

Create robust systems for smooth succession in family businesses

A researcher says at MCCCI programme

STAR BUSINESS REPORT

Family businesses have to move from being person-led to process-driven and create robust systems for smooth succession, said Mirza Yawar Baig, an international speaker specialised in leadership development.

"The company has to come first, rather than the family," he said while giving a lecture on "the business of the family business", at the office of the Metropolitan Chamber of Commerce and Industry in Dhaka on Saturday.

He said family businesses are a big part of the economy and the communities in which they operate. In fact, they are the backbone of any economy.

"They are the ones who actually contribute to the local economy, employ local people and use local services and products. It is beneficial for a country to have healthy and successful family businesses."

So there has to be a system in the country so that family businesses survive generations and avoid the "three generations' syndrome", he said. The three generations' syndrome is when the first generation

builds the business, the second generation maintains it and the third generation runs it into ground.

"However, that is not a law of nature. It is something that is entirely avoidable. If one can figure out how to hand over businesses from generations to generations then it is entirely possible."

"You can do it if there is a will -- it is as simple as that."

The author of the book titled "The business of family business" went on to give examples from around the world of how family businesses have survived for generations. "Families need businesses, but businesses do not necessarily need families."

The families have to lay down ground rules for their businesses collaboratively. "Never break your own rules," he said.

He said there are six issues that are important for family businesses to thrive.

They will have to maintain spirit of entrepreneurship, create system to perpetuate what worked for the founders, open doors for continuous innovations, provide support to new ideas and create boundary-less work culture and kill bureaucracy.

About succession, Baig said successors must have independent market value, leadership track value, record of handling crisis, high acceptability among family members and employees and record of personal commitment and contribution.

"Succession planning is a process and it has to be done consciously. A robust succession system is a sign of a healthy culture."

Baig said many successful businesses struggle to select successors because of a lack of planning.

He said he has seen cases where old men came to him for advice on how to appoint their children as successors. "It is not a good idea to wake up at that point of time. You will have to nurture them."

He also said many people talk about handing over control but in reality, they do not; they do not know what they will do after they cede control. People must have something to do outside their companies, he added.

Baig, who works as a life coach and mentor for prominent business families in India, South Africa and Sri Lanka, said families should not go for chopping down their

businesses. They can divide shares if they have to.

He also said family businesses in Bangladesh are working well and are innovative. "Like elsewhere, much can be done and improved."

Anis Ud Dowla, a former president of the MCCCI, said there is no way to dispute what Baig said.

"It is very real. Sometimes, it is hard to implement, but that is the way to go for the family businesses and prosper for the greater interest of everybody involved."

Dowla, who is the chairman of ACI Group, one of the conglomerates in Bangladesh, said when a business succeeds the founders owe it to the employees and other shareholders, rather than the members of the family.

Akhter Matin Chowdhury, vice president of the MCCCI, said family businesses are recognised as a key part of the global economy as well as the local communities, so their importance is crucial.

A good number of heads and chief executives of a number of family-run businesses were present at the event.

Farooq Ahmed, secretary general of the MCCCI, also spoke.



BENGAL FEED

Obaidul Quader, road transport and bridge minister, attends the inaugural of a factory of Bengal feed and Fisheries on its premises in Rasulpur of Shetubhanga in Begumganj, Noakhali on Saturday, Morshedul Alam, chairman of Bangladesh Group of Industries, and Jasim Uddin, vice chairman of the group, were also present.



BTI

Officials of BTI, a real estate company, celebrate the company's 33rd anniversary at a programme. BTI arranged a three-day programme in Dhaka, Chittagong and Comilla for its customers to mark its anniversary.



BRAC BANK

SK Sur Chowdhury, deputy governor of Bangladesh Bank, and Selim RF Hussain, managing director of Brac Bank, launch Planet Solutions loan product of Brac Bank during a workshop on water and energy efficiency financing organised by the International Finance Corporation at a hotel in Dhaka yesterday. Planet Solution is Bangladesh's first energy efficiency financing loan which will assist garments and textile industries to invest in energy-efficient technology.



ISLAM GROUP

Sophie Aubert, French ambassador; Niaz Rahim, chairman of Rahimafrooz Superstores; Fazle Rahim Khan, managing director of Aftab Bahumukhi Farm; Manzurul Islam, chairman of Jahurul Islam Company (JIC), and TD Packir, chief operating officer of 'Ready Chef' IG Food, attend the launch of Ready Chef, JIC's poultry product brand, at an Agora outlet in Gulshan, Dhaka on Thursday.

Parliament okays new bill on Bangladesh Petroleum Corporation

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The parliament yesterday passed a bill titled "Bangladesh Petroleum Corporation, 2016" with an aim at scrapping Bangladesh Petroleum Corporation Ordinance, 1976 promulgated during former president Ziaur Rahman's regime. State Minister for Power Nasrul Hamid placed the bill in parliament, which was passed by voice vote.

In the bill, the House accepted four amendment proposals placed by three Jatiya Party MPs --Fakhrul Imam, Rowshan Ara Mannan and Selim Uddin.

The ordinance lost its effectiveness after the 15th amendment to the constitution.

As per the 15th amendment to the constitution, all the ordinances promulgated during military regime from August 15, 1975 to April 9, 1979 were revoked.

The previous ordinance was in English version, but the fresh bill has been placed

and passed in Bangla version.

As per the bill, the BPC will have a board of directors led by a chairman appointed by the government.

The board will consist of a chairman, one joint secretary each from the Energy and Mineral Resources Division, the Power Division and the Finance Division as well as maximum five directors appointed by the government. The chairman and the directors of the board will be appointed for a five-year term and the appointment can be renewed later.

The chairman will be the chief executive of the corporation and its head office is in the port city of Chittagong.

The authorised capital of the Corporation will be Tk 1,000 crore and the government would pay the capital as per BPC requirement. But, in the 1976 ordinance, the amount of authorised capital was only Tk one crore.

Summit Technopolis begins building hi-tech park

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Infinity Infotech has played the role of being the principal catalyst in bringing the IT revolution in West Bengal by creating 7 million square feet of green and intelligent IT workspace for over 600 companies.

Earlier, the government signed another

deal with Bangladesh TechnoCity, which started to develop the 40-acre Block-3 from October last year.

Tender evaluation is ongoing for the Block-4 that spans 36 acres. The government has set aside Block-1, which spans 65 acres, for its own use.

Small loans surge

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The BB official said the banks are now becoming more conscious, due to which they are lending more to small-scale entrepreneurs, who are said to contribute more to the economy and are of low-risk.

Another BB official said many large loans had to be restructured in recent times, which discouraged banks to give out fresh credit to large companies.

The banks had to keep provision against the restructured loans, which is a punishment for them. So, they are giving out small loans more instead of large ones, he added.

Agrani Bank Chairman Zaid Bakht said when a large loan becomes default much pressure is created on the banks. As a result, banks are now more interested in distributing small loans.

Besides, the small and medium loans have more contribution to economic growth. "So, the banks have shifted their focus more towards them," he added.

Zahid Hussain, lead economist of the World Bank's Dhaka office, said there is uncertainty in the global economy, due to which large companies are shirking from taking term loans.

Last week, the International Monetary Fund said the global economic recovery was gaining traction but warned that it was "still at risk" because of Eurozone debt and a lack of financial reforms. Plus, uncertainty prevails on the domestic front for large companies given the gas and power scarcity, Hussain said.

The small and medium enterprises do not rely much on gas connection; getting power links is enough for running their factories, he said.

If political stability prevails, they will not face any problem in selling their products, according to Hussain. "So, term loan disbursement among these enterprises has been increasing."

DSE's income creeps up 1pc

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The DSE is yet to decide whether it will propose any dividend for its shareholders for the 2014-15 financial year.

A decision on the dividend issue may be taken in the upcoming board meeting, said a member of the DSE board. If there is any proposal on dividend, it will be placed at the bourse's annual general meeting on March 24, the member added.

The prime bourse did not give any dividend for 2013-14, the first financial year after its demutualisation.

The bourses were demutualised in 2013 to bring more transparency and accountability into the capital market.

Demutualisation is a way of separating the management of the bourses from ownership. It transforms a stock exchange into a profit-oriented company owned by shareholders and ensures alternative business models and operational efficiency.

Prior to demutualisation, Bangladesh's stock exchanges were non-profit cooperative organisations owned by the exchange members, who are usually stockbrokers.

Young professionals say their voices should reach policymakers

STAR BUSINESS DESK

Platforms should be created to help the future generation express their views on the issues of national importance, young professionals said at a discussion.

They also suggested there should be forums and also network of youths both in Dhaka and outside and their voices should reach policymakers.

This would not only help them address the challenges they are facing in running their businesses and activities but would also facilitate making their contribution to the country's development.

The Centre for Policy Dialogue organised the discussion on Thursday at its office in Dhaka under its programme -- Conversation with Future Leaders.

The young participants also expressed concerns for Bangladesh on its way towards sustainable development and in view of

this, provided some suggestions for the upcoming national budget as regards fiscal policies and allocation of resources.

They suggested a more balanced tariff structure keeping in mind both export and the industries serving local markets, and higher allocation for education particularly for tertiary education. They also emphasised employability, and special allocation for green fund.

The session was participated by young leaders from Multimode Transport Consultants, Bitopi Advertising, Shasha Denims, International Office Equipment, GE Bangladesh, Picard Bangladesh, Jaago Foundation, Teach for Bangladesh, Techno Vista and North South University.

From CPD, Distinguished Fellow Debapriya Bhattacharya, Executive Director Mustafizur Rahman, and Director of Dialogue and Communication Anisatul Fatema Yousuf were present at the session.

New NBFIs enters market today

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Venture capital, which is money provided by investors to start-ups and small businesses with perceived long-term growth potential, is not available in Bangladesh, despite a large number of NBFIs and banks operating in the country.

Venture capital is an important source of fund for start-ups that do not have access to the capital market. Rahman said about 30 percent of their products will be new -- venture capital, equity fund and green financing -- and 70 percent will be traditional.

Bangladesh Bank granted the licence to CAPM Venture Capital in July last year.

The company's paid-up capital is Tk 105 crore. Institutional investors -- both public and private -- own 56 percent shares, and the rest is owned by individuals.

Of the institutional investors, state-owned Sadharan Bima Corporation and

Investment Corporation of Bangladesh own 9 percent shares each.

NBFIs are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. IPDC was the first non-bank that was established in 1981.

Of all the NBFIs, two are fully government owned, one is a subsidiary of a state bank, 15 are local private initiatives and the rest 15 are joint ventures.

The major source of funds of the NBFIs is term deposits for a minimum of six months, credit facility from banks and call money as well as bond and securitisation.

Rahman, who has nearly three decades of experience in different NBFIs, said the prevailing investment scenario has forced them to develop new and innovative products.

"In addition to venture capital and equity fund, we want to invest in climate change and green financing products," he said.



FSIBL

Brigadier General Sultanuzzaman Md Saleh Uddin, director general of the National Identity Registration wing of the Election Commission of Bangladesh, and Syed Waseque Md Ali, managing director of First Security Islami Bank, pose at the signing of an agreement at the Election Commission's office in Dhaka on Thursday. The bank can access the national database to verify client information.