
WORLDCOM INC.: SURVIVAL AT STAKE

Kamala Gollakota, University of South Dakota

Vipin Gupta, Grand Valley State University

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.

INSTRUCTORS' NOTES

OVERVIEW

This case focuses on the growth and decline of WorldCom. The case traces the growth of WorldCom, till it filed for bankruptcy in 2002. Although accounting fraud issues have taken center stage when discussing the bankruptcy of WorldCom, the roots of WorldCom's decline lie in its turbulent industry, and strategic and management errors made. WorldCom shows meteoric rise and an equally meteoric fall. The case traces the developments in the telecommunications industry from the breakup of AT&T till 2002. Deregulation and technology have had major roles in shaping the industry. While deregulation increased competition in the long distance business, the local exchange business was not so transformed. Long distance business became increasingly commoditized and