

Industrial marketing

[Business](#), [Marketing](#)



Prof's Assignment Questions Worldcom attempted to grow through the voracious acquisition of other companies. Essentially, Worldcom leveraged a small amount of assets into being enough to acquire another company, which would then provide enough influx of assets and revenue to buy another company, creating enough new revenue and assets to buy yet another company, again and again building upon this process to acquire ever more and more expensive companies. This means that the company would always be able to produce an increase in revenue, assets, and several other business qualifications over the year before. In the short term, such a growth strategy can be incredibly effective for several reasons. The first is the visual of it. Acquiring new companies is a sign of growth and vigour for a company, which makes investors find the company more desirable, artificially inflating its value. But the real statistics of growth would also, in the short term, be very positive, showing a new growth in assets as well as operating revenue year over year.

2. This growth strategy failed for several reasons. In one way, it was doomed to fail from the start. This is because the fundamental structure was actually somewhat akin to a pyramid scheme. As it acquired more and more companies it became more and more difficult to find other companies to acquire, and eventually this would have limited its field of growth in a fundamental way. But the failures of management at Worldcom also ensured that this collapse happened sooner than it might have had to. The company never streamlined its acquisitions to take advantages of economies of scale. Yet the costs of managing more and more small, subdivided companies, handling the massive amounts of different kinds of structures, billing

systems, accounting systems and so on would grow. So the sum of all of the acquired companies was, with every new acquisition, actually somewhat less efficient than they had been pre-acquisition. For a short period of time the new acquisitions would be able to paper over this inefficiency, at least superficially, but the venture was destined to failure unless major integration efforts were pursued, which they never were. In an attempt to continue the superficial image of success, the company undertook malfeasance in their accounting techniques, further harming their long term chances of success.

3. It took such a long time for several reasons. One is that every indicator of success that businesses usually tend to measure would have been positive - operating income, net revenue, assets, stock price and so on. Furthermore, so many people were gaining personally from the situation that it would have been emotionally invested in ignoring structural problems for as long as possible. Like building a tower on a faulty foundation, work could happen very quickly for a period of time, and still look to every observer as if it was going well. Only those with expertise to see the foundation is broken would know that it was doomed to failure, and there would be little incentive for the tower builders to even listen to someone with this expertise.