

Corporate Raiders: Early 1980s

... This scenario played itself out in the nation's energy industry during the 1980s, which barely survived the 1970s oil crisis and a worldwide recession. Houston, the center of the oil industry, was a mere shell of its previously booming self. Many of its publicly held companies were ready for the pickings by savvy corporate raiders. Houston Natural Gas (HNG), with profits of \$123 million on \$2 billion in revenue and \$3.7 billion in assets, appeared to be the cream of the crop.¹ Oscar Wyatt, an oil and gas baron, set his sights on purchasing HNG to complement another oil company he owned. He declared a willingness to purchase \$1.3 billion of HNG stock in 1984. Adding insult to injury, he planned to finance the hostile takeover by borrowing money against HNG's strong credit rating.² The battle for control of a good corporate citizen had begun.

DECISION CHOICE: *If you were a Houston Natural Gas executive and stockholders ignored your pleas, would you:*

- (1) idly watch the corporate raider continue to purchase stock;*
- (2) make the company less financially attractive by selling profitable units or taking on unnecessary debts;*
- (3) seek a "white knight" to purchase the company on friendlier terms;*
- (4) pay the belligerent raider substantial sums of money not to purchase any more company stock; or*
- (5) pursue some other strategy? Why?*

¹ Robert Bryce, *Pipe Dreams: Greed, Ego, and the Death of Enron* (New York: Public Affairs, 2002), 23.

² Bryce, *Pipe Dreams* 25.