CHAPTER FOUR

CASE STUDIES OF BANGLADESHI JUTE BUSINESS FIRMS

CASE STUDY 1: AMIN JUTE MILLS LIMITED

CASE STUDY 2: A.K. KHAN JUTE MILLS LIMITED

CASE STUDY 3: GUL AHMED JUTE MILLS LIMITED

CASE STUDY 4: VICTORY JUTE PRODUCTS LIMITED

CASE STUDY 5: HAFIZ JUTE MILLS LIMITED

CASE STUDY 6: CHITTAGONG JUTE MANUFACTURING COMPANY LIMITED
CHAPTER - IV

CASE STUDIES OF BANGLADESHI JUTE BUSINESS FIRMS

This chapter presents the case studies of the six Bangladeshi jute business firms. The information and data collected are based on the checklist (Appendix - 1) and are presented in such an order so that the relationship among the chosen industry factors as well as strategic factors could easily be deliveated for the purpose of analysis and interpretation in the subsequent chapters.

CASE STUDY 1: AMIN JUTE MILLS LIMITED

Introduction

Amin Jute Mills Limited (AJM) is a unit of Bangladesh Jute Mills Corporation (BJMC). The factory is situated at Sholashahar, Chittagong. Its registered office is at 'Sattar Buildings', Agrabad, Chittagong.

Originally, it was a private limited company established and sponsored by Amin Group of Industries on 14th March 1953. It went into commercial operation with 500 looms on 14 March 1954. But under the expansion programme of the firm, another 244 narrow looms and 27 broad looms were installed in different phases during the period from 1963-64 to 1970-71. The Jute Carpet unit, including mat and tape, was installed in 1959 and Amin Old Field producing felts, came into existence in 1961.

After the emergence of Bangladesh, AJM was nationalised on 26th March 1972 under the Presidential Order
27 and had been placed under the control of BJMC. All activities of the company are regulated and controlled as per different directives and circulars issued by the Government of Bangladesh/BJMC within the framework of the Joint Stock Companies Act, 1913 (As amended and applied in Bangladesh).

The initial authorised capital of the company was Rs. 1 crore only which was raised to Taka 5 crore in the subsequent period. After nationalisation, all shares of the firm were taken over by the Bangladesh Government and vested in BJMC, a controlling authority under the Ministry of Jute, Bangladesh.

All the activities of AJM are directed toward the fulfilment of the following objectives:

1. To implement the policies and directives declared by the government/concerned ministry for the company.

2. To control the activities/affairs of all the departments within the company through exercising effective supervision.

3. To take measures for the formulation and proper implementation of financial policy/planning in favour of the mill's management.

4. To make necessary arrangements for purchasing raw jute through purchase centres and mill-gate purchases according to the raw jute demand of the company as well as government's jute policies.
5. To facilitate the storage of raw jute, spare parts of machinery and other equipments and their best utilisation.

6. To produce jute goods free from any kind of defects according to the fixed target as well as buyers demand.

7. To ensure shipment in time and supply of sales quota determined by the marketing division of the corporation i.e. the BJMC.

8. To keep a constant contact through the Marketing Division of BJMC to boost up exports.

9. To ensure the best utilisation of the valuable foreign exchange and loans demanded and granted for the procurement of machinery, spare parts, and other useful materials.

10. To ensure the use of the best methods at every stage of the process of production to maintain quality demanded by the buyers.

11. To develop an effective working environment, by maintaining good relationship among the officers, staff and workers that may help further increase in production, and

12. To take utmost care of the assets and properties of the mills such as land and building, plant and machinery, furniture, transport etc.
Amin Jute Mills Ltd. produces hessian sacking, carpet backing cloth (CBC), jute carpet, mat, tape, felts etc. In fact, both traditional and non-traditional items of all kinds are being manufactured by the Company. It is second largest company in Bangladesh after Adamjee Jute Mills Limited at Narayanganj. It has the maximum scope for producing a variety of products.

The present turnover of AJM is about Taka 31.41 crore of the total manpower, 5,408 are working as labour-force and the rest 846 person are either in the officers or staff category.

History and Growth

Primarily the company had been floated by the Amin Group of Industries, the parent company organised by private enterpreneurs. Its management was entrusted to a Board of Directors according to the Joint Stock Company Act, 1913 (as adopted by the Government of the then Pakistan). One of the board members of the company was being selected as the managing director of AJM. Other board members were nominated from among the owner-entrepreneurs. This management pattern lasted till the independence of Bangladesh.

The management pattern had been changed drastically after the nationalisation order of Bangladesh Government in 1972. Accordingly, Ministry of Jute, Bangladesh has become the apex body and BJMC is given the authority of formulating policies (both long-term and short-term) regarding the organisation and administration of all jute manufacturing units under its control. Besides the Board of Directors administering BJMC's activities at its level, there is a
separate Board at the firm level which is termed as the Enterprise Board.

**Management Structure**

The Enterprise Board (EB) of AJM consists of eight members. The Chairman of BJMC is the ex-officio Chairman of the Enterprise Board of Amin Jute Mills Limited. Each of the jute mill units under BJMC is treated as a project. The person responsible for the day-to-day administration of the jute mills at its factory level is called project head. He is a member of Enterprise Board. The project head of AJM is in the grade of General Manager according to the approved organisational structure of Ministry of Jute. The rest of the members are the nominees one each from the Ministry of Jute, Ministry of Finance, Bangladesh Shilpa Reen Sangstha (BSRS), BJMC Zonal Office, Chittagong, Financing Banker (Janta Bank), and BJMC Head Office, Dhaka.

The enterprise board of AJM convenes meeting of directors after every three to six months to review the performance, and consider the proposals raised by the project head of the mill. The EB has the authority to formulate policies/strategies in short-term perspective. But these policies are to be designed within the general framework provided by the government/corporation. Long-term major policies are framed centrally by BJMC. Though project head is the topmost person of the organisational set-up (Exhibit 4.1) at the firm level administration, he enjoys, virtually, no autonomy in formulating business strategies. But, alternately, he is held responsible for the execution of various policy matters either formulated by BJMC or by the EB.
Marketing

Being an enterprise of BJMC, AJM's marketing functions are centralised. All marketing policies are framed by BJMC and sales proceeds are also being realised by them. Marketing programmes related to advertising, channels of distribution, pricing, market segmentation, packaging, grading, branding etc. are done by BJMC's marketing division. AJM's Enterprise Board has no autonomy in this regard.

AJM receives orders/instructions from the BJMC regarding the quantity, quality, time schedule, and specification of the products. One officer who is under the direct control of the project head deals with official correspondence relating to marketing. Rest all marketing activities are the concern of marketing division of the BJMC.

BJMC's zonal office at Chittagong plays an intermediary role between the individual mills and BJMC Head office, Dhaka. Zonal Office has a marketing department that facilitates marketing functions of all the units under its jurisdiction.

Production

AJM is producing jute goods from raw jute. The factory site is well-connected, by both road and railway, with other parts of jute growing area. It has the shipment facilities to send the jute goods to the overseas market under the arrangement of BJMC.
AJM has three factories, each producing jute products of different category. Hessian, sacking and CBC items are produced in the main factory. In the jute carpet factory, mats, tapes, and other diversified products are manufactured along with carpet. Felt is produced in the third factory.

The plant and machinery used are newer than other jute mill unit. But only 60 to 70 per cent of the installed capacity is being utilised because of the paucity of spare parts and delay in the formal process of getting the same. Raw materials are procured either through purchase centres or by mill-gate purchases. BJMC provides the guidelines and price of raw jute. It prescribes the quantity, to be purchased both at the mill-gates and through purchasing centres, in the procurement policy.

A quality control department is maintaining the quality of each of the product items strictly. Especially, in the jute carpet factory quality control is strictly followed. Jute carpet of AJM is a leading item in its product line.

AJM has a diversification plan in the anvil but they are unable to execute this programme as they have not get adequate support and guidance from BJMC. Moreover, at the unit level, AJM enjoys insufficient authority and autonomy which also act as barriers to the execution of diversification programme. The company has also adopted the policy of modernisation. It has a plan to install new machinery to produce newer items. But the matter is under active consideration of the apex bodies. AJM has no R & D department at the factory level. Like marketing, R & D is also within the jurisdiction of BJMC's R & D division at Dhaka. The corporation office looks into the R & D projects.
centrally and their results are communicated to the member units.

BJMC fixes the targets of productivity of different categories of jute products. The target of current session for CBC is 5.44 kg/loom/hour; sacking 8.30 kg/loom/hour; and Hessian 3.08 kg/loom/hour. The deviation from the targets is controlled by the management at the enterprise level.

Personnel

The AJM has an approved personnel set-up consisting of a total 7,984 persons of which the number of officer and staff, and workers is 1160 and 6,829 respectively. At present (as in 1989-90) a total number of 6,254 persons are working in the mill and their break up, in the categories of officer and staff, permanent workers, Badli workers, and casual workers is 846, 4525, 825 and 58 respectively.

There has hardly been any new recruitment made during the last 8 years. Promotion is done solely on the basis of seniority. AJM has an on-the-job training policy for middle-level managers, supervisors, and also for workers. Sometime officers and staff are given training in the zonal training centre of BJMC, located in the premises of Gul-Ahmad Jute Mills Limited, Chittagong. Top-level executives are often sent abroad for higher training by BJMC's arrangement.

Immediately after the nationalisation the labour-management relations deteriorated to a great extent. Employees and workers were not at all committed to their respective duties and responsibilities. There was a labour unrest resulting in strike, lock out and so on. This
situation prevailed up to mid-80s. Presently, labour-management relation is improving due to the implementation of certain sound personnel policy measures. Job-evaluation and appraisal are present, at the workers' level. This is done by the respective supervisors. At the managerial level, no evaluation policy is in operation.

The AJM has three registered labour organisations of which only one is acting as the bargaining agent. This bargaining agent acts in a reasonable manner in resolving disputes between management and labour. AJM has a number of welfare facilities for its employees and workers such as: Medical facilities; Canteen (separately for officers and workers); Facilities for games and sports; Mosque; Officers' clubs; Workers' club; School, Madarsas and Maktab for educating the children of employee, television, adult education centre, cottage industries training centre, football team, and a family planning centre.

AJM provides residential accommodation to 60 families of officers and staff, and 28 bachelor officers and staff. A total of 1056 officers are at present enjoying bachelor's accommodation.

Finance

AJM's initial capital was collected by issuing shares to the public. This practice continued till the mill was taken over by the Government in 1972. Nationalisation order had rejected the idea of raising capital by issuing shares to public rather all assets and liabilities had been completely taken over by the BJMC in favour of Ministry of Jute, Government of Bangladesh. At present AJM is being financed by some financial agencies. They provide both
long-term and short-term finance to meet the needs of fixed and working capital needs. The AJM gets its finance from the sources, namely, Sales proceeds, Commercial banks, Long-term loan given by Bangladesh Shilpa Bank, bank loan on hypothecation of stock, stores etc. and bank overdraft.

The AJM's annual budget is prepared by its financial division. It is a draft or rough budget and its acceptance is subject to the approval of BJMC and Ministry of Jute. The decision on capital structure is taken by the Government. Again, the Government has the right to authorise the amount of capital to be raised and invested and the authority to call for the returns of accounts and other information.

**Future Prospect**

AJM is a large sized firm producing maximum variety of jute goods items. Its plant and machinery are comparatively modern and sophisticated. The company management is hopeful of a bright future if some positive measures, in the form of rehabilitation and diversification, are taken by the authority. Overmanning is one of the major problems that the company is facing during post-nationalisation period. Some necessary steps in this regard are required. The need for autonomy in decision making process is claimed by present management at firm-level. Though the company is incurring financial loss every year it is earning valuable foreign exchange by exporting its speciality items of jute carpets. Considering all of these aspects, the present management expressed its firmness that company can be made more viable in future if necessary strategic efforts are applied in the right direction.
CASE STUDY 2: A.K. KHAN JUTE MILLS LIMITED

Introduction

A.K. Khan Jute Mills Limited (AKJM), a private sector unit of Bangladesh jute industry, is owned and managed by A.K. Khan Group of Industry which is a holding company cum managing agent. A.K. Khan Group has some other industrial units. All of these units are headed and managed by interlocking directorate of A.K. Khan Group who are family members. Mr. Abul Kashem Khan, a pioneer Bengali-Muslim industrialist, established this jute mills in 1965 with the direct patronization from EPIDC (East Pakistan Industrial Development Corporation) to provide employment and help industrial development of Bangladesh (erstwhile East Pakistan). The company was named after the founder, Mr. Abul Kashem Khan.

AKJM had been owned and managed by the A.K. Khan family in the private sector from its inception till 1972. After the declaration of nationalisation order in 1972, the company was under public sectors' control and ownership till 1983. But further, as per the changed policy of disinvestment, the firm was handed over to the original owners of A.K. Khan family and now it is privately managed.

The company showed a very good performance before its pre-nationalisation period. But it sustained heavy losses during nationalisation period. The situation again started improving to some extent as soon as the company returned to its original owners.

AKJM is producing only two categories of traditional jute products—hessian and sacking. It has the installed/
licensed capacity of 250 looms of which there are 125 hessian looms and 125 sacking looms. Most of the looms (247 looms) are operating. Presently, the firm is manufacturing about 6,000 tonnes of jute products and sales turnover amounts to nearly Taka 10 crore per year. It has the capacity of employing about 2,000 people. The initial capital of the enterprise was Taka 65 lakhs.

**History and Growth**

In the prevailing private enterprise-oriented economy of 1960s, AKJIl was floated by Mr. Abul Kashem Khan (85) who was the first pioneer industrialist among the Bengali Muslim community of Bangladesh (then East Pakistan). Mr. Khan established the A.K. Khan and company in 1951 which subsequently took the form of a holding company. The sampled unit is one of the holding companies of the parent A.K. Khan & Company and was established in 1965. But, it went into operation only on the 1st July 1967.

AKJM has the experience of both private and public sector administration as the company had been administered privately during its life time from 1967-72 and publicly from 1973-83. Since 1983, it is again run by the owners privately. With this change in ownership and management, the growth and development of the company have been affected to a great extent. The firm had shown a tremendous growth by earning huge profits, giving maximum dividends, attracting foreign customers, and providing better remunerative incentives to the employees during the time it was in private hands in the 1960s and 1970s. But after nationalisation, its growth and development have declined due to recurring losses. Now the company's growth is said to be steady owing to the exercise of stability strategies adopted by the present owner-policy makers.
As said earlier, the company is being run privately and virtually managed by the A.K. Khan Group of industries. Of course, the company has a board of directors (Exhibit 4.2) which consists of Mr. A.K. Khan and his five sons. Mr. Khan is the Chairman of all the boards of directors of 12 industrial units of A.K. Khan Group. His five sons and wife hold the other posts of directors of different industry units' board. Some outsiders are also taken as directors according to the statutory requirement. These outside board members are the nominees of Ministry of Jute, Ministry of Finance and Sonali Bank. They deal mainly with the Government interest and are less concerned with other policy matters of the company.

<table>
<thead>
<tr>
<th>EXHIBIT - 4.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOARD OF DIRECTORS OF AKJM</td>
</tr>
<tr>
<td>CHAIRMAN (A.K. KHAN)</td>
</tr>
<tr>
<td>Deputy Chairman (Mr. Zahir uddin Khan)</td>
</tr>
<tr>
<td>Managing Director (Mr. Sala-uddin)</td>
</tr>
<tr>
<td>Director (Mr. Shams-uddin)</td>
</tr>
<tr>
<td>Director (Mr. Zia-uddin Khan)</td>
</tr>
<tr>
<td>Director (Nominee of Sonali Bank)</td>
</tr>
<tr>
<td>Director (Nominee of Ministry of Finance)</td>
</tr>
<tr>
<td>Director (Nominee of Ministry of Jute)</td>
</tr>
</tbody>
</table>

The Board of Directors is the policy making body of AKJM. Mr. A.K. Khan (Chairman) with his five sons who are the members of the board take all decisions regarding general principles, objectives, strategies, guidelines and programmes of the enterprise. But they usually allow Mr. Md. Nuruddin, Executive Director of the Company to attend the board meeting. Mr. Nuruddin is a salaried person
and holds the topmost position at the firm-level organisational structure of AKJM (Exhibit 4.3).

EXHIBIT 4.3

ORGANISATIONAL STRUCTURE OF A.K. KHAN JUTE MILLS LIMITED

A.K. Khan Group
   | Board of Directors
   | Executive Director
   | Production Manager Factory Deputy Chief
   | Administration Engineer Accounts
(Mills and (Functions: (Engineering (Wages, salary factory) Labour, security Jute & MIS) P.F, Cash, store, welfare, Budget, Costing transport, etc.) and finance)

Mr. Nuruddin has been serving in this organisation for a long time and his managerial skill and efficiency are highly appreciated by the A.K. Khan Group. He is, of course, not a board member, but his suggestions are sought and considered with due importance because of his expertise in the textile industry. Mr. Shamsuddin Khan, the second son of A.K. Khan family, is the managing director of AKJM. Executive Director maintains constant contact with the Managing Director and looks after the day-to-day management affairs of the factory and thus implements the policies formulated by the Board of Directors. Executive Director, the head of the project, is held responsible for the implementation of policies and strategies.
The company's policy of encouraging the active participation of the Executive Director in policy making process has positive effects on policy implementation. The Executive Director, accordingly, seeks the cooperation of other subordinate colleagues and ensures commitment to achieve the organisational objectives effectively and efficiently.

Marketing

The marketing strategies of AKJM are quite different from those of public sector firms. As an industry unit of A.K. Khan group of industries, its marketing policy, though formulated by the Board members, is basically implemented and controlled by the Export Department. The Export Department located at Dhaka, deals with the export of various exportable products made by different units of the A.K. Khan Group including the jute products. The company sells its jute products - hessian and sacking - in both domestic and international market. About 95 per cent of the products is exported. Its total sales for 1989-90 was about 6,000 tonnes valued at Taka 10 crore (Exhibit 4.4).

EXHIBIT 4.4
JUTE PRODUCTS SOLD BY AKJM

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (Tonnes)</th>
<th>Sale Revenue (Taka crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export Market</td>
<td>Domestic market</td>
</tr>
<tr>
<td>1986-87</td>
<td>4350</td>
<td>46</td>
</tr>
<tr>
<td>1987-88</td>
<td>4309</td>
<td>26</td>
</tr>
<tr>
<td>1988-89</td>
<td>5895</td>
<td>263</td>
</tr>
<tr>
<td>1989-90</td>
<td>5783</td>
<td>227</td>
</tr>
</tbody>
</table>

Source: Company Records.
According to Government order, the company has to sell 60 per cent of total quantity of products via government agencies both in domestic and export markets. For this percentage of government quota, the quality, size and other related specifications are being prescribed and controlled by the Government. But for the remaining portion of 40 per cent AKJM controls these factories in order to facilitate and ensure effective marketing.

In the export market, the USSR and Japan are the two major buyers of the organisation. These two countries prefer AKJM's products because of the guaranteed quality and timely shipment of the orders. Moreover, the company has the scope of maintaining good trade relations, particularly with Japan as the A.K. Khan Group of Industries have a joint venture with Japan. Recently, some marketing research projects were undertaken jointly with a Japanese firm to explore new markets, innovate new products, and use of jute fibre. They are trying to develop a kind of pulp from jute fibre which could be used as a raw material in producing better quality paper.

AKJM maintains better distribution channels in marketing jute products separately for domestic and export market. In the export market it makes sales either directly or through surveyor (Exhibit - 4.5). Generally, the USSR appoints surveyor who confirms the quality, design and other specifications of the exportable items on behalf of USSR.

EXHIBIT - 4.5

DISTRIBUTION CHANNELS IN EXPORT MARKET
AKJM does not make any retail sale in the local market. It has the policy of wholesale marketing to sell the products to the Government and private buyers. Government purchases are done through the Directorate of Civil Supply (Exhibit 4.6).

EXHIBIT - 4.6

DISTRIBUTION CHANNEL IN DOMESTIC MARKET.

The company has to compete with the other private sector jute companies as well as public sector units in the local market. But export market's competitors are both domestic while international competitors are both domestic and international like jute goods producers from India, Thailand, China, etc. As the company has a reputation of supplying quality products, its old foreign buyers are less influenced by other competitors.

The company undertakes effective promotional policies. It takes part in the export fairs and exhibits its products to the international buyers for attracting and expanding its market segments. Besides, it provides discounts and credit facilities to the overseas customers. The Export Department of the Group constantly scans new markets to boost up its export quantity, particularly in the European markets.

Production

The plant of AKJM is well located. It is linked with other parts of the country both by sea and by road.
Therefore, the firm enjoys full facility of transportation of raw jute and jute products. To collect raw jute fibre, the company has three purchasing centres in the jute growing areas of Narayanganj, Kachua and Hajiganj. Besides, it makes maximum purchase at the mill-gate from the raw jute traders.

The company has installed 250 looms of which 247 looms are operating. Thus, the company is utilising nearly 95 per cent of its production capacity. Because of proper maintenance policy, its technology is working effectively and efficiently. Moreover, its operation procedures are very apt in production design, scheduling output and quality.

AKJM is very much conscious about the issue of cost of production. To this end, its policy is to minimise the cost of each head of production through gearing up the quantity of products. Their policies of proper maintenance of plant and technology and keeping good rapport with the employees ensures workers commitment and voluminous production. Besides, the company has developed good inventory control system which further helps in higher turnover. All operational procedures are vertically integrated to enhance operational efficiency of the plant.

Personnel

AKJM has become overmanned because of the policy of the Government to create more job opportunities under nationalisation plan. Many managers and unskilled workers had been appointed through questionable methods by the higher authority. As a result, during the nationalisation period, the overall performance of the company was seriously
affected by excess and unutilised manpower which ultimately resulted in heavy financial loss.

Most of the previously adopted policies regarding personnel administration have been changed immediately after the mill returned to the previous owners, A.K. Khan Group. The company absorbed only the efficient and skill manager, staff and workers. Some experienced persons were recruited from public sector jute mills offering higher remuneration and job facilities. The problem of overmanning has been tackled to a large extent and brought down to an optimum level. Now, the enterprise is run by a team of experienced managers and skilled workers.

So far wages and remuneration policies are concerned, the company has to comply with the national wage structure and prevailing Wages and Compensation Act. But to ensure employee-workers' wholehearted participation in the company's development and growth strategy, the company provides several remunerative incentives and other facilities to the employees and workers privately. The employees and workers are satisfied with the remuneration policy and, thus exhibiting high morale, sense of responsibility, and firm commitment to the organisation.

The personnel policies of the firm are formulated by the Board of Directors on the suggestion and advice of the Executive Director. But the implementation is done by the ED with the co-operation of line managers dealing with personnel management. The performance of the employees' and workers are evaluated in the monthly meeting of all departmental heads and directors. This review meeting suggests and recommends probable remedial measures if and when necessary.
The company gives attendance bonus, exclusively to the workers, after every three months. Promotion and special increment are provided on the basis of performance of the personnel. The frequent visits by Managing Director to the factory premises help develop a cordial relationship between labour and management. This cordiality further encourages them in discharging their duties with more devotion.

In the post-nationalisation period the company declared a lay-off in 1986 owing to labour unrest. After that, some mild labour protests are reported but they are mutually settled by the active participation of management and labour union leaders.

The AKJM has two labour unions (registered) of which one has the right to act as bargaining agent. Since 1986 the labour-management relationship of the company has greatly improved. This cordiality between management and workers is said to be the prime factor behind the success of AKJM even though the jute industry, in the whole, is not in a happy position.

Finance

Initially the company was financed by the owners themselves and shareholders. But during nationalisation period (1972-1983), Government and some financial institutions had been the sources of working capital. After disinvestment, the owners had to manage finance from different sources. They are mostly dependent on commercial banks and other loan giving agencies for both long-term and short-term capital. In the prevailing dwindling condition of jute business, the company has no scope of raising capital by issuing shares to the public in the share market.
Government of Bangladesh has initiated some liberal policies to meet the financial hardships of the private sector jute industry. According to these measures the company is given loan at a liberal rate of interest by the loan giving institutions.

Future Prospect

The AKJM has regained its private status in 1983. Since then the owner-management has taken a keen interest to revive the unit up to its past record. The present owners have sufficient experience in jute and textile business and have goodwill in both domestic and international market as producers of better quality products. AKJM enjoys the benefit of having some important foreign buyers who take maximum quantity of products. Besides, the company has some other business in joint collaboration with foreign countries that helps in maintaining a constant contact with those countries in selling jute goods.

The AKJM is trying to innovate new use of jute fibre to produce newer and diversified products which could save the jute goods from obsolescence. The top level management has expressed their firm opinion that they are hopeful of better future prospects of jute products as well as the industry itself. The management opined that the Government should provide sufficient support and financial assistance in the private sector jute industry to help implementation of the policies like modernisation and diversification of jute products.
CASE STUDY 3: GUL AHMED JUTE MILLS LIMITED

Introduction

Gul Ahmed Jute Mills Limited (GJM) is one of the medium sized jute manufacturing unit in the public sector of Bangladesh jute industry. The mill was established by a private entrepreneur 'Ahmed Brothers Limited' in 1966 and nationalised after the liberation of Bangladesh under the management and control of Bangladesh Jute Mills Corporation (BJMC). It is a composite mills of 264 narrow looms and 69 broad looms manufacturing hessian sacking and CBC products. The amount of authorised capital of the company is Taka 5 crore and it produces about 9,000 tonnes of jute products yearly. The organisation has the capacity of employing 2,661 persons as officers, staff, and workers. It has an annual sales turnover of Taka 11 crore. The area of the mills is 52.92 acres.

The main objective of the firm is to produce quality jute products at a low cost and according to demand of the export and domestic markets and thus to compete with other jute producers and substitute products. Besides, being a public sector unit, GJM has the objective of earning more foreign exchange through large-scale export and creating more job opportunities to eradicate unemployment problems. These objectives are derived from the ultimate objective of the BJMC and the Government as well.

History and Growth

Since its establishment as a public limited company in 1966, the GJM had been managed by the owner-managers. With the initiative of a private entrepreneur 'Ahmad
Brothers Limited, the civil construction started in 1966 and ended in 1968. Accordingly, the commercial production of narrow looms unit commenced from 1968 and broad looms unit from 1970. Since then, its productivity and profitability were satisfactory. But after 1972, the economic performance of the company dwindled greatly because of the sudden change in the government policies, market situation, industrial environment, and some other factors.

As per nationalisation order of 1972, all assets and liabilities of the company were taken over by the BJMC in favour of Ministry of Jute, Government of Bangladesh. The mill was not possible to revert to its ex-owners as per denationalisation policy of 1983 because its ex-owners were from the then West Pakistan and left Bangladesh during independence war of 1971. Hence, it has remained in the public sector. In the present status, all sorts of policies are formulated centrally by the BJMC, that is the apex body of administration and control of each and every affair of GJM. Of course, there is an enterprise board (EB) at the factory level which is thought to be similar authority like that of Board of Directors. But this enterprise board only implements the policies, programmes and projects worked out by the BJMC to achieve their assigned objectives.

The Enterprise Board has been authorised to perform the following functions:

1. Overall management/administration of the affairs and activities of the mills/enterprise.

2. Production of jute goods (hessian, sacking and CBC) as per buyers’ demand.

3. Procurement of raw jute at fair price.
EXHIBIT - 4.7
ORGANISATIONAL STRUCTURE OF GUL AHMED JUTE MILLS

Bangladesh Jute Mills Corporation

Enterprise Board
G.M. (Project Head)

Dy. Manager (Store)
- Dy. Manager (Store Purchase)
- Dy. Manager (Quality Control)
- Dy. Manager (Report)
- Asstt. Engr. (Civil Engineering)

Manager (Administration)
- Manager (Production)
- Manager (Engineering)

Asstt. Manager (A/c & Finance)
- Asstt. Manager (Income Tax & Audit)
- Asstt. Manager (Wages)
- Asstt. Manager (Cost, Budget and Store A/cs.)
- Asstt. Manager (Bills and Pay Roll)
- Asstt. Manager (Cash)
- Jute Purchasing Officer
- Asstt. Manager (Gen. Admin.)
- Dy. Manager (Broad Loom)
- Dy. Manager (Labour and Welfare)
- Dy. Manager (Narrow Looms)
- Medical Officer (Medical)
- Sr. Security Officer (Security)
- Transport
- Pool

- Asstt. Manager (Workshop)
- Mechanical Engr. (Maintenance)
- Electrical Engr.

Dy. Manager (Jute Purchase)
- Asst. Jute Officer (Jute Centre)
4. Operation of the mills profitably with maximum economy and efficiency.

5. Timely shipment/local despatch of jute goods as per sales contract.

6. Timely negotiation of export documents.

7. Procurement of spares, machinery and other raw materials.

8. Employment of staff, workers and officers up to a certain level.

The EB can only raise the proposal regarding administrative affairs of the company to the BJMC. But, it has no autonomy to take immediate steps or decisions without the approval/endorsement/permission of BJMC authority. Of course, the EB can exercise its power which is limited to the implementation of policies.

The EB of GJM is consisting of eight members appointed and nominated by the Government and other authorities as per provisions set by the BJMC (Exhibit 4.7). The Director, research and quality control of BJMC head office, is the Chairman of EB. Other members, except project head are the nominees: Ministry of Jute (one), Ministry of Finance (one), Agrani Bank (one) BJMC head office (two) and Zonal General Manager, BJMC Chittagong Zone as the ex-officio member. The project head of GJM is General Manager in status which is determined on the basis of firm size. He is the executive officer and heading the factory based administrative machinery.

The EB of the company holds meeting after every 2/3 months' interval to evaluate the performance of GJM. The
project head, being the head of the industrial unit, gives
detail explanation of his administrative affairs and the
organisational activities. The Board examines the monthly
reports prepared on different issues and takes administra­
tive decisions on day-to-day management activities, but,
exclusively, on minor issues. For any basic/principle-based
issue, the EB has to take approval from the BJMC. The
Project Head has to remain accountable for all his action to
the Chairman of the Enterprise Board and the Chairman is
authorised to write Annual Confidential Report (ACR) of the
Project Head. In all respects, the enterprise level
management has little scope for exercising more power and
authority to expedite the decision making process.

At the factory level administrative set-up, the
project head leads a team of line managers. These line
managers along with staff and workers are appointed on the
basis of operating looms subject to the approval of the
competent authority. The line managers only provide
information related to respective policy areas but they are
less concerned in policy making matters. They are to
report/communicate development and progress of day-to-day
work and problems encountered if any. But for all cases
they are to be held responsible for their activities to the
project head.

Marketing

The marketing function of GJM is done by the
marketing division of BJMC head office, Dhaka. BJMC's zonal
office at Chittagong plays an intermediary role in the
process of marketing jute goods both in international and
domestic markets. All policies and programmes of marketing
are formulated by the BJMC. Even sales proceeds are
realised by them. An export department is functioning at the factory-level administration. But this department is only to process the documents and to get the exportable quantity ready as per the quota specified by the BJMC head office.

The company is given directives and instructions about the quantity, quality, grade, size etc. But it is not concerned about the customers, distribution channels and even the promotional measures of marketing the products. The BJMC formulates all kinds of marketing policies. The firm's duty is to produce jute products according to orders placed before it. The individual firm has little to do with respect to marketing as BJMC has marketing programmes which are centrally worked out and implemented.

Production

The factory of GJM is located at Kumira, Chittagong which is connected by Asian highway on one side and Bangladesh railway on the other. This type of well-placed location helps the company to get the benefits of easy transport and communication. Moreover, it has the facility of consuming required electricity as the national power grid line is directly connected to the plant premises.

The plant and machinery of the company is more or less new as the plant was installed during the period from 1968 to 1970. Slight rearrangement in plant was done after nationalisation of the company. Fourteen looms (narrow) of Amin Jute Mills Limited and 4 looms (broad) of Gulfa Habib Jute Mills Limited have been added and installed to increase the production capacity. At present the company has a total installed capacity of 333 looms of which 174 are for
hessian, 90 for sacking and 69 for CBC. A total of 315 looms are in operation. The company is utilising about 95 per cent of its production capacity. To cope with the increasing demand of hessian items in the overseas market, the EB and BJMC have taken a decision of converting all broad looms into narrow looms. This policy has been in accordance with the increased demand of jute bags in the world market since the Iran-Iraq war.

The company gets the supply of raw jute fibre either from the jute purchasing centre of BJMC or from gate-purchase. It does not face the problem of raw jute supply because BJMC purchases and maintains sufficient stock, and transports it to the factory according to the indent of the firm.

The manufacturing process of the company is vertically integrated to ensure efficiency and to reduce wastage. The quality control department inspects and checks, at every stage of the product, the progress starting from beaming to finishing. The company lays emphasis on the quality as the foreign customers are more interested and satisfied with the product quality. To minimise the cost, the organisation has introduced process costing as a devise to control the cost.

The enterprise is responsive to the diversification policies adopted by the BJMC to adjust with the changing demand situation of both international and domestic market segments. It is planning to introduce some new products in the line which are under active consideration of R & D division of BJMC. Accordingly, the company will modernise or diversify its technology and production procedure.
BJMC fixes the target of production and measures the performance of the units. The deviation from the target is corrected through sufficient controlling measures as per situation. This is done to ensure fulfilment of targets of quantity of products.

Personnel

At the enterprise level, the Manager (Administration) simply executes the personnel policies. But these are formulated by the BJMC head office. In fact, total strength of employment of BJMC is maintained according to 'Enam Commission Report, 1984'. This commission has approved a total number of officers, staff and workers as 2661. Presently, there are 2303 people (officers 92, staff 274 and workers 1937) working in the organisation.

The company does not have a policy of recruiting new employees or workers because, at present, the company is said to be overmanned so far as the ratio of looms capacity and number of workers employed are concerned. Seniority is the main criterion for promotion to higher rank/status. Its middle-level managers, supervisors, and workers have the extra advantage of getting training in the BJMC's zonal training centre which is located in the compound of the GJM. The enterprise arranges the system for on-the-job training. Top level managers are sent abroad for higher training under training programmes sponsored by BJMC.

Labour-management relations of the company was not amicable during the post-independence period. Owing to the change in socio-economic and political policy of the Government, more trade unions were encouraged. They had misinterpreted the new ideas which resulted in various
unfair labour practices in the form of strikes, gherao, hartal and the like. As a result the company's smooth functioning suffered. The situation improved in the 1980s. Now, labour unrest is less and thus the relations between labour and management has improved. The company has two registered labour unions. Elected bargaining agents are consulted to improve the cordial labour management relationship which is helpful in maintaining a healthy working environment.

Workers' performance is evaluated by the supervisors. They are given incentive bonus on the basis of evaluation report of supervisors. The workers are paid according to governments' wage policy but the officers and staff are remunerated on the basis of the national pay scale.

To improve the working environment, the company is providing various welfare facilities to the employees and workers namely recreational facilities (club) for officers; staff and workers (Television, Indor games, newspapers; subsidised canteen facilities; Rationing facilities to all employees; Mosque and Maktab facility; Medical unit available for free treatment; Workmen compensation; Contributory provident fund, etc.

GJM is not providing housing facilities to all officers, staff and workers. The accommodation facilities are available for about 50 per cent of officers (bachelor and with family), 40 per cent of staff (bachelor) and 30 per cent of workers (bachelor). The rest of the employees and workers are given house rent allowance as per government provisions.
Finance

GJM had to collect its funds either from the owners or by issuing shares to the public through stock exchange market. But these sources are no longer valid as the company has been taken over by the Government. Now, the company is not issuing shares to the public rather government financed institutions are treated as the main sources of finance. These institutions are providing both long and short-term loans for the needs of the company. Maximum working capital comes from sale proceeds. It takes loans and credits from agencies like commercial bank (Agrani Bank), Bangladesh Shilpa Rin Sangstha (BSRS), bank loan on hypothecation of stock stores etc. and international financing institutions (IMF, WB, IDA etc). International financing institutions provide long-term loans particularly for project development.

The enterprise board submits an annual budget, giving details of the heads and nature of expenditures to BJMC authority for approval. On the basis of this rough budget, BJMC finally formulates different financial policies of the company.

The company prepares its annual financial statements. Its profit and loss statement shows a low profile profitability for the last few years. Hessian item is showing profit whereas sacking and CBC's average annual loss for the last five years is nearly 60 lakh. Its debt-equity ratio is highly discouraging.

Future Prospects

The GJM had shown better business performance in terms of productivity, profitability, foreign exchange
earnings, job opportunities, etc. during its past. But, since mid-1970s its overall activities have declined due to shrinkage in world export market, competition from synthetics, and some internal adverse factors. The company has still several inherent strengths like skilled workforce, training facilities, technologies for some specialised items of products, etc. If some more facilities can be added with these existing opportunities, many diversified jute products could be produced to meet the present needs of overseas customers. With every consideration, the company is still possessing potential of becoming a prospective and profitable industrial unit.

CASE STUDY 4: VICTORY JUTE PRODUCTS LIMITED

Introduction

The Victory Jute Products Limited (VJPL) is an established company working in the private sector of Bangladesh jute industry. It was set up in 1947 by the Ispahani Group of Industries which is a family-owned business of pioneer Muslim industrialists who migrated from Iran. VJPL initially started business at Calcutta (West Bengal) as a private limited company. After partition of India (1947), the factory was shifted from Calcutta to Bangladesh (erstwhile East Pakistan). Since then, it was privately managed till the emergence of Bangladesh (1971). In 1972, the company had been taken over by the government due to the policy of nationalisation of jute industry. On 15th February, 1984 the company was again returned to its former owners, Ispahani Group. Thus this enterprise regained its original status of being privately owned and managed jute goods manufacturing unit.
The VJPL is manufacturing two more items of yarn and twine in addition to its traditional products—hessian and sacking. It is not producing carpet Backing Cloth (CBC). The company has an installed capacity of a total of 398 narrow looms of which 345 looms are under operation. The enterprise is utilising about 87 per cent of its installed capacity. It produces nearly 8000 tonnes of jute product yielding a turnover of Taka 13 crore. There are 3239 peoples consisting of officers, staff and workers.

History and Growth

The Ispahani Group of Industry, the managing agent, floated VJPL in 1947 immediate after partition of Pakistan and India. The Group had the past experience of managing business enterprises of different nature. Moreover, the Ispahani family are traditionally industrialists and entrepreneurs having western educational background in the field of business. So, they maintain western style in organising and administering their family owned business units. They are non-Bengali Muslim entrepreneurs, but their business philosophy of carrying business for the good of employees, workers, governments, shareholders as well as for the society has endeared them to these concerned beneficiaries. Therefore, the Group is still doing business independently and the government has returned most of their business units including VJPL.

The performance of the company during preliberation period i.e. before 1971 had been highly encouraging because of huge market demand for jute products which prevailed, particularly in the overseas market. But, with the continuous shrinkage of market demand, change in ownership and management, and shift in socio-economic and political
conditions, the growth strategies of the company did not yield the desired results.

Low productivity and profitability, inefficiency in management, labour unrest, excessive manning etc. were the shortcomings the company had experienced during its nationalised state (1972-1984). As a result, the factory remained closed for a long period of time before its return to the founder-owners. In all matters concerned, the company is presently facing a decline in its fortunes. But the veteran Ispahanis are trying hard to stabilise the company and thus retain its past glory.

The management structure

VJPL, as a private sector firm, is organised and managed as per the provision of Joint Stock Company Act, 1913 as amended and applied in Bangladesh. The company has a Board of Directors, a top-level policy making body, which comprises both inside and outside members. The inside members are owners' representatives, especially the members of Ispahani family. They take active part in the overall administration and control of the company. The outside board members look after the interest of the respective authorities which they represent.

The present members of Board of Directors of VJPL are:

1. Mr. Mirza Mehdi Ispahani (Chairman)
2. Mr. M. Ali Behrouze Ispahani
3. Mr. Shakkir Ispahani
4. Mr. Rafiqul Amin (Nominee of Ispahani)
The main objective of VJPL is to produce and sell jute products and thus earn profits. With this end, all business activities of VJPL are planned and directed by the Board of Directors (BOD). The company's BOD does both short-term as well as long-term planning. In the planning process, BOD receives information and collects data from the lower level administration at the factory level. These data and information are then analyzed keeping in mind all factors and their relative impact on organizational activities, the BOD prepares the plans and budget and sets targets for the company. The other derivative plans are also highlighted in the same process of planning. The factory level management structure implements these plans, policies and programmes. They are held responsible for the implementation of plans. The performance of all departments are evaluated and controlled by the BOD in terms of the target and deadlines fixed for each of them.

Mr. Nazrul Islam is the General Manager and Project Head of the VJPL at the factory level management. He is an efficient business executive having professional expertise and experience. As a General Manager and Project Head, he is not a board member. But, the owner-policy makers of Ispahani Group, in pursuance of their own style of management, always seek suggestions, proposals and ideas from Mr. Islam. His suggestions are considered by the Board and given due importance while formulating policies or making decision with respect to the management either at the corporate level or at the factory level. In this way, the
Board facilities and encourages the functional managers to exercise autonomy to a certain extent in the decision making process. As a result, they are motivated and feel that they have an active role in decision making process. VJPL does believe in participative management and it ensures more participation and commitment of employees to their respective duties and responsibilities.

**Marketing**

The marketing strategies of VJPL are prepared by the Board of Directors but the implementation is done by Export Division of Ispahani Group. The Group has consolidated the marketing functions of all units operating under its control and dealing with a variety of products like tea, jute etc. The products of VJPL are of two category. Hessian and sacking are meant for packaging materials while yarn and twine are used for producing some other jute products. Depending on the products' nature, hessian and sacking are sold both in the local as well as overseas market segments. But yarn and twine are exported particularly to Japan which is a fairly stable buyer. The company sells about 35 per cent of the total products in the export market and rest of the quantity is sold in the local market. The civil supply authority and cement industries are the major consumers in the local market.

Like other private jute companies in Bangladesh, VJPL has to market 60 per cent of its export through the government agencies according to governmental provisions. The rest 40 per cent of the jute products are sold by the company on its own authority. The quality, size, shape, weight etc. of the 60 per cent of products are controlled by the government. However, the company maintains the
specifications and quality as per the customers' order related to its share of 40 per cent of products.

In the export market, the company sells products in most of the countries of Western Europe, America, USSR, Africa and Middle-East. To satisfy the overseas buyers, VJPL's marketing policies are always considered from customers point of view. For this, the company maintains product's quality strictly and ensures timely delivery of the orders. The Ispahani Group has a policy of continually looking for new international market segments for jute products with the assistance of its other multinational units working in different countries.

The VJPL distributes its products through two separate distribution channels. It sends goods to the overseas market either directly or through surveyor appointed by the foreign buyers. In the local market most of the sales are made directly without taking help from trade-middleman. The bulk of the sale in local market is to the government agencies as the customers. The company is actively considering the policy of increasing sale in the local market segment.

Production

The factory of VJPL is located in the port city of Chittagong. The location of the factory is ideal on the basis of availability of facilities of transport, power, water, sanitation and environmental pollution prevention. Some of the machines of the plant have become obsolete because of long-time use. The machines in operation are also old and fail to yield the targeted quantity. Moreover, the spare parts of these machines are not freely available in
the open market due to the advent of new machine models in textile manufacturing process. As such, the company has undertaken a long-term modernisation plan to replace phase-wise the outdated and old machinery. Some new machines based on new technology will also be set up to add more diversified products in the line which could satisfy the current needs of the market.

The company procures its raw jute fiber with the help of dealer and agents working in different jute growing areas of the country. The bulk of the purchase is made for cash. But sometimes, the company offers advance to the growers of raw jute before the harvesting period. The company maintains a sufficient raw material stock and thus hardly faces the problem of raw material shortage. It has a policy of purchasing better quality of raw jute which helps to maintain quality specification demanded by the foreign buyers. This strategy serves to reduce the company's weakness inherent in the process of production by old plant and machinery.

The use of better quality of raw jute, practically, involve higher price for raw materials that resulted in the cost of finished jute products. In such a dilemma, VJPL's strategy is to minimise labour cost (wages) by taking workers in good confidence and make them more committed to the company through different motivational and incentive measures.

**Personnel**

During the phase of nationalisation, the company's manpower planning was influenced by the government's new vision of socialistic economy as well as by the policy of
of creating more job opportunities. As a result, the company was overburdened with excess manpower at all levels of organisation structure. This excessive manpower resulted in heavy loss to the company during that period. To get rid of this crucial problem, the Ispahani Group had to evolve some tactical devices to reduce the number of workers and employees to an optimum level. Some unskilled and inefficient peoples are discharged and others are employed in some other units of the group.

After denationalisation, the owner policy makers hired efficient management people from other units of nationalised sector by offering higher status and better facilities. They replaced the services of two or three incompetent managers by one competent manager. The authority does believe in offering more job benefits to a particular competent person who will be more committed and will work devotedly for the company as well as for his future prospect. This strategy provides ultimate economic benefit to the company indirectly.

The Ispahani Group maintains amicable and cordial labour-management relationship. Their policy of exercising participative management techniques serve to make the relationship between and among the owners, manager, staff and worker more intimate and close. The company always tries to provide maximum benefit either directly or indirectly to its employees and workers. With this end in view, the company sometimes offer extra benefits to the prospective employees or worker even from their personal account, over and above the customary government and other legal provisions regarding remuneration and wages.
The performance of the employees and workers are evaluated both at the corporate level and factory level management. Line manager, officer and staff's performance are measured at top-level while workers' performance are reported by the supervisors to the factory level executives. Promotion and incentives are allowed on the basis of evaluated satisfactory performance.

The company has no training facilities of its own. They recommend some lower level managers and worker to get them trained in the training institute of BJMC. Most of the time the workers are imparted on-the-job training under the training programme scheme of the VJPL. There is no new recruitment at the workers' level because of excessive labour employed during nationalisation period. A few managers and officers are recruited periodically.

The company experienced labour unrest that jeopardized its normal functioning during nationalisation phase. But now the labour management relation has improved and led to mutual understanding and co-operation. One trade union is actively working as a collective bargaining agent for amicable settlement between the workers and employees. The company provides all possible welfare facilities to the employees and workers. Housing facilities are not given to all, instead they are allowed to draw house rent allowance as per prevailing rules and provisions.

Finance

Initially VJPL raised its finance by issuing shares. Out of total equity 53 per cent of the issued shares were owned and subscribed by the owners and public, and 47 per cent of shares were in the possession of the government.
During Pak-regime, jute business was considered as more profitable and hence there was a high demand for jute company’s shares in the stock exchange market. Therefore, the company did not have to face problem in this respect.

In the period of nationalisation, all assets and liabilities of the VJPL had been taken over by the government. Besides, the Government undertook the responsibility of supplying necessary finance to the company from the public fund. Accordingly, the government stopped selling shares to the public. Since then, no shares were issued even after the company has been handed over to its previous owner. At present, the main sources of finance are owners individual funds and sales proceeds. Besides, short-term and long-term loan sanctioned by the different financial institutions are also treated as the source of working capital. Sonali Bank, a commercial bank, provides maximum capital to VJPL. The Government of Bangladesh has taken some soft measures to provide credit facilities to the jute good manufacturing units. Accordingly, the VJPL is enjoying the benefits of taking loan from different commercial and specialised financing institution at a low rate of interest. Moreover, some special loans are encouraged by the government for financing development and modernisation scheme of the company.

Future Prospect

The VJPL, though an old firm, can be able to overcome its ongoing doldrun business condition under the present ownership and management. As an entrepreneur, Ispahani Group has long days experience in jute goods manufacturing business. The company has only the plus point that is its efficient and dynamic management force which may initiate
modernisation and diversification strategies in the light of change in demand potentials in the world packing materials market from synthetics to jute and, thus, make the unit viable in future.

CASE STUDY 5: HAFIZ JUTE MILLS LIMITED

Introduction

Hafiz Jute Mills Limited (HJML), established in 1964, is a unit of public sector jute mills of Bangladesh jute industry. The company had been in private hand, owned and managed by non-Bengali "entrepreneurs from the then West Pakistan. During liberation struggle the non-Bengali owners shifted from Bangladesh and as such the Government of Bangladesh had taken over this unit under the policy of nationalisation in 1972. Since then, the company is managed as per the rules and provisions applicable to public sector business firms in Bangladesh.

The HJML is a manufacturing traditional jute goods like hessian and sacking. It also produces speciality products of N.I. Wools pack J.R.B. and bright hessian. The company has an installed capacity of 662 looms of which 486 are hessian and 176 are sacking looms. Out of these, 481 hessian and 174 sacking looms are in operation. Nearly 87 per cent of its installed capacity is being utilised. The yearly budgeted production was 12,608 M.T. in 1989-90. But the actual production stood up amounting to 8,606 M.T. only.

The company consumes nearly 3,36,000 maunds or 67,200 bales of raw jute annually. The sales turnover of the company is about Taka 20 crore (as in 1989-90). There are 3493 personnel including officer, staff and workers working
in company. On an average the firm pays an amount of Taka 67.5 lakh as revenue to the government exchequer annually.

**History and Growth**

The HJML as started by a non-Bengali Muslim entrepreneur from Pakistan (erstwhile West Pakistan) with the direct promotional backing of Pakistan Industrial Development Corporation (PIDC). With its private nature of ownership, HJML carried on its business before the emergence of Bangladesh. The performance of the company during privatisation period (1967-71) was highly encouraging. But after nationalisation in 1972, performance and growth of the company declined to a great extent. Presently, the company is sustaining losses but surviving with the assistance and subsidy offered by the Government.

**The Management Structure**

Like other companies, HJML is owned and administered by the Ministry of Jute of Bangladesh government. The Ministry of Jute is the apex body that frames basic policies regarding the industry as a whole and public sector business firms in particular. However, BJMC is a body which implements the policies through the business units under its control and supervision. BJMC is required to maintain a liaison between the Ministry of Jute and HJML unit. Though managed by the Joint Stock Companies Act, 1913 as amended upto the date, and the President's Ordinance, 1972 the rules and regulation of BJMC are being followed.

The administrative structure which is termed as Enterprise Board (EB) comprises of seven members nominated from different authorities according to BJMC's provisions.
related to formation of the Board. The Board undertakes long term perspective planning and controls the organisational activities.

Of the seven members of Enterprise Board, the Director, Planning of BJMC Head office, Dhaka, is the ex-officio Chairman. Other members are nominated from different categories except the General Manager who is a salaried employee and treated as the Project Head. The member nominees are chosen: one each from the Ministry of Jute, Ministry of Finance, Senior personnel of BJMC, Janata Bank (Financing banker) and BJMC's zonal office at Chittagong.

EXHIBIT - 4.8

ORGANISATIONAL STRUCTURE OF HAFIZ JUTE MILLS LTD.

Bangladesh Jute Mills Corporation
|    |
|    | Enterprise Board
|    |
|    | General Manager (Project Head)

(1) Dy. Manager Store (Store) Accts. & Finance (D.G.M.)
(2) Dy. Manager Purchase (Dy. Manager) Accts. & Finance (Manager)
(3) Quality Control (Dy. Manager) Manager
(4) Report (Dy. Manager) Asstt. Manager
(5) Jute Engineering (Manager) Purchaser (Dy. Manager)
(6) Mechanical Engineer (Dy. Manager)
The Enterprise Board (EB) is the highest policy making body of HJML at the unit level. It formulates different policies and strategies to achieve the organisational objectives/goals set by the BJMC. Normally, EB holds board meeting after every 3/4 months to review and suggests future course of action if and when necessary. In the EB meeting the General Manager (Project Head) submits monthly reports on different aspects of the unit. He implements the policies and strategies formulated by the EB with the help of other functional managers, officers, staff and workers. The General Manager have the authority to take decision regarding minor affairs in the process of executing daily activities. But, these decisions are to be approved by the EB's meeting. With regard to basic issues required for the smooth and day-to-day functioning of the enterprise, neither General Manager nor the EB have authority to take ultimate policy decisions. The enterprise level management, therefore, enjoys very little authority and autonomy, which hampers the normal activities of HJML.

Marketing

Like other public sector business firm, HJML's marketing activities are controlled centrally by the BJMC. Policies regarding price, product, promotion, channel of distribution etc. are not taken by the Enterprise Board or by the management at the factory level. A committee named as Central Sales Committee are doing the function centrally at BJMC. HJML has no marketing department at its unit level. However, an officer is assigned to maintain marketing related correspondence with the central sales committee. Even the sales proceeds are not being realised by the unit administration. It makes the bulk of the sales to the overseas buyers. Of the different overseas buyers, Japan
and Saudi Arabia prefer its products as it produces two special products items, named as Japani Rice Bag (JRB) and Saudi Potato Bag, for these countries. Moreover, its customers includes importing countries of western Europe and the USA.

EXHIBIT - 4.9

DISTRIBUTION OF JUTE PRODUCTS OF HJML (1980-81 to 1989-90)

<table>
<thead>
<tr>
<th>Year</th>
<th>Export Market Qt.</th>
<th>Export Market Value (Lakh Taka)</th>
<th>Domestic Market Qt.</th>
<th>Domestic Market Value (Lakh Taka)</th>
<th>Total Distribution Qt.</th>
<th>Total Distribution Value (Lakh Taka)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>11815</td>
<td>1328</td>
<td>1306</td>
<td>136</td>
<td>13121</td>
<td>1464</td>
</tr>
<tr>
<td>1981-82</td>
<td>15496</td>
<td>1603</td>
<td>1716</td>
<td>203</td>
<td>17212</td>
<td>1806</td>
</tr>
<tr>
<td>1982-83</td>
<td>11261</td>
<td>1518</td>
<td>1364</td>
<td>167</td>
<td>12625</td>
<td>1685</td>
</tr>
<tr>
<td>1983-84</td>
<td>8241</td>
<td>1326</td>
<td>1151</td>
<td>157</td>
<td>9392</td>
<td>1483</td>
</tr>
<tr>
<td>1984-85</td>
<td>9561</td>
<td>2028</td>
<td>832</td>
<td>172</td>
<td>10393</td>
<td>2200</td>
</tr>
<tr>
<td>1985-86</td>
<td>7459</td>
<td>1452</td>
<td>552</td>
<td>103</td>
<td>8011</td>
<td>1555</td>
</tr>
<tr>
<td>1986-87</td>
<td>10820</td>
<td>1795</td>
<td>617</td>
<td>118</td>
<td>11437</td>
<td>1913</td>
</tr>
<tr>
<td>1987-88</td>
<td>8648</td>
<td>1545</td>
<td>1418</td>
<td>215</td>
<td>10006</td>
<td>1760</td>
</tr>
<tr>
<td>1988-89</td>
<td>10002</td>
<td>1735</td>
<td>818</td>
<td>186</td>
<td>10820</td>
<td>1921</td>
</tr>
<tr>
<td>1989-90</td>
<td>10043</td>
<td>2006</td>
<td>460</td>
<td>112</td>
<td>10503</td>
<td>2118</td>
</tr>
</tbody>
</table>

Source: BJMC's MIS Division, Dhaka

Production

The factory of HJML is located at South Sonaichari, Barawlia, Chittagong. It is spread over an area of 65.15 acres of land. After two years of registration 1962 of the company, the plant was set up in 1964 and it underwent commercial production in 1967. It is producing hessian and
sacking items of different shapes and sizes. The machinery used in the factory is better than those used in other plants of comparable. The budgeted annual production for the year 1989-90 was 19608 MT of which 6926 MT was hessian and 6682 MT was sacking. The installed looms capacity of the company is 662 of which 655 looms have been taken as budgeted looms for the year 1988-89. Only 588 looms were in actual operation. These 588 operating looms of 1988-89 have been considered as the budgeted looms for the year 1989-90 out of which 543 looms were in operation. In this way the capacity is seen to be reducing gradually because of frequent power failure and decline in receipt of jute goods orders from overseas buyers.

EXHIBIT - 4.10
PRODUCTION OF JUTE GOODS OF HJML
(1980-81 to 1989-90)

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Hessian</th>
<th>Sacking</th>
<th>Total Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>5990</td>
<td>8737</td>
<td>14727</td>
</tr>
<tr>
<td>1981-82</td>
<td>7261</td>
<td>9548</td>
<td>16809</td>
</tr>
<tr>
<td>1982-83</td>
<td>6615</td>
<td>5602</td>
<td>12217</td>
</tr>
<tr>
<td>1983-84</td>
<td>6800</td>
<td>3390</td>
<td>10190</td>
</tr>
<tr>
<td>1984-85</td>
<td>6168</td>
<td>4282</td>
<td>10450</td>
</tr>
<tr>
<td>1985-86</td>
<td>3910</td>
<td>3619</td>
<td>7529</td>
</tr>
<tr>
<td>1986-87</td>
<td>6591</td>
<td>4986</td>
<td>11577</td>
</tr>
<tr>
<td>1987-88</td>
<td>6798</td>
<td>4055</td>
<td>10853</td>
</tr>
<tr>
<td>1988-89</td>
<td>5725</td>
<td>5506</td>
<td>11231</td>
</tr>
<tr>
<td>1989-90</td>
<td>5200</td>
<td>5323</td>
<td>10523</td>
</tr>
</tbody>
</table>

The normal productivity of the company is affected by some controllable and uncontrollable factors like shortage of power, labour-unrest, production of heavy fabrics, lack of jute goods orders from overseas buyers, excessive wastage etc. It is again hampered by the frequent absenteeism of permanent workers, whose works can not be substituted by the Badli workers. From 1972-73 to 1989-90, the total production loss is estimated to be 10,603 tonnes valued at about Taka 70 crore. To overcome these losses, the company is going to install a captive generator for removing the problem of frequent power failures. The company, meanwhile, has managed to reduce the quantity of wastage of jute to jute that is, wastage of jute in the manufacturing process. In 1972-73, the percentage of wastage was 7.08 which has been reduced to 0.50 per cent in 1989-90.

The productivity target of the company in terms of kg/loom/hour had been fixed by BJMC as 3 kg/loom/hour for hessian and 8 kg/loom/hour for sacking in 1988-89. But this target was not achieved. The actual productivity stood at 2.89 kg/loom/hour for hessian and 7.965 kg/loom/hour for sacking. This target is further reduced to 2.626 kg for hessian and 7.48 kg for sacking in 1989-90. The total production of HJML in 1989-90 is 10,523 M.T. which is lower than that of budgeted quantity for the same year.

The company did not undertake and modernisation or diversification policies. Moreover, it has no R & D division of its own. Being a public sector unit and possessing less autonomy, all these matters depend on BJMC. But, BJMC has not yet taken any initiative in this regard.

**Personnel**

The manpower approved by the Government for HJML is 3772 of which 3493 is presently working in the organisation.
The number of officers, staff and workers employed in the company is 98, 312 and 2083 respectively for the year 1989-90. As per government policy no new workers are being recruited since a long period of time. Only some badli workers are given permanent job in vacancies created by retirements and deaths. Recruitment of departmental heads is always done by BJMC. Other officers, staff and workers are recruited by the Project Head subject to the approval of BJMC.

Seniority and experience are the main criteria of promotional policies of the personnel department of HJML. Promotion at the workers level are done on the basis of reports on performance by superior and sardars. There is no separate arrangement for training for the officers and workers. They are mostly provided on the job training. Some middle-level managers are often sent for training at the Zonal Training Centre of BJMC, Chittagong. Top level executives sometimes go abroad under the specialised training programme arranged and sponsored by the BJMC.

Presently, labour-management relation at HJML is more cordial and cooperative which is helpful for smooth running of the enterprise. Immediately after the emergence of Bangladesh, employees-workers were hardly found committed to their work owing to the malpractices of trade-union. Presently labour grievances are considered with the due importance and certain policy measures are taken to handle different labour disputes.

The HJML has welfare programmes for its employees and workers. These are: medical facilities, canteen for officers and workers separately, facilities for games and sports, club for officers, schooling facilities for the
children of employees, adult education centre, family planning centre and the like. Moreover, pension, gratuity, provident fund facilities, bonus, and festival bonus are provided as service benefits to the employees of the company.

Finance

Initially, the company was established by the private entrepreneurs and they supplied the initial capital. This arrangement in capital supply continued till its nationalisation in 1972. Since then, the Government of Bangladesh took all assets and liabilities of the company and, therefore, supplying capital, itself. No share was issued to the public for subscription in the nationalised period. So the equity base did not changed after 1972. Its requirement for working capital is mainly supplied by the Government through its different financial institutions. The company's sale proceeds, reserves, depreciation fund, provident fund and loan from commercial banks are some of the sources of working capital. The latest subscribed capital amount as shown in the financial report (1989-90) is amounting to Taka 1967 lakh.

The financial aspects of the HJML is mainly vested in the hand of BJMC. All policies and control measures are taken by BJMC and the EB has the authority to implement those policies. Even the sale proceeds of HJML is realised by the BJMC and the amounts is given to the former irregularly which often makes troubles in meeting various expenditure incurred on day-to-day affairs of the company.

Every year the company is incurring a huge amount of loss. Audited report of the company shows that, since its
nationalisation to the year 1988-89 cumulative loss amounting to Taka 527.60 lakh have taken place. The company had earned a profit of Taka 39.20 lakh during the year 1986-87 because of better price in export market. But subsequently has sustained a loss of Taka 106.44 lakh in 1988-89 owing to shrinkage of overseas demand for jute products, fall in price below cost level, increase of power-units's rate, payment of wages and remuneration to surplus workers and employees recruited earlier, irregularities in payment from BJMC and enhancement of wage rate by the Government, ignoring existing situation of the jute industry.

Future Prospects

The HJML is producing jute goods items of hessian and sacking only. The present financial situation and business performance provide an indication of an uncertain future for the company. But, its new version of sacking especially for Japan and Saudi Arabia is lucrative items bearing brighter prospects. The management of the company is hopeful of an exciting future that depends on the policies of modernisation of plant, diversification of products, and addition of more jute products in the line to be adopted by the company in future. The HJML has been incurring losses for many years and however, fail to uphold its commercial interest. But, in terms of social interest, it is still contributing much. The company is, therefore, claims its existence worthy and would become more viable in the day to come.

CASE STUDY 6: CHITTAGONG JUTE MANUFACTURING CO. LTD.

Introduction

Under the promotion of East Pakistan Industrial Development Corporation (EPIDC) as managing agent, Chittagong
Jute Manufacturing Company Limited (CJML) was established in the early sixties. The company was a public limited company and for some 12 years, it was under Bangladesh Governments' control and ownership. Presently, it is again under the management of owner-managers. Of the 37 jute mills in the private sector of Bangladesh jute industry, CJML is the largest unit so far as its capacity, product variety, and business operations are concerned. Being a private sector concern, all its activities are governed by the provisions of companies Act, 1913 as amended and applied in Bangladesh. In the present capital structure, 53 per cent of shares are owned by owners and the rest are in the hand of government through different financial institutions.

The main objective of CJML is to produce and distribute jute and jute goods and thus earn profits. Besides, it has other objectives like creation of employment opportunities, development of economic infrastructure, contribution to government exchequer and so on.

The product range of the company includes hessian, sacking, CBC, twine, yarn and some diversified products. The company's installed looms capacity was 1190 looms of which 938 looms are operating about 80 per cent of the installed capacity is being utilised.

The total production amounted to 20,000 tonnes in 1990-91. The annual turnover is more than Taka 40 crore.

History and Growth

The owners of this private limited company are members of a big business family. They are by heredity businessmen with entrepreneurial attributes. Moreover, they
are educated and qualified with modern business proficiency and skill. The owner-managers of this company are neither Bengali nor Pakistani by origin. Their forefathers were from Iran but now they are settled themselves in Bangladesh and doing business in different lines.

During the early days of the company, it was more profitable and that growth history continued till mid sixties. After that, due to inroads of synthetic packaging materials the profitability and growth of company declined. Meanwhile the world market of jute industry as a whole also shrunked. The period of nationalisation of CJML (1972-1984) was characterised by mismanagement, workers unrest, unprofitability which resulted in nearly a zero-growth. But since 1984, its activities have accelerated and performance improved to a great extent under the present managerial and ownership pattern. Obviously, the company is still sustaining losses but the amount is reducing gradually and the company is hopeful of wiping out the losses in due course.

The Management Structure

Since the disinvestment of 1984, the management of the CJML has devoted on the Board of Directors, as per the companies Act. The owner-directors are executive directors and other members are nominated and have the right to participate in the Board meetings and make policy recommendations. The Board is the highest body and is thus responsible for formulating policy both for the long and short term periods.

The policy making body, Board of Director, consisting of seven members. Three members are from the owner-family,
one member nominated by the owners, and the rest three members are nominees each from the authorities like Ministry of Jute, Ministry of Finance and Sonali Bank as banker.

Policies/strategies formulated by the top-level management are implemented at the organisation through a separate organisational machinery headed by a General Manager who is a salaried employee of CJML. The General Manager regularly communicates all information related to unit level management to the directors and assists the Board in policy making process. The co-ordination of the activities of different departments is also done by the General Manager.

The manager appointed in other functional areas are initially accountable to General Manager for their work. But ultimately, decision are taken by top level executives, that is by owner-directors and they are the sole controlling authority. The factory level salaried managers have autonomy or discretion to take decision regarding day-to-day affairs but in minor aspects.

Marketing

Marketing policies of CJML are formulated by Board of Directors and it handles the entire operation. Whom to sell, how to sell, at what price and what to sell are the matters dealt by and very much confined to the Board of Directors. The owner of the company has a group of businesses including jute industry. The group maintains the sales/export division to market its jute products both in local and international market. This centralised sales and export division receives orders and passes the same to the manufacturing unit to get the goods ready as per specification of the buyer.
Receiving order and ensuring supply are especially made for foreign buyers.

The price of different products of the company is fixed by the Government in the case of export. CJML can not sell its products beyond the rate fixed under the government policy of export price control (EPC). But for local market sale, cost-plus formula is followed. Local market consumes only a negligible amount of product. CJML produces twine, yarn, and some non-traditional items along with traditional ones. Hence it has the policy of diversification of products and creating of new market segments to sell the diversified products.

CJML's manufacturing products are distributed in the overseas market either through the government channels or through trade middlemen. Especially, export to the USSR are done through their (USSR) appointed surveyor at Bangladesh who undertakes all responsibilities. Most of the domestic sale is made directly. Government of Bangladesh is the big buyer in local market. CJML sends its products to most of the importing countries of the world.

Generally, the company itself takes no promotional initiative because of the traditional nature of the product as well as market. It only responds to the governments' request for participating in local and international export fairs and exhibition. It contributes to the fund for advertising done by the Government on behalf of the industry as a whole.

CJML's exportable quantity amounted to nearly 16,000 tones in 1989-90. 80 per cent of its products are sold in the overseas market and the rest of the quantity is sold in
domestic market. Its item of twine has a good demand in the
Japanese markets. It has the policy of marketing quality
twine and yarn to western and European markets where market
demand for these two products are increasing gradually.
Generally, CJML takes personal initiatives and maintains
well rapport with the foreign buyers through arranging
commercial tour. Moreover, it participates in some
international export fair/exhibition from private quota.
Other private mills can hardly bear the tour expenses
because of their small scale operation.

Production

CJML's factory is located at Kalurghat, Chittagong.
The plant is installed at a place where both road and
river-way communications can easily be made with other parts
of the country. It gets electricity supply directly from
the national grid. The machinery and technology used in this
plant are newer than those in other units. Its capacity of
production fluctuates very often without any change in the
number of installed looms which is 1190. The company has
not yet adopted any major modernisation policy as it has
been substaining losses since its privatisation in 1984.
Within a limited sphere, it is introducing some new
technology for materialisation of its diversification
programme to evolve new products other than traditional
items.

The company procures raw jute fibre through its
purchasing centres spread over the jute growing belts.
Moreover, in the case of emergency, it makes mill-gate
purchase from the jute traders. Sometimes, jute is supplied
from government stock, maintained by BJMC.
In the manufacturing process, strict cost controlling methods are practised by the company to keep the cost at a minimum level. It believes that foreign customers give emphasis on quality. Hence, quality control is a matter of prime concern and the company remains alert to produce the products as per specifications of the overseas buyers.

Personnel

The personnel department of the CJML has sound policies regarding different aspects of personnel management. The number of officer, staff and workers were more than the actual requirements. The remuneration and wages paid to them had been a great problem for management as this surplus manpower had a direct bearing on the cost structure. The company now has managed this over manning problems by reducing this number gradually. Some idle and un-skilled hands are either discharged or provided with some lum-sum rewards/benefits. After denationalisation, the company, however, recruited some expert and efficient managers by offering them attractive remuneration and job facilities. With this policy the company, in fact, reduced its administrative and official expenses by getting done the job of two or three managers by one expert executive.

There are 7800 workers and 723 officers and staff working in this business firm. Recruitment at the workers level has been totally stopped since the company has been privatised. Only the position and status of some badhli and casual workers have been upgraded. Appointment of new officers is done in a selective manner. In the selection of officers, academic qualification, experience and performance of interviews are considered.
There are formal training programmes. At the workers level, on-the-job training is the only means. Officers are rarely sent abroad or in some training institute/academy for training within the country. Promotion is given on the basis of seniority and experience. Report of supervisor regarding the performance of an individual worker is considered while promoting a badhli worker to permanent worker or while giving bonus, incentives, and higher wage rate to him. Promotion of officers and staff are given on the basis of annual confidential report prepared by the respective higher authorities.

The company is very much sincere in providing financial and non-financial benefits both to the workers and employees. The management does believe that maximum benefits given to employee-workers ensures maximum output and better performance. Annual bonus, festival bonus, housing facilities, medical facilities, advances to workers are some of the measures provided in this regard. The company has welfare programmes like medical centre for better treatment, officers' and workers' club for entertainment, provident fund facilities, subsidised canteen facilities, schools, mosques and muktab (school for religious instruction) for educating children of employees and workers.

The labour-management relations prevailing in the company is highly co-operative and cordial. Earlier this relationship had been in the form of mutual distrust resulting in frequent labour unrest. The owner-management has developed and improved it to the present standard which is better for both company as well as for employee and workers. Two trade unions are functioning in it as representative authority of workers for making constructive
bargain with employers regarding the benefit and interest of the workers.

Finance

CJML is a private limited company therefore, it was not possible to collect information related to financial matters from secondary source such as stock exchange directly. The company management refused to disclose such information and the researcher had to rely on other type of information to assess the working of the finance function in the company.

During nationalisation all assets and liabilities of the company had been taken over by the Bangladesh Government and necessary working capital was supplied by the government and its financial institutions. No shares were issued for public subscription. This arrangement of finance continued till the company was restored to its original owner in the private sector. The present ratio of share capital between owner and government is 53:47. That means, controlling amount of share capital is held by owners and the rest is owned by the government.

The maximum amount of working capital is supplied by loan giving agencies and commercial banks on long term basis. Some special loans are sanctioned by the government. Other sources of finance are company's sales proceeds and reserves.

Like other business firms in the jute industry in Bangladesh, it is also incurring losses. This amount of loss, during nationalised phase, was very high. Under private management tenure the loss amount is reducing
gradually. The company could have earned profits but for the abnormal rise in wages, cost of raw materials, electric power etc. in one hand and reduction of jute goods price in the export market on the other. Virtually, the company is existing and persisting in its line of jute business only at the cost of Government subsidies. The management has made several effort to reap the benefits of recent R & D work done by different international bodies dealing with jute. With its non-traditional items, the company is hopeful of becoming financially and economically viable firm in the near future.

Future prospect

The CJML is one of the big jute goods manufacturing firms in private sector. It produces some new items of products along with conventional hessian, sacking and CBC. Like other jute firms, it is also a losing concern though reviving gradually. The financial liabilities during the period of nationalisation affects the companies' better performance to some extent. The management of the company opines that the firm could be made running as its products like yarn and twine have better export-market. The present owner-entrepreneurs are well concerned with the on going changes in demand pattern of jute products as well as the technological advancement in textile industry. They seek for congenial social, economical and political environment in which modernisation and diversification strategies could be implemented. These policies will be helpful for overcoming the problems of traditionality in product line. Meanwhile, some internal irregularities and adversities are tackled by the present private owner-entrepreneurs. The management of the company is optimistic about the future of CJML.