CHAPTER 1

"EVERYONE KNEW HE WAS BRILLIANT": THE WOOING OF JAMIE DIMON

In 1999, Chicago's Bank One Corporation was headed for trouble. Many investors and board members believed that they knew the precise source of the problem: Bank One's CEO, John McCoy.

Although Bank One could trace its roots back to 1868, it was under McCoy's stewardship that it had grown into a modern colossus. Appointed CEO in 1984, McCoy was one of the first bankers to take advantage of loosening restrictions on interstate banking. Beginning in 1986, Bank One purchased banks throughout the Midwest and Southwest. Within a decade, it had made over one hundred acquisitions, propelling it from the thirty-seventh largest bank in the nation to the fourth. Over the same period, Bank One's stock price had increased 500 percent and John McCoy had become one of the nation's most profiled bankers.[1]

In 1999, however, after completing its purchase of First Chicago NBD—its largest acquisition to date—Bank One began to falter; its stock price started a steep descent in an environment in which most financial stocks were booming. The First Chicago acquisition was not supposed to have turned out this way. The $19 billion merger had been intended to create an earnings powerhouse with branches stretching across Florida, the Midwest, and the Southwest, and total assets exceeding $260 billion.[2] Integrating First Chicago, however, had turned out to be more difficult than anyone at Bank One had expected. Operationally, there were a number of overlapping services that needed to be eliminated and disparate information systems that needed to be integrated. Culturally, Bank One's decentralized, entrepreneurial culture clashed with First Chicago's more conservative style. Politically, jockeying for position was endemic and old loyalties not easily disentangled.

Meanwhile, in the opinions of many investors and board members, John McCoy seemed to have lost interest in running Bank One. This view may have simply represented a new interpretation of a management style for which McCoy had long been known and even celebrated. Once one of the country's most highly regarded banking executives, McCoy had a leadership style that had been immortalized in a case taught in the Harvard Business School's required General Management course.[3] His trademark as a leader was his trust in people. In particular, McCoy exhibited this characteristic when integrating acquisitions, trusting managers at the banks he acquired to run their businesses effectively in what Bank One referred to as its "Uncommon Partnership" philosophy. Moreover, McCoy was known for his ability to win the trust of others—a talent he exercised while on the road as often as three days out of five, meeting with employees and customers.

Only as Bank One began to stumble in the wake of the First Chicago acquisition did these features of McCoy's management style begin to be labeled as a problem. As the company's performance deteriorated through 1999, investors and directors began to characterize the CEO's behavior as indifferent and aloof.[4] Many of the company's problems were caused by Bank One's credit card operation, which was experiencing severe pricing and customer-retention problems that seemed to have materialized out of nowhere. Yet even as the national press chronicled an active customer revolt against Bank One's poor customer service that summer, McCoy appeared unconcerned. He drew criticism when he refused to cancel a European vacation after delivering a surprise earnings warning to investors in August. When he traveled to Dallas in mid-September for the Senior PGA Tour—which Bank One was sponsoring, and which several Bank One customers were attending—the Chicago press had a field day, and First Chicago veterans groused.[5] Donald P. Jacobs, dean of Northwestern's Kellogg School of Management and a former First Chicago director, remarked censoriously, "A good banker goes to where the emergency is, hunkers down, and goes to work."[6]

Such comments began to be uttered more and more often, and that fall a full-scale revolt against McCoy started gathering steam. Former First Chicago directors were bombarded with faxes, e-mails, and phone calls arguing that McCoy was not taking the bank's problems seriously. Many analysts began telling Bank One board members that they felt they could no longer trust him.[7] The CEO's informal style and supposed inattention to detail earned him the nickname—one that he despised—of "Fly-by McCoy."[8] Part of the problem seemed to be that many of the former First Chicago executives and board members simply didn't take to McCoy's folksy ways. Another was the blow to civic pride that Chicago had sustained when a bank from Columbus, Ohio, took over a venerable local institution.[9] The Chicago newspapers seemed to have a direct line into Bank One via the First Chicago connection, and articles on Bank One regularly cited sources from the board room or "a former First Chicago executive." These articles often ridiculed McCoy, making him the object of suspicion.[10] Routine events became news, and people in Chicago started whispering about matters that would have gone unnoticed before but that became grist for the anti-McCoy coalition's mill. For example, not only the CEO's vacation plans but even the number of weekly managerial meetings he held were regularly reported on.

Finding himself in a political snake pit unlike anything he had ever faced in Columbus, McCoy reportedly remarked to his wife, "Get me out of this trap. This is not fun. I don't like playing these games."[11] But others were, by now, preparing to extricate him from the situation. During one board meeting that fall, a group of former First Chicago directors brought up the CEO's frequent absences from the office. As soon as this occurred, the endgame was inevitable: John McCoy would have to step down. (An office pool sponsored by former First Chicago executives was actually taking bets as to the day that the board would ask for his resignation.) After the announcement of another earnings shortfall in November, the Bank One directors lowered the boom. In a November 1999 meeting with his few remaining friends on the Bank One board, McCoy—four years shy, at 56, of his planned retirement age—negotiated a separation agreement that included a $10.3 million cash payment on top of $7.5 million in "special recognition" awards for 1997 and 1998, plus a pension of $3 million a year beginning in 2001.[12] With 1.87 million shares, McCoy also remained a major Bank One shareholder.

When in early December the board announced McCoy's departure and the appointments of former First Chicago executive Verne Istock as interim CEO and outside directors John Hall and James Crown as interim co-chairmen, Bank One's stock jumped 11 percent.[13] When the board also announced the formation of a search committee consisting of six outside directors—three from Bank One and three from the former First Chicago—the business press and retired First Chicago employees deluged Russell Reynolds Associates, the search firm that the board had engaged, with phone calls. The retired employees wanted the search consultants to know that they had most of their retirement savings in Bank One stock. The business press was interested in the human drama of the high-profile search. As December progressed, Bank One's stock price became increasingly volatile, shifting dramatically with every rumor of a possible successor. The stock price swings, heightened media and analyst attention, and employee and investor anxiety[14] combined to create a sense of urgency among the directors.

From the start of the search, the head of the search committee, John Hall, made it clear that Verne Istock would be considered as a finalist against any outsider. Istock, often described as a staid, conventional banker, had run First Chicago before the merger with Bank One and was now actively working to heal the wounds from McCoy's departure. The former First Chicago board members on the search committee actually favored, and pushed for, awarding Istock the CEO job permanently. The non–First Chicago board members on the committee, however, were lukewarm to the idea. While considering Istock an excellent manager, they felt he lacked the stature that Wall Street analysts and the business press demanded. These committee members argued that a full-blown external search was needed. "We viewed our task as no less than to find the best person in the United States to lead us back to the top," said Hall.[15] As Charles Tribbett III and Andrea Redmond of Russell Reynolds tell it, the old Bank One directors on the committee felt that the company needed a high-profile outsider, someone with a financial services reputation big enough to restore Bank One's prominence in the eyes of the outside world. While every committee member ranked financial services experience and branding as important,

CHAIRMAN AND EXECUTIVE OFFICER 01F074-NA

Company Description

Our client, Bank One, is the nation's fourth largest bank holding company with assets of more than $260 billion. Bank One offers a full range of financial services to commercial and business customers, and consumers. Bank One is the nation's second largest credit card issuer as ranked by the Sept. '99 issue of *American Banker* and also the third largest bank lender to small businesses, one of the top 25 managers of mutual funds and a major national automotive lender. It operates more than 1,900 banking centers and a nationwide network of ATMs. It is a major commercial bank in the United States and in select international markets.

The Corporation operates national lines of business, which include the retail, commercial banking, investment management and trust, finance company and card organizations. Other line and support areas also operate on national platforms.

Bank One's philosophy is to hold the number one, two or three market positions in the major markets it serves. The Corporation continues to expand its market share by offering a range of innovative, high-quality products to its diverse customer base.

Executive Responsibilities

Reporting directly to the Board of Directors, the Chairman and Chief Executive Officer will be the organizational leader with regard to the development and leadership of corporate strategy, the implementation of business plans, the management and integration of operations and will provide division and motivation for the Bank client's employee population. The Chief Executive Officer will be the key communicator with external constituencies and will be responsible for setting and managing expectations with regard to growth and profitability. The Chief Executive will be responsible for the overall financial management of the organization and will be the key driver in integrating the substantial operations as a result of previous mergers. The Chief Executive Officer will also lead and manage a talented executive team who in turn manage large and geographically disperse workforces. Clearly, the successful candidate will be charged with the positioning this high profile financial institution for future profitability and success.

Qualifications

The Chairman and Chief Executive Officer must have demonstrated an unquestionable track record of outstanding leadership within the banking industry. Background in wholesale banking and retail banking is important and experience in the credit card industry will be an added advantage coupled with a solid track record of successfully managing large, complex and highly matrixed environments. The next Chief Executive at Bank One must have impeccable integrity and should have demonstrated the fundamental qualities of being decisive and trustworthy by external and internal constituencies. Proven success in the development and implementation of strategy, the integration of technical and service organizations and

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outstanding risk management judgement will be critical to the success of the Chief Executive Officer. The ability to motivate and inspire executive teams will be critical as well as the ability to communicate effectively with analysts, investor groups and importantly, the employee populations. The successful candidate should have demonstrated the ability to refocus troubled operations and built profitable enterprises within the highly competitive marketplace of financial services.

Compensation

Clearly, the successful candidate will be compensated commensurate with the responsibility of this position and as such, a highly attractive base salary, a variety of incentive plans and stock plans will be included.

EXHIBIT 1.1 Specification Sheet for Bank One CEO Search. *Source*: Russell Reynolds Associates (retyped by author) many members also sought the prestige that a celebrity CEO would bring to the company. According to Redmond, "Most important was to find a CEO who could reinvigorate and revitalize the company. Someone who could harness the energy of its employees and inspire them to excellence." The overriding principle guiding the search, Redmond adds, was "leadership, leadership, leadership."[16]

Once the search committee and the search firm began putting together its list of names, it wasn't long before the directors became captivated with one particular individual: James (Jamie) Dimon, one of the most successful financial services executives in the world, recently ousted as president of Citigroup by his former mentor and longtime partner Sanford (Sandy) Weill. Ordinarily, a firing would have disqualified a figure such as Dimon from being considered as CEO at a major corporation. Yet because it was well known that his dismissal had resulted from internal corporate politics, not performance, Dimon's star had continued to shine. Indeed, his entire career to date had already made him a legendary, even mythic, figure in the world of finance.[17]

Jamie Dimon had been all of forty-two years old when he became president of Citigroup, the company created by the merger of Citibank and Travelers in 1998, now the largest integrated financial services firm in the United States; he also served as chairman and co-CEO of Citigroup's subsidiary investment bank, Salomon Smith Barney. At the time of his firing, Dimon had been viewed both inside and outside Citigroup as the leading candidate to be the next chairman of the financial services giant. Dimon's professional career had begun in 1982, almost at the start of the investor revolution of junk bonds, takeovers, and mergers that was about to forever change the world of Fortune 500 companies. A graduate of Harvard Business School, he began his career near the top. Dimon's first job out of business school was at American Express Company, where he became assistant to the president, Sandy Weill, with whom he formed a close relationship that would last sixteen years.

The Weill and Dimon families had been close for several years, and Dimon had actually written his undergraduate thesis on Shearson Lehman, the company Weill had built during the 1970s and sold to American Express in 1981.[18] At American Express, Weill and Dimon were known for their ability to rapidly restructure poorly performing American Express subsidiaries such as its Fireman's Fund Insurance division. Eventually, with his path to the CEO position blocked by the master corporate chess player James Robinson III, Weill quit American Express.[19] Surprisingly, Jamie Dimon—only three years into his job, and presumably with a successful and secure career at American Express to look forward to—decided to follow his boss into unemployment. The two rented an office in Manhattan, where they formed perhaps one of the most successful ventures in modern financial history.

Weill and Dimon began by buying Commercial Credit Corporation, a privately held, struggling Baltimore loan company whose primary business was lending money to working-class families from a network of four hundred field offices.[20] While most financial executives would have seen no future for this business, Weill and Dimon viewed it as a base from which to begin building a large, integrated financial services company.[21] Both commuted during the week to Baltimore and worked weekends at Weill's home in Greenwich, Connecticut.[22] Through a combination of cost cutting and investment in sales and marketing, the partners dramatically improved the firm's performance. During this period, Dimon began to acquire a reputation as a smart but arrogant executive whose angry outbursts were calculated to intimidate critics—a mode of behavior very much like that of his mentor. Dimon and Weill's screaming matches were legion, but their argumentative style, by all accounts, resulted in a greater mutual respect and sharpened both men's business skills.

The turnaround of Commercial Credit and its subsequent successful initial public offering provided the capital for Weill and Dimon to begin expanding their company. In 1988, Commercial Credit acquired Primerica Corporation and adopted its name. Primerica, a conglomerate that had fallen on hard times, owned the well-known brand of the brokerage Smith Barney.[23] In 1993, Weill and Dimon extended their reach to the insurance company Travelers and again adopted their acquisition's name. Travelers, which was struggling owing to the recession and poorly performing investments in the real estate market, was ripe for Weill and Dimon's type of surgery. Then in 1997, the two made one final move that put them in the big leagues on Wall Street. After several failed attempts to acquire the famed investment bank J.P. Morgan, Weill and Dimon landed the trading house Salomon Brothers. Like their previous two acquisitions, Salomon had run into financial problems but also had a valuable brand—this time, one known around the world. The Salomon acquisition gave Travelers the global presence it needed to push its way into Wall Street's upper tier of financial services companies.[24]

Since his early days on Wall Street, Weill had spoken about "competing on a 24-hour cycle."[25] Even in his days at American Express, he had envisioned the creation of a global financial supermarket—a world in which "Chilean teachers and Polish miners will each be buying annuities from Travelers and term insurance from Primerica."[26] With the financial supermarket he and Dimon had built since their purchase of Commercial Credit, Weill was closer than ever to realizing this dream. Yet the Salomon acquisition also focused greater attention on Jamie Dimon. With each acquisition in Weill's expanding financial empire, Dimon's responsibilities and visibility had increased. As president and chief operating officer of the renamed Travelers and as president of the newly created Salomon Smith Barney, Weill's protégé increasingly received as much notice in the business press as did Weill himself. Stories began to circulate about how Dimon had labored, almost single-handedly and in Weill's shadow, to build Travelers' financial empire.[27] His singular focus, standard eighty-hour work weeks, and willingness to leave a family vacation in a remote coastal town in Turkey to solve an important business problem became the stuff of legend, even in the workaholic realm of high finance. The loyalty of Dimon's staff was extraordinary in a world in which political expedience usually trumped a person's word. The business press sought him for his views about the investment banking and brokerage industries. Analysts responded positively to his straightforward manner and his energy. And both journalists and analysts openly speculated that Dimon was the heir apparent to the financial empire that he and Weill had built. Several analysts described him as one of the best executives in the financial services industry.

Meanwhile, the acquisition of Travelers and the creation of their vast financial empire in such a brief span had begun to take a toll on Weill and Dimon's relationship. Although the fighting between the two had been legendary, they were likened by both insiders and outsiders to an old married couple that always made up.[28] Yet despite his tremendous success, Weill was a notoriously insecure individual who wanted to be involved in, or aware of, every business decision.[29] Dimon, now president of Salomon Smith Barney, had begun to exert increased independence, believing that unless Weill was willing to decentralize decision-making, it would be difficult to grow the firm. Relations between Dimon and Weill were further strained when Weill's daughter, Jessica Bibliowicz—a successful financial manager in her own right at Smith Barney—announced that she would be leaving the firm to become a principal of a private-equity firm specializing in financial services acquisitions. The private speculation was that Weill blamed Dimon for Bibliowicz's resignation.[30] The two men were, however, still able to join forces in planning what remains to this day one of the most audacious mergers of its kind ever attempted.[31]

Citicorp is perhaps the best known name in global banking. In 1997 it had $23 billion in adjusted revenues and the biggest credit card, retail banking, and corporate banking operations in the world. After two decades at the top, John Reed, the celebrated CEO of Citicorp, was searching for a way to reenergize the company.[32] Reed had long been regarded as the most visionary banker of his generation. He was most famous for seeing the central role that information technology would play in banking, investing heavily in computerizing Citibank's operations, developing detailed databases on its credit card customers, and rolling out ATMs while most banks were still debating whether people would ever trust a machine. Reed shared Weill's vision of the world of global finance as operating on a twenty-four-hour cycle.[33] Weill, for his part, made a personal appeal to Reed, telling him that Travelers would be the ideal partner for Citicorp. With $37 billion in revenues, Travelers offered Citicorp a new distribution channel through its 10,600 brokers, 11,800 insurance agents, and 28,000 Primerica financial service representatives.[34] Travelers's culture also appealed to Reed. Whereas Citicorp was hierarchical and top-heavy, Travelers was organized like an investment bank—informal and entrepreneurial, with a lean staff. The merger would also be the first of its kind since Depression-era laws had prohibited banks from underwriting insurance. Momentum had been growing in Congress to modify the Glass-Steagall Act, which prohibited such a merger, and Reed and Weill believed that the announced merger would force Congress to pass the legislation quickly.[35] The two agreed to a merger of equals and a power-sharing agreement in which they would be co-CEOs and co-chairmen of the new entity.

While Reed and Weill had a common vision of where the world of global finance was heading, their management styles could not have been more different. Reed, professorial and reserved, was the antithesis of Weill, who was at his best backslapping insurance agents at sales parties and high-fiving brokers on the trading floor.[36] Reed preferred communicating and receiving information through memos.[37] Weill preferred the gossip network. Their relationship was a delicate balancing act, and its maintenance, some came to believe, would eventually require Reed to acquiesce in the sacrificing of Jamie Dimon.

When the merger of Travelers and Citicorp went into effect in 1998, Dimon was appointed president of the new entity. In addition to running day-to-day operations, Dimon was responsible for mediating between Reed and Weill. He also continued to serve as co-chairman of Salomon Smith Barney (a position to which he had been elevated after Travelers's acquisition of Salomon). As had happened after Travelers acquired Salomon Brothers, Dimon's appointment was applauded by Wall Street analysts and the business press. Both Reed and Weill were expected to retire in less than five years, and Dimon was the logical heir apparent. Yet things did not work out as smoothly as planned. The tension between Weill and Dimon began to rise and was chronicled in the New York papers. Mention of Dimon's name in the press was usually accompanied by some variation of the phrase "expected to become CEO of Citigroup"—which did not sit well with the insecure Weill. While Reed had expected Dimon to become Citigroup's next CEO, Weill began publicly stating that no such decision had been made or would be made in the near future. There were hints that Weill wanted to stay in his position longer than he had given the impression he would at the time of the merger.

On a Sunday in November 1998, Dimon was asked to come to a meeting at Citigroup's executive retreat in Armonk, New York.[38] The stated purpose of the meeting was to discuss continuing difficulties in particular aspects of the merger. Dimon knew that there had been several cultural clashes and recognized that several executives would have to be moved. He never thought that he would be one of them. Presented with a fait accompli and asked for his resignation, Dimon replied stoically, "OK." Weill, suddenly overcome with emotion, reached out to embrace him. "No hugs, please," Dimon reportedly responded.[39]

Suddenly, one of the most well-regarded executives in the financial services industry found himself without a job. The story, which was splashed across the front page of the *Wall Street Journal*, had all the ingredients of myth. Dimon had been ousted by his onetime mentor, a man the press had portrayed as his symbolic father.[40] Yet despite their falling out, Dimon was said to be following in Weill's footsteps, setting out on his own much as Weill had done after leaving American Express. Press accounts described the factors leading to Dimon's firing in Shakespearean terms, and portrayed Citigroup as a hotbed of Machiavellian intrigue. Dimon's abrupt departure also shook up Wall Street and raised questions about Citigroup's plans for merging its far-flung businesses.[41] Dimon, who had many fans on Wall Street, openly questioned whether the company would be able to cope with his loss.[42] Reed himself wished the ouster hadn't happened, and the business press speculated that Reed felt obliged to acquiesce to preserve his relationship with Weill.

Like most fired senior executives, Dimon had no financial worries. In addition to his annual salary of $650,000, Dimon received a $30 million separation package from Citigroup.[43] He had also done well during the years he spent building Travelers, and his net worth was estimated at over $100 million. After almost two decades of eighty-plus-hour weeks, Dimon took some much-needed time off, vacationing with his family and starting a vigorous exercise program.[44] He toyed with the idea of just spending the rest of his life enjoying time with his family—after all, at forty-two he was financially set for life. But a person such as Jamie Dimon does not sit still for long, and besides, the calls from the executive search firms started coming in almost immediately.

Many of the phone calls were intriguing. In all, it was a job seeker's dream. There was no combing the want ads or making awkward calls to friends and acquaintances about potential openings. Barclays PLC, the British bank, called, as did George Soros. Dimon was reportedly considered a possible CEO of Home Depot, the hardware retail superstore.[45] Amazon.com's Jeff Bezos invited him to Seattle to visit the company, but Dimon, although he admitted to being impressed with the e-commerce operation, said that he didn't really understand the financial model.[46] As he remarked, "I saw lots of different businesses and met with very interesting people. However, I realized after kicking around a lot of different ideas, including buying a business, that financial services is my craft. . . . It's what I learned to do . . . and I learned it from one of the best and toughest in the business [Weill]."[47] Dimon finally decided that he wanted a job in the industry he knew best. He also vowed that he would not put himself in a position where what had happened to him at Citigroup could happen again. In his next job, he wanted to control his destiny.

Meanwhile, Charles Tribbett and Andrea Redmond of Russell Reynolds had called Dimon to ask if he would be interested in talking about an opportunity at a large bank. Dimon was not surprised by the call. Given his high status in the financial services industry, he had expected to be contacted about the Bank One job, and replied that he was willing to listen.[48] After completing an interview with a candidate in California, Tribbett and Redmond took the red-eye to New York to meet with Dimon the next morning. At the late January 2000 meeting, Dimon interviewed Tribbett and Redmond about Bank One. He made it clear that he was not in a rush to find a new job, and that he was unwilling to risk repeating his experience at Citigroup. He wanted to know what Bank One's culture was like, what the business lines were, and what the company's strengths and weaknesses were. He wanted to know how much free rein he would have in making critical decisions.

Tribbett and Redmond, for their part, had already placed Dimon near the top of their potential candidate list. Now, on the basis of this preliminary interview, they were captivated by him. Tribbett's impression of Dimon during the interview was that "he was an infectious leader who shows mentorship and shows tremendous allegiance to people."[49] Dimon's knowledge of the financial services industry, his reputation among analysts and investors, and his straight-talking New York style were, they believed, just what the Bank One board was looking for. When Tribbett and Redmond reported back to the search committee Dimon's interest in being considered for the position, the directors were elated. One major question in their minds, however, was whether Dimon would really move to Chicago. A decade earlier, First Chicago had hired a CEO, Barry Sullivan, who had promised to move to Chicago but never did.[50] The directors from the former First Chicago board did not want another commuting CEO. Redmond and Tribbett assured the committee members that Dimon could be persuaded to move to Chicago. Based on the search consultants' experience, anyone was movable if properly motivated.

Tribbett and Redmond went to work on Dimon right away. They knew that it would be difficult to convince the native New Yorker, with three school-age children and a wife who served on several New York-based nonprofit boards, to move to the Midwest. They also knew that they could not rely on money as a lure. Dimon was already rich. They had to appeal to his ego. They told Dimon that in the United States there are only five banks that drive the economy. "That means there are only five individuals who will have an opportunity to effect the entire world," Tribbett outlined the situation for the candidate. "You will not have an opportunity, at least for the foreseeable future, to affect the world in such a consequential way if you do a start-up or wait around for another position." Dimon ran through in his head the list of the top five banks and the estimated age of their CEOs: Tribbett and Redmond were right. A CEO position at a top five bank would not likely open up again in the next few years. Tribbett continued with the sales pitch: "At your age, wouldn't it be nice to take your career to the pinnacle by being the real number one? If you don't explore this, you will always wake up in the middle of the night for the rest of your life wondering: 'Should I have at least have explored it?' Only if you explore it, can you know." Tribbett and Redmond were successful. Dimon told the search consultants to include him in the final list and to tell the Bank One search committee that he would move to Chicago if given the position.

Soon the Bank One search committee had a short list of five candidates, with Dimon the clear favorite among the directors who had worked for Bank One before the merger with First Chicago. On paper, the candidates were difficult to tell apart: each had rated high on the matrix of weighted skills developed by the committee and the search consultants. Except for Dimon, each of the reported candidates for the position was actively employed as either the CEO or the chairman of a major financial institution. This made it all the more important for the search committee members to gather information on the candidates that was unavailable on a résumé. As it happened, all four of the external candidates were from firms at which Bank One board members had both direct and indirect personal connections, either through employment with these companies or via service on other corporate boards. Board members Jim Crown and John Hall, in particular, made use of their extensive connections throughout corporate America and Wall Street. Thus the committee was able to talk with five or six people who had worked with each of the external candidates as well as with First Chicago executives who had worked with Istock, still the leading internal candidate. Committee members inquired after Dimon's personal qualities as a leader and his decision-making style. While references on four of the five finalists were mixed, Dimon received nothing but accolades. "His references were outstanding. No negatives," Hall reported. "People raved about his ability. He really was admired and almost everyone who had ever worked for him said they would do so again in a heartbeat."

Having received this all-important testimony from trusted sources about each of the candidates, the directors now would meet them face-to-face. At this point, the search committee and its consultants believed, it was a matter of chemistry. "When you are this far along into the process," Redmond says, "it comes down to executive presence and the confidence directors have in the individual." She and Tribbett also thought they knew which candidate had "executive presence"—Jamie Dimon. "He was not your classic bank executive. His energy was palpable. He was the sort of person who, when he walks into a room, every eye is upon him," Redmond explains.

In late February, Dimon flew into Chicago to deliver a two-hour presentation to the Bank One search committee. By this time, he had decided that he wanted the job. Dimon's presentation seemed to leave his audience breathless.[51] He talked about his philosophy of management, covering such topics as his leadership style and the importance of clearly articulating to people their roles and responsibilities.[52] He also spoke about the importance of instituting a more extensive stock-option plan to better align the incentives of the executives with those of the shareholders. Dimon's bluntness and self-confidence impressed the committee. "It was clear from the interview," one individual involved with the search reported, "that here was a guy who wasn't afraid to lead. I could see it right a way. He said all the right things. He had a plan. How he would bite the bullet on costs, how he would make the tough decisions that others wouldn't make. It was exactly what we wanted to hear." According to committee chairman Hall, Dimon "described how he felt that it was important to expect a lot from people, while helping them understand their duties and treating them kindly. He also said that it was important to maintain a strong financial position, but not let the balance sheet lie to investors." Overall, as Hall summarized the reaction to Dimon, "Everyone knew he was brilliant, but the presentation showed just how brilliant he was. In the two-hour presentation, he had answered all our questions: 'Is he going to embrace Chicago, or is he coming for a short time?' 'Is he mature enough for the job?'" In short, in one relatively brief appearance that Dimon himself largely orchestrated, he appeared to have met Bank One's high (if somewhat nebulous) standards of leadership.

Dimon, for his part, describes his Bank One interview by saying, "I told them how I think a company should be run. I went through a number of issues, including how I thought my first 100 days as CEO would play out. I thought it was very important that we all understood what needed to be done and how it would get done."[53] He also said, "I thought it was important that they [the board] see me for who I am. . . . It's kind of like getting married." (The marriage metaphor was a good one, for Dimon would actually end up bringing a dowry of sorts: as an act of good will, he would acquire two million shares of Bank One for nearly $60 million just before he was hired, a symbolic and substantive gesture that greatly impressed the board.)

The search committee, meanwhile, was ready to tie the knot. It voted unanimously that very afternoon to recommend Dimon to the full board as Bank One's next chairman and CEO. Yet things were not completely settled. A small contingent of former First Chicago directors stood their ground and continued to advocate for Istock's appointment as the new CEO. They talked about the merits of an inside successor versus an outside one. Given the infighting between the Bank One and former First Chicago executives, the former First Chicago directors felt that an insider was more likely to be sensitive to the concerns of both camps. Others, arguing for Dimon, felt that an outsider would be able to restore stability and begin healing the divisions within the company and even within the board itself. Still others felt that Dimon's hiring would stop the negative press about Bank One, which was causing all of the directors distress (even though some of them had actually fueled the feeding frenzy). Hiring a star like Dimon would create a new halo for the bank, they believed.

Istock, himself a member of the board, protested Dimon's appointment. But it was too late. The merits of Istock's case were discounted. The search committee made a point of again highlighting Dimon's celebrity and the sea change that his appointment would represent. It would be like starting anew. Despite a final maneuver to delay the selection, Istock's supporters finally conceded, and Hall was authorized to have the bank's attorneys begin negotiating a contract with Dimon.

Dimon's and Bank One's attorneys began a marathon, five-day negotiation. Dimon had hired Joseph Bachelder, a New York lawyer known for negotiating generous and airtight contracts for CEOs.[54] There were no major issues. All the important points had been worked out in the mating dance coordinated by Bank One's search consultants. Dimon even agreed to a clause in his employment contract that required the relocation of his primary residence to the Chicago area.[55] His five-year employment agreement stipulated a $1 million base salary, plus a $2.5 million bonus in his first year and future cash bonuses that could range from zero to $4 million depending on the price of Bank One's stock. He also received 35,242 shares of restricted stock, ten-year options on 3.24 million common shares, and a guarantee that he would not receive any less than $7 million in annual stock grants. This pay was similar to that of other CEOs in the industry. Dimon did, however, receive a kicker in the form of a two-for-one pension maturation: he would receive two years' credit toward his pension for every one year worked. It was also agreed that Dimon, if terminated, would receive a cash payment two-and-a-half times his base salary and any prorated bonus for that year, plus $2.5 million. He would also be credited, in that event, with two-and-a-half years of additional service for purposes of his pension (five years if the termination occurred after a change of ownership).[56] All of his stock options would immediately vest if Bank One were sold.

Dimon's appointment was greeted with much rejoicing when it was announced on March 27, 2000. Conditions at Bank One had continued to deteriorate during the search, and board members had become

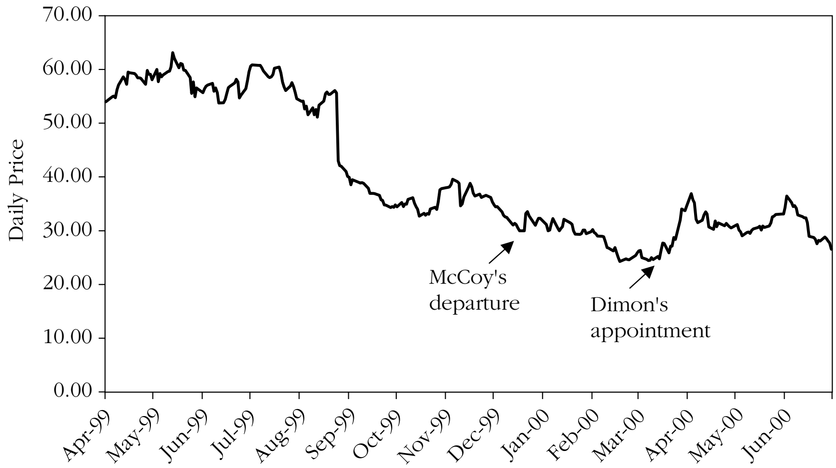

FIGURE 1.1 Daily Closing Stock Price of Bank One, April 1, 1999–June 30, 2000. *Source*: CRSP

increasingly aware that the company's problems went beyond the credit card division. Bank One's portfolio of non-performing loans was growing, making it clear that it would have to increase its loan-loss reserves. Yet within a week of the announcement of Dimon's selection, shares of Bank One—which had fallen by more than half since their peak in May 1999—soared 30 percent.

In the coming days and weeks, stock market analysts and investment professionals would hail Dimon's appointment, describing it as a chance for him to prove that he could lead a company to greatness and apply all that he had learned from Sandy Weill. One mutual fund manager, who had added to his Bank One position following the announcement of Dimon's hiring, told a reporter that an investment in Bank One was "a play on [Dimon's] ability to steer a bunch of underperforming assets."[57] Credit Suisse First Boston bank analyst Michael Mayo, although continuing to rate Bank One a "sell," nevertheless said, "Bank One got a home-run hitter in getting Jamie Dimon. . . . That's a real coup for the company." The headline of the article that quoted Mayo summed up the reaction well: "Bank One Gains Wall Street Credibility with Citigroup Veteran as CEO."[58] Another bank analyst remarked enthusiastically that Dimon was a "strong charismatic leader" and a "winner."[59] Meanwhile, during his first public meeting with shareholders and the press, Dimon had his audience laughing and applauding as he described his plans for Bank One's future. Several analysts commented on his energy and "walking away with a good feeling." "In the mind of investors, it's clear sailing ahead because the dirt has been scraped off the boat," said Joan Goodman, an analyst with the investment bank DLJ.[60]

Yet only two months after the announcement of Dimon's appointment, Bank One's stock had settled closer to its earlier levels. Although some analysts continued to profess faith in Dimon, others were becoming more skeptical about his chances for success. At least a few investors and business reporters had begun having doubts almost immediately after his appointment about Dimon's suitability for the job. "Jamie Dimon: The Wrong Man for the Bank One Job?" asked the title of an April 18 article in *Business Week,* quoting a "notable dissenter" in the investment community who said of Dimon, "A dealmaker is a different personality than a leader."[61] That summer, *Barron's*—while proclaiming itself inclined, on the whole, to bet on Dimon—wrote about "Wall Street's disenchantment with Bank One" along with "a growing recognition that the Dimon makeover will take many quarters to pull off."[62] The industry press, for its part, soon became critical of the speed with which Dimon had removed several Bank One executives, downsized the board, and filled key management slots with former investment banking colleagues from Citigroup.[63] *US Banker m*agazine wondered whether "Dimon had free reign to do whatever he pleases," and asked, "Is anyone monitoring Jamie Dimon?"[64]

By April 2001, just over a year after Dimon's arrival at Bank One, the new CEO had cut costs, increased loan-loss reserves, and taken other measures to clean up the balance sheet; he had even negotiated an acquisition (of Wachovia's $8 billion credit card operation) that would put the bank in contention for the number two spot among the nation's credit card issuers. Bank One's stock price had also bounced back to a few dollars below the level it had reached in the euphoric days just following the announcement of Dimon's appointment. Yet it was clear, considering the breadth and depth of its problems, that the company's turnaround effort still had a long way to go. One of the skeptics this time was a stock market analyst who observed of Bank One's attempt to right itself, "You can't get there simply by cutting costs. They don't have any growth plans. They're losing market share every day, morale is bad, and personnel turnover is up." This same analyst proclaimed, "Bank One has become a cult stock without the track record." A financial reporter quoting this remark was clear about her view: at the center of this cult stood Jamie Dimon.[65]