Management Planning: Global Crossing

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Global Crossing is a solutions provider. A member of the NASDAQ as GLBC, it gives telecommunications backbone to more than 320 cites in 31 countries across the globe. The company's IP services crosses six continents, "linking the world's enterprises, governments and carriers with customers, employees and partners worldwide in a secure environment that is ideally suited for IP-based business applications, allowing e-commerce to thrive. The company offers a full range of data, voice and security products, to approximately 40 percent of the Fortune 500, as well as 700 carriers, mobile operators and ISPs. Its Professional Services and Managed Solutions provide VoIP, security and network consulting and management services to support its Global Crossing IP VPN service and Global Crossing VoIP services. Global Crossing was the first -- and remains the only -- global communications provider with IPv6 natively deployed in both its private and public backbone networks." (Global Crossing. 2007)

Such scope entails basic management planning skills taken into global creative heights. The planning function of the management is critical in delivering services to their customers. Although each CEO of GX is made responsible for his own side of the network, standardized reporting is important in bringing information to headquarters. These information is used to help detail corporate plans and tactical guidelines.

However, sustaining delivery of information to clients is just half of management's responsibilities. Their clients are also their shareholders. Either the company has become too big to manage with such limited time, there were incidences when vital information did not reach shareholders.

"GX also omitted to disclose that in the reciprocal transactions, it often purchased capacity that would not be able to be integrated into its network, and thereby derive future service revenues, for some time. In particular, GX failed to disclose that in certain of these reciprocal transactions, GX had not completely negotiated important operational and business issues, including what was to be exchanged between the parties and when they were to do so; GX had purchased capacity that would not be ready for service until sometime after the quarter, and in some cases not for weeks, months or, occasionally, even a year or more; in the first quarter, GX had purchased capacity from another carrier that was then in severe financial difficulty and in danger of declaring bankruptcy; and GX had purchased capacity that GX could designate for use in the future." (SEC. 2005)

In such case, the planning styles of GX management is not as thorough as it should have been considering the fact that the company's geographical scope is a challenge to contend with, it should have been expected by management to ensure double checking of pieces of the company plan that could be easily overlooked.

Analysing the impact that legal issues, ethics, and corporate social responsibility have had on management planning, Global Crossing managers were caught red handed. Insider trading that occurred in Global Crossing is a legal issue. Executives Gary Winnick was investigated on for this illegal act. It is illegal because the trading of the stocks affected health of the shares. It is illegal to manipulate the stocks from the inside because it gives false information on how the stocks are truly fairing in the bigger economic environment. Distrust from the shareholders will follow.

"The House Energy and Commerce Committee began investigating possible insider trading by executives, especially Chairman Gary Winnick, in August 2002. Chairman Winnick, who resigned from his position on December 31, 2002, sold approximately $734 million in company stock before the company collapsed. Winnick still held about 75% of his original holdings when the company collapsed. These shares are worth just $5 million (New York Times, February 11, 2002). In May 2001, Winnick sold 10% of his stock for $123 million. Witnesses say Winnick saw a projection of decreased revenues (Washington Post, August 30, 2002). (Stanwick, 2003)

Hiding the true state of the company's health is an ethical issue. Global Crossing managers deliberately sent false information to its stockholders that are by far most unethical. There must be a certain amount of respect ascertained to stockholders and clients so that they can make their own well-informed choice. The managers crossed unethical lines when they activated swap deals.

"The swap deals allowed Global Crossing to show financial health while hiding their true declining health. The restatements require the exchanges between telecommunications carriers to be recorded at historical carryover basis, as required in Accounting Principles Bulletin No. 29. This means that no revenue should be recognized on these exchanges, a practice Global Crossing participated in order to overstate revenues. Management said they relied on the advice of their auditor, the now defunct Arthur Andersen, when recording these exchanges. The SEC said the treatment was not in accordance with generally accepted accounting principles." (Stanwick, 2003)

A company's strengths, weakness, threats and opportunities are factors that influence their strategic, tactical, operational and contingency plans. As Global Crossing become riddled with issue and problems due to weaknesses in its management activities, applying Chapter 11 enables it to salvage the inherent strength that it has, employing opportunities that could come from its external environment, thereby decreasing threats against the company.

Chapter 11 is more of a tactical maneuver to save millions of clients and millions worth of investment that the company has garnered. Chapter 11 is first and foremost a stop-gap measure that can cease operations when operations begin to bleed the company. Global

Crossing is a network to contend with that remains its strengths. This strength will find other investors that will be interested to help it restore to growth. Without the infrastructure and global market it has built on, Global Crossing will not be able to draw in new investments and capitalization to correct its mistakes.

And example of this phenomenon is how Hutchison Telecommunications Limited infused capital on Global Crossing. “Global Crossing today announced that it has signed a definitive agreement under which Hutchison Telecommunications Limited (Hutchison), a wholly owned subsidiary of Hutchison Whampoa Limited, and Singapore Technologies Telemedia Pte. Ltd. (ST Telemedia) will invest a total of $250 million for a 61.5 percent majority interest in a newly constituted Global Crossing on its emergence from bankruptcy. Global Crossing’s creditor groups support the agreement.” (Global Crossing. 2002)

Chapter 11 is also a way of restructuring that the company can do given the opportunity for reflection, assessment and finding how better to do the processes that have gone bad. Top management will be privy of the restructuring plans without disturbing current activities. Changes will then take place slowly and clients will be able to see improvements in due time.

“With new ownership in place, Global Crossing is looking to the future. But will the public be able to look past the image of the company, which the USA Today said yesterday it's worse than just about anybody. Thanks to a $250 million dollar investment from Hutchison Telecom and Singapore Tech, the company plans to emerge from bankruptcy reorganization in January. The company's debt will have been cut from 6.6 billion to about 200 million in the process, Workforce now just 5,000 strong, down from 15,000. This year's service revenues expected to top 2.9 billion.” (Legere, 2002)

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