

MGT 332 – Leadership
 Semester 2 (Spring 2023)

The assignment (Case study):

Read the case study (The Last CEO of Lehman Brothers: Richard Fuld) and answer the questions below.

Assessment Components	<p>1- What are the sources of Dick Fuld’s power? How would you feel working for him? [2 marks]</p> <p>2- What elements of power corruption are present in this case? [2 marks]</p> <p>3- Can a leader be effective without power? Explain. Support your answer with references that boost your idea. [2 marks]</p> <p>4- Does power have a negative or positive effect? Explain. [2 marks]</p>
Marks	8 marks
Targeted Learning Outcomes	3.1 Develop the capacity to think as leaders.
Submission Date:	On or before Sunday 02/04/2023 – 11:59 pm
Submission Form;	A written report (electronic not printed) submitted by TEAMS
Work Type	Group work (Maximum of 4 students per group)
Penalties:	<ul style="list-style-type: none"> • Late submission: 1 mark per day. • Any submission after Tuesday 04/04/2023 WILL NOT BE ACCEPTED. • Plagiarism: In case of plagiarism, zero tolerance policy will be applied.
Writing requirements	<p>Your written paper must meet the following requirements:</p> <ul style="list-style-type: none"> • Font size 12 and the Font name is Times New Roman. • Write sources and references in the last page of your paper. • The cover page should include (the name of the assignment, the name of the students and their ID, the name of the course, the section number, the name of the university, the date of submission).

Written Assignment Grading Rubric

Grading of written assignments will be based on the following grading rubric.

Criterion	Excellent =A	A Good = B	OK=C	Below Standard = D	Missing = F	Score
Content	Hits on almost all content MEMORABLE	Hits on most key points and writing is interesting	Hits on basic content and writing is understandable	Hits on a portion of content and/or digressions and errors	Completely off track or did not submit	
Argument	Coherent and completely organized	Coherent and reasonably well organized	Fairly coherent	Some confusion and vagueness	Missed the point completely	
Sources	Sources are cited and are used critically	Sources are cited and some are used critically	some sources are missing	Sources are not cited	Did not include	
Writing	Writing is nearly error free	A few writing and spelling errors but non that are critical for comprehension	More than a few writing and spelling errors but that may impede comprehension	Many careless writing and spelling errors that impede comprehension	Same as below standard	
Font and cover page	Includes a cover page and follow requirements regarding font size and name	Includes a cover page and follow some requirements regarding font size and name	Did not include the cover page and follow some requirements regarding font size and name	Did not include the cover page and did not follow requirements regarding font size and name	Same as below standard	

THE LAST CEO OF LEHMAN BROTHERS: RICHARD FULD

Among the most dramatic stories of the 2008–2010 global financial crisis was the sudden and unexpected demise of the Lehman Brothers, a financial services firm founded in 1850, in September 2008. After many years of success, the company was brought down by an accounting scheme, dubbed Repo 105, that allowed it to shuffle and hide its risks and bad assets (Johnson, 2010). Its downfall in September 2008 was one of the primary triggers of the global crisis.

Leading the company since 1994 and through its bankruptcy was the flamboyant Richard Fuld, who by most accounts was and still is a force to be reckoned with (Kim, 2013). Although he accepted responsibility for the demise of his company, he steadfastly had refused to admit any wrongdoing or any mistakes (NYT, March 12, 2010) and even denied having knowledge of the shady transactions (Gallu and Scheer, 2010). A serious and intense man who was considered one of the best traders at Lehman's, he seemed to have had the ability to make others want to follow him (NYT, March 12, 2010). He also brought considerable profitability to the company.

Those working with Fuld gave him the nickname of “Gorilla” for his habit of grunting instead of talking and his intimidating presence (Plumb and Wilchins, 2008). He quickly warmed up to the label and kept a life-size toy gorilla in his office (Fishman, 2008). One financial analyst states: “He had the typical hubris that any long-term CEO has: ‘I built this thing, and it’s got more value than the marketplace understands’ ” (Plumb and Wilchins, 2008). Several years before the collapse, Fuld refused several offers that could have saved his company, against the advice of many advisors, because he did not agree with them. He then was outraged that the U.S. government did not bail his company out and believes he is being used as a scapegoat because people need someone to blame, although some of his associates believe that Fuld was fully aware of what was going on in his company (Clark, 2010a). During the last days before the company went bankrupt, Fuld used all his political connections, calling U.S. Treasury Secretary Paulson, Jeb Bush (the president’s brother), and others to pressure both the U.S. and British governments to intervene on behalf of his company (Clark, 2010b); his charm and pressure did not work.

While CEO, Fuld was not shy about using his power. He once berated one of his employees for wearing the wrong-colored suit and is reputed to have fired another for using an “appalling” shade of lipstick (Pressler, 2010). Describing an interaction with Fuld, one of Lehman’s former executives states: “... he made it seem like [a situation] will lead to physical violence if you didn’t relent” (Fishman, 2008). He approached his job as CEO with a strong “us vs. them” philosophy, adopting some of his mentor’s (and previous Lehman’s CEO, Glucksman) working-class suspicion of Wall Street and paranoia about his company being under attack (Fishman, 2008). His intimidating take-no-prisoners approach and sometimes explosive behavior—he once knocked down the papers from an executive’s desk—was balanced with generosity to those he liked and those who performed well (Fishman, 2008). Fuld surrounded himself with highly skilled, often non-Ivy league performers—an unusual occurrence in Wall Street—who received some of the highest incentives in the industry for high performance.

With a new report out about the process and causes of the company’s downfall and Lehman’s in bankruptcy, Fuld spends his time in an office in the Time Life building in New

York City, a space that once served as overflow for the company, wrapping up what is left of the company, continuing to replay how things went so wrong, and worrying about the possibility of charges brought against him (Fishman, 2008; Ray, 2010). A few years after the collapse of his company, a milder Fuld is showing some remorse and some doubt about what could have been done to prevent it (Craig, 2011). However, in spite of his continued networking, Fuld remains difficult and risky to hire (Winkler, 2013).

Questions

1. What are the sources of Dick Fuld's power? How would you feel working for him?
2. What elements of power corruption are present in this case?