UNICORD PLC: THE BUMBLE BEE ACQUISITION

Dr. Hemant Merchant prepared this case with assistance from Nima Narchi solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation, and may have disguised certain names and other identifying information to protect confidentiality. However, all essential facts and relationships remain unchanged.

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Late in autumn 1995, Dr. Juanjai Ajanant, special advisor to Unicord PLC's board, was contemplating strategies to rescue the company from significant financial difficulties. Headquartered in Bangkok, Unicord had gone from being a leading tuna processor and one of Thailand's most admired firms to a firm teetering on bankruptcy. Many believed that Unicord's woes stemmed, at least partly, from its acquisition of U.S.-based Bumble Bee Seafoods in 1991. While Dr. Juanjai deliberated how he could engineer a turnaround, he could not help wonder what had gone so wrong for Unicord, and what lessons other Thai companies could learn from the Unicord saga.

UNICORD PLC

Established in 1978, Unicord operated a wide range of seafood-related activities that mostly involved the production and canning of seafood products. The company's business lines consisted of pet food, frozen shrimp, and canned tuna:

1. Unicord manufactured and canned pet food for export markets worldwide;
2. Unicord was a wholesale exporter of frozen shrimp which were sold under private labels to distributors who, in turn, supplied restaurants and institutional users;
3. Unicord's main line of business involved the processing and canning of fresh tuna which were marketed worldwide under various brand names including Unicord's own.

Given the significance of tuna business to Unicord, this line was operated at the corporate level. In contrast, the pet food and shrimp businesses were operated by Unicord subsidiaries. These subsidiaries comprised: the Betargo Group, World Aquaculture Group, and Unicord Group. Betargo's domain included processing and distribution of pet food and animal feed products, whereas World Aquaculture's domain comprised shrimp farming. The domain of

Unicord Group included shrimp farming as well as various operations that complemented the tuna canning business.

Unicord was born out of the belief of its founder and CEO, Mr. Dumri Konuntakiet (then only 27 years of age), that Thailand was strategically located for the development of tuna canning industry. At least three conditions supported Dumri's conviction: i) Thailand was geographically synonymous with prime tuna fishing grounds, ii) the Thai Board of Investment offered many fiscal incentives to support the tuna industry, and iii) skilled Thai workers commanded lower wages than those in other tuna processing countries. This configuration enabled Dumri to adequately "sell" his vision of establishing Thailand as a world center for tuna canning.

THE GLOBAL TUNA INDUSTRY

The tuna segment comprised a small portion of the worldwide seafood industry, but it had significant economic presence worldwide. The industry employed thousands of people, and was dominated by ten multinational firms with a market capitalization of multi-billion dollars (refer appendix A). During the 1980s, these firms caught, processed, traded, or distributed more than 70% of all tuna and tuna products worldwide. They operated on every continent and at every level of the market: these firms dominated all transactions in harvesting, trans-shipping, and processing tuna for human consumption.

The global tuna industry consisted of tuna fishing as well as canning. In 1988, the global tuna catch was almost 625,000 tons. In the late 1980s, Thailand was the world's largest tuna exporter with a market share of over 60%. Its biggest export markets were North America (51%), Western Europe (27%) and Scandinavia (6%). The top ten importers of Thai canned tuna were: i) United States, ii) United Kingdom, iii) Canada, iv) West Germany, v) Malaysia, vi) Australia, vii) Netherlands, viii) Finland, ix) Japan, and x) Sweden. Worldwide, United States was the largest importer of canned tuna. It imported 31% of the global tuna catch in 1990, more than 90% of it from South-east Asia, The top ten suppliers of canned tuna to the United States were: i) Thailand, ii) Philippines, iii) Indonesia, iv) Taiwan, v) Ecuador, vi) Singapore, vii) Malaysia, viii) Venezuela, ix) Japan, and x) Spain.

TUNA INDUSTRY IN THAILAND

Thailand's rise to prominence in the global tuna industry was mainly due to its geographical location and the country's favorable economic climate during 1980s. Indeed, in late 1980s, Thailand was the world's leading seafood exporting country with tuna accounting for more than 70% of its canned seafood export. Thailand was located close to prime fishing grounds, and had very low labor costs of approximately $0.65 per hour. In contrast, the labor rate for an American firm's tuna processing plant located in American Samoa was about $2.85 per hour.

Given Thailand's cheap labor, the country became a hub for importing, processing, canning, and exporting to world markets. In fact, over 80% of all tuna processed in Thailand was imported. In 1990, Thailand had 22 tuna canning plants, of which three accounted for over 75% of the country's total tuna output: i) Unicord, ii) Thai Union Manufacturing Company,

and iii) Ta Kong Food Industries. These firms competed fiercely for the tuna processing business in Thailand, and did all they could to achieve profitability in an industry that was driven by two main considerations:

1) Consistently obtaining a low-cost supply of tuna.

Thai tuna processors usually purchased raw tuna from various suppliers in the region. This enabled the firms not only to hedge potential fluctuations in tuna catches but also to achieve operating efficiencies. Such diversification helped firms maintain negotiating power over suppliers and, importantly, safeguard against fluctuation of world currencies. For example, a stronger US dollar would adversely affect the purchasing power of Thai tuna producers, and hamper their ability to compete in a 'commodity' industry. In the late 1980s, the baht traded at a fixed rate of Baht 25 to a US dollar.

2) Accessing major tuna markets worldwide

Competing profitably also meant that Thai firms had to successfully counter growing trade protectionism imposed by major tuna importing countries, including United States which had its own tuna processors. Barriers to competition existed in various forms: tariffs, import duties, and quotas as well as environmental and food safety standards. The tuna processors in Thailand perceived these barriers to be a significant competitive hurdle that needed to be overcome particularly in Europe and the United States.

UNICORD GOES SHOPPING

Although Unicord was the world's largest tuna exporter, it was at the mercy of middlemen who bought tuna for resale to major brands, often at 20%-40% margins. Like other firms in the industry, Unicord relied on imports for production of canned tuna and sought long-term contracts to ensure uninterrupted supplies for its production lines. A steady supply of raw material was crucial to Unicord's expansion goals and for making it a global industry leader.

Unicord's strategy was to set up a network of factories on five continents that would give the company easy access to fresh tuna as well as major markets. At the strategy's core was a new tuna-handling process that reduced transportation costs and allowed Unicord to ship frozen tuna directly to American canneries. Doing so would help Unicord avoid high import duties imposed by United States on canned tuna, and more than offset higher American wage rates for canning tuna. Unicord believed it could successfully launch the process, given the firm's commitment to investment in modern technologies. Moreover, the process fit with the firm's cost-leadership strategy.

While Unicord size and prominence generally insulated it from supply-side fluctuations, these same factors also attracted regulatory attention. To circumvent undue notice in its export markets and to gain a foothold in these markets, particularly the United States, Unicord contemplated acquiring an American company, Bumble Bee Seafoods. Such an acquisition agreed with Unicord's global objectives, and appeared to be financially viable.

Bumble Bee Seafoods

Founded in 1899, Bumble Bee was the third largest American distributor of tuna after Star Kist and Chicken of the Sea respectively. Following its sale in 1988 for $242 million, Bumble Bee had been owned by the Pillsbury Company. In 1989, Pillsbury was acquired by

Grand Metropolitan PLC of United Kingdom. Grand did not view Bumble Bee as a good fit with its core business and decided to sell it.

At that time, the global tuna industry had become increasingly competitive and had attracted regulatory attention from the United States. Part of this attention was due to the recent sale of Chicken of the Sea to an Indonesian firm, PT Mantrust, who had bought the company for $260 million from Ralston Purina. In part, the attention was fuelled by American firms who had lobbied the government to impose duties on imported tuna to protect United States-based tuna fleets that were dwindling due to a global industry restructuring.

Sensing an industry shakeout, H.J. Heinz's Star Kist offered to purchase Bumble Bee. The acquisition would reinforce Star Kist's leadership in the American tuna industry enabling it to better compete on a global scale. Despite this rationale, the American regulators disallowed Star Kist from buying Bumble Bee on grounds that the purchase would hinder free competition and violate U.S. antitrust laws. Such a ruling created a perfect opportunity for Unicord who had long wanted to enter the world's largest tuna market—a market that promised to become more protectionist.

Rationale for the Acquisition

Obtaining access to tuna markets worldwide was an industry requirement for success. Since Unicord was selling tuna to United States solely as a foreign company, it was constantly at the mercy of U.S. trade regulations. An increase in American tariffs would render Unicord uncompetitive and lower sales. The current U.S. tariff on imported tuna was 6% if imports were below the specified benchmark, or 12% otherwise. Unicord anticipated a tariff increase because the American tariff were considerably lower in comparison with European tariff of 24%. Additionally, United States could impose non-tariff barriers which would also hurt Unicord. These non-tariff barriers included stringent health and safety standards.

Dumri reasoned that acquisition of Bumble Bee would insulate Unicord from the current American sentiment. Unicord would become a large employer within United States and, as such, be treated as an "American" company. Moreover, Unicord could now avoid American tariffs on canned tuna because Bumble Bee had canning operations in the States: Unicord would ship raw tuna directly to Bumble Bee's U.S. facilities to be canned there. It would circumvent tariffs and reduce transportation costs—effectively safeguarding against increases in product costs.

The Bumble Bee acquisition would also provide Unicord with opportunities for operational synergies. At least four such gains were possible. One, the purchase of Bumble Bee would help Unicord diversify and stabilize its supply of raw tuna. Two, Unicord would find a ready buyer for its white meat products. Three, Unicord would own Bumble Bee's distribution network that, moreover, could be used to push other Unicord products into the vast American market. Finally, Unicord would benefit from efficiencies arising from Bumble Bee's Puerto Rican manufacturing plants which enjoyed low tax and labor rates.

Strategically, Unicord would gain better access to its largest market, and secure a buyer for its tuna. Unicord would also be closer to its goal of owning facilities on all five continents. It would be less exposed to market fluctuations and could better secure its future. The Bumble Bee acquisition would make Unicord the world's biggest tuna canner, increasing the prestige of Unicord's owners and decision-makers, and even the Thai people.

The Bumble Bee Acquisition

Although Pillsbury had many bidders for Bumble Bee, none except Unicord, the second-highest bidder, seemed to be a serious contender (mostly because of American trade and/or antitrust laws). Unicord secured its bid for Bumble Bee for a total of $269 million plus $10 million in additional expenses. It contributed $35 million in equity to the highly leveraged deal that was advised by Chase Manhattan and Sutro banks. Bumble Bee had total assets of $150 million.

The acquisition was the largest ever carried out by a Thai company which had succeeded in buying an American firm twice its own size in the largest and most competitive tuna market in the world. The purchase underscored the economic prowess and confidence of Southeast Asian nations, and highlighted Thai governmental support for the purchase. Indeed, Chase had persuaded Bank of Thailand to approve the purchase notwithstanding its policy of tight control on foreign exchange leaving the country. The Bumble Bee acquisition was seen as a precursor to Thailand's emergence on the world stage. Unicord now was one of the country's largest companies. As its major shareholder and founding president, Dumri had become one of the most prominent businessmen in Thailand. This put him in the top echelons of the Thai society, and bestowed considerable power and prestige upon him. Dumri's rise coincided with Thailand's economic growth which was supported by a multitude of factors.

THAILAND'S ECONOMIC GROWTH

The success of Thailand's electoral process reform during the late 1980s had done much to restore local business confidence. In 1989, Thailand opened its economy to international investors. Shortly thereafter, following a bloodless coup, the Thai government took initiatives to embrace free market ideals and promote economic growth. As a result, the country's inflation had dropped from an eight-year high of more than 6% to 5.7%; it was expected to drop to 5% by the end of 1992. Such statistics and the persistence of government initiatives restored foreign investors' confidence in Thailand.

This outcome agreed with Thai government's policy of relying on foreign direct investment as an instrument of economic development, employment growth, and technology transfer. To sustain momentum, the government eased foreign investment restrictions and took steps to modernize and deregulate the country's financial sector. For example, Thai commercial banks were permitted to offer accounts in foreign currencies. These and other banking sector reforms contributed to a bullish sentiment on the Stock Exchange of Thailand. Indeed, many Thai companies considered acquisitions as a vehicle for growth. Even foreign acquisitions appeared to be commonplace since Thai businesses that generated profits elsewhere now could deposit these accruals abroad.

For its own part, the Thai Board of Investment took initiatives to promote the country's export sector. The Board assisted exporters import capital goods and raw materials that eventually would sustain export-based expansion and the country's economic growth. To this end, it was supported by reforms in the financial sector. Since tuna was considered to be a commodity without significant fluctuations in short-term worldwide demand, Thai financial institutions usually lent substantial funds to tuna processors. These funds were denominated in United States dollars. Collectively, the configuration of various recent Thai reforms were

a boon to Thai exporters, including tuna processors. The euphoria of Thai exporters was in sharp contrast with that of tuna processors in the United States,

TUNA INDUSTRY IN UNITED STATES

The American tuna industry was among the largest and most competitive industries in the world. It was also an industry with low profitability which depended crucially on producers' ability to sell high volumes. Consequently, market share accumulation was very important for American tuna processors for whom advertising was an unavoidable and large expense.

As profit margins decreased, many firms in the American tuna industry sold their fleets to foreign buyers. The industry moved towards nations with lower wage and environmental standards. The remaining American canneries moved out of the continental United States and expanded operations in Puerto Rico and American Samoa where they were received generous tax incentives and benefited from lower wages. The loss of thousands of industry jobs gave rise to protectionist sentiments in the United States. Indeed, the job losses occurred despite the industry's technology-based advantage in purse-seine fishing—a competitive gain that was being eroded as foreign fleets themselves invested in this state-of-the-art technology.

Purse-seine Fishing

The purse-seine method was developed during the 1960s partly in response to the dumping of tuna in United States by Japanese fleets. Purse-seining relied on helicopters and high-speed boats to catch tuna. The technology-intensive nature of this method significantly increased productivity in comparison with traditional methods for catching tuna. The use of technology permitted fishermen to capitalize on the strong bond between tuna and dolphins who swam in close proximity to one another. It allowed fishermen to rely on dolphins to locate tuna.

Purse-seining used high-speed boats to herd tuna into a nylon net 600-feet deep and a mile long in circumference. The net was then drawn shut to prevent the tuna from escaping. Because of the bond between tuna and dolphins, the dolphins were also caught in the net. Although dolphins were able to jump over the net's cork lines, they usually did not. Instead, dolphins often were tangled in the net and drowned. While purse-seining yielded enormous catches of tuna (up to 250 tons per catch), the method was responsible for hundreds of thousands of dead dolphins. These systematic deaths sparked, what became known as, tuna-dolphin controversy.

The Tuna-Dolphin Controversy[1]

The tuna-dolphin controversy has existed in United States as long as purse-seine fishing has existed. However, it had recently been brought to the forefront of American attention because of tuna processors' general disregard for dolphin killings and a rise in consumer activism. Various environmental groups challenged the efficacy of purse-seine fishing, and pressured industry incumbents as well as government over persistent dolphin killings.

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[1] This section is based on Bonanno & Constance's (1996) book, *Caught in the Net: Environmentalism and the State*.

As environmentalist groups gained strength and popularity, it became increasingly expensive for American tuna processors to operate profitably. The resistance by activist groups created crisis in the tuna industry whose actions now were deemed unacceptable by Americans. In contrast, the non-American processors did not face such obstacles.

In 1984, the U.S. Department of Commerce banned tuna imports from foreign fleets that did not have dolphin kill rates comparable to those of the U.S. fleets. However, as late as 1988, the Department had not produced any comparison methods. Frustrated by this (and earlier) failures, the environmentalists took other measures. They accused National Marine Fisheries Service (NMFS) of failing in its legal duty to protect mammals, and brought lawsuits in federal courts.

By 1988, the NMFS came under strong congressional pressure for delaying sanctions against foreign fleets that failed to reduce their dolphin kill rates. This pressure coincided with Marine Mammal Protection Act (MMPA) reauthorization hearings where Sam LaBudde, who worked as a cook in a Panamanian tuna boat, gave a very crucial testimony about the mass killing of dolphins. Apparently, LaBudde had shot a video of what he had witnessed.

The Earth Island Institute produced an 11-minute edited version of this video where"…where dolphins squealed in pain as they succumbed, in some cases being ground up alive by the gears of the [fishing] nets." This video was first aired in March 1988 to horrified American and West European audiences. According to the Institute, in 1989, foreign vessels were responsible for most of the dolphin kills in the Eastern Tropic Pacific, a tuna fishing region. The Institute's report implied American canners circumvented the issue of dolphin kills by purchasing tuna from foreign vessels.

By the late 1980s, the environmentalist groups had targeted large U.S. tuna processors as a means of protecting dolphins. These groups called for a boycott of three largest American tuna processors until they adopted dolphin-safe tuna fishing techniques. Star Kist, Chicken of the Sea, and Bumble Bee were all accused of buying tuna from fleets that did not use dolphin-safe fishing techniques. These firms collectively held almost 75% of the American tuna market. In 1990, in response to activist pressures, the three tuna processors began labeling their cans as dolphin-safe. The activist movement also seemed to be responsible for the Dolphin Protection Consumer Act that formalized various dolphin protection guidelines that had existed heretofore.

UNICORD AND THE TUNA-DOLPHIN CONTROVERSY

In April 1990, Heinz announced its Star Kist label was completely dolphin–safe. Chicken of the Sea and Bumble Bee followed suit. Bumble Bee bought several full page advertisements which asserted: "It is time to set the record straight, Bumble Bee is dolphin-safe." The advertisements further stated Bumble Bee supported legislation that protected dolphins and invited the environmental community to place an observer with its Thai parent, Unicord. The advertisements continued that if consumers wanted to protect dolphins, they should support responsible environmental groups, an obvious rejoinder to Earth Island Institute. The Institute counteracted that Bumble Bee was not transparent about its policies.

Having been so accused, Bumble Bee—unlike its competitors—conceded it needed six more months to implement a completely dolphin-safe policy. However, the company had started

labeling their cans as dolphin-safe almost two months earlier, a fact that did not go unnoticed by the American media. In effect, Bumble Bee had deceived Americans for eight months and seemed to have jeopardized its own credibility.

Bumble Bee eventually admitted to lying, and pledged $500,000 to research institutes for studying how to catch tuna without killing dolphins. These killings had contributed to a drop in number of American fleets in the region. However, the decline had been replenished by Mexican and Venezuelan fleets who, too, were a potential threat to dolphins. In anticipation of continued dolphin killings, the environmental groups stepped up their pressure. By the end of 1990, the groups won an immediate embargo against all foreign fleets that could not prove reduced dolphin kills.

The tuna-dolphin controversy had both helped and damaged Unicord. On one hand, the controversy eliminated many small players in the U.S. tuna industry, effectively making Thailand the major world supplier of tuna. On the other hand, because of the controversy, Bumble Bee had attracted considerable negative publicity and incurred the wrath of U.S. consumers. At an industry level, the tuna-dolphin controversy not only had reduced profit margins but also fuelled a noticeable decline in tuna consumption in United States. These outcomes further intensified rivalry in a commodity industry.

TUNA PRICE WARS AND THEREAFTER

Not satisfied with Bumble Bee's position in world markets, Dumri saw industry turbulence as an opportunity to displace incumbents. Dumri's position was consistent with his goal of making Bumble Bee the leading distributor of canned tuna in the United States. Doing so would also move Unicord closer to its goal of accounting for 10% of Thailand's total exports. Unicord believed that the way to gain market share was to cut prices which it did aggressively.

The price-cutting strategy worked: Bumble Bee's U.S. market share grew from 17% in 1989 to 25.7% in 1992. Unicord's exports almost tripled from 987 million bahts to 2,890 million bahts in 1991. Cheered by its success, Unicord invested 189 million bahts to increase its (annual) Thai production capacity of processed tuna by 33%. The company was confident of further market share gains even though industry profitability remained low due to price wars involving powerful competitors. Unicord's belief appeared to be unjustified only a year later: 1992 appeared to be a turning point for Unicord and Bumble Bee.

In 1992, the U.S. per capita consumption of canned tuna continued to fall; it had dropped approximately 15% over the last three years. In a commodity industry, this was a significant drop. Bumble Bee lost $40 million on $400 million (1992 revenues). Between 1992 and 1993, Unicord's exports to United States fell by 11%. Some industry observers believed that environmental actions against the tuna industry had affected consumption habits. Others suggested the industry was in a shakeout phase, and would stabilize itself. The fact remained that decreased consumption substantially increased competition. By mid-1993, Mantrust's Chicken of the Sea was in receivership. Both Star Kist and Bumble Bee were losing large sums of money which made their creditors nervous.

To protect their interests, Unicord's creditors demanded an end to price wars which had affected the company's ability to pay its debt (approximately $200 million in 1993). Bumble

Bee complied with this requirement, and other competitors soon followed suit. Although tuna prices stabilized, and even increased, the companies themselves did not benefit from these developments. In anticipation of price wars, many brokers had bought canned tuna in bulk for redistribution. When tuna prices increased, only the brokers benefited because all profits were essentially redistributed from tuna canners to middlemen.

By 1993, it was clear to many that Unicord urgently needed to rethink its strategy, a need that was downplayed by Unicord management. One company official went so far as to claim that Unicord's problems were only of a financial, not competitive, nature. In May 1993, Unicord announced it would list Bumble Bee on the New York Stock Exchange within a year. It also went to the public with a profit forecast of $100 million (25% of 1992 revenues) despite a net loss of $40 million in 1992. This projection was in sharp contrast with the company's 1989 prospectus which projected a 1993 profit margin of no more than 9%. Clearly, Unicord was passing through a complicated phase.

The complications at Unicord headquarters were shortly intensified when the company's VP of Finance resigned in July 1993. The departure of Vichet Bunthuwong, who was also Dumri's close friend and right-hand man, took Unicord by surprise. Vichet was widely believed to be the only man who could talk openly to Dumri and keep his daring behavior in check. Almost a year later, the VP Finance position was unfilled. For Unicord's stakeholders, notably creditors, the existence of a crucial management void further obscured Unicord's future direction.

In mid-1994, Unicord was still negotiating with creditors to restructure its massive dollar-denominated debt that had become less serviceable because of a weakening baht-dollar exchange rate. The situation was very serious. Even Bumble Bee's asset sales could not end the troubles facing Unicord, and the company teetered on the verge of bankruptcy. Some analysts blamed Unicord's cost accounting method for the downfall, accusing the company of pricing tuna products lower than its production cost. Unicord's share price, once a healthy 150 bahts, now traded between 12 bahts and 15 bahts. Once an icon of Thailand's pride, Unicord now became the country's biggest embarrassment—one that was difficult to resolve because of Thai cultural norms.

One of these norms pertained to the strong sense of hierarchy in the Thai culture. Following its takeover by Unicord, Bumble Bee's top management sought autonomy from its parent on grounds of considerable familiarity with competitive environment in the large U.S. market. This predisposition was vetoed by Unicord where all decisions had to be ultimately approved by Dumri. Dumri's attempts to exercise such control on Bumble Bee were unsuccessful, however. Bumble Bee had changed owners three times in two years, and so had the tenacity to persist in its beliefs: Bumble Bee's senior management often did not comply with Dumri's directives. To illustrate, it did not carry out Dumri's instruction to shut down Bumble Bee's Puerto Rican operations and repatriate profits to Thailand. The cultural norms were no less forgiving at an institutional level either.

Despite Unicord's troubles, there was considerable government resistance to letting the company fail. Unicord's rise had brought Thailand to the forefront of economic prowess, and the country depended on Unicord's foreign exchange revenues to improve its foreign reserves. These reserves were crucial from a foreign-exchange standpoint in that they minimized currency fluctuations for the Thai baht. Such stability was vital for an economy

that had grown at about 10% annually over the past few years. Domestically, Unicord employed many people: these individuals would lose employment if Unicord faltered. In a country where regime changes were commonplace, the current ruling government could not afford to risk voter preferences. Nor could it afford to alienate Dumri, a business magnate, with good relations in political circles. Indeed, lack of bankruptcy laws in Thailand made it even harder for the government to assist Unicord in any meaningful way.

Notwithstanding the configuration of conditions facing Unicord, or perhaps because of it, the Bangkok Bank insisted Unicord repay its $113 million debt by the end of 1995. As a result, the company's shares fell to a low of 5.80 bahts. These events collectively intensified the tremendous pressure on Dumri to chart Unicord's course out of troubled waters. On June 13, 1995, Dumri shot himself dead in his office. Following his suicide, Unicord fell into receivership, thus ending one of Thailand's greatest corporate success stories.

THE DECISION

As Dr. Juanjai reflected on the events encountered by Unicord, he wondered about feasible ways to resuscitate the company. Although few options were still available, Dr. Juanjai first had to clearly establish what had gone so terribly wrong with Unicord in so short a time. A sophisticated grasp of events would be his only ally.