
WORLDCOM INC.: SURVIVAL AT STAKE

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CASE DESCRIPTION

The primary subject matter of this case concerns management of mergers and acquisitions in a turbulent environment. Secondary issues examined include strategic, organizational, and competitive issues that push the companies to the brink of destruction, and that may induce them to breach the boundaries of ethics and accountability for remaining afloat. The case has a difficulty level appropriate for first year graduate level. The case is designed to be taught in 1.5 class hours and is expected to require 2 hours of outside preparation by students.

CASE SYNOPSIS

Accounting fraud issues have taken the center stage whenever there is a discussion about the bankruptcy of WorldCom. However, the fraud issues were just an outcome of a deep-rooted deterioration in the performance fundamentals of WorldCom. In this case, we discuss some of the strategic, organizational and environmental issues that led to the survival challenges, and hence precipitated ethical irregularities and downfall of the company.

INTRODUCTION

Considerable attention has been focused on WorldCom in recent months. WorldCom has the dubious distinction of being the company responsible for the biggest accounting fraud and bankruptcy in the US till date. It may be tempting to view WorldCom mostly as an example of how unethical behavior leads to bankruptcy. However, to do that would miss out on a major lesson in management. An analysis of the company's performance shows that the company was having severe problems even before the accounting fraud issue surfaced. Had the company stayed on that trajectory, it might be speculated that it would have moved into bankruptcy sooner or later. WorldCom suffered from strategic and organizational dilemmas and was in an industry facing tremendous turbulence. The aim of this case is to identify the strategic, organizational and environmental issues that led to the decline of WorldCom.