



Silkworm Cocoon Inc.*

In December 2005, Mr. Romero -an entrepreneur- and Mr. Villasana, were evaluating investment projects nearby Mexico City. Mr. Villasana just finished a engineering degree on renewable natural resources. In his coursework, he developed a project on silkworm cocoon production; which proved potentially viable. What the implications were? and should the investment had received green light? Mr. Romero's decision deadline was in two weeks.

The Silk Industry.

The *Bombyx mori* or silkworm originated in China. Historians dated sericulture origins around 3rd century B.C. It was initially considered a holy and sacred fabric, used exclusively by dames of the court as well as aristocracy. The Chinese discovered the life cycle of the silk worm and for the next 3000 years were to keep their monopoly of silk. Chinese silk fabrics were beginning to find their way throughout the whole of Asia, and were transported overland to the west, and by sea to Japan, in those long itineraries known as the silk roads. It was in Asia that the Romans discovered these marvellous fabrics but they knew nothing of their origin.

In 552 A.D., the Emperor Justinian sent two monks on a mission to Asia, and they came back to Byzantium with silkworm eggs hidden inside their bamboo walking sticks. From then on, sericulture spread throughout Asia Minor and Greece. In the 7th Century, the Arabs conquered the Persians, capturing their silks in the process, and helped to spread

*This case was written by Santiago Arbeleche Grela, ITAM Business School Professor. It was prepared solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality. All rights reserved under the Copyright Law © 2006 Instituto Tecnológico Autónomo de México. To order copies or request permission to reproduce materials call 52 (55) 5628-4000 ext. 3400. Version: October 2006