Mat business turns corner

Suvash changes fortune with his small venture

MD FAZLUR RAHMAN

Fledgling entrepreneurs of today may not find selling mats for domestic consumption a lucrative business. But it is the idea that matters the most, not the good looks of a venture, said Suvash Debnath, a businessman in Bogra.

"I have not spent the loan to buy rice or any luxury item. I spent the money judiciously"

Debnath, a mat wholesaler, thinks one does not need a lot of money to be successful in a business; only small resources can play a huge role if one respects his work and tries sincerely.

The 57-year-old from Adamdighi upazila under the northern district has been in the mat business for the last four decades; buying mats from local weekly markets and selling them to Dhaka and Khulna.

Each month he buys about 3,000 pieces of mats to send them to his buyers.

The mat business is often seasonal as demand for the household and office items are low during winter compared with other seasons. Throughout warm seasons, he sells around 5,000 to 7,000 pieces of mats every month, he said.

Debnath is not alone, as, in his village, there are hundreds of people are engaged in either producing or supplying mats to other parts of the country.

Twice a week, on Sunday and Thursday, hundreds of mat producers and suppliers gather at Halahali haat in Adamdighi, a local market place to sell and buy the mats.

"The local market, which sits twice, is exclusively dedicated for mats," he said, adding that the haat has been here since long before his birth.

Debnath concentrated in the mat business in 1973, soon after his schoolteacher father died. Back then, he could buy four mats at Tk 1, while a small, single mat for prayers now costs Tk 25-30.

A father of two daughters, Debnath, also owns some land, but selling mats is the main source of income for his family, he said. He now runs his business with three employers, as the season is relatively dull.

He said he started the mat business with his own money, as large capital was not needed to begin a venture at that time, and he did not go for any loan until recently.

Debnath believes a person can still do a lot with whatever small amount he has, but one has to use the resources properly. He said one has to respect whatever job he is doing from heart and should be industrious to be successful.

He said he has taken loans worth Tk 150,000 from a local microfinance organisation to expand his business and it is the third time in the last three years. "I have not spent the loan to buy rice or any luxury item. I spent the money judiciously," he added.

"I ferried mats from markets to markets across the country. I had to struggle a lot. This financial stability did not come easily. I had to build it bit by bit," he said.

He said even people without money can launch business if they have good ideas. "When I started, getting loans were not easy. Now the microfinance organisations will help you.

"But the money has to be spent astutely to change the fortune. If you can ensure timely payment then there will be no problem," Debnath said.

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Suvash Debnath makes mats at his workshop at Adamdighi upazila in Bogra.

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A man displays mats for sale.

Three-and-a-half questions for the Davos gurus

JAMES LEDBETTER

For the last several years, the World Economic Forum (WEF) has published an annual report on global risk, as part of the run-up to the storied annual meeting in Davos. The 50-page report makes for gloomy reading: it is a dense collection of some of the major threats to the world's security from asset price collapse to weapons of mass destruction and the interconnections between them. And they're all carefully mapped in terms of their perceived likelihood and perceived economic impact.

You've got hand it to WEF: their report is thorough and sobering, and makes a great reference tool for later in the year. Last year's report said that "there is a rising risk of sovereign defaults," and that proved more accurate and expensive than anyone wished.

Yet for all its insistence on a big-picture, global perspective, the WEF risk report can seem internally contradictory or just hollow, as if pieces of cloth were produced in separate quarters with no one sewing them into a coherent quilt.

And so, for those who want the big picture to be even bigger, here are three-and-a-half major questions raised, but not answered by the WEF risk report.

Why do global institutions break down?

The WEF is very worried about the failure of "global governance." This is unsurprising, since the WEF is very similar in outlook to other global-reach institutions, like the IMF, World Bank, United Nations, etc. The report finds "a growing sense of paralysis in responding to global challenges," and cites as examples ineffective UN climate change negotiations; the stalled Doha round of trade talks; lack of progress on some UN Millennium Development goals; the ineffectiveness of Security Council reform and moves to curb nuclear proliferation.

Yet the WEF is much less clear about what is causing these institutions to fail. It is temperamentally prone to blame individual nations, and in some instances (such as nuclear proliferation), that may well be appropriate. But what about trade and currency policy? The report acknowledges that enforced economic globalization in emerging markets might harm employment and "potentially threaten social stability." Why, then, should emerging nations want to inflict political and economic damage on themselves that their more enlightened developed brethren would never accept? Another way of saying this: maybe global governance isn't working because the cures global institutions offer (and sometimes enforce) are often worse than the disease.

How can they be fixed? (Half question.)

Reading the report, you get the strong sense of a circular argument along these lines: "My tools are broken. How will I fix them? I will use my tools!" About as close as the WEF gets to a solution for broken global governance is "a well-informed and well-mobilized public opinion sharing norms and values of global citizenship." Yes, well … good luck with that.

Where does inequality come from?

This year's report makes a big deal about "economic disparity," which it helpfully defines as "wealth and income disparities, both within countries and between countries." We used to call this "inequality." The WEF report rightly points to OECD data indicating real income growth of the top income quintiles in wealthy countries (Finland, Sweden, the United Kingdom, Germany, Italy and the United States) was twice as large as that of the bottom quintiles between the mid-1980s to mid-2000s. The poor may not be getting poorer, but the rich are getting richer at a much faster pace than everyone else. That situation is not only immoral, but dangerous, as it can lead to open conflict between nations and internal political turmoil.

But wait why is this happening? The WEF report cites "the erosion of employment culture, the decline of organized labor, and failures of education systems to keep pace with the increasing demands of the workplace." That all sounds plausible, but the time frame cited marks the heyday of the very global governance institutions the WEF seeks to support. You don't have to accept a causal relationship though it certainly suggests itself but at a minimum, global governance institutions have been demonstrably ineffective in addressing the economic structural issues that the WEF now worries about.

What's creating all the debt?

There's a really scary chart in the report showing the average government debt-to-GDP ratios of G7 economies over the last 60 years. It's somewhat surprising that a period that many consider an absolute economic doldrum the mid to late 1970s was actually the period of lowest relative debt. (Clearly, debt is only one factor in overall economic health.) Today, though, gross debt has climbed over 100% of GDP, for the first time in the postwar period.

Why? As noted in the previous question, it doesn't seem to be because of excessive spending on the poor (or, if so, that spending is *really* ineffective). Rather, the debt and inequality issues taken together strongly imply that capital has been shifted over the last 35 years or so from public treasuries and into the pockets of the wealthiest people in the wealthiest countries (and maybe the wealthiest people in poorer countries too, but that data isn't in the report). If that is the case, it only reinforces the impression that, at best, existing global governance institutions are useless when it comes to the economic issues the WEF wants us to worry about. At worst … well, maybe the breakdown of global governance, as practiced to date, isn't such a bad thing.

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Want to keep your employees? Try better benefits

MATT REEDER

A better hiring mood and a labor market overflowing with quality candidates could make CEOs complacent when it comes to retaining staff.

That would be a mistake according to Luke Vandermillen, vice president at advisory firm Principal Financial Group, who said employee turnover can be costly.

Citing estimates, Vandermillen said the one-time cost of replacing just one employee can be as much as 150 percent or more of their annual salary. Recruiting, hiring and training replacements for lost people add up and companies also suffer from lost productivity and intellectual capital, he added.

As the labor market heats up, companies need to think more about how to retain employees who have more options open to them, said Vandermillen.

"Benefits can play a role in retaining employees," said Vandermillen, whose firm just released its annual guide that helps businesses reduce worker turnover by better managing benefits policies. "The companies that really seem to do a good job of this really stay the course as it relates to their benefits."

Principal, which produces its guide by drawing benefits best practices from the experiences of companies it has ranked top at the task, has found turnover rates can be reduced significantly when firms offer decent benefits packages to workers. The 90 companies that have made the cut in the Principal 10 Best Program over the past nine years have a voluntary employee turnover rate of 7 percent compared to the national average of 24 percent.

Emeryville, California-based Clif Bar & Company, which makes all-natural and organic energy bars, made Principal's top 10 in 2010 by adding new benefits such as employee stock ownership programs, access to preferred provider discount plans, supplemental life and disability insurance and access to financial planning services.

Another winner, Columbus, Ohio-based adhesive manufacturer Franklin International, was able to lower company costs and employee premiums for several benefits without reducing benefit levels by negotiating with its vendors.

"What the better companies are doing by working with their financial advisers is getting creative around their benefits package," said Vandermillen, adding there is no one-size-fits-all solution when it comes to determining what benefits package to offer.

However there are some general trends employers can look to for guidance. Principal also does a quarterly survey of American workers and retirees, asking what the most important benefits are to them. Perhaps not surprisingly, health insurance ranked first, with retirement plans, dental coverage, disability, vision, pension and life insurance following in that order.

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