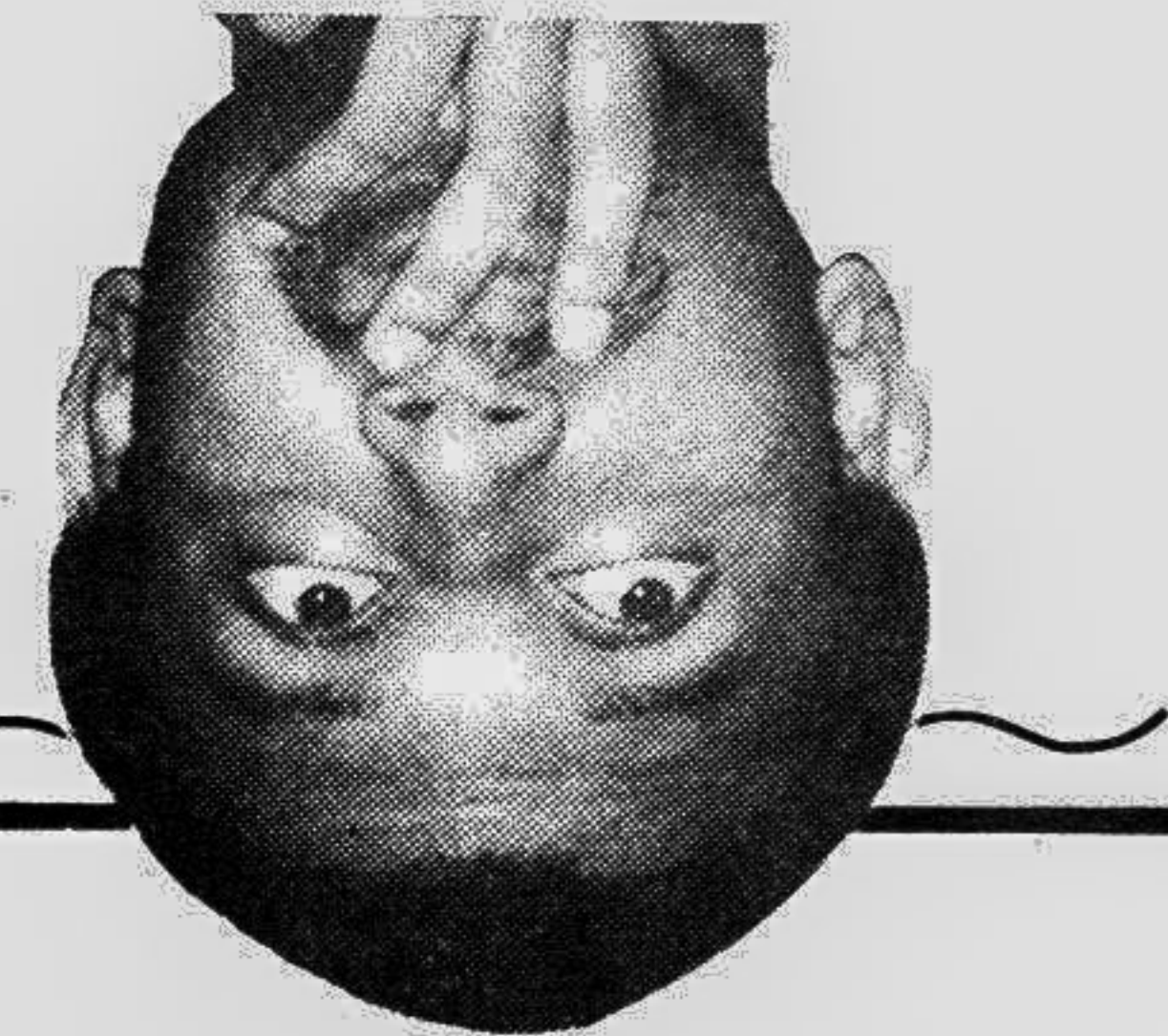


YEP TALK



Let's Get The Basics Right

The "Law and Order" scenario of the country needs massive redesigning and a new sense of direction. The sentinels of law are really not performing their task. Rather they are becoming a big burden on the Tax Payers

As Bangladesh prepares for the new millennium, it still lacks in many "basics". Country's Decision Makers should be aware that as we enter into the era of Open Trade and Privatization, we are lacking unparadically in the "basics".

In a country of 120 million people and most of them living below the poverty line, reforms and changes have to be well thought out. But the foremost criteria has to be to get the "basics" right.

As a developing nation contemplating to ensure our economic future in the global economy, it is instructive to recall financier Walter Wriston's dictum that "Capital goes where it is wanted and stays where it is well treated". A few years ago a US Chamber of Commerce survey identified what are often referred to as the "twelve commandments" of international investment. These principals are not new but need to be looked at. In a nutshell, companies & investors want -

- Stable, predictable macroeconomic policy.
- An effective and honest government.
- A large and growing market.

- Freedom of activity in the market.
- Minimal government regulations.
- Property rights and protection.
- Reliable "infrastructure".
- Availability of high quality factors of production.
- A strong local currency.
- The ability to remit profits, dividends & interest.
- A favorable tax climate.
- Freedom to operate between markets.

Bangladesh is now trying to attract overseas direct investment in industry and services sectors. Now if we go through the twelve principles - it is nothing new. But have we worked at those "basics"?

The answer is a definite NO even by optimistic standards. I will not go into the subjects of policies and currency - let's live it for the "pundits" to figure it out.

I will only touch on the "basics". "Do we have an effective and honest government?" I will rephrase it - "Till now did we have an effective and honest government?" Vast Majority of the people will say NO. So the blame lies with the successive incompetent and dishonest governments. It is getting worse by each succession. It has come to such a stage that "white lies" are meted out by people in the most influential government positions. For instance do you rationalize the sacking of the Power Chief because of "inefficiency" after such a long time! Country's Power Sector is in shambles for long - the government has been giving out "soul searching" & "sabotage" theories with

Osama Taseer

vengeance. Now, all of a sudden somebody is found to be "inefficient" - what happened to the other theories? Does the people who make the Policy Decisions are any better, are we not absolutely sure that the "basics" of power generation, management & maintenance was grossly overlooked. The theory of Supply and Demand in Power management is an engineering and scientific deduction - it can not be handled on the Political Level! Let the Power Engineers do their duties and be accountable - but how is it possible in an atmosphere vitiated by corruption, nepotism, inefficiency, non-transparency and non-application. A honest government has to learn to accept their shortfalls and start working on them from there on - with a Transparent Action Plan. Here we are losing out on an "effective and honest government" on one count and a sound "infrastructure" on the second count. This is almost like a double jeopardy, but do we care.

I myself think that in an Open Trade Regime - an effective & honest government is absolutely a "basic" requirement. To achieve this we have to get our moral attitude in the right perspective - it does not require anything more. An investor must be able rely upon the integrity of the host government & its ability to maintain law & order. These are the minimal requirements to attract Foreign Direct Investment - but again we falter. The law and order situation in the country is at doldrums. We do not require Amnesty International to point that out anymore - it is almost as clear as it can be. Though this is very

unpalatable but have we done our "basics" here? Well, it can be a long debate, but the conclusion will be a definite NO again. The "Law and Order" scenario of the country needs massive redesigning and a new sense of direction. The sentinels of law are really not performing their task. Rather they are becoming a big burden on the Tax Payers (nobody wants to pay for something which does not work!).

In a country like Bangladesh Foreign Direct Investment (FDI) is associated with economic growth. The reason lies in one of the characteristics of FDI & that is the transfer of technological & managerial know how. When a firm seeks to control a business activity in another nation, the firm will seek to maximize the return on investments, and to achieve this it will seek to outperform local (& other international) rivals. This means the firm will bring to bear its full competitive arsenal to the local market, including is best technologies & management techniques. Against this backdrop, how long can we lag behind & stay as the outcasts? If we live in a world of dream that investment will flow in - it is the worst deduction we can possibly make. We have to work for it based on our limitations. We have to get our "basics" correctly. For any investment to be productive - we have ensure the "basic" requirements i.e. the local population is well educated, the macroeconomic policies are sound, and domestic legal system is fair & effective. But, ultimately these are the same "basic" measures that any government should strive to achieve to assure economy works well in general!

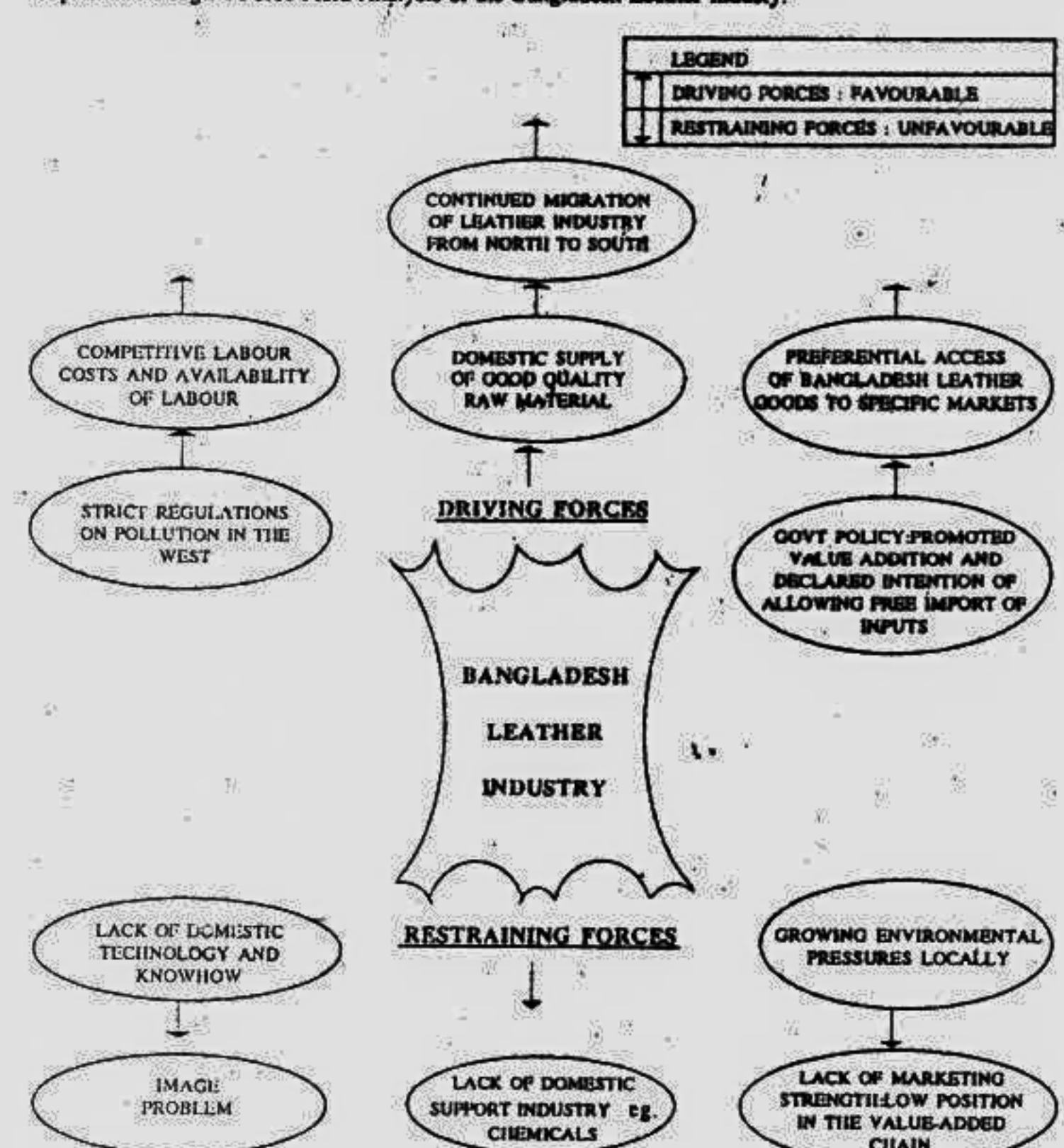
[The writer is an entrepreneur & coordinator of YEP Forum]

How to do Export Business, A Success Story of An Exporter

Syed Nasim Manzur

new players such as China and India who dominate. So the strengths were obvious - abundant leather and

Bangladesh Leather Industry
While other developing countries like India, Pakistan, and Thailand took advantages of the global shift of the industry, Bangladesh still has not been able to achieve a significant breakthrough. This can be better explained through a Force Field Analysis of the Bangladesh Leather Industry.



BEHIND every success story there lies a vision, a driving force to create or invent something new in order to fulfil an inner need. Apex Footwear Ltd (AFL), the first 100% export oriented leather shoe manufacturing unit in Bangladesh was born in 1991 in Shafipur, Gazipur as a result of such a vision shared by its management team, headed by Mr Syed Manzur Elahi and Mr AKM Rahmatullah. Bangladesh had been traditionally known internationally as a source of raw material i.e. raw hides & skins and then intermediate products such as wet blue, crust and finished leather. (to a lesser extent). Shoe factories in Europe, S America and Japan have been importing these raw materials or intermediate products for decades and converting into complete shoes in their own countries. Therefore on the value addition chain, Bangladesh had remained very low, as we lacked the necessary technology and human resources to move higher. But as leather was the primary raw material for leather shoes, and this Bangladesh had in abundance, there obviously was an opportunity that could be exploited.

In export identifying such opportunities at the correct time is critical for success. Late entrants to the industry may be deprived of some of the advantages enjoyed by the pioneers.

The corporate culture of the management team of AFL is built up around this pioneering spirit. It was and still is believed that the long term benefits of being the first player in a niche market outweigh the short term and mid-term constraints. Therefore by beginning the first export oriented leather shoe factory in Bangladesh, AFL would have to do a lot of trailblazing, but in the process could benchmark the standard for the industry in Bangladesh.

The technology in the leather shoe industry is stable and medium-level and due to the high labour and manual inputs required does not lend itself to complete automation and robotization. The gradual migration of this industry over the last few decades from high labour-cost countries in the North to lower labour-cost countries in the South, exemplifies that availability of low cost, productive labour is a major determinant of success for this industry. Therefore today the traditional shoe making nations such as Germany, Italy, Spain, Korea have been displaced by

labour; all that was required was to build a factory, buy machines, put leather and labour at the machines and one would have shoes for export! **THIS APPROACH IS A RECIPE FOR FAILURE.**

In order to succeed in the export industry, identifying weaknesses and their potential remedies is even more critical than assessing the strengths. For the leather shoe industry in Bangladesh there were three major weaknesses:

LACK OF TECHNOLOGY: Shoemaking is a much more technical and technology driven industry compared to say garments. The investment in capital machinery is much higher so it is imperative that we are able to source appropriate technology at competitive costs.

LACK OF HUMAN RESOURCES: There was and still is a severe shortage of the necessary trained and skilled workforce and human resources required to make this industry globally competitive. For example unlike Germany, Italy and even India we lack Footwear Technology Institutions, which produce new trained personnel for the industry. In addition these countries have been able to channel effectively the artisan level knowhow in the industry through organized apprenticeship systems. Such programmes have not developed at all in Bangladesh.

IMAGE: Bangladesh has traditionally been portrayed, and often projected itself, as a country prone to natural disasters such as floods, cyclones. The culture of aid-dependence had created an image overseas of a nation totally incapable of helping itself and having to depend on foreign donors; the large population was characterized as a major liability due to low levels of literacy and high poverty, rather than as a potential asset. Therefore Bangladesh was not readily acceptable as a reliable source of finished consumer products such as leather shoes due to lack of

credibility in terms of experience and quality capability. **SO HOW COULD AFL OVERCOME THESE WEAKNESSES?**

- First By Acquiring Appropriate Technology
- Both Hardware & Software
- Through working with factories overseas
- Second by prioritizing Human Resource Development
- Expatriate experts on contract
- Targeting educated, young women
- In house training and development
- Promote within
- Create a culture of quality and constant improvement
- Third by focusing on Quality and Price (Medium)

Segment in Japan

- Licensing brand names
- Developing own brand presence (Made in Bangladesh)
- Offer better service - delivery, follow up etc.
- WHAT ARE THE FUTURE THREATS FOR AFL?**
- More entrants locally in the industry - copycat effect
- Global competition intensifying: China and India dominating lower price segments
- Shorter lead times, more responsiveness to the market required

WHAT SHOULD BE AFL'S RESPONSE?

- Vertically integrate to reduce lead times and costs
- Improve productivity through Human Resources Development
- Focus on niche markets and identify correct marketing mix of volume and price.

CONCLUSION: Structural weaknesses in the business environment in Bangladesh compound further the weaknesses of this industry, and are restraining growth of this sector. For new entrepreneurs looking at this industry our advice is that a long term view is essential. Unlike trading or other more established manufacturing industries such as T-Shirts, the returns are initially lower because of a flatter learning curve for the industry and buyers. Advent of more factories will boost customer confidence, interest and confidence in the long term. For AFL we must retain our focus on quality while becoming more competitive globally by raising productivity, reducing costs, and through scale economies.

Young Entrepreneurs Speak Out!



KAZI BORHAN AMIN

I always wanted to be an entrepreneur because an entrepreneur has more freedom and opportunities to practice creativity and innovative power than an individual who works for someone else. Keeping this fact in mind I started my own business this year. Now I am the chief executive officer of an event management firm. When I was planning to step into this business I thought things are quite easier than what I see now around me. As a young entrepreneur, I have managed may events such as conferences, seminars and com-

pany product launching events, etc. As many know, business climate of this country has deteriorated overtime but this is not true for all sectors. Still young people have lot of business opportunities. But as an entrepreneur I would say that our government and other supporting sectors (like banks) are not that much cooperative to the young people. They should encourage us more. We don't have sufficient statistics and information on the basis of which we can conduct the business planning. If our government puts a little effort to create young entrepreneurs then the unemployment problem of this country would be solved to a large extent. Finally, I hope that young entrepreneurs of the present generation will lead us to the next millennium.

SAJJAD HOSSAIN MOZAMMEL

BANGLADESH is a land of opportunities. But these persisting bureaucracies limit the dreams and aspirations of many young



people who want to transform those dreams into realities. After years of living a broad I came back to Bangladesh to begin some venture in my motherland. I wanted to setup an agro-based project in Gazipur. Buying a piece of land was a big hassle but with strong determination I finally managed to do so after a year of struggle with the system and the brokers. I took the whole process as a challenge and progressed slowly. There is no special government policy to encourage or promote young/new entrepreneurs in Bangladesh. This may appear to be disappointing but

Personal Entrepreneurial Characteristics (PECs)
An intensive research conducted in selected countries worldwide by the Management Systems International (MSI)/BcBer team identified ten key personal entrepreneurial characteristics that separate successful from unsuccessful ones.

- Achievement competencies**
 - Opportunity seeking
 - Persistence
 - Commitment to work contract
 - Demand for quality and efficiency
 - Risk taking
- Planning competencies**
 - Goal setting
 - Systematic planning and monitoring
 - Information seeking
- Power competencies**
 - Persuasion and networking
 - Self confidence

the love for my country and the desire to do something innovative here has proved to be stronger. This has given me strength to take up the challenges and emerge as yet another young, committed entrepreneur.

RUHI FERDUAS:

THIS is a real great experience for me to be an entrepreneur at this time of my life. Presently I own a boutique shop at Gulshan. It took almost 5 years to establish this business. When I started this business in 1994, the overall business climate was not favorable

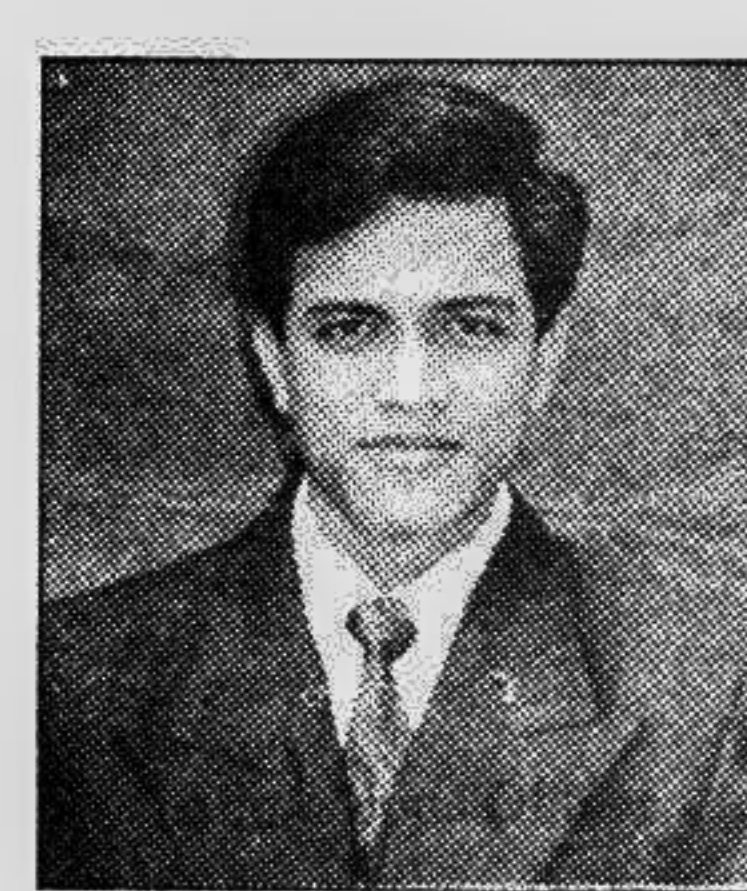


for a woman. I had to overcome lot of obstacles during the establishment of the business. Since there are very little opportunities for

women. I think Govt. should provide more facilities to start this kind of business. This would encourage more young people who are interested to start similar kind of business. Moreover, if these kinds of initiatives are taken by Govt. specially for women (as they are lagging behind men because of lesser opportunities) then it would be very much appreciated by everyone and thus women will be interested to do something on their own. It is not at all good for a developing country like ours to see half of our population sitting idly at home. I hope policy makers will pay attention to this important gender issue.

HARIS ALAM

ENTREPRENEURSHIP has a glorious future in our country. To be successful in this competitive world of entrepreneurs, one should start working from early phase of one's life. Realizing this fact, I have started a small business besides my study in North South University. My experience as an entrepreneur is not rich. I, along with my friends,



started computer accessories, peripheral, clone system selling center named Comtrade Chittagong in my home city Chittagong. We have been conducting our business since February'99. For the time being we have endeavored to sell computer accessories to the vendor (reseller) of Chittagong and plan to expand the business over Dhaka by near future.

In establishing this firm, our families played a prominent role by providing all possible cooperation. Although we financed all the investments from our own savings, we got all kinds of encouragement and help from our family. In the market we were subject to

some limitations, though. Financial constraint was the main problem. Initially, we were underestimated because we were young but gradually through performance we earned respect from the community and now even our competitors are taking us seriously.

From my very confined exposure to this particular business arena, I can provide the young promising entrepreneur with a suggestion: whatever business you want to do, don't do it without prior exposure to that particular field. Although we started doing our business only few months ago, we started working unofficially on this field of business from a year ago. We collected data on existing market and analyzed them to predict the profitability and possibilities of this business. After completing all these necessary works, we took the initiative to run the business. You might think that we made some unnecessary delay in doing all these supplementary jobs, but we just know how these careful planning has helped us.