

KDS and Business in Bangladesh

Interview with S M Shameem Iqbal, Chairman, KDS Accessories

KDS Accessories started its journey in 1993 as KDS Packaging engaged in manufacturing corrugated boxes to service primarily the internal demand of KDS Garments. KDS Poly was established soon after to produce poly bags and plastic hangers and in 1999 KDS Thread was formed to manufacture sewing thread. Meanwhile the business started catering to the garments export industry with backward linkage products and today it is a one stop trims and packaging company with global outreach.



The Executive Times (TE): Your business acumen and dynamic leadership has made KDS Accessories grow into a huge success.

S M Shameem Iqbal (SMI): Man is only a medium of fulfilling Allah's will on earth. All talent is only from Allah. We are only vessels of implementation. As the leader of KDS Accessories it was my job to take the business to a new high. My job demanded that I think of something new, better than what was already there. The most important part of this process was to actually envision what was possible. I needed to create a workable plan/roadmap of how to get there and that took some real searching as I had to take stock of the reality, measure it against the dream, identify the strengths and weaknesses and come up with a plan that I believed would work.

The next big challenge was to sell the concept to my team, which was very young as I had injected a lot of new blood into the company simply because most existing members were either unable to align themselves with my way and speed of work or didn't relate to the vision. I got help from Ernst Young to do the restructuring exercise and we created a concise and comprehensive structure that could take the business to the desired destination. The exercise was very bold and involved hard work. I am very glad to see where we have come today.

TE: What about the strategy that you adopted for business diversification?

SMI: The strategy was simple actually. I had to get my team as excited as I was to see what was possible. The business was there to take. The industry was

growing double-digit year on year and the market for trims and packaging products was reaching a billion dollars in Bangladesh alone very rapidly. A small percentage of the market was actually huge. This had to be understood by the smallest denominator in the company.

We did a significant amount of internal branding and selling of this idea and we still do to date. Manufacturing can be successful only through alignment of the collective forces of the people in the company.

Radical changes were made in the people management environment and an immense amount of work and time was spent on resource development and its management. But a critical strategic decision had to be made at the time of the restructuring. Most global players focused only on one product in the industry. KDS Accessories inherently was engaged in several.

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Whatever the lead buyer company or label company was doing, we could do the same for each product group. Be as good as the best. Get the best people in the business to be just that. Then what we could do different was to offer a range of world-class products to the clients who were buying them all from several suppliers. The clients, were the same, garments buyers/retailers. So something that was there by accident was transformed into a strength and we started harnessing quality in each product and started to approach retailers globally. We got very encouraging responses. Most retailers and buyers felt to be

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common sense or convenient to deal with a supplier who had the ability to deliver globally reliable products and services. Interestingly, no one was offering this concept to the industry. KDS Accessories was the first.

Today, our London office is presenting the same concept to the EU retailers and we are greeted with very positive response. We are now certain that the concept is quite attractive to our clients.

TE: And what about your CSR activities?

SMI: CSR seems to be the catchword these days. Everyone is very conscious about it. Which is great. Fortunately it is not new to KDS. We have been engaged in CSR of various types across the group for many years. However, it was not perhaps branded as such.

I believe that taking the risk of investing in manufacturing businesses in Bangladesh and generating employment is a kind of CSR in itself. Nevertheless, we now have a much planned CSR initiative. It is taken to the rural areas to empower people to make a living of their own. This is not CSR inspired. It is inspired by the concept of Zakat in Islam.

I will however share our conscious focus on contributing to nature. I introduced a concept – 'live green for a better tomorrow' – in KDS Accessories. This concept was again first sold internally. What can we do to make our own environment greener? It went beyond recycling paper in the office to saving water and electricity at work and homes. We have implemented a project to plant 1000 trees in 2009-2010. We have dedicated the year's campaign budget to promoting these ideas rather than just sell them.

For 2011 we have taken a new CSR challenge – create awareness about clean drinking water. Besides, we intend to create facilities in rural areas for clean, secure, free drinking water. The process has begun on a trial basis in North Bengal.

I cannot explain the joy the people shared with me when they had access to clean drinking water when I visited the areas. To me, a heart felt smile and that gleam of satisfaction in the eyes of

children, mothers or older folks tells the story of a relief from the years of pain of not having what is basic, human right – clean drinking water. It is very simple for us but it meant a long hard walk for a gush of water to drink, or many a time not to drink at all. For those who are forgotten during our relentless chase to catch up with the world, I can tell you, it was better than any business success I had ever experienced.

TE: What is the business environment like in Bangladesh at the moment?

SMI: From the trims and packaging and industry point of view I must say it is very good. With China desperate to climb the value chain in what they make and export, Bangladesh is poised to benefit directly from it. Many new firms are likely to enter that will help our market to further grow. Bags of different kinds and fabrics are immediate examples I can think of. China probably does most of the bags for the world. As the economy soars, these are immediate products that we can bring into Bangladesh and I believe Bangladeshi entrepreneurs are smart enough to capitalize on it. It's only a matter of time.

For the very same reasons the garments industry is still growing. Today, the clothing makes for the world are known to be China, Bangladesh and the rest. So we feature very strongly as an apparel manufacturer.

Historically, this is a good sign. This is how Japan, Taiwan, Hong Kong etc started. So I am very encouraged about our future.

Having said that and while the industry as a whole, much on its own and due to prevailing global economic circumstances, creates a positive weather for the products we are in, we are threatened internally to a great extent, power being a fundamental problem. Not just for the industry but for the nation and its people. I feel it's just pure deprivation of human life. We are a country of 150 million people. This could be a huge asset if we were exposed to the benefits of modern life, education etc. And power is at the very beginning of that journey.

Apart from that, I feel the policies around manufacturing related to custom, taxation, finances etc are somehow in such an obvious mess that it almost seems to be intentional. It seems if it is meant to be punishing to continuously benefit a specific group of people. This is a great hindrance to investment and business environment. We accept everything to be so non-functional that needs to be made functional by miscellaneous expenses. Only that works. I wonder what would be the sum of money required of private enterprises to spend on 'miscellaneous' heads each year. I cannot imagine any economist could possibly figure that out.

Businesses are unable to account such 'miscellaneous expenses' in their books as expenses therefore forcing themselves to hide the income from which this was spent. It's taxed. It is a marvelous device to ensure that businesses can never create clean books of accounts, which means always being susceptible to undue taxation, which in turn means more miscellaneous expenses.

I wish such wonderful methodology were implemented in facilitating the businesses rather than making the environment a rather intimidating one. I salute the private entrepreneurs who have the heart to engage in manufacturing in Bangladesh and I am sad that it's all invariably need to surrender to such skillfully crafted network of corruption.

Nevertheless, I feel Bangladesh is a land specially blessed by Allah (Himself). I cannot find any other logical way to explain how everything still works otherwise.

TE: Why is it that investment, including FDI, is sluggish in it all because of confidence crisis?

SMI: To be very honest, I think we are simply blessed for not having huge FDI. Imagine its effect in countries where global companies in the face of global economic doldrums had to retreat. Imagine the people employed by these companies who would suddenly fall out of a lifestyle they got used to by the flares and fanes of the opinion that Bangladesh is

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a country that can be self-sufficient and does not need FDI for generating economic energy. FDI should be received very carefully rather than jumping at any opportunity presented. Not all FDI are beneficial for the nation in the long run.

On the contrary, the black economy is way bigger than the white one in Bangladesh. If the focus can shift from trying to lure FDI to channeling the black economy to the white, the results can be far more beneficial to the people and the country.

Let me give you an example. If the country needs power, we can have green field public limited companies listed with the exchanges to raise the capital to set up the plants. If this investment from the public was made free from queuing after the source of funds I believe that the shares for such projects would be never subscribed. The management should be totally professional and remain independent of government and tied transparently by chanches etc. The result would be a significant amount of black money propelling economic engines in the most required sectors of development without FDI or any borrowing in a perfectly 'white' way. Even for the people who invest black money it is feel-good. Everyone wins, no political explanations required for who has been avoided the project and why. The people of the country would own it. The same can be applied to the port, airport, roads, bridges etc. etc. Let us really not underestimate the power of the black economy of Bangladesh.

What we lack however is management knowledge. FDI sometimes may bring that in to some extent. But we can always hire that from international sources if not available locally. Buy the services and the knowledge is transferred.

Once the public is the owner of a project, I don't think corruption and/or system loss would just get away easily. Accountability will be inevitable. I am afraid my views are not pro FDI unfortunately.

TE: Given the high price of cotton, suggestions are being put forward for alternatives like blending cotton with

face up to the challenge. To be a global organization we need to think global and think big. This becomes a constraint many a time. It is because we are not capable of it in our own vision. Our challenge is to find leadership in each area to deliver on the task. We are looking for leaders worldwide to take on the different challenges we have identified.

TE: Finally, where do you want to see KDS Accessories five years from now?

SMI: I would like to see KDS Accessories growing aggressively in line with our vision to be a globally preferred trims and packaging solutions company.

We intend to have two major production bases in the near future: grow what we have in Bangladesh already and establish a significant manufacturing base in the Far East/China. We are already scouting locations to invest in manufacturing in the Far East/China and we hope to begin [work] in 2011 inbaAllah (Allah willing). We intend to service our vendor groups for the retailers we have targeted from our Bangladesh and Far East/China facilities only. We wish to focus on doing business only in Asia for the next 5 years.

We have plans for establishing sales teams in North and South China also in 2011 prior to engaging in manufacturing.

Finally, by the Grace of Allah, I would like to see KDS Accessories as an example of what a Bangladeshi company can be in the apparel industry so that we can be an inspiration to others and not be intimidated by the so-called global companies and have the courage to take on any business we are engaged in, on a scale that any other company can do anywhere in the world. □