Clear policy needed to boost investment

BSRM Chairman Alihussain Akberali speaks about his existing business and future plans

UDAY SANKAR DAS, *from Chittagong*

MORE support from various government departments and publication of a major policy document by the government is urgently required to attract investors, said Alihussain Akberali, chairman of BSRM, one of the biggest industrial groups of the country.

The government needs to lay the future pricing policy on market-based prices of all inputs to power projects, he said in an interview.

"We gave the Board of Investment (BoI), some nine months back, four to five proposals about the problems we were facing in setting up the largest steel plant and a power project. No one from the BoI has so far called us to hear our problems nor were our applications sent to relevant departments."

"How can there be industrialisation under such circumstances?" he questioned.

The major chunk of foreign investment is in the export processing zones (EPZs) where labour intensive industries are being set up and which offer a platter of gas, power and tax incentives.

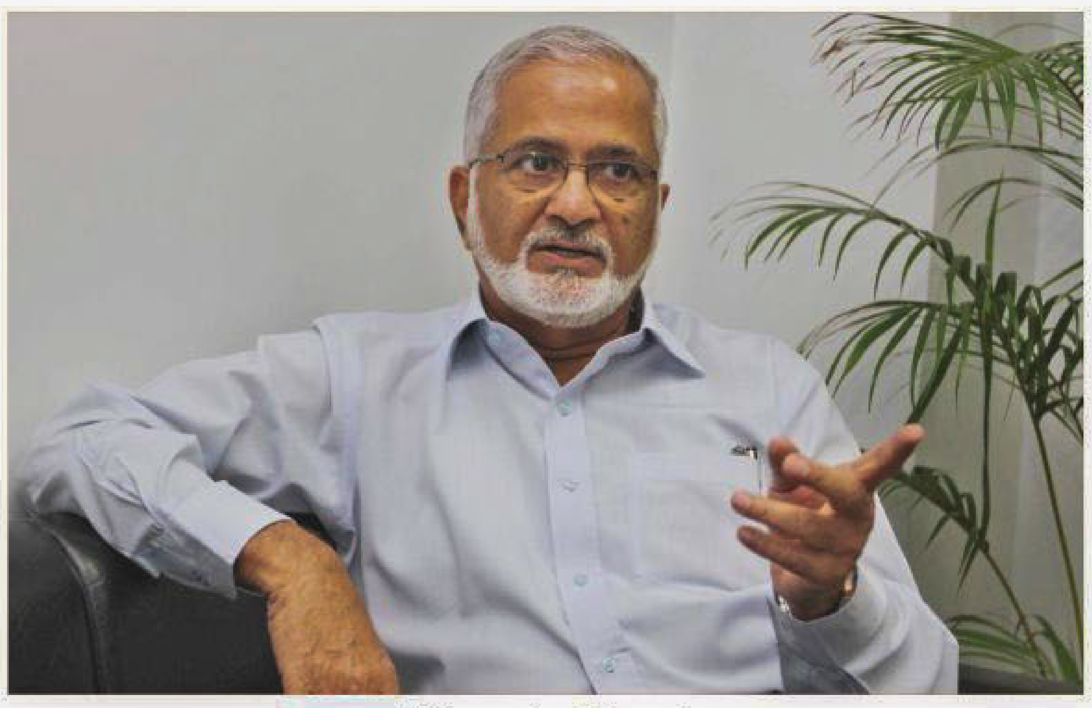
But no importance is being given to import substitution industries, he said.

"We need active support from different ministries of land, water, power, roads and highways, home and energy to help us smoothly set up the two major Tk 3,000 crore projects which will generate employment for about 1,500."

"Today pillar to post, we are just groping in the dark. Of course we are used to it but at what cost to the country?"

It will be impossible for foreign companies to come to the country to set up heavy industries outside the EPZs, Akberali said.

Talking about his own group, the BSRM chairman said there



Alihussain Akberali

were only 300 employees to start with and today the group boasts to have a workforce exceeding 1,700 which would grow by another 750 by the next year and a half.

BSRM made a modest beginning in the early 1950s under the aegis of his father Akberali Africawala, when the first steel re-rolling mill was set up in the then East Pakistan.

Akberali also said the last accounting year showed a group turnover of more than Tk 6,000 crore with a net profit of around Tk 150 crore.

He said the BSRM's growth and success in being able to supply quality steel to the market have been the result of constant upgradation of their business and using innovative technology.

He also said BSRM's main aim in doing business have been its integrity and honesty. They are a highly ethical group and are the largest taxpayers and the largest power and gas consumers in the country in the steel sector.

This alone is the reason for success of BSRM, he added.

"Our customers trust us for quality, correct dimensions of materials, correct weight delivered and timely delivery with adequate and rewarding credit facility to those who meet our business criteria."

Akberali said BSRM makes its products strictly in accordance with international and Bangladeshi standards and its mechanical properties including elongation not only meet the standards but are also way above the normal standard values.

This is possible because BSRM has invested in the most sophisticated quenching and tempering heat treatment and control equipment from a renowned European manufacturer, he said.

This technology ensures ductility along with high strengthened ductile bars which are safer.

This is the main reason why developers, consumers and various large projects trust BSRM and place orders with them, Akberali said.

On their expansion plan, the chairman said they are in the midst of setting up the largest billet making plant in the country at Mirsarai, with the production in the plant expected to commence in mid-2013.

The project cost is around Tk 1,300 crore and is being financed by a consortium of bankers from home and abroad.

The plant will have a production capacity of one million tonnes a year.

"We are expanding the capacity of our Nasirabad rolling mills to 450,000 tonnes per annum and are planning to set up a 150MW coal-based merchant power project at Mirsarai."

Akberali said this would be the largest ever project in the private sector which would sell 10 percent power to the Power Development Board, while the rest to various private customers.

Commenting on the housing sector in general, the BSRM chairman said high cost of flat registration is one of the biggest deterrents to the development of the sector.

He thinks this makes flat ownership an illiquid investment, where the exit route is not easy. A lack of utility connections such as water, gas and electricity is another big deterrent as many developers cannot hand over finished flats.

The high cost of urban land is the biggest reason for the depressed real estate market as it is impossible for working middle-class to own a flat in the city.

Land is the single largest cost element in the price of a flat.

"If the government could build more highways and roads connecting the existing cities, real estate developers would move their operations to the city outskirts to build new houses outside the cities."

He suggests the government give its khas land whereby real estate developers could be invited to build flats which could be sold in turn by the government to the lower and middle-class families on a long-term instalment basis.

About his experience on carrying out business activities in Bangladesh in general and in Chittagong in particular, Akberali said: "Doing business in Bangladesh is most easy and the policy is friendly for any investor."

The BSRM chairman also said the country is small having a homogeneous population, common culture and common language. There is no tension in running a business in the country. Chittagong is the port city, and so there is a big advantage of doing business here, he said.

Culture as risk mitigant: cockpit, country and company

LUTFEY SIDDIQI

HOW did the national airline of Korea transform itself from one of the most accident-prone to one of the safest carriers in the world in less than a decade? As Malcolm Gladwell forcefully argues in Outliers, the driver was "cockpit culture".

Most plane crashes are the result of an accumulation of minor malfunctions rendered disastrous by human interaction. As is hauntingly evident from flight recorder transcripts, preventable errors have prevailed due to a breakdown of teamwork and communication.

Cultures can be distinguished by the scale of their power index -- the rigidity with which hierarchical distance is maintained -- and the extent to which individuals are reliant on rules as opposed to resourcefulness in the face of ambiguities.

The assertiveness and choice of words with which a deputy communicates with his captain or his controller is a direct function of his cultural context. Consequently, linguists and psychologists proved to be as relevant to airline safety as technical engineers.

What is true in the cockpit is equally true at the level of the country.

At the 2013 annual meeting in Davos, the World Economic Forum unveiled its inter-disciplinary framework for risk resilience. In a world of complex linkages, resilience against 'unknown-unknowns' is as important as the management of known risk factors.

There are at least three components to a resilient, risk-ready system:

1.Robustness is the ability to contain and withstand shocks. In a system where decision-making is modularised into autonomous cells with firewalls in between, the potential for a localised shock to debilitate the entire system is reduced. The fact that the supply chain of food was largely functional after the Japanese earthquake in 2011 is illustrative of a networked managerial structure.

2.Redundancy is about back-ups on standby. It is also about a diversity of overlapping policies and plans of action aimed at tackling a given situation.

3.Resourcefulness is the ability to adapt and respond flexibly to crises. The relationship between "authorities" and communities and the degree of trust within communities have a bearing on our capacity for self-organisation.

What is true for a country is equally applicable at the level of the corporation.

Companies across industries -- whether finance or commodities -- often address incidents of 'control failures' without acknowledging the possibility of 'culture failures'. Understandably, the attitude is: "do we not tar the vast majority of decent capable employees with the actions of a few"?

We don't.

Culture is not about individuals as isolated atoms. It is about the norms of interplay, how we interact with each other and how we rank our priorities at a practical level. With the wrong kind of software governing interaction, it is possible for the intelligence and integrity of an organisation to be disconnected from the knowledge and integrity of individuals within it.

It was also at Davos that Bain & Co hosted a session titled "Leading by Letting Go". We heard from some of the largest and oldest multinationals in finance, consumer goods and electronics that you gain control by giving away control. Within appropriate guard rails, timely feedback and clear executive direction, employees are seen as self-directing and self-correcting.

Don Tapscott and Anthony D Williams, authors of Wikinomics, make a similar point: "To control your future in a volatile world, you will need a paradoxically different attitude of letting go. Encourage people to organise themselves, help you solve problems and come up with new ideas."

READ MORE ON B3

India's budget likely to woo investors

REUTERS, *Bangalore*

WHETHER the government will reduce borrowing in the next fiscal year is too close to call, but economists polled by Reuters say its resolve to cut spending and giveaways in next week's budget will reignite investor confidence.

Finance Minister P. Chidambaram will deliver the annual budget on February 28, his last full budget before the country goes to the polls early next year.

Increased spending on social welfare and other benefits has been commonplace in Indian budgets for many years. But analysts say the tone of this budget will be different, steering clear of populist measures - even this close to an election.

"In view of this particular election, oddly enough, there may be political ground to be made on stressing that the government is keeping with its fiscal consolidation goal," said Vishnu Varathan, economist at Mizuho Corporate Bank.

Indeed, officials involved in budget preparations told Reuters the finance ministry plans to slash the public spending target by up to 10 percent in the new fiscal year, which would make it the most austere budget in recent times.

Chidambaram has already slashed public expenditure in the current fiscal year to March by some nine percent from the original target.

In the Reuters poll, conducted between February14-21, 19 of 23 economists expected the budget to help bring in foreign investment.

Almost as many, 18, predicted the focus of Chidambaram's budget speech will be on slashing subsidies and government handouts.

Eighteen said they expect spending cuts to mainly focus on fuel subsidies and defence. India's fuel subsidy bill swelled by almost 73 percent in 2011-2012, compared to the previous year, while defence allocation rose 18 percent in the last budget.

The poll also predicted the finance ministry will axe spending on rural development and food subsidies.

"This will not be a common man's budget simply because there is very little room for that," said Jyotinder Kaur, economist at HDFC Bank.

India's fiscal deficit target now stands at a revised 5.3 percent of GDP this fiscal year. Chidambaram has said he wants to get that down to 4.8 percent in 2013/14.

Economists in the poll were split on the chances of overall government borrowing in 2013/14 being reduced from 5.7 trillion Indian rupees in 2012/13.

Once considered a rising star in Asia, the Indian economy has lost its shine in recent years. Preliminary estimates released earlier this month showed growth dwindled to an annual five percent rate in the current fiscal year to March.

If confirmed, that would be the slowest growth rate that Asia's third largest economy has clocked in a decade.

The poor performance is reflected in the rupee's depreciation, as the current account deficit has widened due to weak exports and slack inflows of foreign direct investment.

France tops US in women on corporate boards

AFP, *Washington*

FRANCE has overtaken the United States in placing women on the boards of the world's 200 largest companies, according to a study released on Friday.

The average percentage of female directors among Fortune Global 200 companies, the world's largest by revenues, came to a modest 15 percent, according to the study by the Corporate Women Directors International (CWDI).

But 25.1 percent of directors in the 17 top French companies are now women, thanks to a French quota law.

Meanwhile, only 20.9 percent of board members were women at the 57 largest US companies, the study found.

"France has raised the bar for other countries interested in opening up corporate board rooms to women," said Irene Natividad, chair of the Washington-based CWDI.

In a similar study released in late 2011, France beat a timetable set by the quota law taking effect in January of that year, that requires publicly listed companies to make 40 percent of their directors women by 2017.

The law set a halfway point of three years to reach 20 percent, and France had 20.1 percent. That marked substantial progress from 7.2 percent representation in 2004, when the CWDI first tracked the data.

"The dramatic increase in the number of women now serving on the boards of French companies shows that it is possible to do this at a quicker pace, as long as there's a plan to do so," Natividad said.

Norway initiated the board room quota drive in 2003 and reached its 40 percent mandate in 2008.

Five other European countries now have government quotas on female directors in

AFP

Left, Anne Lauvergeon, a former French CEO of Areva, and Meg Whitman, the then California Republican gubernatorial candidate and former eBay chief.

public companies: Belgium, Iceland, Italy, the Netherlands and Spain. Outside Europe, Malaysia is the sole country with such a quota.

Ten other countries have quotas for women on the boards of government-owned companies, bringing to 18 the number of countries with some kind of quota.

The improved numbers worldwide also were driven by the inclusion of gender or board diversity language in the corporate governance code in several European countries, the CWDI said.

Finland led that drive and now has 22 percent of board seats held by women, in an initiative that has spread to other continents, the group said, calling it "a very popular strategy for countries wanting to avoid quotas."

"There are now 17 countries who have adopted this initiative," the research group said.

The data made clear that government quotas and gender diversity recommendations spurred women's acceptance to the boardroom.

"Quotas work," said Natividad. "Inserting gender diversity into corporate governance codes works.

"What doesn't work is assuming that women will rise to board seats 'naturally,' and therefore do nothing."

The world's top three economies -- the United States, China and Japan -- are home to 104 of the Fortune 200 companies, but had the lowest percentage increases in women-held board seats.

"None of these countries have concerted proactive strategies to improve the numbers of women directors in their respective countries," the CWDI said.