JP Morgan Chase is using the market for corporate control, which is an external governance mechanism that activates when a firm’s internal controls break down. Many analysts argued that shareholders would vote out of fear if the CEO would be replaced, and the stock would go down in value making the vote count for personality instead of good corporate governance.

Several recommendations can improve the governance system. One suggestion is to have a better communication system between top management and lower management with decision-making and implementation. Another recommendation would be to implement governance mechanisms on ownership concentration and executive compensation. By having more concentrated ownership, it will produce more active and effective monitoring, which will in turn, force managers and board of directors to make decisions that best serve shareholders’ interest. Furthermore, through making the suggested changes and reviewing policies, this will help to understand better the inner workings and the role of the board along with what works concerning the governance system.