you seemed almost apologetic that you had to do some stock buybacks. Is that a fair characterization?

It's absolutely fair. The goal is to use your capital well. When you can't use it to grow—and we couldn't for years, because of regulatory issues—then you have to do something. You can raise your dividends or, rather than let it sit in your pocket, you can buy back stock. But I would prefer to spend it to grow the business.

Globalism has gotten a bad name lately. Do you view yourself as a globalist?

Yes. Trade and technology have created huge benefits. They've lifted billions of people out of poverty. They've eradicated diseases. People are going to live to 75, 85, 95, and are healthier longer. That said, globalism has downsides, and we should do something about them. The benefits of trade are huge but diffuse. For towns that lose factories, for example, we haven't adequately thought about reeducation, relocation, income assistance. If you lose a factory job that paid \$85,000 and start driving a cab to make \$22,000, it's demoralizing. But there are fixes: in education, work skills, earned income tax credits.

It seems that many people didn't appreciate the downside until the results of the past U.S. election.

A part of society is suffering, and we—I'm pointing at all of us—made a mistake in not focusing more on

that. But it's not a Democrat or Republican thing. We had the Great Recession and then we had an anemic recovery. It's taken a long time to create jobs, increase wages, and do the basic things that help people. About 40% of Americans make less than \$15 an hour. If you're making \$20,000 a year these days, you're not making a living wage.

You're getting into issues of inequality, so I'd be remiss in not asking whether you think executives are paid too much. [Dimon's total compensation last year was \$29.5 million.]

That issue is a sideshow when you're trying to solve inequality. If you recirculated all the money CEOs make, it wouldn't change what I'm talking about. You're always going to have some well-paid people—in every society, in every profession. And you kind of want that, where the fight for talent makes you pay people more. JPMorgan pays a lot of people well and we have raised hourly wages to between \$15 and \$18 an hour, depending on the local cost of living, plus benefits. The fix to the problem is in growth, jobs, education, tax policy. It's not in hurting business through regulations. It's not in blaming well-paid people. It may feel great as a political argument, but it's not going to fix the problem.

Let's shift to CEO activism. More and more CEOs seem to be taking positions on big social issues. Are you in favor of that?

Large companies in America have long been involved in communities and philanthropy and public policy. In recent years, though, some executives have tried not to get involved to avoid being criticized or attacked. I actually think it's important to be involved. If you want the right public policy, you have to be an advocate. And you can't be parochial. You can't talk only about that one little regulation that's going to help your company. You need to talk about tax policy, trade, immigration, technology.

How do you pick your battles?

I try not to worry about whose "side" we're on. I try to do the right thing and then explain it to people. That said, some issues aren't related to my company or are societal. On those questions it's up to the voters to decide. But we will be involved in areas where we can be helpful: affordable housing, work skills, financing for entrepreneurs, growth policies for cities.

Your bank has become deeply involved in the rebuilding of Detroit. What was the impetus for that?

It grew out of a meeting I had five years ago with Lee Saunders, a labor leader, whose union was calling for JPMorgan to split the CEO and chairman roles. I asked him, "Do you really care about this?" and he said, "No, what I really care about is Detroit." So we talked about

the city. We’re the biggest bank in Detroit, so we have a natural interest in this issue.

How did that evolve into your current engagement?

That began in 2014, when Mike Duggan became Detroit’s mayor. He’s a white man in a town that’s 75% black, and he went door-to-door as a write-in candidate. He wanted to get things done: sanitation, job creation, affordable housing, turning on the street-lights. We asked how we could help, and soon we were sending teams to meet with people all over the city to understand the issues. We came up with a plan—which the mayor reviews each quarter—to invest \$100 million by 2019 to help launch small businesses, retrain workers, and revive the property market. We’ve since increased that amount to \$150 million.

How does that activity relate to your core business?

We’re lending to small businesses, to consumers. Some of it is with philanthropy dollars. But even there we look at the returns—what works, what doesn’t. And some of it is in the form of nontraditional banking. Banks normally won’t lend for rehabbed homes. But for us, the return in these cases is not in money. It’s in how many people get employed; how many people get trained; how many small businesses get financed.

How do you try to ensure that these projects will succeed?

If you have alignment among the mayor, the civic societies, the nonprofits, and business, you can get a lot done. If not, you’re just wasting money. We worked with local financial institutions to set up the Entrepreneurs of Color fund, which has made more than 50 small-business loans. Normally those borrowers wouldn’t meet our credit standards, and we would be criticized by regulators. But this has worked. All but one of the loans are repaying. We’re doing a mini version of this in Chicago and Washington, DC. Eventually I’d like to do it in every major city in America.

Because it’s the right thing to do, or because it will materially help your business?

I don’t spend a lot of time thinking about that distinction. I believe these programs can materially help the black community. That’s a very good reason. And we’re going to see some return on our investment. It’s also self-perpetuating. You get your money back, and you can redeploy it in another loan.

This doesn’t sound like a standard shareholder-governance approach.

My primary responsibility is to shareholder value over a long period of time—and you can’t have shareholder value without serving your customers well. We’re intrinsically linked to the community. We care about what’s going on in Detroit. It’s good to help society. Our customers love it; our employees love it.

You’ve been CEO for a dozen years. What have you learned about how to be effective in the job?

In some ways it’s about details, facts, and analysis. It involves discipline, no different from exercising every day. The CEO has to drive this, because companies don’t. Organizations get bureaucratic. They slow down. There’s too much “strategize” and B.S. like that. They become a petri dish of politics.

What’s the secret to great leadership?

You need humility and heart. You don’t have to be that good at all the analytical stuff. But if you don’t get the best out of your people, you won’t succeed. People want to be treated with respect. They have ideas. They want to contribute. So you have to include them and not hold “the meeting after the meeting,” where decisions are actually made in dark rooms by a small group of friends. Managers need to understand that they don’t have all the answers. A bank teller often has better answers than I do. Tellers are actually using the system we rolled out, so they can tell us if it’s dumb.

How do you sustain that kind of environment?

At JPMorgan Chase we organize a bus trip every year. The management teams take part, and so do the tellers. We go to call centers and operating centers and see customers and CEOs and have great fun. When people

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get on the bus, we give them beer and immunity: Say whatever you want—you won’t insult anyone here. They speak out, for example, about what other banks are doing well. And we follow up. That’s what respect looks like. It doesn’t just mean that I treat you nicely. It’s that I understand I need to do a better job, not only for myself but for you, too. 🍷 **HBR Reprint R1804K**