

The Essential Hallmarks of a Good Leader

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Over the years I have written about the importance of strong leadership in business and the essential qualities a leader must have. These qualities are timeless, and they are especially important when times get tough. In the face of difficult challenges, great leaders do not retrench. Just the opposite – they step up.

In a great company, you need to institutionalize and perpetuate a great culture and excellent leaders. To do this, you must do several things well, including the training, the retention of talent and the creation of a company that is continually learning. You must have a culture of character and integrity. This comes from fostering an open environment, where people speak their minds freely, to treating people with respect – at all levels, from the CEO to clerks in the mailroom – to setting the highest standards combined with recognizing and admitting mistakes.

Leadership is an honor, a privilege and a deep obligation. When leaders make mistakes, a lot of people can get hurt. Being true to oneself and avoiding self-deception are as important to a leader as having people to turn to for thoughtful, unbiased advice. I believe social intelligence and “emotional quotient,” or EQ, matter in management. EQ can include empathy, clarity of thought, compassion and strength of character.

Good people want to work for good leaders. Bad leaders can drive out almost anyone who’s good because they are corrosive to an organization; and since many are manipulative and deceptive, it often is a challenge to find them and root them out.

At many of the best companies throughout history, the constant creation of good leaders is what has enabled the organizations to stand the true test of greatness – the test of time. Look at our great military. We love hiring veterans – more than 5,000 in the past couple years. These veterans are outstanding employees and team members.

Below are some essential hallmarks of a good leader that I have written about in my previous letters to shareholders. While we cannot be great at all of these traits – I know I’m not – to be successful, a leader needs to get most of them right.

Discipline

This means holding regular business reviews, talent reviews and team meetings and constantly striving for improvement – from having a strong work ethic to making lists and doing real, detailed follow-up. Leadership is like exercise; the effect has to be sustained for it to do any good.

Fortitude

This attribute often is missing in leaders: they need to have a fierce resolve to act. It means driving change, fighting bureaucracy and politics, and taking ownership and responsibility.

High standards

Abraham Lincoln said, “Things may come to those who wait ... but only the things left by those who hustle.” Leaders must set high standards of performance all the time, at a detailed level and with a real sense of urgency. Leaders must compare themselves with the best. Huge institutions have a tendency toward slowing things down, which demands that leaders push forward constantly. True leaders must set the highest standards of integrity – those standards are not embedded in the business but require conscious choices. Such standards demand that we treat customers and employees the way we would want to be treated ourselves or the way we would want our own mother to be treated.

Ability to face facts

In a cold-blooded, honest way, leaders emphasize the negatives at management meetings and focus on what can be improved (of course, it’s okay to celebrate the successes, too). All reporting must be accurate, and all relevant facts must be reported, with full disclosure and on one set of books.

Openness

Sharing information all the time is vital – we should debate the issues and alternative approaches, not the facts. The best leaders kill bureaucracy – it can cripple an organization – and watch for signs of politics, like sidebar meetings after the real meeting because people wouldn’t speak their mind at the right time.

Equally important, leaders get out in the field regularly so as not to lose touch. Anyone in a meeting should feel free to speak his or her mind without fear of offending anyone else. I once heard someone describe the importance of having “at least one truth-teller at the table.” Well, if there is just one truth-teller at the table, you’re in trouble – *everyone* should be a truth-teller.

Setup for success

An effective leader makes sure all the right people are in the room – from Legal, Systems and Operations to Human Resources, Finance and Risk. It’s also necessary to set up the right structure. When tri-heads report to co-heads, all decisions become political – a setup for failure, not success.

Morale-building

High morale is developed through fixing problems, dealing directly and honestly with issues, earning respect and winning. It does not come from overpaying people or delivering sweet talk, which permits the avoidance of hard decision making and fosters passive-aggressive behaviors.

Loyalty, meritocracy and teamwork

While I deeply believe in loyalty, it often is misused. Loyalty should be to the principles for which someone stands and to the institution: Loyalty to an individual frequently is another form of cronyism. Leaders demand a lot from their employees and should be loyal to them – but loyalty and mutual respect are two-way streets. Loyalty to employees does not mean that a manager owes them a particular job. Loyalty to employees means building a healthy, vibrant company; telling them the truth; and giving them meaningful work, training and opportunities. If employees fall down, we should get them the help they need. Meritocracy and teamwork also are critical but frequently misunderstood. Meritocracy means putting the best person in the job, which promotes a sense of justice in the organization rather than the appearance of cynicism: “here they go again, taking care of their friends.” Finally, while teamwork is important and often code for “getting along,” equally important is an individual’s ability to have the courage to stand alone and do the right thing.

Fair treatment

The best leaders treat all people properly and respectfully, from clerks to CEOs. Everyone needs to help everyone else at the company because everyone’s collective purpose is to serve clients. When strong leaders consider promoting people, they pick those who are respected and ask themselves, *Would I want to work for him? Would I want my kid to report to her?*

Humility

Leaders need to acknowledge those who came before them and helped shape the enterprise – it’s not all their own doing. There’s a lot of luck involved in anyone’s success, and a little humility is important. The overall goal must be to help build a great company – then we can do more for our employees, our customers and our communities.

The grey area of leadership

There are many aspects of the leadership process that are open for interpretation. This grey area contributes to the complexity of the challenges that leaders – and those who govern them – face. I would like to share with you where I stand with regard to a few of these issues.

Successful leaders are hard to find

There are examples of individuals who have been thrust, wholly unprepared, into positions of leadership and actually perform well – I think of President Harry Truman, among others. I would submit, however, that relying on luck is a risky proposition. History shows that bad or inexperienced leaders can produce disastrous results. While there are possibly innate and genetic parts of leadership (perhaps broad intelligence and natural energy), other parts are deeply embedded in the internal values of an individual; for example, work ethic, integrity, knowledge and good judgment. Many leaders have worked their entire lives to get where they are, and while perhaps some achieved their stature through accident or politics, that is not true for most. Anyone on a sports team, in government or in virtually any other endeavor knows when he or

she encounters the rare combination of emotional skill, integrity and knowledge that makes a leader.

Successful leaders are working to build something

Most leaders I know are working to build something of which they can be proud. They usually work hard, not because they must but because they want to do so; they set high standards because as long as leaders are going to do something, they are going to do the best they can. They believe in things larger than themselves, and the highest obligation is to the team or the organization. Leaders demand loyalty, not to themselves but to the cause for which they stand.

Nonetheless, compensation does matter

While I agree that money should not be the primary motivation for leaders, it is not realistic to say that compensation should not count at any level. People have responsibilities to themselves and to their families. They also have a deep sense of “compensation justice,” which means they often are upset when they feel they are not fairly compensated against peers both within and outside the company. There are markets for talent, just like products, and a company must pay a reasonable price to compete.

Big business needs entrepreneurs, too

The popular perception is that entrepreneurs – those who believe in free enterprise – exist only in small companies and that entrepreneurs in small companies should be free to pursue happiness or monetary gain as appropriate. Free enterprise, entrepreneurship and the pursuit of happiness also exist in most large enterprises. And you, our shareholders, should insist on it. Without the capacity to innovate, respond to new and rapidly changing markets, and anticipate enormous challenges, large companies would cease to exist. The people who achieve these objectives want to be compensated fairly, just as they would be if they had built a successful start-up.

Performance isn't always easy to judge

Managers responsible for businesses must necessarily evaluate individuals along a spectrum of factors. Did these individuals act with integrity? Did they hire and train good people? Did they build the systems and products that will strengthen the company, not just in the current year but in future years? Did they develop real management teams? In essence, are they building something with sustainable, long-term value? Making these determinations requires courage and judgment.

One of the reasons I am so proud of our company is because of our great people, our great leaders. These past five years have been a period of turmoil, crisis and stress for our industry and sometimes for our company. What our people have accomplished during these difficult circumstances has been extraordinary – a testament to the critical importance of strong leaders.