



THE AMERICAN COLLEGE
CARY M. MAGUIRE
CENTER FOR ETHICS
IN FINANCIAL SERVICES

Perspectives on Ethical Leadership

2026



THE MITCHELL FORUM
ON ETHICAL LEADERSHIP
IN FINANCIAL SERVICES

Twenty Fifth ANNUAL

Foreword

A Year of Impact

The American College Maguire Center for Ethics in Financial Services aims to fill a significant void in the financial services industry – delivering ethics programs and education that transcend beyond compliance with rules towards building a financial services industry that earns and sustains public trust. The Center advances this mission by fostering critical thinking and transformative learning to equip financial professionals and organizations to navigate complex ethical scenarios. In my sixth year as managing director driving these initiatives, I'm excited to share the milestones we've reached and the forward-thinking programs we've designed to keep our [Alliance for Ethics in Financial Services](#) at the forefront of the industry.

The Alliance is a cross-industry community advancing ethical leadership, governance maturity, and institutional trust across financial services. Through the Alliance, supporting organizations move from industry participants to architects of change, gaining access to executive-level programs and thought leadership designed to support leaders responsible for navigating complex ethical, regulatory, and governance challenges.

Since 2020, the Center has built a recognized body of expertise on AI in financial services – white papers, podcasts, and expert commentary that have established us as a leading voice in the field. In 2025, we deepened that commitment with the launch of the [Responsible AI Program](#) — anchored by the [AI Roundtable](#), the [AI & Trust Index Study](#), and dedicated executive programming for Alliance supporters. This year, that program expands further with the Responsible AI Executive [Forums](#).

With its inaugural session held March 2026, the Forums are invite-only virtual convenings where leaders collaborate to shape emerging norms and gain practical tools to reduce risk, accelerate responsible innovation, and strengthen institutional trust. Led by Program Director Jill Heinze, the Forums are available to all Alliance corporate supporters.

By providing specialized education, conducting actionable research, and catalyzing community, the Center advances the mission and vision of the American College of Financial Services – creating a more ethical and trustworthy financial services industry and profession that better serves the needs of clients and benefits society. Further, we put our research into practice through convenings such as our Annual Ethics Workshop, which featured in Spring 2025 an exclusive research readout of [Voices from the Field: Ethics Challenges in Financial Advisory Practices](#), our qualitative study offering a behind-the-scenes look at the ethical dilemmas financial advisors face — shared in their own voices.

The Center reached a major milestone by hosting the 25th Annual Mitchell/The American College Forum on Ethical Leadership in Financial Services on January 9, 2026. The Forum is an exclusive executive exchange to address critical business and societal challenges through shared, real-world experiences. As the only ethics center within an academic institution focusing exclusively on the financial services industry, we guide leaders on their journey to strategically position their companies for enhanced business and stakeholder outcomes.

We're advancing a noble mission, and we welcome you to be a part of it. Please take a moment to explore our 2026 Perspectives report and help amplify our impact by sharing the report with your professional networks, [becoming a corporate supporter of our Alliance for Ethics in Financial Services](#), signing up to receive EthicAlly, our monthly [newsletter](#), exploring the resources on our [website](#), or following us on [LinkedIn](#).

Sincerely,



Azish Filabi, J.D., M.A.

Managing Director, Cary M. Maguire Center for
Ethics in Financial Services

Associate Professor and Charles Lamont Post
Chair of Business Ethics

Highlights of the Center's Activities

Building Trust in Financial Services

The American College Cary M. Maguire Center for Ethics in Financial Services is led by academics, researchers, financial professionals, and ethicists focused on shaping the culture of the industry for the benefit of society. The Center for Ethics in Financial Services serves as a research leader and convener, bringing together leading voices from academia and industry for timely, relevant, and authentic discussions on ethics, while translating its mission into action through initiatives that advance ethical leadership, expand industry engagement, and reinforce the College's position as a trusted voice in financial services.

Executive Education from the Leaders in Applied Ethics

The Center for Ethics delivers on its mission through executive education that equips financial services leaders to apply ethics in practice. Launched in 2022, the [**Advanced Strategies for Building Trust: A Practice-Based Certificate Program**](#) equips home office leaders with research-backed frameworks for building and sustaining client trust. It is available as an offering for individual advisors or as a customized program for institutional home office teams.

Expanding upon this foundation, the [Responsible AI Executive Forum](#) convenes senior leaders for ongoing, practitioner-led discussions focused on applied governance, assessing AI maturity relative to peers, and shared learning.

Shining a Light on The Importance of Ethics

Our academic team of leaders in applied ethics are at the forefront of media commentary, connecting the latest research to pressing ethics challenges in the world of business today. The Center for Ethics drives impact at the intersection of trust, ethics, and emerging technologies through research and industry leadership. Signature studies include the [AI & Trust Index](#), which provides insight into consumer trust in AI-enabled financial tools and their usage intentions, and [Voices from the Field](#), which captures practitioner perspectives on real-world ethical challenges in financial advisory practices.

Building on this work, the Center for Ethics advances responsible AI through thought leadership and scholarship, fostering the development of practical governance frameworks and a deeper industry understanding of AI's implications for trust, business strategy, and risk management. The following highlights reflect a curated selection of this work and its impact.

New York City Bar Association | [Methodologies for AI Assessments, Reviews, and Audits](#)

Azish Filabi, JD, MA was a panelist

The American College of Financial Services | [Navigating Ethics and Regulation of AI](#)

Knowledge Hub+ session content authored by Azish Filabi, JD, MA

Asset-Map's Advice 2030 Whitepaper | [The Future of Advice Belongs to Human and Technology Partnerships](#)

Azish Filabi, JD, MA was a contributor

Financial Planning | [How data security and stress-testing can build AI trust](#)

Features quotes from Azish Filabi, JD, MA

InsuranceNewsNet | [AI and Ethics: What Advisors Must Know](#)

By Azish Filabi, JD, MA

InvestmentNews | [Want to Build Trust in Financial Services? Learn to Navigate Blind Spots](#)

By Caterina Bulgarella, PhD, & Azish Filabi, JD, MA

Journal of Financial Planning | [Beyond Privacy: Three Ethics Challenges Advisers Will Confront in the Next Era of AI](#)

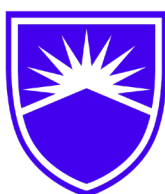
By Azish Filabi, JD, MA

Rethinking65 | [How Financial Advisors Can Foster Client Trust](#)

By Azish Filabi, JD, MA & Domarina Oshana, PhD

Wealth Management | [Panel: Wealth Shops Need Ethical AI Guardrails](#)

Features quotes from Azish Filabi, JD, MA




**Get to know the
Center for Ethics at
[Ethics.TheAmericanCollege.edu](https://ethics.theamericancollege.edu)**

Community of EthicAllies

EthicAlly is the monthly newsletter of the Center for Ethics and aims to inform readers about trends related to ethics in financial services and to help industry leaders get ahead of stakeholder management challenges. We want to be your trusted resource of expert knowledge on ethics in financial services. Sign up by visiting our [website](#).

Forum on Ethical Leadership

A vintage-style compass with a silver ring at the top, resting on a pile of small, multi-colored pebbles. The compass face is visible, showing cardinal and intercardinal directions (N, NE, E, SE, S, SW, W, NW) and degree markings. The background is a soft-focus, light-colored surface.

The Twenty-Fifth Annual Mitchell/The American College Forum on Ethical Leadership in Financial Services took place on January 9-10, 2026, in Boca Raton, Florida. The event featured a case study discussion on leadership's role in ethical governance when managing the pitfalls of innovation lifecycles, including analysis of real-world moral conflicts faced by leaders. Participants from industry and academia analyzed the case study and considered how leaders are embedding ethics into governing strategic priorities in financial services, including investments in innovation. This created the groundwork for executives to recall instances of moral crossroads during their careers and engage in critical dialogue with distinguished academics.

Participants

Academics

Erika Cheung, Executive Director, Ethics in Entrepreneurship

Azish Filabi, JD, MA, Managing Director, Cary M. Maguire Center for Ethics in Financial Services, Associate Professor of Business Ethics, Charles Lamont Post Chair of Business Ethics, The American College of Financial Services

Christopher Wong Michaelson, PhD, Barbara and David A. Koch (“coach”) Endowed Chair in Business Ethics, University of St. Thomas

Executives

Nick Cecere CLU, ChFC®, Executive Vice President, Chief Distribution Officer, Thrivent

Andrea Doss, Senior Vice President and Chief Risk Officer, State Farm

Lilly Farahnakian, JD, Global Chief Compliance Officer, GCM Grosvenor

Paul LaPiana, Head of Brand, Product and Affiliated Distribution, MassMutual

James Mitchell, CLU®, ChFC®, Co-Chairman of the Advisory Council, Cary M. Maguire Center for Ethics in Financial Services, Chairman and CEO (Retired), IDS Life Insurance Company

George Nichols III, CAP®, President and CEO, The American College of Financial Services

Rob TeKolste, President, Sammons Financial Group

Executive Summary

On January 9-10, 2026, the American College Maguire Center for Ethics convened a group of academics and executives in Boca Raton, Florida to participate in the Twenty-Fifth Annual Mitchell/The American College Forum on Ethical Leadership in Financial Services.

The Forum's purpose is to facilitate meaningful dialogue between industry practitioners and academic researchers to reinforce ethical responsibility in business.

Participants reviewed a case study prepared by the Center for Ethics on managing the pitfalls of innovation, which highlighted key insights from JPMorgan Chase's 2021 acquisition of Ed-tech start-up Frank. The case study guided a Forum discussion centered on critical thinking about ethics risks, turning strategic dialogue into operational insights for participants.


The first day of the Forum began with a foundational discussion about participants' individual ethical perspectives and insights they wished to take away from participating in the convening. The group then turned to analysis of the case study. On day two, the group reconvened to explore personal ethical conflicts shared by leaders in both industry and academia.

The case study presented (available in the Appendix) was an in-depth analysis of the \$175 million JPMorgan Chase acquisition of Frank, which served as a cautionary tale on ethical due diligence, highlighting how blind spots in diligence could circumvent sophisticated corporate compliance. It was also the catalyst for participants to reflect on the importance of accuracy over speed; the danger of “fake it ‘til you make it” startup culture; and the ethical failures of neglecting thorough, firsthand validation of key components of a partnership or deal. Through meaningful discourse and analysis, participants revealed that a corporate culture that enables failures in rigorous due diligence, despite having extensive available resources, can result in significant legal and reputational damage for all parties involved.

Through the case discussion, the group assessed the impact of startup culture on accountability, unpacked systemic risk mitigation in “black box” acquisitions, and navigated blind spots in the rapid pace of technological change. In a rapidly changing financial ecosystem, a key insight the group resonated with was instituting a pause for risk assessments in corporate acquisitions, seeing it as essential to allow thorough due diligence and ensure competitive pressures don’t outpace the company’s ability to manage operational and cultural integration. Additionally, the group highlighted the significance of listening to dissenting voices to counteract groupthink, challenging assumptions, and identifying potential cultural pitfalls, thereby strengthening ethical decision-making, and protecting long-term stakeholder value.



The group poses for a photo in the hotel courtyard.



In the second segment of the Forum, the discussion centered on ethical dilemmas in leadership. Executives shared moments of moral distress, including responding to the siren song of innovation; balancing velocity with veracity in the governance of disciplined risk management; recognizing that charisma should not overshadow caution in innovation; and navigating regulated communication in client engagements. The following are key takeaways:

- *The allure of a “first-mover” vision can be so compelling that it can create an echo chamber for a chief executive.* Executives face an ethical dilemma when they need to provide critical feedback on strategies that have already been vetted and approved; recognizing that feedback is the crucial data needed to avoid costly leadership blind spots.
- *A persistent, complex problem for the risk management process of a financial services company is the conflict between moving fast while ensuring decisions are accurate and truthful.* Relaxing due diligence erodes risk assessment. To avoid major liabilities, risk management teams must balance velocity with veracity, while senior leadership should instill organizational cultures that support ethical outcomes.
- *It’s dangerous for leaders to focus their vision on charisma over substance.* When leaders are enamored by an articulate message and pursue innovation without independent validation, they put their companies at risk.
- *Using “off-channel communication” has triggered investigations by regulators.* To navigate the blurring of personal and professional life, businesses must shift communications from personal devices to work devices while backing this with education, clear policies, and enforcement to ensure compliance.

The final segment of the Forum centered on key scholarly inquiries. One academic asked the group for their perspectives on two ethical dilemmas, one on balancing personal trust against professional accountability, and the other on granting second chances to someone who hasn't proven their improvement. Another academic used a reference from literature to push the group to reflect on their true selves by contemplating the question, "Am I living the right way?"

The group ended the Forum by providing enthusiastic endorsements of the experience and actionable insights to elevate future programming. They expressed appreciation for the exemplary case study, and the value of a small, closed-door, and candid peer dialogue format.



Rob TeKolste makes a point, with the others listening intently.

Opening

Jim Mitchell opened the discussion with ground rules, including the principle of non-attribution of perspectives shared in discussions. He then asked participants to respond to a two-fold question: What do ethics mean to you and your organization? What do you want to get out of a day of dialogue between researchers and practitioners?

Leading by example, Mitchell shared that he had worked for two highly ethical organizations, which led him to the belief that “Doing the right thing is good business.” The American College Center for Ethics wants to help people do the right thing and the Forum is an opportunity for the participants to engage in what he calls “organized reflection.” He hopes to gain insight into the participants’ guiding principles and their broader impact on customers and society.

The executives participating in the Forum represented a cross-section of leaders in financial services with diverse professional journeys, life experiences, and vantage points. They actively engaged in ethical, forward-looking discussions, demonstrating a commitment to converting insights into actionable, values-driven leadership within their organizations.

Drawing on more than three decades of experience in life insurance, Rob TeKolste’s professional integrity has been forged through the guidance of mentors and effectively navigating the ‘gray areas’ of industry practice, where he learned that what is legally permissible isn’t always ethically sound.



A CEO's simple observation during his early career cemented his commitment to integrity: those employees who consistently choose the right path can be the organization's most enduring pillars, ensuring their place within the organization for as long as they choose.

George Nichols shared his mother taught him that the only thing he would have throughout his life is his name. His mother's timeless wisdom echoed in his mind: "Whether you are rich or poor, do the right thing because at the end of the day, that will serve you." As a former insurance regulator, he has witnessed ethical failures and that experience reinforced his mother's bedrock advice. The caliber of the American College Center for Ethics is a significant point of pride for him, reflecting a commitment to fostering principled leadership in the financial services industry. What he enjoys most about this Forum is listening to the stories of others for his own inspiration, learning from how they navigate challenges to do what is right.



Azish Filabi, Jim Mitchell, and Rob TeKolste react with amusement as George Nichols shares his thoughts.

Paul LaPiana also values collective wisdom and his father's principle: right action defines character. Reflecting on the benefits of a reflective pause given the pace of daily workplace communication, he remarked, "Between back-to-back meetings and endless text messages, this feels like a therapy session – a much-needed, necessary pause to actually connect and just be real." Elaborating on the principle of purpose over profit, Nick Cecere recounted a wise expression he had heard early in his career: "If you come into this business to help people, you will make more money. If you come for the wrong reason, you will be out...Purpose-driven, people-focused businesses create lasting success, while purely profit-motivated ones lack the foundation for long-term viability." He is interested in the group's insights at the intersection of academic research and practical business application.

“It’s inspiring to participate in this community, united to navigate shifting regulations, and driven by a shared desire to do the right thing.”

Lilly Farahnakian

Lilly Farahnakian highlighted the high-rule, at times low-clarity, environment in financial services. Leveraging over two decades of legal and compliance leadership experience from her time at financial institutions, she remarked that the rules exist, but they don’t always guide you to the right answer. She prompted the group to reframe navigating regulatory change as an opportunity for connection, stating, “It’s inspiring to participate in this community, united to navigate shifting regulations, and driven by a shared desire to do the right thing.”

Andrea Doss, a seasoned insurance executive, remarked that many people equate ethical decision-making with structure and bureaucracy, yet, she has learned the power of storytelling within these areas. Elaborating on her team’s approach to ethics education, she noted, “We curate case studies of ethical lapses to bring to life their real-world consequences and show that governance is a vehicle to arrive at a responsible outcome that effectively serves customers.” She appreciated the Forum’s case study because it challenges its readers to navigate the compliance gray zone.

The academics in the group were also eager to unpack ethical decision-making through impactful conversations. From his vantage point as a former management consultant turned philosopher, Christopher Michaelson shared that he is looking to the group as a test bed to refine ideas such as the concept of “**moral distress**,” which he distinguishes from a “moral dilemma” (when a person does not know what is the right thing to do). He shared his perspective that the case study for the Forum’s discussion is an example of “moral distress”, a term developed by philosopher Andrew Jameton, which refers to the psychological suffering a person experiences when they know the right thing to do but are constrained from doing it because of external factors, like rules or power dynamics.





Christopher Michaelson communicates expressively as Rob TeKolste and George Nichols ruminate.

Erika Cheung, a leading advocate for ethical practices in technology companies, connected profoundly with Michaelson's remarks. Based on her experience as a biotechnology researcher and having witnessed a fraud scandal in which she became a prominent whistleblower, Cheung is devoted to fostering integrity in startup ecosystems. She stated, "What's concerning about fraud scandals is that they hurt the ecosystem, making it hard for true innovation to succeed." She is working on AI ethics now and is excited to hear the group's insights.

"What's concerning about fraud scandals is that they hurt the ecosystem, making it hard for true innovation to succeed."

Erika Cheung

Bringing the opening discussion to its conclusion, Azish Filabi distilled the group's remarks and shared final thoughts. Filabi, who specializes in developing strategies to promote ethical cultures in financial services, stated "Ethics begins with the person, but is predominantly a system challenge." She prompted the group to think about the fundamentals of cultural systems and to take a big picture view in identifying the types of behaviors such systems motivate. She also asked the group to share what resources they believe are missing in the industry regarding ethics and how the American College Center for Ethics can address gaps.

Extending Filabi's query to the group, George Nichols emphasized that the American College Center for Ethics is positioned to guide individuals and companies to think critically about systems challenges. Nichols shared that the greatest impact the Center for Ethics can make is to help leaders to see a systems challenge as a lessons-learned accelerator. Nichols summed up the Center's value—stating, "Our goal is to ensure the next challenge is entirely new, because we've already learned from lessons of the past."

Both Michaelson and Doss strongly related to Nichols's remarks with Doss stating it's about "Keeping honest people honest," and Michaelson echoing, "The purpose of ethics and compliance programs is not primarily to catch the 1% of those who act unethically. It's more about helping the 99% do the right thing." Validating the discussion, Mitchell added that even in good systems there may be reasons or people that make it hard to do the right thing. This solidified for Farahnakian the value of the Forum and the Center for Ethic's mission, as she concluded: "You need people around you to help guide you."



Engaged in conversation—Lilly Farahnakian reacts as Christopher Michaelson listens.

Case Discussion:

Managing the Pitfalls of Innovation Requires Ethical Decision-Making:

A compass rose is positioned on the left side of the slide, partially overlapping the text. It is set against a background of a beach with small, light-colored pebbles. The compass rose is semi-transparent and shows cardinal and intercardinal directions (N, NE, E, SE, S, SW, W, NW) along with degree markings.

*Key Insights from JPMorgan
Chase's Acquisition of Ed-tech
Frank*


Azish Filabi initiated the discussion on the case study (see the Appendix for the full draft) about the acquisition of education technology company, Frank, by JP Morgan Chase (JPMC). In brief, JPMC acquired Frank, an education technology startup, in 2021, learning later there was fraudulent misrepresentation of the business with respect to its fraudulent client lists. This case offers an interesting post-mortem on systemic failure, raising the question of whether the lapse was an ethical breakdown or a structural vulnerability that allowed the fraud to go undetected.

The Façade of Progress: When “Fake It ‘Til You Make It” Destroys Accountability

In response to questions about the facts of the case, Filabi indicated that JPMC finalized the deal with Frank in 22 days, which the group unanimously agreed was remarkably quick. Furthermore, JPMC was first introduced to the opportunity in 2019, declining to invest at the time, and returned to it in 2021.

Several executives discussed the potential business drivers for the transaction, inquiring whether the acquisition involved lending operations, and about JPMC’s rationale for identifying Frank as a target. A primary motive was a genuine interest in providing lending solutions and building brand resonance with the Generation Z demographic, since attracting these investors would create a sticky portfolio and accelerate JPMC’s growth within this demographic. While the client list was the asset, it was later learned to have been fraudulently created. One executive cited JPMC’s massive size and siloed, fast-paced environment as the culprit for failed due diligence, noting that perhaps qualified analysts were hampered by the environment. Andrea Doss suggested it may have been about balancing risk and opportunity, stating, “The opportunity was so shiny it overshadowed the balance.”

George Nichols shared that he believes the case demonstrated a systemic failure of ethics. Nichols pointed to JPMC’s alleged processing of billions of dollars in the Jeffrey Epstein sex-trafficking operation as another example of JPMC’s breakdown of ethical standards across the organization. The discussion turned to competitiveness and speed to market in the financial services industry, highlighting Bank of America as a competitor with interest in investing in Frank. There was some agreement that it was not unethical intent from JPMC, only ethical carelessness. For instance, JPMC rushed to execute the deal and the price of \$175 million was nominal for the company. Bank of America’s interest was the “gas on the fire,” creating competitive pressure.



Reflecting on how to fix the challenge of big firms succumbing to competitive pressure, the group underscored the need for implementing a pause, especially considering the competitive pressure from other investors. One executive questioned whether there were legitimate investors or if it appeared this way to spur JPMC forward. Erika Cheung revealed how scammers exploit a core feature of human nature: human trust. She stated, “All it takes is a bit of masking to fool people – it’s a black box. You don’t get to open it until you own it.” She explained that it doesn’t take much friction because people tend to trust others, they are not anticipating people lying to them.

Next, the group considered whether there was a breakdown of responsibility at JPMC. Reflecting on JPMC’s failure to pause, Christopher Michaelson noted, “A mandated pause could be an opportunity to unmask the black box.” However, he qualified his remark by explaining that instituting a pause would have validated a misconception about risk officers, who are mistakenly viewed by some as “the department of No.” Comforted that the group deemed 22 days as remarkably quick for JPMC’s acquisition of Frank, Doss remarked, “Quality decisions require a balance of diligence and care, which cannot be fully automated.” One executive doubted the deal could have been technically vetted during such a short time period.

Jim Mitchell refocused on, “Who is accountable?” Nick Cecere theorized that accountability rests where it emanates – from the source, the sponsor. He explained that it is the sponsor who determines how quickly to close the deal, and that’s where things fail or break down. Cecere commented, “It was likely someone at a high level who said, ‘Just get it done’”. Paul LaPiana concurred, and added, “It’s the person who is leading the 350 executives and analysts who said, ‘Let’s move.’” Michaelson suggested that, if this were correct, the person trying to get the deal done, knowing that it might be a bad idea, was in a classic situation of “moral distress.”



Paul LaPiana has the whole group captivated.

Doss explained the catch-22, stating, “If the risk officer slows down the acquisition deal, they are reinforcing the misconception that they are the ‘Department of No’ and they are roadblocks.” There was agreement that the naysayers either stop being invited in the room or leave the room. Nichols noted that the multi-million-dollar due diligence error was not a distress call for the financial institution and they would only treat it as a material matter if the risk matured into a lawsuit. Underscoring that thoughtful pauses secure stability, Lilly Farahnakian remarked, “The world should get used to putting in a pause, especially with new products and new technologies.”

Cecere questioned whether JPMC was building up the infrastructure to follow through on Frank’s education technology offering, or if it were only about getting the client list. From Cecere’s vantage point, JPMC’s purchase of Frank was a strategic platform play—buying a company specifically to own its massive user base. Michaelson suggested that in the context of the financial technology ecosystem, “fake it ‘til you make it” was an operating assumption. He elaborated that this belief was baked into the deal. Making a contrasting point, he added that what’s not baked into the deal is that Frank was faking the client list – it was an unspoken rule that the data be truthful. Cecere agreed with Michaelson’s assessment.

The group questioned the extent of JPMC’s data knowledge. What other metrics were they using, beyond just the names or emails? When Credit Karma bought Mint, another fintech platform, they likely asked questions like, “What are the daily or monthly active users?” or “What is the retention rate for different cohorts of users?” In addition to that, they would likely have asked about the engagement metrics for other marketing campaigns, which would have elicited more information to discern the integrity of the user base. Rob TeKolste argued that because the acquisition followed the global financial crisis of 2008, JPMC should have established proper processes.

Systemic Risk Mitigation in Black Box Acquisitions

Revisiting Erika Cheung’s earlier statement about the black box which can only be opened after purchase, George Nichols noted that in this case, it was a black box because of the names within it. Cheung concurred, adding that the leaders at Frank alluded to unrealistic expectations and misconceptions about how its technology can be embedded into JPMC’s workflows. As a technology expert, she revealed that these hype sales approaches drive the advancement of large language models (LLMs). She highlighted, “AI has become too bloated a term, and because of that, you need people to really dissect the complexity of what investments make sense at what time.” Often, AI is used generally, which obfuscates that it’s many different technologies and further contributes to artificial intelligence’s black box issues. LLMs can capitalize on this confusion to keep themselves operational while early customers validate whether their value propositions can prove true.

Cheung pointed to the time in which the acquisition occurred, highlighting that it was an easy-money, fear-of-missing-out (FOMO) market for investors that influenced companies like JPMC; their culture was to move quickly. A similar move-fast environment exists with AI technologies today. AI technologies present genuine technological advancement, but she qualified that it's just not clear how AI integrations will happen. This complicates current decision-making because technical expertise and capabilities are required for successful acquisitions, but are often hard to obtain, especially in cultures that prioritize speed over thoroughness. Just like in the Frank case, she suggested it gets murky trying to separate negligent misrepresentation from intentional fraud in technologies that aren't fully realized yet.



Erika Cheung listens as Paul LaPiana makes a point.

Rob TeKolste turned the group's attention to the identification of red flags in the acquisition. One red flag he noticed is that Frank wanted to sell and completely walk away. He contrasted this approach with one in which you address risk by having the entrepreneur and owner serve in management. A properly structured deal would be one in which both parties would have had more skin in the game. Others considered that perhaps the deal was not structured as such because the acquisition was giving JPMC access to a new segment through the client list – Zoomers.



Andrea Doss shares her perspective, and Nick Cecere has a moment of reflection.

Azish Filabi pointed to another red flag: the lack of independent review of the client list, and that the FTC had a prior investigation into Frank’s deceptive practices. She pointed to the element of groupthink in the acquisition. Considering the conception that people have about the financial investment industry as vetting technology for the betterment of society, Filabi asked the group, “Does JPMC have a responsibility to think about the ecosystem and their role in that system? Or is the negative outcome for JPMC so negligible that it can be ignored as a minor, unavoidable part of running a large firm?”

Prompted by JPMC CEO Jamie Dimon’s statement that “when you are getting up to bat 300 times a year, you will have errors,” Andrea Doss noted that she is uncertain if JPMC sees the acquisition of Frank as a failure from their perspective, given the negligible impact on the firm overall. Unraveling the paradox, Doss asked, “How do you know how big a risk is unless you do the due diligence behind \$175 million for 4.5 million subscribers?” She cautioned, “What appears low risk financially, may pose a reputational risk if there is a breach of customer records.”



Doss raised additional risk assessment considerations: “How do you get to t-shirt sizing of risk early so you can decide which path to go down? How long should it take?” She inferred that even with addressing these questions Dimon may say that it’s still negligible risk. Validating Doss, Filabi explained that assessing for reputation risk has recently been removed as a regulatory expectation in Federal Reserve supervisory guidance. Expanding her argument, she drew a parallel to the Wells Fargo scandal where regulators brought to bear severe enforcement actions though the number of clients impacted was small relative to their overall portfolio. She remarked, “How society views reputational risk is different from how a firm sees it.”

Jim Mitchell speculated about how JPMC’s Frank acquisition case came to trial, considering whether there could have also been a desire by the firm to “sweep it under the rug.” He probed the executives on reputational risk by remembering a financial services firm that had experienced a series of scandals during the 1980’s. Polling subsequently found that only 15% of the firm’s clients were aware of any issues.

TeKolste suggested that there was no social media at the time to amplify the scandal, which helped contain its effects. Christopher Michaelson remarked that the statistic shared by Mitchell was likely justification for the firm to believe the scandal doesn’t matter. Filabi argued that if a firm is reporting on quantitative criteria and it has an uneasy feeling about its culture not being governed properly, then it is up to regulatory supervisors to identify systemic risks. She added an insight she often hears from financial firms: they are good actors, but there is a tension of distrust in the industry. The consensus among a few executives in the room, however, was that the Frank scandal wasn’t a systemic failure of the financial services industry, but a firm-specific breakdown of due diligence and internal controls.

Discussion turned to why clients stay despite reputational damage to a financial firm. For instance, Nichols shared that when Wells Fargo informed him of a credit card they were giving him, without an application by him, he quickly cut it up, especially considering the high interest rate on the card. Moreover, when he needed a mortgage, Nichols didn't return to Wells Fargo because of the reputational risk. Cheung related to Nichols, and stated, "It's so hard to change a company when you are a customer. Reputational integrity is so important but hard to measure." She expressed interest in learning more about how financial firms acquire their customers and whether they ask them why they decided to use their firm and not a different one.

TeKolste summed up the Wells Fargo scandal as a cultural failure of the firm, and that the CEO was culpable for everything that had happened under his watch. Nichols reiterated his earlier remark that the Frank scandal came as no surprise to him, clarifying that he thinks JPMC is an ethical firm but cautioned about the narrow view they may have of reputation risk. It appears that they are willing to do things to bring in large accounts, pointing again to doing business with disgraced financier Jeffrey Epstein, as an example. Nichols suggested that given JPMC's \$6 trillion scale, their view of reputation risk may have been: as long as clients' accounts are untouched, they deemed the risk negligible.

Cultural Inertia: Navigating Blind Spots in Competition

Azish Filabi prompted the group to think about advising JPMC from the systems lens of the innovation ecosystem and competition dynamics: What advice would you give leaders at JPMC, and how does that relate to where big firms invest their resources, including internal culture efforts? She contextualized her inquiries by noting that the purpose of organizations such as the Society for Business Ethics is to keep people talking about ethics. She added, "Talking about ethics is a first, necessary step towards engaging in ethical behavior." She underscored that part of what the American College Center for Ethics does is to keep norms about ethics strong through dialogue.

Drawing an analogy to the 1982 Tylenol scandal, Rob TeKolste praised JPMC for acknowledging the mistake made in the Frank acquisition; their acknowledgment was critical to restore public trust, even if the size of the deal was small relative to JPMC's portfolio. He added, "if the culture will allow for it," implying that publicly acknowledging a failure is a signal of the firm's internal cultural dynamics. George Nichols shared a nuanced perspective: every organization has a baseline risk tolerance that is informed by its core principles. He has witnessed many organizations assessing risk by asking the question, "What is the level of risk we are willing to tolerate depending on what we are trying to accomplish?" Based on this premise, Nichols suggested as advice to business leaders, indicating an openness on a higher tolerance of risk on certain types of deals. Paul LaPiana agreed but noted that that signaling was not core to JPMC's

“I need people who will think differently from me. If we all think alike, we will eventually march like lemmings over a cliff.”

Jim Mitchell



brand, otherwise, in his view, they would have taken the time on effective acquisition risk management. He added that JPMC walked into uncharted territory when they needed to take a step back.

The conversation turned to strategies to move beyond groupthink to welcome diverse perspectives. The group considered why dissent was stifled in favor of momentum and how to create a culture where divergent opinions are welcomed and heeded. Underscoring the value of having divergent voices challenge the status quo, Jim Mitchell quipped, “I need people who will think differently from me. If we all think alike, we will eventually march like lemmings over a cliff.” Mulling over JPMC’s dangerous timeline, TeKolste suggested that it may have pushed JPMC’s back-end processes. Acknowledging that there is not enough information to state that factually, he underscored that JPMC moving fast and not listening to dissenting voices was at issue. He conjectured, if it were only lead generation at play, JPMC may have thought it would not affect business.

Focusing on the hidden in plain sight factor, Christopher Michaelson revealed that what’s equally important is getting the wrong people out of the room, and that might include the sponsor of the deal. He explained that while this would encourage honest discussion to reveal what employees really think, a potential pitfall is that, if it is a culturally toxic work environment, the report from the meeting might go back to the sponsor. To counter this scenario, he suggested having employees share anonymously rather than staking capital on open dissent in front of the wrong people.

Regarding a culture of accountability, Andrea Doss noted that the sponsor should have a relationship with the risk team to help them explore the potential risks. She cautioned that sponsors should embrace a ‘no stone unturned’ approach in partnership with the risk team because the sponsor is accountable for the outcome.

Nick Cecere brought up the elephant in the room: incentives. He speculated that JPMC must have highly incented the employees who make deals like the Frank acquisition, and he questioned how many of the 350 executives and analysts assembled by JPMC to fast-track the due diligence were to gain from the deal. Filabi agreed, suggesting that may have been why they may have gone to trial. Mitchell highlighted another important point about incentives when he stated, “Your responsibility as a leader is to get incentives right.”



Nick Cecere shares his thoughts as Paul LaPiana, Erika Cheung, and Andrea Doss tune in.

The Gold Rush Mentality: The Hunt for “Digital Gold”

“Familiarity breeds trust, but when there are close relationships, that might be an opportunity to ask questions about blind spots.”

Azish Filabi

“In financial services, our success is our ability to build trust.”

George Nichols

Azish Filabi moved the dialogue to the topic of “trust” as a proxy in the due diligence process. She stated, “Familiarity breeds trust, but when there are close relationships, that might be an opportunity to ask questions about blind spots.” Early investors in a startup have a signaling effect; she asked the group whether that is problematic. George Nichols agreed and added that what’s challenging is being aware of bias and countering it, which is hard to do because it’s not natural. He noted that rapport facilitates deals, yet it’s difficult to conduct due diligence with someone you know. He stated, “In financial services, our success is our ability to build trust.”

A dialogue took place about the fact that Charlie Javice, Frank’s founder, went to school at Wharton, so there was a bias about her as being smart. The group considered that the executives who make deals operate within a tight-knit circle, relying on their existing relationships, *not* rigorous, in-depth analysis to make decisions. They also considered that leveraging existing relationships for business is a human phenomenon, foundational to social structures, enabling individuals to build trust and navigate complex social landscapes.

Underscoring the importance of due diligence even within highly interconnected systems, Erika Cheung pointed out that JPMC could have applied a “trust but verify” mindset by asking good questions: What is the product? What is the service? What is the evaluation of the deal outside of the relationship? Rob TeKolste agreed and shared that executives often listen to words and trust actions, advising that “If you’re going through an acquisition, there is no trust. You must do your due diligence.” He added that making the deal is about shared interests and long-term alignment.

Cheung remarked that she feels some empathy for JPMC because they were being lied to. She questioned the ability for a firm to deeply investigate to get accurate information, adding that humans have been fooled by black boxes since the dawn of time. Christopher Michaelson identified Enron as the dawn of corporate fraud in this century. He added that Sherron Watkins, the Enron whistleblower, famously used the fairy tale of The Emperor's New Clothes to describe the situation at Enron. He explained that it's the same thing going on at JPMC – the embarrassment of admitting you don't understand the black box. Nichols flagged the unverifiable black box as the red flag. He described a scenario where JPMC was captivated by Javice's articulate presentation of a black box solution and leveraged their pre-existing relationship, turning "trust but verify" into "trust without verification."

Filabi was interested in understanding whether the group viewed the pressure on entrepreneurs as a conflict of interest in the broader ecosystem of early investors. She added that the venture capital system invests in early ideas that may or may not have proven themselves, encouraging overconfidence. A couple of the executives had a different view, seeing the problem as an artifact of entrepreneurs not having experience in a highly regulated industry and direct sellers of term insurance not understanding the complexity of products to effectively conduct due diligence. One of the executives stressed that regulators are holding financial institutions accountable on what's in the black box whether they understand it or not.

The group contemplated how to solve the lack of consensus in the industry on how to use AI. Not every firm has JPMC's advantages of ability, scale, and bandwidth to experiment with technology and risk failure. Without AI guardrails, there is a fear of future whistleblowers. The cultural misalignment between insurance and technology was brought up, including the slowdown in acquisitions because of the new DOJ accountability rules on black box technologies that increase risk for buyers compared to previous years. There was some apprehension regarding a shift in the insurance industry, where leaders are publicly rebranding themselves as technology firms. A few of the executives view AI as an enabler for the insurance industry, not the answer to risk underwriting. They're concerned that insurance firms are focusing on figuring out AI and not paying attention to their mission. Nick Cecere remarked, "A strong board will remind management: We are an insurance company that uses technology, *not* a technology company." However, a CEO may challenge their firm that they can make more money on being a technology company than an insurance company, raising the question for the firm, "Are we tech-first or insurance-first?" Additional considerations included assessing: at what cost? at what risks?

Michaelson turned the group's attention to the question of whether it is a product or service that solves a human problem. He stated, "If you're not about your product or service anymore, then you have lost your ethical true north."

“Our industry would be better off if more companies took a pledge to ‘walk the talk’ instead of worrying about shareholder returns.”

Nick Cecere

Turning to the topic of values within their companies, several of the executives emphasized that their companies are built on a foundation of core values. Michaelson countered, “A set of values doesn’t uniquely mark your organization as distinguishing its ethical culture.” He challenged the executives to think about what it is that they do well, for instance, build a product or service and deliver it to a particular audience, emphasizing that values is a way to do it. Mitchell pressed the executives for insight on how they embed values into the everyday culture of their organizations. Cecere made the point that it’s about actions, *not* words, emphasizing, “Our industry would be better off if more companies took a pledge to ‘walk the talk’ instead of worrying about shareholder returns.”

A discussion ensued about individual ethical orientations within a system, particularly in light of the pressures of “short-termism.” TeKolste elaborated that while fraternal organizations, mutuals, and stockholder-owned firms operate differently, any business model can thrive if rooted in strong, people-centric values. There was some recognition among the executives that it’s getting more challenging for CEOs to balance short-term and long-term value, and that CEO tenures are shorter. The dialogue highlighted a trend for CEOs to come into an organization, execute a quick fix, aligned with their own compensation, leaving before the long-term consequences of their actions become apparent.

The group’s discussion turned next to increasingly depersonalized and evolving financial technologies such as cryptocurrency. Michaelson stated that today’s gold rush mentality of the first and fastest to make money and vanquish competition makes it difficult to succeed ethically.





Jim Mitchell and George Nichols in animated conversation, with Azish Filabi and Rob TeKolste hanging on every word.

There was some discussion about whether technologists are only thinking with a “winner-takes-all” mindset. The group deliberated whether that’s a culture issue in an increasingly digital world. While it defied easy classification, there was consensus that technologists need capital to launch their business. Taking the technologists’ viewpoint into account, TeKolste challenged the group to consider whether creating an enduring, long-term perspective is a better business model than something built on short-term commitment. TeKolste expressed that, despite skepticism, a values-based business model can hold as much value as a long-term capital model.

Michaelson acknowledged that while one reason to participate in capitalism is to make money, another is serving others. He shared that he has students who aspire to be nurses and entrepreneurs and who think they have a great solution to a human problem. While he is optimistic about young people, he acknowledges that among them, there are those who have reasons for despising capitalism and others who see it as contributing to a better world. Nichols closed the discussion with optimism of the student’s career choices, “While the present looks discouraging, I’m hoping for a resilient generation that chooses purpose over popularity.”

Executive Dilemmas

Jim Mitchell prompted executives to share their ethical dilemmas, framing an ethical dilemma as a scenario in which there are good reasons to do one thing and good reasons to do something different. Mitchell noted that many past Forum leadership challenges were instances of moral distress rather than ethical dilemmas, reinforcing the distinction Christopher Michaelson made earlier, which is also appropriate for discussion at the Forum.

The Siren Song of Innovation

The first dilemma shared was about a forward-thinking insurance chief executive who thrives on launching industry-first solutions. The executive is a visionary who takes pride in breaking new ground and trusting their leadership team. However, in one instance, their trust turned into a critical blind spot, leaving them vulnerable to a false narrative. They went all-in on purchasing a technology platform from a second-degree connection, believing that it would be game-changing for their company. The purchase started to influence their decisions across company products, including forcing adoption of a new platform among financial advisors working with the company, causing significant disruption to client relationships.

The allure of a “first-mover” vision (the siren) was so compelling that it created an echo chamber for the chief executive, who excluded critical, necessary feedback



that eventually cost the company. With concerned voices unheard, and issues ignored, the transformation triggered a talent drain, including voluntary retirement acceleration and parting ways with those not aligned with the new direction. One candor-driven senior leader who had engaged in difficult conversations with other leaders, felt compelled to share criticism, even at the risk of getting fired. Amidst widespread leadership anxiety, this leader was cognizant that a reset was necessary. Over time, it was this leader's voice and expert, bottom-up feedback that convinced the chief executive to phase out of the disruptive technology. Along with new leadership, the senior leader is still navigating the company through its ongoing recovery with the chief executive. While they weathered years of instability, they also witnessed the lasting effects of cultural degradation within the company, including a slowdown in growth and product distribution, which has now begun to improve.

Discussion

Jim Mitchell established the foundation for the discussion, remarking that this scenario is about trust. The group analyzed the scenario through this lens, reflecting on the fact that in this case, the ability to engage remotely through video and audio-only technology facilitated the courage to speak up about the concern, removing the intimidation of in-person confrontation. Two executives commended the senior leader in the scenario for doing the right thing regardless of the personal risk.



Christopher Michaelson gestures to explain his ideas to a focused Lilly Farahnakian, Rob TeKolste, and George Nichols.

“A leader not only keeps *trust* by not divulging it but also drives *change* without divulging it and that’s very difficult because it requires the difficult art of protecting confidences while transforming processes.”

Christopher Michaelson

A discussion ensued about the practices chief executives employ within their companies to ensure they stay informed, agile, and connected to the candid realities of their business. Mitchell stated, “I truly believe one of the hardest things for a CEO is truly figuring out what is going on in the organization.” This resonated with the group. To keep their ear to the ground, the executives shared they use a mix of employee pulse surveys, face-to-face conversations, and an independent anonymous ethics hotline. A key component they highlighted was ensuring confidentiality and action when necessary. As Christopher Michaelson put it, “A leader not only keeps *trust* by not divulging it but also drives *change* without divulging it and that’s very difficult because it requires the difficult art of protecting confidences while transforming processes.” Mitchell echoed, “People will give you candid responses if they believe it is truly anonymous and if they see you act on it.”

Michaelson underscored that it’s a good sign the chief executive in this scenario reversed course rather than falling prey to escalation of commitment – the psychological bias that occurs because an individual fears a sunk cost, prioritizing past investments over future viability. One executive noted that failing fast is critical; regrettably, in this scenario the groupthink went on for years, as leaders didn’t want to be perceived as legacy thinkers so they embraced the new technology platform.

The conversation turned to the dynamics between loyalty to people, past relationships, and the long-term health of the firm. Paul LaPiana stated, “Sometimes people, at certain points in their career, coast on their trust and credibility while actively eroding current talent.” LaPiana added that it’s the employees who pay the price for leadership’s inability to initiate a necessary exit. The group recognized that leadership’s resistance to change can inadvertently create feuding subcultures. The irony of long-tenured companies is that they remedy their insular culture by hiring outside talent, one executive noted.

Reflecting on how to integrate new leaders into an established leadership team, Andrea Doss asked, “How do we successfully bring in and retain the outside voices?”

The group considered the best practices relating to how to encourage change, while guarding against assimilation into existing norms. Doss advises new leaders to expect resistance, lead with extreme humility for the first few months, and focus on deep inquiry over immediate action. She explained that these practices enable people to start listening and come along. Validating Doss’s counsel to new leaders, Azish Filabi shared two research insights: research indicates effective socialization of new leaders must happen within the first few months before assimilation with existing company culture; and survey evidence links high trust cultures to financial performance, given the efficiency gains from trust.

“It’s painful to lose market share to ‘shiny object’ pricing, but we won’t trade our reputation for unsustainable growth.”

Rob TeKolste

George Nichols highlighted the recognized management aphorism “Culture eats strategy for breakfast,” and Rob TeKolste noted the difficulty of maintaining ethical culture within highly competitive markets. Focusing on the tension between short-term market pain and long-term reputation, TeKolste stated, “It’s painful to lose market share to ‘shiny object’ pricing, but we won’t trade our reputation for unsustainable growth.”

Michaelson shared an ancient philosophical problem known as the Paradox of the Heap. Explaining the scenario, he asked the group to imagine a large heap of sand. One grain of sand does not constitute a heap, nor do two, three, and so on. Yet, when single grains of sand are constantly added, eventually you have a heap of sand. He elaborated, “When did the heap become a heap?” The paradox is the transition from “not-a-heap” to “heap” is too vague to pinpoint because life is a flow of activity, not a series of incremental actions. Thus, the “heap” problem serves as a warning that ethics is essential all the time, or you might suddenly find yourself in a “heap of trouble.” Integrity is a “muscle” shaped by habit, and exercised day-to-day, *not* just in crises.

Velocity vs. Veracity in the Ownership Shift of Disciplined Risk Management

A persistent, complex problem for risk assessment processes of a financial services company is the conflict between moving fast (velocity) and ensuring decisions are accurate and truthful (veracity). In the pressure to meet deadlines while avoiding costly mistakes, the established processes are regularly strained. In an ideal scenario, the executive owner assigned to an initiative shepherds it through the due diligence process before deciding on the initiative. Advisory panels render an opinion, but not a final decision. It is the executive owner, a senior leader within the business, who is responsible for contract execution. Yet, there is a tension between systems thinking, which is slow, deliberate, and focused on the long-term, and the pressure-induced urge and short-term focus from the executive owners to move quickly. When does the risk team push for speed versus slowing down?



Lilly Farahnakian shares feedback while Christopher Michaelson observes.

Discussion

One executive concluded that the core issue is risk owner accountability, revealing the need for a shift from focusing merely on “checking a box” to acting as a “steward” of a project’s long-term success. Andrea Doss stated, “Accountability means owning the results – whether they go right or wrong – and due diligence is the mechanism that ensures the project survives, *not* just a bureaucratic hurdle to be bypassed.” Her remark highlighted that true competence under pressure is navigating the need for thoroughness without becoming paralyzed by it.

“Accountability means owning the results – whether they go right or wrong – and due diligence is the mechanism that ensures the project survives, *not* just a bureaucratic hurdle to be bypassed.”

Andrea Doss

Several questions were raised, including whether sharing case studies of successful due diligence could change the narrative, whether greater investment in risk management capacity is needed to match the speed at which new tools are being introduced, and whether better enterprise prioritization of ideas might shift risk owner accountability. A discussion ensued among the executives about prioritization processes, including governance of the appropriate risk owner within the organization. One executive proposed a bottom-up, threshold-based triage process to



Nick Cecere’s insights command everyone’s attention.

filter high-cost or resource-intensive projects before executive leadership review. Another was to prioritize the array of risks, including customer data, given that there are other risks that can be delegated to the executive owner because of the risk team's limited capacity. A counterpoint was that there are risks such as the chief information and security officer's accountability for information security risk, which can't be delegated. Consequently, navigating risk involves absorbing operational shocks.

Another proposal was to place responsibility on executive owners for a Cost-Benefit Analysis (CBA), Credit Valuation Adjustment (CVA), and Content/Control Deficiency Assessment (CDA) to provide a holistic risk management framework, covering financial tradeoffs, quantifying counterparty risks, and addressing operational or security vulnerabilities, underscoring that executive owners must understand the risk they are accepting. There was some contemplation of how to weed out projects that will turn the dial from the company and the use of risk-reduction tactics to fast-track the due diligence process.

Analyzing the dynamic of financial services companies branding as technology companies, Azish Filabi challenged the group to consider the role of innovation in today's financial ecosystem and how to inspire employees to innovate within legacy institutions while balancing risk. Underscoring the move from passive adaptation to calculated innovation, she asked the question: "In the long-term, can we create paths for innovation with risk considerations, equipping stakeholders to change the world in new ways?" Doss echoed that it is important for risk teams to fulfill a brand preservation role by helping stakeholders understand the due diligence process, revealing an opportunity for more intentionality in getting alignment proactively.

Sage Grouse Scam: When A Man's Word Becomes A Fool's Gamble

An insurance company relies on a general partner from the insurance business to lead an infrastructure investment in wind energy on a massive ranch, convincing the firm to purchase the entire property and work with an entrepreneur to develop various projects on the site. After the ranch is purchased, there are a series of problems that are unmasked, exposing the entrepreneur as a fraud. Shortly after the ranch is purchased, it becomes apparent the ranch is not going to work as a wind project, in part because the entrepreneur identifies that the local birds, federally protected sage grouse that nest in the area, could not live compatibly with wind turbines. Next, the entrepreneur develops an environmental credit market plan for the ranch, forcing road builders to purchase credits exclusively from the insurance firm, while simultaneously compelling the insurance firm to expand the size of the ranch. The insurance firm ends up with 6,000 acres of land and sage grouse credits they couldn't sell. The next pivot was to sell water from the fifty-three miles on the land owned by the insurance firm. While water sales exist, they are not in the end a valuable investment. Now the charade has been exposed and the entrepreneur is unmasked as a fraud.



Rob TeKolste speaks, and everyone listens.

The insurance firm consults with a seasoned insurance executive about what to do with the property, deciding to adjust its price to sell immediately, under the direction of their chief operating attorney. After the sale, the insurance firm intends to position the chief operating attorney as their culture ambassador, leading the firm's culture story of employee ownership.

The insurance firm conducts a postmortem, determining that the business failure was caused by abandoning due diligence and relying on trust and personal relationships when engaging with the entrepreneur, who was presented as an "innovator" but lacked substance. Through analysis of documentation, it was revealed that the entrepreneur had known that wind energy was not lucrative when he sold the property to the insurance firm. Honor and "his word" was no match for cut-throat fraudulent tactics from an entrepreneur who exploited their trust. The postmortem also revealed that using the chief operating attorney as a culture ambassador was a strategic blunder, because it was later exposed in one of their meetings that he had knowledge of the non-viability of the wind energy business, but did not notify the firm prior to the purchase.

Discussion

Jim Mitchell asked the group if they conduct postmortems on things that fail within their companies. The group unanimously nodded. One executive shared that their company also does a premortem to discover what could make pursuing something unsuccessful, emphasizing that it helps identify problems upfront. George Nichols noted that, in large firms, it is a balancing act of how much premortem a company engages in; it can be a blind spot to fully anticipate or manage risks but the process can also build risk discipline muscle.

The group noted that the chief operating attorney admitted the wind energy business was dead, and there was a question about what might have contributed to that employee's feeling of powerlessness in speaking up about the situation. There was speculation that he may not have felt empowered to step forward and do what's right. The consensus was that this scenario demonstrates a willingness to do the right thing whatever the cost and had the insurance firm engaged in a premortem today, they might put "partner risk" at the top of the list and devise plans to have entrepreneurs more embedded in both the upside and downside of a deal.

Regulated Communication: The New Standard for Client Engagement

After the COVID-19 pandemic, financial regulators established rules for off-record communications with clients. The tightened rules on unrecorded, non-traditional communication platforms—such as WhatsApp, SMS, voice calls, chat, and personal email—followed the increase in remote work. Using personal devices for business ("off-channel communication") has triggered



investigations by regulators. The SEC and FINRA are scanning personal phones for business conversations, with up to \$3 billion in penalties imposed for off-channel communication violations. To mitigate risks, one financial services firm brought in a third-party to review their protocols. As a result, their client-facing FINRA representatives and leaders are now using a corporate phone, provided by the firm, and a personal phone. Yet, despite the firm's communications about new protocols, questions remain: Are there employees who are inadvertently texting on their personal phones? How does the firm validate that behaviors have been adjusted? The firm is faced with the dilemma of establishing a clear boundary to ensure all business communications are documented and compliant with new regulations, which often touch upon privacy.

Discussion

A discussion ensued among the executives about the awkwardness of using a secure, compliant mobile and desktop application designed to capture, archive, and manage off-channel communications to meet regulatory requirements. One prominent application enables employees to use their personal or corporate devices while ensuring conversations are recorded in an archive for tamperproof recordkeeping. Yet, there is an awkwardness in the compliance tag/disclaimer associated with the application's use, for instance, "Hi Jim, I'm texting from a highly regulated industry." Another limitation that the group surfaced was that many digital archiving solutions were originally designed for email, resulting in gaps in modern, multi-channel communication capture.

Challenges with the expansiveness of protocols and policies in use at different firms were noted. For instance, there was a question about whether personal phones can be monitored with one executive remarking that personal phones cannot be monitored at their firm, underscoring



Andrea Doss takes in Azish Filabi's perspective.

the challenge that firms cannot perfectly verify off-channel communications. The discussion turned to what regulators are looking for in their investigations. It was noted that regulators can count the number of off-channel communications but cannot see the content. While there was acknowledgement that the current presidential administration has shown limited engagement on the issue of off-channel communications, the group agreed that it's important for regulators to investigate fraud because clients need to be protected and conflicts need to be addressed.

The group also agreed that, when navigating work-life integration, businesses must shift communications from personal devices to work devices while backing this with education, clear policies, and enforcement to reasonably ensure compliance. Reflecting on this transition, Lilly Farahnakian remarked, "It takes behavior change to meet regulatory requirements. The move from personal habits to a structured, compliant process is sometimes a change that needs managing." The group discussed procedures firms use to access employees' personal phones and practices for meeting compliance requirements. For instance, one firm's policy indicates that employees may use personal phones for purely logistical communications. For employees who don't have a second phone, some firms have adopted sandbox solutions for employees without dedicated work devices so the firm's technology team can wipe the applications if the phone is lost or the employees leave.



The group recognized that enforcement of an off-channel communications policy is challenging. At some firms, attestations are documented. Commenting on the different protocols she has seen in her career experience, Erika Cheung highlighted that strategic messaging requires psychological insight. She stated, “You must understand each communication tool, the context of use, and human behavior. Why are people not using work phones in specific contexts? That’s when we were able to get behavior shifts.”

The conversation turned toward use of artificial intelligence for capturing meeting notes. The group showed significant variation in AI notetaker tools and usage policies across their firms – some are using Zoom, others are using Microsoft Teams, and others are working on centralizing systems. There was awareness among the group that integrating AI notetakers isn’t only about efficiency; it also has implications for how firms retain and attract talent. Acknowledging the stress it puts on a firm’s technology, procurement, and legal and compliance teams, Farahnakian stated, “The firms that get AI right will be the ones where legal, compliance, and technology are working hand in hand from day one.”

The group acknowledged that they are all navigating this shared challenge together.

Academics’ Questions

The Silent Witness: Balancing Personal Trust Against Professional Accountability

At a technology startup, a trust trap emerged when an employee’s loyalty to a portfolio founder conflicted with their duty to address workplace misconduct. The founder had confidentially confided to the employee that they had been sexually harassed by the employee’s manager. With only twenty employees, the startup had no mechanism or policy to report sexual harassment. Moreover, the employee’s manager (the alleged harasser) had a good reputation in the technology ecosystem despite being a job hopper. The employee struggled with the desire to support the founder (the harassment complainant), given a sense of personal trust and privacy, and the obligation to address the misconduct through disclosure and professional accountability. The employee was entangled holding sensitive information that could trigger an investigation, or, conversely, be lost to a culture of silence. Yet, there was a danger to keeping the founder’s secret because the hidden truth was an instance when privacy could enable further harassment.

As time went on, an investor (i.e., a customer of the founder) came forward to the general partner (i.e., the strategic owner and fiduciary of the startup) to report the founder's allegation of the sexual harassment. The general partner was upset that the employee had not disclosed the incident when that employee had first learned of it.

Discussion

The group considered how to reconcile personal trust and privacy with professional accountability and disclosure. Questions were raised about what the founder (the harassment complainant) had wanted the technology startup employee to do with their allegation. One executive suggested that that employee could have told the founder that, as a steward of the company, the employee was required to report it or encourage the founder to come forward with the allegation. Christopher Michaelson noted the tension of pitting personal confidence against organizational responsibility. He added, "It's typical for whistleblowers in startups to not have any guidance on what to do when confronted with misconduct." He empathized with the startup employee, emphasizing that the experience came at a personal cost to them. The group noted that the employee could have anonymized their talk with the portfolio founder and disclosed as necessary. George Nichols recounted a similar experience where he had told the discloser that he had no choice but to act, with potential consequence to end their friendship.



Paul LaPiana sharing insights while Erika Cheung, Nick Cecere, and Andress Doss listen intently.

The Ethical Dilemma of Reconciling Past Conflict with Redemption

Erika Cheung presented a quandary for the group's analysis. She asked, "How do you grapple with people's opportunity to have a second chance when they have done wrong?" She struggles with how to handle reference requests for former colleagues from her disgraced former employer. Despite believing in second chances, she's conflicted because she has two former bosses who are now in prison and it's been twelve years since she worked with them. She thinks some grace needs to be given for people who worked at that organization, since she believes many people made decisions they regretted. When she received requests for references about her former colleagues from a recruiting agency, she has redirected the agency to talk to references more current to the former employee's work experience. Her response subtly hints at her dilemma: the need to be firm to avoid misleading a new employer, while being compassionate enough to avoid ruining a person's livelihood. She's navigating the tension between accountability (the former colleague's past actions) and redemption (the opportunity for a fresh start). She asked the group for their thoughts on whether they also would be willing to let go of the "burden of the past" (forgiveness) without necessarily forgetting the risk of placing one's professional reputation on the line for someone who hasn't proven their improvement, allowing for the possibility that the colleague has grown over the intervening years.



Discussion

The executives questioned the role, reference type, and source of Cheung’s contact. Cheung shared the facts concisely: it was a reference for a scientist role and her name appeared in a Google search. They suggested various strategic responses, including the deflection response – pushing reference seeking agencies to the public record; and taking the neutral verification route – agreeing only to confirm dates of employment and no personal or performance-based input.

There was some validation from the group for Cheung’s response, and the sentiment that most people deserve second chances. Christopher Michaelson remarked, “Organizations often terminate employees that engage in misconduct because it’s easier to manage risk than give them a second chance; it’s a systemic issue.” George Nichols highlighted a characteristic he believes is critical for a person’s future: judgment. It’s one of the higher ones in his view, and it’s not only judgment on the job, but also on social media or other external activities. He reinforced his point by adding that he avoids using the term ‘ethics’ because everyone believes they have integrity and are ethical, preferring the word ‘judgment’ instead, explaining that it’s a term that reveals a person’s actions toward others.



Nick Cecere ruminates while Andrea Doss, Azish Filabi, and Jim Mitchell are attentive.

Am I Living the Right Way?: Lessons for Leaders from Tolstoy’s Master and Man

Christopher Michaelson believes that literature is just as valid as empirical research as a lens through which to discuss ethics. He recommended that the group read Leo Tolstoy’s *Master and Man*, and captured the group’s attention with this riveting summary:

“The ‘Master,’ Vasili, is a wealthy, exploitive landowner, and he is returning from the Saint Nicholas Day Feast. Vasili wants to buy a plot of land in a nearby village, and if he doesn’t arrive in the morning, competitors will outbid him. He is an elder of his church and borrowed money from the church’s petty cash to buy the land with the intent to pay it back. The ‘Man’ is Nikita, a peasant, drunkard, and a good guy. Nikita works on Vasili’s land. To wealthy landowners, this peasant’s life is expendable, but they bring him along to protect Vasili. The narrator says there is a ‘lowering dark cloud,’ an ill-advised journey. Vasili says, “Business! It can’t be helped.” They move forward and get lost on a trail. They see a light in a nearby town. The town residents say, “Stay the night.” Vasili doesn’t stay. He leaves with Nikita but gets lost again in the same town. Still, Vasili and Nikita move on and they get lost in the wilderness and are caught in a snowstorm. At one point, they come across drunken revelers, and smugly think to themselves that at least they are not drunk.



Paul LaPiana makes a strong point, and Erika Cheung is all ears.

The snowstorm worsens, leading them to get lost again, and causing them to spend the night exposed to the elements. While Nikita sleeps, Vasili tries to escape on the horse but the horse collapses. Vasili starts reflecting on his life. He drapes his body on Nikita. When they wake up, Vasili has frozen and Nikita has lived.”

Michaelson asked the group to contemplate several questions about why Vasili draped himself over Nikita: Did Vasili drape himself as an act of grace? Did he drape himself to find human warmth? Did he just fall there? What are the lessons for business from this story? He invited the group to grapple with the story’s core ethical dilemma: the conflict between materialistic selfishness (represented by the master, Vasili) and moral obligation/human compassion (represented by the servant, Nikita) when faced with life-or-death circumstances.



Rob TeKolste shares his perspective, with Azish Filabi and Jim Mitchell fully engaged.

Discussion

The executives scrutinized Vasili's character. One executive commented on Vasili's relentless pursuit of profit, raising two rhetorical questions for Vasili: Is that really the hill you want to die on? Was one more piece of land worth it? These questions highlighted that Vasili's final act, while noble, revealed his confirmation bias – Vasili was not drunk, but he also didn't see the risks. For instance, Vasili's refusal to pause in town reflected a dangerous, single-minded obsession with his first-mover goal, highlighting how his tunnel vision jeopardized their lives. Moreover, Vasili's persistent 'winner-take-all' selfishness—highlighted by his embezzlement and opportunism—made the group hesitant to grant him a second chance. Paul LaPiana remarked, "Executive speed and relentless pursuit aren't always a good thing. Slow down and everyone is better off." Lilly Farahnakian resonated with LaPiana's insight, and shared a quote inspired by Rob Walker's book, *The Art of Noticing*: "Speed feels powerful, but the pause is where the power actually lies." The quote struck a chord with Andrea Doss, who stated, "Listen to people who are thinking."

"Executive speed and relentless pursuit aren't always a good thing. Slow down and everyone is better off."

Paul LaPiana



Rob TeKolste and George Nichols are mesmerized by Christopher Michaelson's storytelling.

The ending's ambiguity underscored that critics remain split on whether Vasili's final act was selfless or selfish. Doss concluded the discussion with a statement that resonated with absolute finality and illuminated the climax of redemption in Tolstoy's story: "What did my life mean? I will die with this peasant."



Executing Excellence: Our Forum Dream Team

Your *Ethically* In Financial Services



THE AMERICAN COLLEGE
— CARY M. MAGUIRE —
CENTER FOR ETHICS
IN FINANCIAL SERVICES

As the only ethics center within an academic institution focused solely on financial services, the American College Cary M. Maguire Center for Ethics in Financial Services is uniquely positioned to help professionals and organizations be more sensitive to ethical issues and think more critically about solutions that benefit society.

The Center's Forum on Ethical Leadership in Financial Services brings together thought leaders, academics, and industry luminaries for challenging and valuable discussions on the biggest ethical questions facing the financial services profession. This annual event emphasizes collaboration and conversation among academics and executives.

In 2008, Ethisphere, a global publication dedicated to examining the important correlation between ethics and profit, recognized James A. Mitchell for his dedication to business ethics by including him in the "100 Most Influential People in Business Ethics". The Center for Ethics is grateful for the support of the Mitchell family, whose generous contributions since 2001 have helped sustain meaningful conversations about ethical leadership in financial services.

Appendix

Educators and learners have the Center’s permission to use this case study for educational purposes, with proper attribution; we suggest the citation below.

Bulgarella, C., & Filabi, A. (2026). Managing the Pitfalls of Innovation Requires Ethical Decision-Making: Key Insights from JPMorgan Chase’s Acquisition of Ed-tech Frank. In The Twenty-Fifth Annual Mitchell/The American College Forum on Ethical Leadership in Financial Services. The American College Cary M. Maguire Center for Ethics in Financial Services. <https://www.theamericancollege.edu/centers-of-excellence/center-for-ethics-in-financial-services>



Case Study: Managing the Pitfalls of Innovation Requires Ethical Decision-Making: Key Insights from JPMorgan Chase's Acquisition of Ed-tech Frank

By, Caterina Bulgarella, PhD and Azish Filabi, JD, MA

JPMC's Acquisition of Ed-tech Startup Frank Collapses. The cumbersome, yet consequential college financial aid process remains one of higher education's main roadblocks. In 2016 a start-up called Frank was born, offering an online platform where college-aid applicants could easily find relevant information and complete the Free Application for Federal Student Aid (FAFSA) requirements, which could potentially maximize their financial aid.

By helping young consumers make smarter financial decisions about their education, Frank facilitated the flow of critical resources to those who needed them—a win-win, do-good outcome for any financial services institution involved in its business.

To JPMorgan Chase (JPMC), acquiring Frank and its alleged user base of 4,500,000 subscribers made a lot of sense. Both Frank and its founder, Charlie Javice, who presented the startup as the future Amazon for college students, had received the backing of powerful investors (e.g., Aleph, Chevy, Reach Capital, Gingerbread Capital, etc.) and the accolades of the business press (e.g., Forbes, Business Insider, etc.). Moreover, JPMC was eager to expand its outreach to Zoomers—the generation born into a technology-first society that all financial services institutions wished to win over for long-term growth.

Thus, after the initial acquisition agreement terms were determined in the summer of 2021, JPMC spent only 22 days conducting due diligence. The final deal had the Bank pay \$175 million to acquire Frank, a large figure—still, below the startup's alleged market value.

But a few months after the acquisition, as JPMC ran its first marketing campaign using Frank's subscriber list, the millions of users claimed by Javice and her team proved nonexistent, revealing instead a case of old-fashioned fraud.

The evidence presented during the trial proceedings showed that Javice and another Frank executive had manufactured over 4,000,000 student contacts with the help of a statistician and data from an externally purchased marketing list. The deceptive appearance of a large user base had given the JPMC executives involved in the negotiations enough confidence that Frank's strategic contribution to the Bank would be considerable.

".. when you are getting up to bat 300 times a year, you will have errors," Jamie Dimon, JPMorgan's CEO, noted¹. Still, the reputational damage of the acquisition exceeded the economic costs of a bad deal. Experts were incredulous that JPMC had agreed to not independently test the list of subscribers submitted by Javice before finalizing the acquisition.

JPMC was first approached by Javice in 2019 but declined to invest at the time. However, in 2021, when one of Frank's investors shared information that Bank of America (BoFA) was interested in the startup, JPMorgan reconsidered its position. In the context of emerging competition, acquiring Frank could help not only align with the Gen Z demographic but also take that opportunity away from another firm.

At the trial against Javice, JPMC representatives noted that BoFA's presence during negotiations refocused their attention, further expediting their due diligence process.

A Failure of Ethics? JPMC's mishandling of the Frank transaction underscores the risks rapid technological change presents to the financial industry. But were the investors in this case just a victim of fraud or is there also a systemic failure of ethics?

On the one hand, Frank's successful delivery of falsified data shows investors' vulnerability to the push for innovation, competitive pressure, groupthink, misplaced trust, and other factors.

On the other, it also demonstrates how easily decision-makers can lose sight of their ethical responsibilities to their own stakeholders at a time when the need for technological progress outpaces all others—even if they are as sophisticated and deeply experienced as JPMorgan Chase.

One thing that is clear is that the JPMC team had some blind spots. While Frank's proposition of helping better connect students with education opportunities made the startup highly attractive, it also bolstered the risk of pro-innovation bias².

According to research, the tendency to overweigh the benefits of innovation while simultaneously downplaying its risks stems from a societal belief that any technological advancement improving on the status quo is inherently good. Thus, being an "innovator" is more valuable than being a "laggard."

What's more, the biases resulting from innovation's perceived positive value multiply when the envisioned endeavor has the potential to lead to both societal and economic gain.

A focus on "do-good³ progress" may mislead decision-makers into believing they have the moral high ground—irrespective of their own and others' actual conduct. But it also makes it easier to forgive any ethical failures and gaps⁴.

In Frank's case, the proposition was both innovative and purpose-led, which helped boost the startup's value. Still, simultaneously, it also increased the risk of inadequate due diligence by lowering JPMC's ethical guard.

Competitive Pressure. It is significant that JPMC took a second look at the deal only after BofA expressed interest. Pressure stemming from competition injects bias into decision-making by recalibrating the desirability of the available options⁵ based on their impact on self and others.

A notorious example of the costs of competitive decision-making⁶ is the rivalry between Boeing and Airbus⁷, which led Boeing to accept unrealistic deadlines and goals for the commercial release of its Max 737 airliner.

In that case, the safety failures and other ethical gaps that affected Boeing's operations led to the death of hundreds of people. But even without as catastrophic an outcome, pressure to win may result in decision-makers downplaying the importance of rules and regulations, professional best practices, compliance processes, and basic ethical principles like integrity and transparency.

Notably, the blinding effect of competition on decision-makers also pushes ethics into the background, a phenomenon known as ethical fading⁸, making ethical considerations peripheral to what's at stake.

It is the desire to win that may lead negotiators to engage in unethical behavior at odds with their personal values, which is why decisions are more likely to be made with one's "want" self rather than their "should" self⁹.

For JPMC, pressure to win meant skipping key parts of the due diligence process and arriving at a deal after only 22 days.

The Costs of Fake It 'Til You Make It. In the world of startups and innovators, where the odds of succeeding are slim at best, "fake it 'til you make it" is a widespread mantra. Founders may use it to overcome fear of failure and play hero, rationalizing that the ends justify the means. But investors, venture capitalists, and other stakeholders, too, may wittingly or unwittingly endorse it as an "imperfect" operational posture that comes with the territory of doing something new.

As a cultural phenomenon within the broader innovation ecosystem, “fake it ‘til you make it” is a mindset rooted in the subjunctivization bias¹⁰—complementary to the pro-innovation bias, this is an unflinching optimism about innovation if the full cycle has a chance to run its course.

Since innovators face technical, regulatory, and/or operational barriers, a can-do attitude is perceived as necessary for success. Still, run amok, it can also lead people to take shortcuts and rationalize their behaviors as acceptable to bridge the gap between the rapid ideation innovation calls for and the hurdles that stand in the way of progress.

According to Drew Chapin, ex-cofounder and CEO of an e-commerce startup called Benja Inc., who was sentenced to prison for “faking” it, making stuff up starts with small things (e.g., placing a logo on a PPT presentation, pretending to have a client relationship that doesn’t exist, etc.). But it may quickly snowball into bigger patterns of unethical conduct.

Indeed, the slippery slope¹¹ founders face when they engage in “fake it ‘til you make it” can also affect those who champion the innovation cycle (e.g., investors, employees, partners, etc.). To accelerate progress, not only may these actors look the other way and fail to hold innovators accountable, but they may also lower their own standards and gloss over potential red flags.

In this case, when Javice indicated that the Family Educational Rights and Privacy Act (FERPA) forbade disclosure of student contact information without student consent, JPMC may have taken that feedback as a valid reason to compromise on the validation process. Thus, they consented to an external firm running a partial validation of Frank’s subscriber list, under Javice’s oversight, rather than the independent review that best practices required.

Likewise, JPMC may have glossed over the fact that in 2020 a bipartisan group of Congress members had asked the FTC to investigate Frank’s “deceptive practices” and issue a restraining order to prevent the startup from baiting students with false hopes into using its online platform to collect subscriber data that could be sold to third parties. In response, the FTC¹² warned Frank that it “may be unlawfully misleading consumers” about student COVID relief.

While these and other red flags may have looked like the typical challenges innovation faces when it threatens the status quo, the conclusion that businesses must find any way to deal with them is the type of ethical discounting that leads to lowering personal and shared standards of conduct.

Notably, even though investors may accept the risks of “fake it ‘til you make it,” they also seek proxy indicators and/or implicit guarantees of trust. The fact that Javice fitted the startup founder stereotype, had a compelling narrative (e.g., a Penn Wharton graduate from a respectable family of business professionals, etc.), and was supported by powerful backers with whom JPMC shared long-standing relationships likely fostered a false sense of trustworthiness.

But in a context rife with bias and conflicting goals, trust¹³ based on belonging to the same community, looking the part, or stereotypical conformity is a misleading indicator of ethical fitness.

A Failure to Acknowledge Potential Conflicts of Interest. If long-standing relationships played a confounding role in the JPMC due diligence process, they may have also downplayed potential conflicts of interest. Long-term relationships foster trust precisely because the continuity in the relationship allows the parties to hold each other accountable. Nevertheless, even when the actors know each other, have worked together, and look to the prospect of future business, they may still pursue self-interested goals.

In this case, the root causes of the “fake it ‘til you make it” phenomenon remain unaddressed and innovators feel encouraged to take shortcuts; thus, the system as a whole is exposed to greater negative outcomes. Stakeholders may individually deal with any structural liability resulting from their business dealings by shifting the risk around, as when financial entities sell bad debt to minimize their losses.

The innovation cycle has other conflicts of interest and blind spots due to the myriad investors involved in the “hype” cycle of promoting their portfolios. Thus, portfolio fraud may be one of many outcomes. In this case, the Venture Capital firms that were early investors in Frank may not have been motivated to exercise accountability, seeking exit or quick return strategies to reap gains from startup sales.

From an ethical standpoint, any conflict of interest¹⁴ between business parties should be identified and parties should recuse themselves from decisions consistent with their conflict. Yet, stakeholders may mistake familiarity and interdependence for shared interest and fail to remain neutral, thus encouraging more hype around the innovation process.

The costs of operating in the gray zone are high. JPMorgan will receive restitution funds from Javice, now a convicted felon, and possibly other insurance money. But the residual reputational costs remain. By the same token, the innovation ecosystem looks less trustworthy with mounting cases of unethical behavior, as another vaunted innovator—one of the Forbes 2019 30-under-30 founders—readies to serve a seven-year sentence in prison.

The Impairing Effect of Top-Down Groupthink Combined with a Lack of Bottom-Up Voice.

JPMorgan fast-tracked its due diligence of the Frank deal, although it didn’t spare any resources in assembling a team of 350 executives and analysts. The fact that these many professionals didn’t anticipate the risks involved goes to show the blinding nature of the biases described above. But it also sheds light on the role of corporate culture, particularly dynamics relating to groupthink and voice.

Groupthink¹⁵, which refers to a group's failure to engage in divergent thinking and a tendency to rely on conforming consensus in group decision-making processes, is a dangerous Achilles' heel when exploring unknown opportunities. What's more, when the organization shows both a tendency to groupthink and, simultaneously, a lack of bottom-up voice, the risk of poor decision-making is even higher.

Some JPMC team members expressed concern during the Frank due diligence process, according to reports¹⁶. Perhaps others on the due diligence team were uncomfortable with the risks but didn't want to be the naysayers among a pro-innovation team. Either way, a review that doesn't pay attention or allow for divergent thinking and candid feedback is not equipped to reveal critical pitfalls.

Running evaluative processes without a strong ethical focus is bound to result in suboptimal risk management, as this case painstakingly shows.

A strong ethical perspective is one that looks beyond the analytical, legal, and financial lens, taking into consideration the bigger picture. It can help thwart self-interested logic, keeping a team or organization focused on achieving real progress through innovation processes. Yet, when faced with various red flags, JPMorgan may have merely chosen to create sufficient legal safeguards to shield itself from potential negative consequences in case of a bad outcome. Likewise, closing the transaction at a price below Frank's alleged market value may have been a way to minimize the cost of a bad deal. But it may have also contributed to negligence in preventing unethical outcomes.

Conclusion. Financial services institutions play a vital gatekeeping role in the larger socio-economic ecosystem, even when they are the ones who are the target of fraud.

Beyond merely protecting their bottom lines¹⁷, firms can rise to the role of champions of innovation for the common good, navigating blind spots and biasing effects, acknowledging potential conflicts of interest, focusing on transparency, authenticity, and responsibility, promoting psychological safety, encouraging constructive dissent, neutralizing leadership influence, seeking external input, and seeking cognitive diversity.

Such an ethical mindset would not only bolster executives' ability to lead more competent discovery and due diligence processes¹⁸, but would also bolster the financial services industry's societal impact.

Ultimately, an ethical mindset is not one that wants to "do good" at all costs, but rather one that keeps awareness of potential biases and blind spots, helping mitigate risk during innovation hype cycles¹⁹.

Such a shift would not only benefit institutions, but also the broader innovation culture.

Questions for Self-Reflection and Group Discussion

1. **Assessing the failure in this case.** JPMC had a due diligence failure relating to vetting Frank's (fraudulent) representations. What is your analysis of what was driving the failure? Where do you see the breakdown of responsibility and accountability in this case?

2. **Blind Spots, Biases, and Corporate Culture**
 - a. Do you think groupthink had a role to play in this case?

 - b. If not, what else was driving the decision-making process?

 - c. If you do think group think is an issue, how should senior leaders address the failure at the firm? What advice would you give JPMC to create a more resilient organization that can withstand these types of failures?

 - d. Do you think financial services firms feel insecure about their ability to innovate and that such insecurity may affect their ethical posture during internal and external innovation processes? How can firms reframe faulty beliefs and prevent the biasing effects discussed in this case study?

 - e. How can institutions use their internal culture to counter the biases and risks that imperil innovation? In particular, what changes should they embrace to foster voice, discourage groupthink, establish independent oversight, and distribute decision-making in a way that reduces both bias and ethical fading?

3. **Navigating the Pace of Change in Technology/Innovation.** Do you see a tension between the need to innovate at a pace consistent with today's technological change, with ethical imperatives such as transparency, integrity, and fairness for all stakeholders involved?
 - a. If so, how do you think firms can reconcile this tension? How do firms' processes for goal setting, competition, or growth targets affect this tension?

 - b. What conflicting goals should financial services institutions pay attention to during innovation processes? How can these goals be managed in a way that meets both ethical and operational concerns?

4. **Culture in the Financial Ecosystem.** Do you perceive "Fake it 'til you make it" as a widespread culture phenomenon in the innovation lifecycle? If so, what other areas of innovation do you see this risk? If not, what is your assessment of the current innovation lifecycle?

5. **“Trust” as a proxy.** Thick trust (trust based on the alleged trustworthiness of the other party as a member of the same community) remains a weak spot within the financial services industry and broader ecosystem (e.g., Madoff’s Ponzi scheme, FTX’s fraud, etc.). What mechanisms should institutions use to replace thick trust with other mechanisms? For example, could the idea of “shared interest” play a role in finding partners who are both competent and ethical?
6. **Conflicts of Interest.** Do you perceive a conflict among early investors and mid/late-stage investors in the innovation cycle? What changes could be made to avoid or mitigate conflict of interest in long-term financial relations? And how can the financial system be protected from poor decision-making stemming from its failure to address de-facto conflicts of interest?
7. **Using Technology for Good:** Is there an opportunity for financial services firms to use innovation to “expand the pie,” bringing in stakeholders currently excluded from the financial system? For example, how can institutions manage the opportunities AI offers to become more inclusive and blind to bias with respect to their service offering and outreach?
8. **Industry-Level Opportunities.** How can institutions create greater opportunities for collaboration with one another in the pursuit of high-value innovation goals? Is collaboration an untapped opportunity for shared interest? And if it is, what would it look like?
 - a. Does the financial services industry possess a mature strategy relating to their role in promoting innovation? If not, what is getting in the way of formulating such a strategy, including addressing long-standing and emerging ethical needs? How can firms play a more influential role in the formulation of such a strategy? Should the strategy help to restructure the relationship between the financial services and the tech sector?
 - b. What additional role/s should be uniquely ascribed to financial services senior leaders today to ensure the pursuit of ethical innovation at both the firm- and system-level? In particular, when it comes to leadership behavior, what are behaviors senior leaders need to show more and less of, respectively? Likewise, what leadership behaviors are currently missing and what behaviors need to radically change?

Notes

¹JPMorgan CEO Jamie Dimon Called the Bank’s Acquisition of Fintech Frank a “Huge Mistake” After Being Grilled About It on an Earnings Call. Johnson C. & Brownstein E., www.businessinsider.com, January 13, 2023.

²Maladaptive Planning and the Pro-Innovation Bias: Considering the Case of Automated Vehicles. by António Ferreira A., von Schönfeld K. C., Tan W., & Papa E. Multidisciplinary Digital Publishing Institute, 2020.

³Self-Serving Altruism? The Lure of Unethical Actions that Benefit Others. Gino, F., Ayal S., & Ariely D. *Journal of Economic Behavior & Organization*, 2013 April 17, 93:10.1016.

⁴Moral Balance: the Effect of Prior Behavior on Decision in Moral Conflict. Nisan M. & Horenczyk G. *British Journal of Social Psychology*, 1990 March: 20 (Pt 1): 29-42.

⁵Game Theory and Neural Basis of Social Decision Making. Lee D. *Nature Neuroscience*, 2008 March 26; 11(4): 404-409.

⁶Competition and Sensemaking in Ethical Situations. Caughron J.J., Antes A. L., Stenmark C. K., Thiel C. E., Wang X., & Mumford M. D. *Journal of Applied Social Psychology*, 2013 June 16;43(7):1491-1507.

⁷Airbus rivalry may have led Boeing's 737 Max to a fatal crash. Bulgarella C., *The FCPA Blog*, October 16, 2019.

⁸Ethical Fading: The Role of Self-Deception in Unethical Behavior. Tenbrunsel A.E. & Messick, D. M. *Social Justice Research*, January 2004 17(2): 223-236.

⁹Bounded Ethicality and Ethical Fading in Negotiations: Understanding Unintended Unethical Behavior. McKenzie R. R., Tenbrunsel A. E., & Bazerman M. H. *Academy of Management Perspectives*, Vol. 33, No. 1, February 2019.

¹⁰Five Biases of Technology Innovation. Grennhalgh T. *British Journal of General Practice*, 2013 August; 63 (613): 425.

¹¹The Slippery Slope: How Small Ethical Transgressions Pave the Way for Larger Future Transgressions. Welsh D. T., Ordonez L.D., Snyder D. G., & Christian M.S. *Journal of Applied Psychology*, 2015, January; 100 (1): 114-27.

¹²https://www.ftc.gov/system/files/warning.letters/covid-19-letter_tofrank.pdf

¹³Trust promotes unethical behavior: excessive trust, opportunistic exploitation, and strategic exploitation. Yip, J. A. & Schweitzer, M. E. *Current Opinion in Psychology*, Volume 6, December 2015, 216-220.

¹⁴Conflicts of Interest: The Ethical Viewpoint. Argandona A. *SSRN Electronic Journal*, April 2004.

¹⁵Victims of Groupthink: A Psychological Study of Foreign-Policy Decisions and Fiascos. Janis I. (1972) Hopewell, NJ: Houghton Mufflin Company.

¹⁶Learning from JPMorgan's \$175M Due Diligence Error. Stager, A., *ACFE Insights Blog*, May 2025.

¹⁷Open Innovation in the Financial Services. Fasnacht D. *Open Innovation Ecosystems* (pp.97-130) Edition: 2. Chapter: 4 Publisher: Springer, November 2018.

¹⁸Due Diligence, Ethics, and Compliance Considerations for Dealmakers. Moser, S., Schuh A. E., & Lewis M. *JD Supra*, April 8, 2022.

¹⁹AI in the Financial Sector: The Line between Innovation, Regulation and Ethical Responsibility. Ridzuan N. N., Masri M., Anshari M., Fitriyani N. L., & Syafrudin M. *Information* 2024, 15(8), 432.

Copyright 2026 by The American College of Financial Services. All rights reserved. This material is protected by copyright law. Unauthorized reproduction, distribution, or modification of this work is strictly prohibited. However, permission to use this material under a license may be granted upon request. To inquire about licensing or other usage rights, please contact ethics@theamericancollege.edu.

Acknowledgements

We are grateful for the time and thoughtful engagement of all Forum participants. We deeply value their professional efforts and commitment to elevating ethical standards in the financial services industry. We also wish to acknowledge the following individuals for their exceptional contributions to the development of this report: Azish Filabi, JD, MA, James A. Mitchell, CLU®, ChFC®, and Domarina Oshana, PhD. Special thanks to Teri Moentmann for her invaluable help in proofreading this report.

Our sincere thanks also go to the American College Alliance for Ethics in Financial Services, whose continued support is vital to our success.

