Jpmorgan, ethics in international business assignment

Art & Culture

Most of their negative actions can be described by their culture, where the bottom line trumps everything else. In this paper, I will discuss the London Whale Incident, including its impact on the firm and society and the ethical causes behind it. To conclude with, I will discuss possible remedies, in which Comparing can restructure their organization culture using different ethical philosophical approaches among other tools.

The London Whale Incident On May 10, 2012, Jamie Demon revealed that Comparing had suffered two billion in oases due to irresponsible trading in the Chief Investment Office located in London (5). Little did everyone else know, the real number was 6. 2 billion, and that was only the beginning of the deceit (1). Finally after months of arguing, Comparing admitted that they had broken security laws, which set a historical precedent for the SEC as they had never been able to force a bank to admit guilt (1).

Not only that, it cost them a total of 920 million dollars to settle the incident, which was paid to different regulatory agencies in the US and I-J (4). After the housing crisis, the cry for accessibility and regulations of the banking industry was getting loud, however, Comparing Chase still railed against regulation and was looked as an industry leader in risk management (4). Now, Demon looks more foolish to the industry critics when he vehemently defends against the Blocker Act and other government interference provisions (3).

Due to the irresponsible bets on credit default swaps by Bruno Skills, the London Whale himself, Comparing found itself in a terrible position, having lost hundreds of millions in 2012 (4). According to the SEC and Skills, his

advisor, Martin-Ortega didn't et want to call it a loss, and instead pushed him to continue the trades in an attempt to recover the losses. In addition, Martin-Ortega and another employee (1), Grout, were intentionally mismanaging the values of the trades to hide the losses from investors (1).

Skills remarked on the stupidity and greed of the supervisors as he thought it was about time to call it a loss. Now, Martin-Ortega and Grout face a court date with the SEC due to their unethical business practices, while Skills made a deal with the SEC by agreeing to testify against his former colleagues (1). In addition, one of these men find themselves employed by Comparing any longer, and the former head of the CIO was released as well (1).

The entire incident begins with Sill's irresponsible trades, as his actions completely ignored the concept of social responsibility (5). The housing crisis only made it more important for the banking industry to realize that when their risky bets go wrong, the cry for regulation grows (1). Also, Comparing Chase didn't seem to have any safeguards at least that were enforced, to prevent an accident from this from happening. Clearly, there was no emphasis on an ethical strategy as Skills was instinctive to make these large, risky bets in order to gain larger bonuses (5).

By Sill's actions even previous to this incident where he was known for making very large bets, the risk management model employed by Chase was simply ignored if it defeated the opportunity to increase profits (1). In his decision process, there wasn't a step where Skills thought whether his actions were ethical or unethical. In an organization culture where money is the main motivator, it's easy to see how corners are cut in order to achieve

lofty goals. Caution was thrown out of the window s it was only seen as a deterrent in maximizing the bottom line.

It further became clearer that Comparing had a corrupt culture in their workplace when Demon, representing the leadership, lied about the losses and threw away as much responsibility as he could. It’s hard to believe that a man put in control of 350 billion doesn’t have some sort of administrative oversight from the top executives, as Chase first claimed (3). Demon’s infamous description of the incident as a, “ tempest in the teapot” drew a large amount of disdain from critics as it seemed to highlight the received arrogance of the industry (3).

It seems Comparing generally seemed to follow the Freedmen Doctrine where the purpose of their business was to maximize their profits as long as they didn’t break the law. Unfortunately, the large incentives to take risks, a lack of proper administrative oversight, and a more important duty to shareholders led not only to these large trades from occurring, but the fraudulent reporting of what was happening as it was going on and after it was done (1). Remedies The organizations that commit these heinous breaches of business ethics have flaws n the structure of their organization’s culture.

Most of that stems from the guidance of a company’s leadership, whether they set unrealistic goals, implement faulty work processes, or set the precedent to hire those who don’t value business ethics as much as they should. In the cost of doing business the unethical way, Comparing lost 920 million from the London Whale legal settlements, not including lawyer fees

and lost 6. 2 billion from making the trades in the first place (1). While the losses are more than survivable for Comparing, it hurts their reputation and only further encourages overspent presence in their industry.

When the banking industry finds itself in the negative light much of the time, this incident only threw dirt in the eyes of the public. Now as Chase finds itself in another scandal after being alleged of bribing Chinese officials by hiring their children for contracts, the time for changes in their ethical structure has never been more crucial (2). To avoid this, there needs to be a change of message from the top executives, such as Demon. A firm ethical strategy, broad enough to be applied in any country, needs to be emphasized and enforced.

This will lead the firm too utilitarian approach to ethics that will allow the firm to be socially responsible while still maintaining a profitable business. Applying mandatory risk-benefit analyses and other assessment tools before traders hedge large bets would decrease the risk of further incidents similar to the London Whale. When an organization contains such a large amount of assets and has a lot of power to influence the markets, they can no longer afford to look at things from the Friedman Doctrine as they now hold a social responsibility to the people.

If Comparing comes out learning anything from this incident, it should be how important an ethical strategy can be, and how business can get out of hand when ethics are put in the rear of the firm’s thoughts. Outline l. Introduction a. In this paper, I will focus on the London Whale Incident, analyzing the impact and root causes from an ethical standpoint and

applying the ethical philosophy related to the incident. I. Then, I'll discuss the possible remedies in order to prevent further ethical problems in the future by restructuring the organization culture. II. London Whale Incident a.

There were several unethical actions taken by different people. I. Bruno Skills, the trader, took an extremely large amount of risk without too much concern for the consequences (1). It. Xavier Martin-Ortega, Sill's supervisor, continued to push Skills to continue his trades despite the huge loss incurred already (1). Iii. Immediately following the revelation of the incident, CEO Jamie Demon played off the incident and revealed only a loss of 2 billion (5). B. The lack of supervision and the incentives towards taking large risks are reflective of a corrupt organization culture. C. Friedman Doctrine