Worldcom

Business

Worldcom Case Primary Stakeholders and their Interests Worldcom is a telecommunication company that is based in Mississipi, was founded by Mr. Ebbers who had a goal of turning it into a multinational company. It was based on buy wholesale phone networks from AT&T and sell retail. His strategy was to grow the firm through acquisition. In 1997, WorldCom completed the largest merger in history at the time with MCI. Mr. Ebbers wanted to be the head of the top company on Wallstreet and in the telecommunications industry, his objectives therefore focused on financial gains mostly. One major problem however, was Ebbers' incapability to maintain the businesses he was acquiring. He managed his company indirectly and took the firm's money to spend it on personal purchases which were extravagant in nature.

The Stakeholders

The extravagant lifestyle left him in debt when the company started posting losses. The stock that he took a loan with from the company was the same stock he had used as security for the startup fee of the firm. This is one thing that he kept from the board of directors. He had taken a loan of $415 million and yet he had promised a $1 billion to the creditors, this became a major problem when he failed to meet the financial targets the following year.

Audit of the Firm

With the company losing its grip on the share of the market, the 2002 economic downfall of communication companies served as a major blow to the entity. On March of the same year, the SEC investigated the financials of WorldCom which was an economic giant at the time. They found improprieties that led to a 7% drop in the share of the market. This was attributed to the $415 million loan to Ebbers. The firm survived on merger reserves from there on, more inconsistencies were discovered on the reporting of revenues and altering of financial statements.