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How Bangladeshi Ready Made Garments Industry can be competitive in the global Market.

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Abstract

Globalization, which is spurred by improved telecommunication systems, developed infrastructure, and transportation, has made the movement of goods and services across borders speedy and thereby emerging different markets into a single complex market. Countries with relaxed trade regimes and liberalized policies usually are better off meriting from global trade.

With an open and mild protectionism economy, the Bangladeshi apparel industry nonetheless, appears to flicker for success in the global market. Some proponents of internationalization theories argue the need for enterprises to gain competitive advantage in their local markets before venturing abroad, to this knot is the research objective tied. Hence, the paper is designed to explore and institute structures that will complement existing national trade policies to enhance the internal competitiveness of the Ready Made Garments Industry.

Pursuant to the World Bank Group's classification of economies, Bangladesh appears to be in the developing economy category, nevertheless, tends to exhibit growth prospects year-on-year and has created a reluctant atmosphere for the economy's desire to explore new and bigger markets. The reluctance of enterprises within the industry internationalizing often ramifies the country's GDP and benefits accruable from the global market system and serve as bedrock for the choice of the industry.

Reckoning the nature of the paper, a qualitative means of gathering data shall be employed with most of the data predominantly collated through interviewing of Bangladesh RMG and BGMEA personnel.

With very little researches conducted to improving the well-being of the industry, it becomes glaring the vitality of this paper to ousting structures and programs that can be instituted to intensify the Bangladesh RMG industry's competitiveness internally.

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INTRODUCTION

This thesis concerns the Bangladeshi garment industry, how the garments industry has grown over the years and the competition the industry is facing currently in the global business arena and how the industry can sustain in the obstacles of global competition.

1.1 Background of the research

Last three decades have proven how important the garment industry is for the economy of Bangladesh. This sector is the key for the economic growth of the country as the industry has opened the door for the employment of millions of people of the country, especially the unskilled or semi-skilled women labor force. However, the journey of this industry started only in the late seventies and in the beginning of early eighties. The Multi-fiber Arrangement (MFA) had a huge preferential influence in choosing Bangladesh and allows the country's apparel industry to start exporting to the North American and European market. (Lopez-Acevedo, Gladys et al 2012, 215)

Currently the garments industry is a multibillion dollar industry in Bangladesh and it also has made a huge contribution on the economic growth of the country. In fact, the industry plays the central role in the economic growth of the country. According to Haider,Z.M.(2007) when the industry started in the late seventies, it contributed only 0.001percent in the total export of the country but in the year 2007 it contributed 79.3 % to the total exports of the country.

Knitwear and woven garments are the two major commodities that comprise the total Bangladesh RMG export. At the beginning of the journey of Bangladesh apparel industry, the main exporting commodities used to be only woven garments, especially during the 1980s, due to the fact that USA was the main buyer of the industry. But from the beginning of 1990s there was a huge rise in the knitwear production by the

emerging EU demand. In fact, in the fiscal year of 1991-92 knitwear comprised 15 percent of the total Bangladesh RMG export (Ahmed, N. 2009). Currently the country's range of apparel commodities can be named as shirts, trousers, jackets, T-shirt, sweater and etc. The bar chart in figure-1 below shows different apparel items that are being exported over the period from 1994 to 2012 and their increase in total export.

Exported Apparel Items

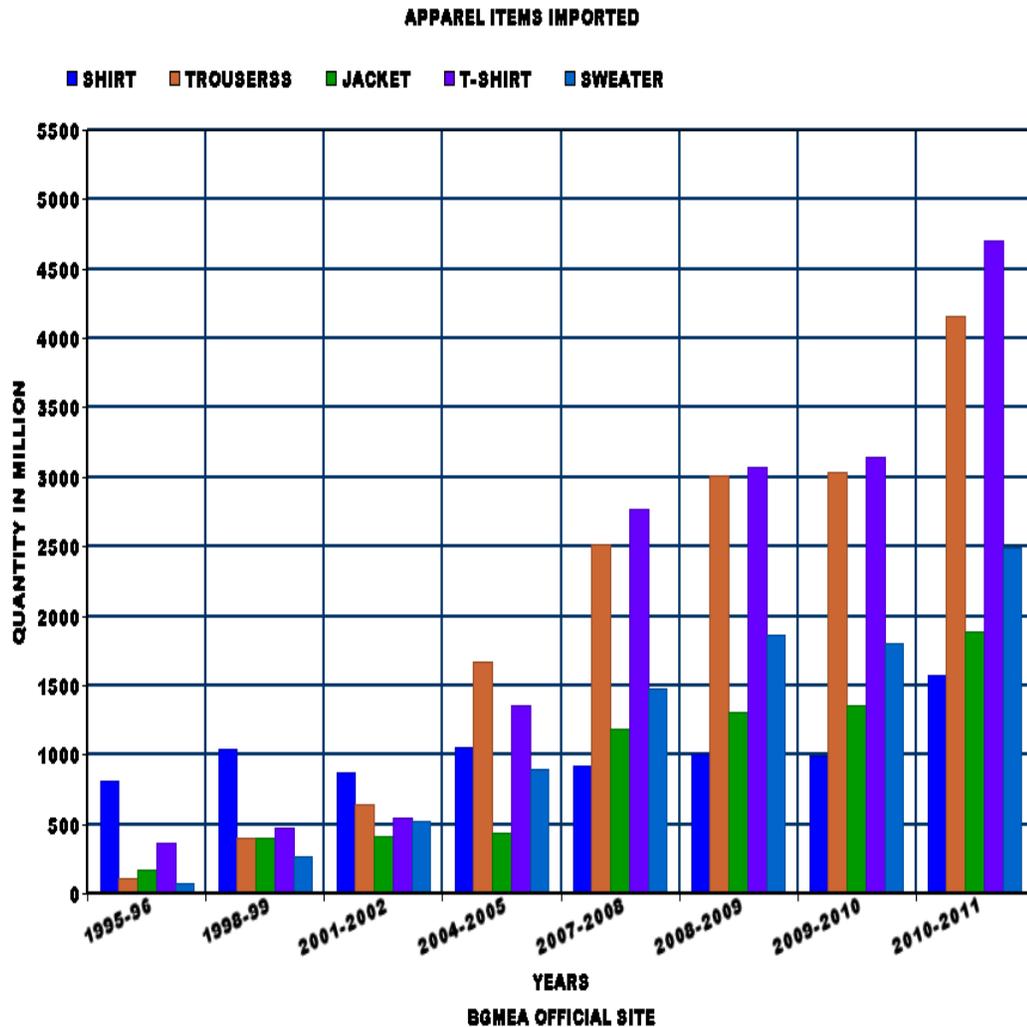


Figure 1 Apparel items Exported over the year

(Source: BGMEA Official site).

Bangladesh is a South Asian country bordering with India and Burma, and in the south of country there is Bay of Bengal. The country has a territory of 143,998 sq km, a total inhabitant of 163,654,860 (July 2013). The total GDP of the country is \$302.8 billion and the GDP growth rate is 6.1% (2012 est). The GDP contributions by sectors are agriculture 17.7%, Industry 28.5% and service 53.9%. The main exporting partners of Bangladesh are USA, Germany, U, K and France. (World fact book 2014)



Figure 2 Bangladesh location

(source: Murphy L, 2009)

1.2 Research problems

In the late 20th century business has expanded a lot and as a result it crosses the national borders and the clothing and textile industry is not an exception. Bangladesh,

having started exporting its readymade clothing in the late seventies, has already pursued a quite long journey. World economy and the growing demand for the apparel products have drawn the business or forced the business to start conquering new markets around the globe. At present many giant importers like Disney, Lidl, H&M and many others have chosen Bangladesh as most convenient source of their clothing supplies. There are many companies that are on their way to find Bangladesh as the site of out sourcing of their clothing industry. Therefore, the scenario of Bangladesh garment industry seems to be a perusal intense growth regarding the future of the industry. When Bangladeshi garment industry started in the late seventies, it had the privilege of entering the western market like U.S.A, Canada, and E.U without any restrictions because it was a developing country with lots of potentials. However, at present MFA is keen to offer the similar kind of privileges to some other developing nations like Cambodia, Vietnam, Sri-Lanka and even giant developing countries like China and India to promote export of apparel from these countries. Furthermore, in the year 2013 after the incident of fire at a garments factory called Rana plaza, U.S authorities suspended the GSP facility for Bangladesh (Yesmin, S. 2013). And the E U is also on the way of taking the initiative of suspending the GSP facility of Bangladesh, in this circumstance; it seems that Bangladesh readymade garment industry is under threat to continue its sustainable growth.

1.3 Methodology of the research

Keeping the research problem in mind, the methodology that will be used to complete the study is the qualitative research methodology. Hoshmand (1989) raised three important elements that should be incorporated into qualitative research. Among those three, the cybernetic research method is one where it is described if there takes some changes in social aspects or if the process needs to be changed within a system, the research is best carried out through using qualitative research. (Berrios, Reinaldo, Lucca & Nydia, 2006). Similarly, with the kind of characteristics this particular study carries, it is very relevant to apply the qualitative research method.

Subsequently, the characteristics of these research problems also demand interviews that are relevant to the topic, structural interviews and collection of data that cannot be accessible through studying statistics that are compiled on the particular field. Thereafter, the qualitative research methodology is chosen as the main method for this research.

1.4 Objective of the research

The objective of this research is to make a model of the competitive advantage for Bangladesh RMG following Porter's national competitive advantage theory.

The purpose of this research is to present how Bangladeshi readymade garment industry can survive in the world of competitive apparel market by exercising some of its internal competitive advantage. Furthermore, some of the recent internal incidents in the garment sectors have created obstacles against gaining external competitive advantages as a result of which a gap has been created, so the thesis paper will also discuss how internal competitive advantage can be helpful in order to reduce the gap from gaining external competitive advantage.

In order to implement the purpose of this research, the following questions need to be answered:

- How can Bangladeshi RMG industry gain the competitive advantage in the global market?
- What are the internal factors of competitive advantage?
- How do the internal factors influence the competitive advantage of RMG industry?

1.5 Limitations of study

The thesis paper is basically based on internal competitiveness. Being a developing country it is believed that if Bangladeshi garment industry has to survive by competing with other competitors the only possible way is by developing the internal competitiveness of the country. Therefore, the topic of external competitiveness has not been discussed in this thesis paper and it is considered to be a limitation of this paper.

1.6 Structure of the study

The thesis paper consists of five chapters consequently named as introduction, theoretical framework, research methodology, data analysis, and recommendations and conclusion. The introduction of the paper deals with the back ground of the study and research problem. The second chapter provides the theoretical study of the paper which includes different theories such competitiveness and Porter's diamond theory. Chapter three presents the way of proceeding in the research. The last two chapters of this paper discuss the analyzing of the data that are collected for the sake of the research and make a remark on that analysis.

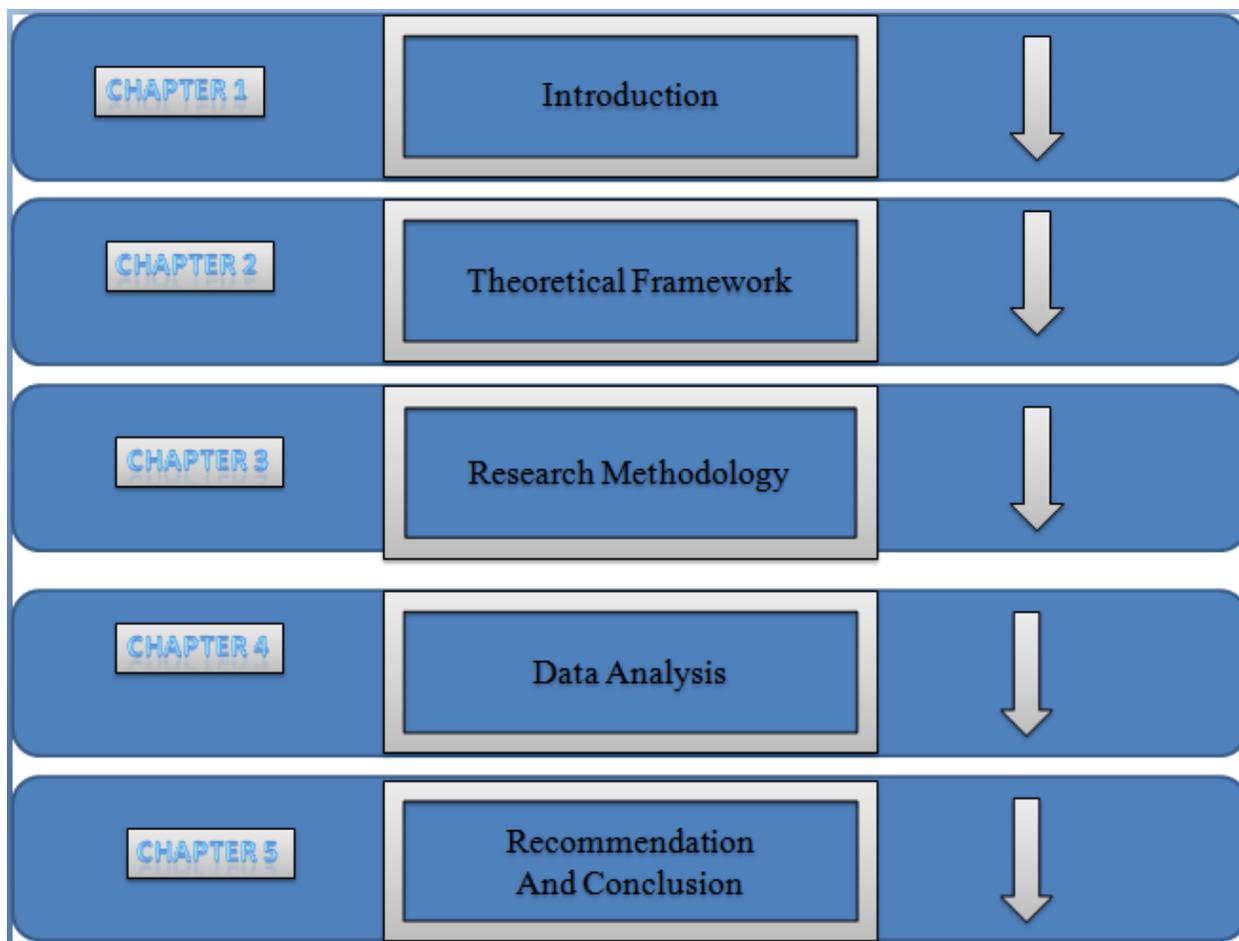


Figure 3 Thesis structure

(Source: compiled by author)

THEORETICAL FRAMEWORK

The background of this thesis paper clearly portrays the current concern that has been growing in Bangladeshi apparel industry due to the new rule and trade policy made by USA, EU, WTO, and MFA. Hence, Bangladeshi apparel industry, which mainly depends on the foreign buyers, now has to face a new term called competitiveness. On December 31st 2004 MFA phased out that some of the developing countries, including Bangladesh, will lose their quota into U.S market (The World Bank, 2005). As a result of that, at the very beginning of 2005, the new rule which is the elimination of the quota system for Bangladesh started to be implemented. It was predicted that over 75 % of the industry would be affected by the implication of the new changes (World Bank, 2005). However, the statistics data provided by BGMEA, the organization for country's garments industry, tells a positive story. According to BGMEA the total export of RMG in the fiscal year 2004-05 was \$6417.67 million but in the following fiscal year the total RMG export rose to \$7900.8 million and in the following years there was a steady rise in the total RMG export (official website of BGMEA). So, the data carries the testimony that it is not totally impossible for the Bangladeshi RMG industry to survive, even if the rule and trade policy goes against the interest of the industry. The question remains how prepared the industry is at the moment in order to sustain its industrial growth by exporting more apparel and textile clothing.

It is very important to support the finding of this research with suitable theoretical frame work. According to Cochrane, M. (2011), the use of theory can clarify data and led to a meaningful interpretation. There are many established and recognized theories in the social sciences and no theory is likely to be a perfect `fit` for a research project.

Therefore, for sake of this research, the theoretical part of this research has been split up into two different parts of one strategic framework.

2.1 National and domestic Competitiveness

Understanding the national and domestic competitiveness through the most suitable definition of competitiveness in order to solve the research problem is one of the objectives of this paper. In theoretical business, the word “competitiveness” is considered as a complicated multi dimensional concept. According to Kharlamova G (2013) “competitiveness also favors the position of the national economy, especially in the field of international trade.

On the other hand, competitiveness of the national economy is a concentrated expression of economic, organizational, managerial and other capabilities that are implemented in goods and services, successfully insuring their competing opposite foreign goods and services at the domestic and foreign markets”. In relation to this, newly risen international competitors of Bangladeshi RMG industry’s probably can push the Bangladesh’s national economy by helping them to concentrate on some of the local capabilities. For the developing countries, some of the agreements have locked most of the privileges and openness to enter into western market. In fact, according to Desjardins R (2003), trade agreements constrain industries to face competition both from domestic and global competitors.

Similarly, new rules and regulations created by various organizations tend to make the Bangladesh RMG more aware of their domestic competitive advantages. Furthermore, Bangladesh RMG also needs to have the ability to adopt the changes that are taking place in the global apparel market due to factors such as volume of total foreign investment, manufacturing abilities and others. However, their performance must be combined with political and social factors that also effect the functioning of the national economy in the world market (Antoniuk, 2004).

Additionally, according to Anonymous (1994), it is not only the stable political situation that can bring domestic competitiveness but it is also government trade policy and the other public policies that can help to determine the national competitiveness. Some authors such as Smith (1776), and Ricardo (1817) argue with the fact that some macro-economic factors such as labor cost, interest rate, infrastructure, productivity of the labor, government policy play a fair amount of role in competition. Similarly, to determine the national and corporate competitiveness Murphy (2001) emphasized two additional factors: labor availability and the comparative cost advantage. He also added that there also needs to be individuals' desire to get more profit as a result of competitive advantage. However, others disagreed with the fact and showed several examples of nations whichever succeed in global competition while still having adverse macro-economic factors. Besides, some Canadian labor leaders believe competitiveness is nothing but a code that is used to cut the wage of the labors. (David H. 1991) So, it provides the clear sense that the theory is very controversial. Nevertheless, some theorist put natural endowments as a strong component of competitive advantages. Thereupon, it should be easier for a rich nation to gain competitiveness than that of a poor country (Heckscher, 1991). Again, the theory tends to have a different view in practice because Japan is very competitive and successful but it does not have enough natural resources.

Additionally, culture is chosen over any other tangible resources as a means of competitiveness because characteristics of a tangible resource can be measured and copied but the culture of a certain region or country cannot be copied.

As a matter of fact, "a single indicator does not show a complete picture of competitiveness" (Hinloopen and marrwijk, 2004) because an indicator of competitiveness may be good for a certain country but not necessarily for the others. So it is very imperative to understand and realize what are the most suitable competitive factors are that suits a certain country the most (Jin & Moon, 2006). Some argue that micro and macro factors are the most influencing factors to pursue the thesis topic but

reviewing of some of the thesis that has been done before on Bangladesh RMG industry's competitiveness and analyzing their drawbacks, the author of this thesis is convinced to precede this thesis paper by using Michael Porter's (1990) Diamond model.

2.2 Porter'sDiamond

Michael Porter's diamond model gives a very clear idea about competitiveness. Often there exist confusions about the competitiveness. Sometimes competitiveness is seen and described from a firm's point of view and sometimes competitiveness is also seen and described from a country's point of view. However, Michael Porter showed his excellence in the diamond model by distinguishing the view of seeing the competitiveness (Brian, S & George, S. 2006).

In addition, Michael Porter raises "the relevance of the competitiveness of a country and concludes that the success of nations is largely due to the same circumstances that support the development of the most appropriate strategy for a particular sector. Explain that companies are in particular nations achieve international success since it is these that provide features to create and maintain a competitive advantage" (Vega & Humberto 2011, 112-141)

Similarly, in the case of Bangladesh, the country's domestic or national competitiveness has a very influential effect and the relevant strategy to implement of the country's those domestic competitiveness puts immense effect on the success of the Bangladeshi RMG industry. Vice- versa, the success of Bangladesh as a nation would possibly come along with the success of country's RMG sector.

Michael Porter's diamond model has mainly four determinants and the determinants are inter-related to each other. The determinants are: firstly factor conditions, secondly demand conditions, related and supporting industries is the third determinant and the

last determinant among the four is firm strategy, structure and rivalry. However, the expansion of the model was seen when there two extra determinants namely chance and the role of government (John, K. 2007).

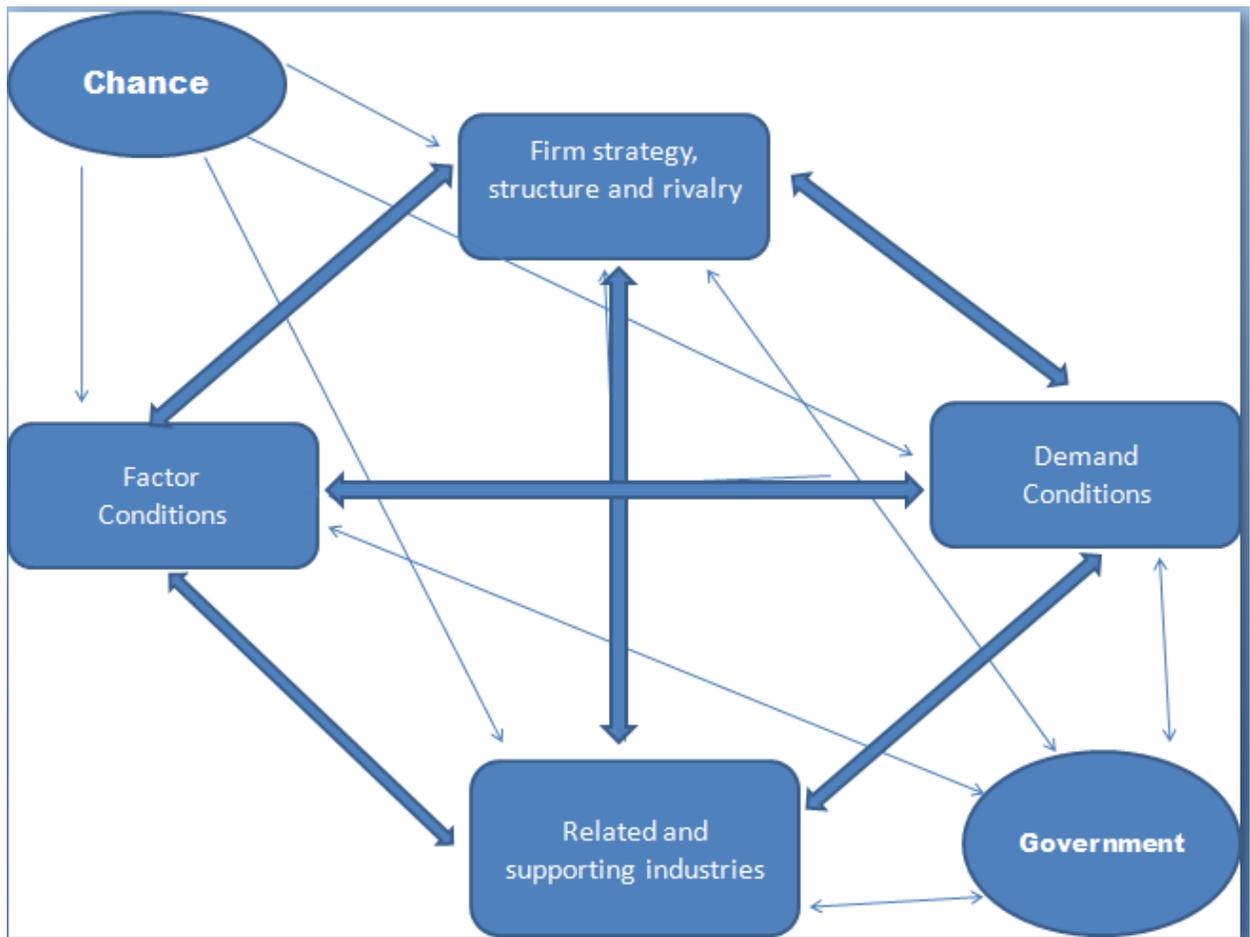


Figure 4 Porter's diamond determinants

(Source: Porter M, 1990)

2.3 Factorcondition

Factor condition is the first and the most important determinant among the six categories of determinants. Factor condition basically covers the fact of productions and the importance of production in any production based industry. As far as production is concerned, each and every industry or country has some factors of production that keep the machine of economy of a certain country or industry. Similarly, Porter also defined production as the most pursuing object in order to achieve the competitive advantage for a certain country. In addition, factor condition includes some necessary inputs of production such as land which can also mean some other natural resources including land; labor; capital and infrastructure. Ever since the beginning of the modern capitalism starting from British industrialization, labor, land, infrastructure and capital are considered to be most essential factors of production (Samuelson.1998). Thus, they are being called the traditional factors of production. “The production factor is the base of develop in the economic activity, and different production factors play different roles in the economic activity, and they have different function mechanisms to economic growth and economic development in the process of economic activity.” (Zuohua, Y. 2009, 100)

However, Michael Porter showed his brilliance when he drew a line among traditional factors of productions. He made a mere discrimination among the factors by categorizing them into two types: general and specialized factors. Some of the general factors of production are “natural resources, climate, locations, unskilled labor and semi skilled labor and even capital. On the other hand, some of the specialized factors of production are: educated personnel, digital data, communications, and infrastructure” (Porter 1990,77). Nevertheless, the theory further describes that most of the general factors for production are delegated inherent by a nation. Raw materials, favorable climate, cheap labor all the general/ basic factors are passively inherent in a country. In the case of Bangladesh RMG industry, cheap labor, location and favorable climate were

mainly responsible for the rapid growth of the industry. But advanced/specialized factors such as educated personnel, skilled labor, and skilled infrastructure cannot be inherent; they have to be developed and created over the period of time. Currently Bangladesh RMG industry is not strong with some of the advanced/specialized factors. For instance, most of the factories in Bangladesh are not maintaining any standard at work place and factories are below standard and communications infrastructure and transportation infrastructure is also not up to date.

Along with Porter, some writers argued, “Advanced/Specialized factors contribute more to sustainability of competitive advantage”(Shafaeddin, Reinert& Erik S. 2012, 54). In contrast of the argument many writers raised the questions can the advanced/specialized factors be developed? Thereafter, Porter presented the road in the diamond theory that would help companies create and develop advanced/specialized factors. Public and private institutions can be used as factor creating mechanisms where labor will be provided with training programs, physical resources will be easily accessible, infrastructure resources for examples, ports, factories, transportation networks will be modernized.

In the Diamond theory Porter tended to summarize that the importance of the traditional factors to the competitive advantage is no longer important. On the other hand, advanced/ specialized factors are recommended in order to achieve higher order competitive advantage. In addition, “advanced/specialized factors contribute more to sustainability of competitive advantage than to basic/generalized factors” (Shafaeddin, Reinert& Erik S. 2012). Thus, Porter’s advanced/specialized factor conditions in Bangladesh RMG industry are most suitable to meet the current crisis and to make the industry more competitive in the western market. The advantage of cheap labor does not last for long and on top of that, “the apparel industry has high-value added segments where design research and development are important competitive factors” (Zeller &Carolin 2012, 77). This clearly carries the indication that the cheap labor which was the main advantage for Bangladesh to bloom the industry at the beginning probably in

the near future it would not be an advantage anymore because the labor cost in Bangladesh has also increased in recent years. Therefore, to have a sustained superior firm performance and be competitive in the western market the most important issue is to transform all the necessary general factor conditions into advanced factor condition.

2.4 Demandcondition

Porter's demand condition is basically based on domestic market demand where he suggested four aspects that can contribute to compete globally. The four aspects of demand condition is given namely in the chart below.

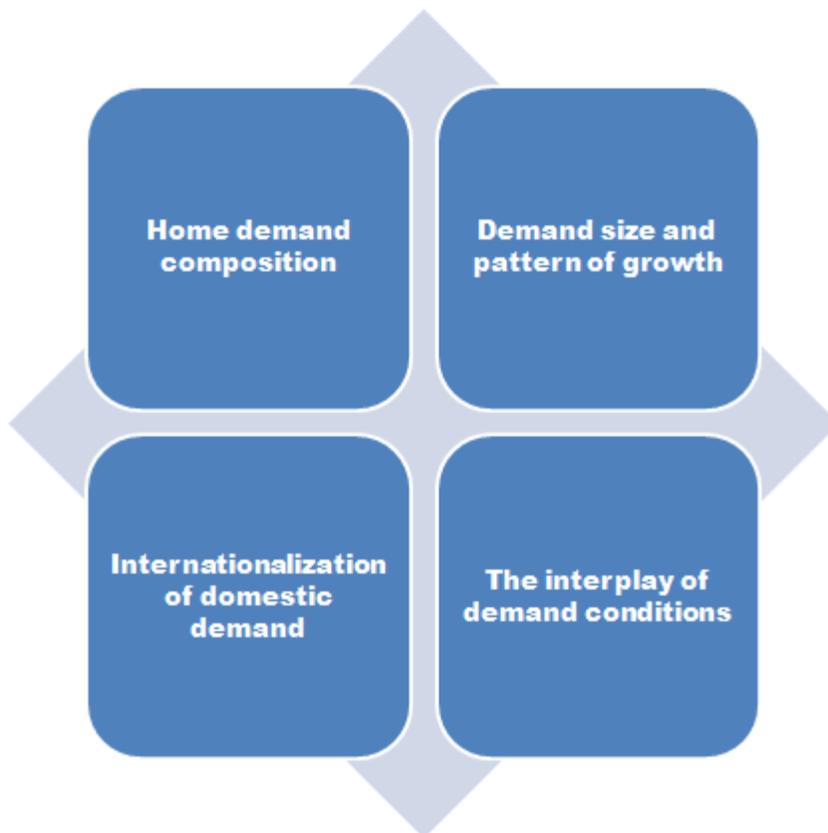


Figure 5 Aspects of Demand condition

(Source: PorterM ,1990)

2.4.1 Home demandcomposition

Home demand composition by Porter (1990) is driven by some major issues such as how much anticipation the domestic buyers have, how demanding and sophisticated the buyers are and many more. Porter also added that home demand provides the idea how the firms perceive to the demand of the local buyers. In many cases, high anticipations and high demand from the domestic buyer force the firms to be more innovative and competitive and this can work as an advantage for an industry. A country like Japan has got more competitive advantage in technology than any other country mainly because the high anticipation and demanding nature of the domestic buyers from the firms and this anticipation from the buyers insist companies to be more technologically advanced. On the contrary, if the anticipation is low and the local buyer is not so demanding then it is an obvious disadvantage for the country's industries. Nevertheless, Porter (1990) also mentioned that home demand can be manipulated by government and private institutions, for instance in Bangladesh women and men are asked to go to the offices wearing formal dresses rather than wearing traditional sari and Panjabi (names of some of the local popular dresses). As a result of that currently the demand for formal apparel clothing in Bangladesh is on the rise.

2.4.2 Demandsize and pattern of growth

Factors such as size of home demand, growth rate of home demand comprise the demand size and pattern of growth which are also being called demand related factors and they also have great impact on national competitiveness (Porter 1990). Size of the home demand is the decider of investment, if the size of the home demand is large then it is probable to see aggressive investment in the firm but if the firm size is small then it is probable that the investors of the firm would be demoralized to invest and as a result the productivity improvement and technology development will not be powered. While emphasizing the home demand, Porter also mentioned the importance of the growth rate

of the home demand. He points out that a nation with a higher growth rate tends to adapt to new technology faster. Adding to the idea, he suggested, having a high growth rate of home demand would play an important role in the circumstances where the time of changing the technology is fast. Subsequently, Porter's (1990) "diamond" will hold true in the case of Bangladesh RMG industry only if the industry can keep pace with the digital technological development results from the internet bloom since 1990.

2.4.3 Internationalized of domestic demand

In regard of demand conditions from Porter (1990), internationalization of domestic demand plays a key role in competitiveness. Porter (1990) explains breaking the barriers of culture and highlighting the local demand to the foreign consumers. Here suppliers can play a vital role. They can present their product to the new market by highlighting the feature of it and also by showing them the local demand for the product as a reference. Another way to convert local demand into foreign demand is the one typical way through training of foreigners in the country in question. Another is through exports that disseminate culture, such as film and television programs (John k. 2007,46).

2.4.4 The interplay of demand condition

Porter (1990) while presenting the relationship of demand conditions described the role of domestic demand at the initial stage and domestic demand at sustainable stage. He expressed positively that demand factors like size of domestic demand, growth rate of domestic demand are some of the demand factors that are required at the initial stage of gaining competitive advantage. For instance, Bangladesh is the most densely populated country and it has a very large population (world fact book, 2014) so it is obvious that the demand for apparel is very high and it is an important aspect in gaining the competitive advantage at the initial stage. However, these initial domestic demands later push the industry to be more innovative in order to sustain the competitive advantage that they gain initially. Whereas in the case of Bangladesh RMG industry, the question remains if they have any domestic demand that can interplay to the initially given competitive advantage in order to be competitive in the western world.

2.5 Related and supporting industries

The third determinant of Porter's (1990) "diamond" theory is related and supporting industries where he stated the importance of the related and supporting industries and how they contribute to the national competitiveness. He also asserted that "the presence of supplier and related industries within a nation that are internationally competitive provides benefits such as innovation, upgrading, information flow, and shared technology development which create advantages in downstream industries" (Byoung-ho & Moon, 2006). At present the apparel and fashion industry has come along way and the demands of the customers have gone higher which requires more innovation in the industry. Therefore, if the mainstream textile industries have their suppliers and supporting industries around them then the benefit the companies will enjoy is that they would be able to get the constant information and ongoing ideas about new innovation and design. History of Japanese industrial development evident makes it, that the related and supporting industries have been supporting the international business activities of leading Japanese companies (Dennis J. & Encarnation, 1999). However, "Bangladeshi firms have only made limited progress in developing advanced capabilities in design and branding as a part of their supporting and related industries. This regards some firms particularly large and foreign-owned firms in EPZs, offer product development and design" (Acevedo, L. Robertson, G & Raymond, 2012). However, the vast majority of the mainstream Bangladesh garments industries have been left behind in this regard. In the below Bubble chart figure-6, a relation between main stream Bangladesh garments and other supporting industries has been portrayed. The chart is compiled by based on the Bangladesh Garment Manufacturers and Exporters Association web portal information.

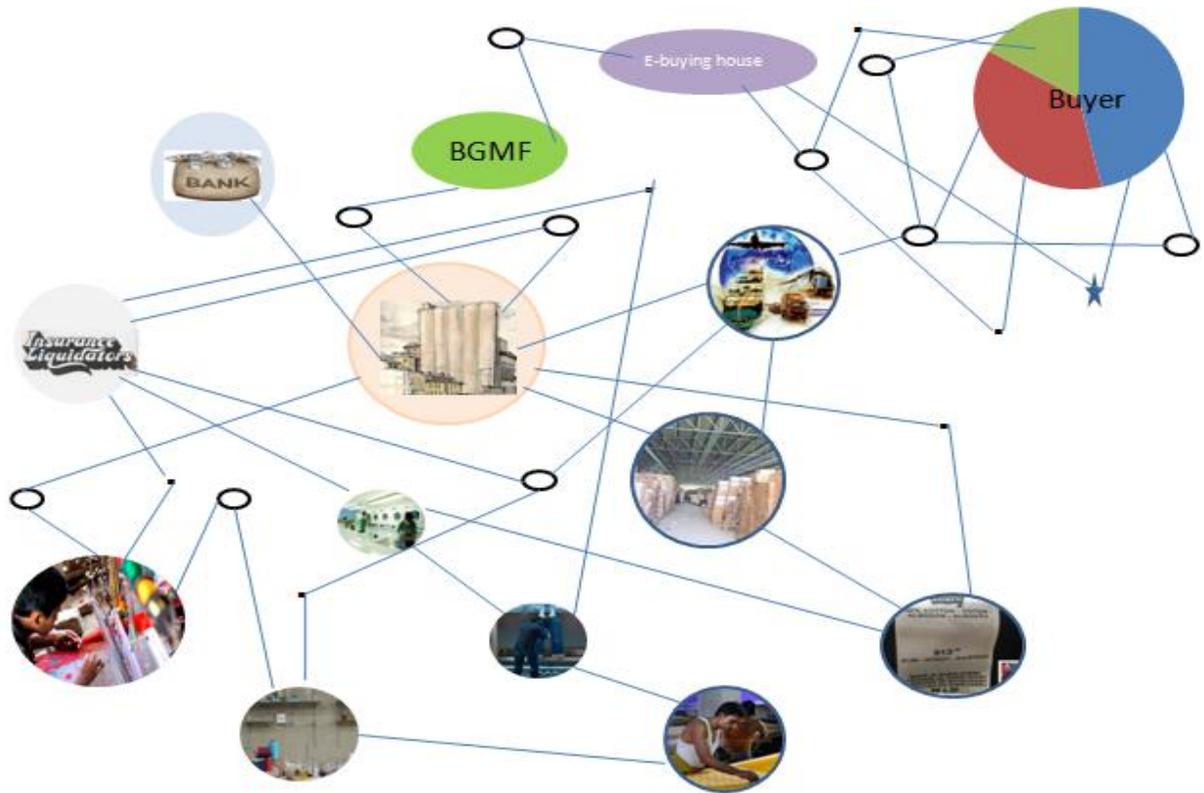


Figure 6 Bangladesh Garments industry's supporting industry bubbles

(Source: compiled by author)

According to the bubble chat, the main stream garment industry is being surrounded by the supporting industries. Basically, E-buyers are the first to involve to the process of getting a contract from a foreign buyer (interviewee: Md. Faisal Huda). In the recent past the number of e-buyer companies has increased a lot but the real problems start when the garments companies start the implementation of the contract. The two main supporting industries such as banks and insurance companies have very high interest rate for the garment industry as the industry is always in need of working capital to full fill the contractual terms. In addition, other industries like logistic industries are not so strong but in some cases the main garments factories have their own logistic support. In recent years, some international logistic companies like DHL, and FedEx have added extra value and the dependency on international shipping companies is on the rise for

the industry. Furthermore, other related supporting industries like packing, dyeing, sewing are also very important to the main stream garments but as the bubble chart shows all the supporting industries are contributing to the main industries but they are more or less dependent of the insurance or bank for the financial support or risk support.

2.6 Firm strategy, structure, and Rivalry

The fourth determinant of Porter in gaining competitiveness in the national level focuses on organizational strategy, structure, and rivalry. It is also undeniable how important these components are domestically. In addition, “the conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry” (Porter, 1998, 107). However, according to the “diamond” theory there is a sharp difference between the existed firm strategy and Porter describes firm strategy. In order to achieve the competitive advantage, company goals and ownership structure are given most priority. But when it comes to the scenario of Bangladesh garments factories goals and ownership structure, it is found that “around 65 percent of firms are foreign owned” (Acevedo, L. Robertson, G & Raymond. 2012). The high percentage clearly points at the low motivation of the employees and the managers. According to Porter employee and managers are also very important in firm structure. On top of that, the central concern is whether both “the managers and the workers are motivated to extend the effort necessary for creating and sustaining competitive advantage. From this view point, factors that impact motivation in such instances include the reward system, relationship between the managers/employees and company” (John k. 2007, 49). However, in most of cases, rather than getting any motivational incentives, workers get around 19 hour shift starting at seven thirty in morning and ending at two thirty at night (Bilton, R. 2013) and this cannot motivate the workers and lead to achieving the competitive advantage.

Besides, a rival in the same sector is also a part of Porter’s fourth determinate which also plays a vital role in the competitiveness. And emphasizing the importance on rivalry some theorists mentioned “rivalry is so good for the firm’s long-term

performance that it should be sought” (Clark A. P, 1999, 147). Bangladesh has 5600 garment factories around the country (BGMEA official site,2013) but only 500 firms mainly contribute to the export directly (Acevedo, L. Robertson, G &Raymond. 2012) which clearly indicates the existence of lack of rivalry leading gaining global competitiveness.

2.7 The role of government

Competitive advantages do not take place simultaneously; someone must be there to influence the competitiveness, and according to Porter the influential role is played by government. He added that it is not the government who is responsible for creating competitive advantage for the firms, it is rather the firms who will create it but the government will only influence it. Basically, the role of government here is to make sure the other four determinants are working properly leading gain the competitive advantage. In fact, the tax policy of the government, enforcement of antitrust laws, regulations of capital market are some of the policies that can lead companies towards competitive advantages (John k. 2007). Notably, Japan is the one of the most competitive domestic markets and the government is the key role player who is mainly responsible for making Japan as competitive market. Starting from the very first determinant factor condition of Porter, Japan has been able to carry out a huge transform at their education system. The change not only carried out in any particular sector of Japanese education, in fact the change in education system took place from top to bottom starting from 1945 (Clark A. P, 199). As an illustration, when a firm at its factor condition stage requires infrastructure support, educated personnel and advanced technology etc. In such circumstances, the government can contribute by providing infrastructure support, educational training programs and allowing to access to use the advanced technology. Conversely, in Bangladesh RMG industry workers are hardly provided with institutional training or education and the government tends to be reluctant with changing the current situation.

2.8 Chance

Chance is described as the disturbance of gaining competitive advantages due to the reason of some unexpected occurrences, and over those occurrences no one has control. In relation to, “creating competitive advantage, there could be a wide variety of examples including pure invention, technological discontinuities, surges of world or regional demand, and wars. Chance events can create the potential for a new nation’s firms to supplant them to achieve competitive advantages” (John k, 2007). Likewise, at present time in Bangladesh, it is seen that there has been labor unrest due to low salaries. Furthermore, Rana Plaza disaster triggered the situation even more towards the worst scenario situations. The incident of eight-storey building in Rana Plaza created a dilemma in the buyers’ minds to choose Bangladesh as a place to outsource their clothing manufactory. The Rana plaza incident gained the attention for the reason that is being lighted below:

Number	Suffering	Total toll of Human
1	Injured	2500
2	Died	1021
3	Missing	Approximately hundreds
4	Being rescued	2437

Source: BBC

Figure 7Rana plaza primary statistics

(Source: Brennan C, 2013. Available at www.bbc.com)



Figure 8: Rana Plaza Incident

(Source: Yardley J, 2013. The New York Times)

However, Bangladesh RMG industry has altered the chance in their favor and made it as a competitive advantage. The factory owners took it as an alarming call to improve the working condition and production facilities. The most compelling evidence of such altering chance is the 90% duty free entrance into Chinese market as a new clothing market(Anbarasan E, 2012)

RESEARCH METHODOLOGY

In this part of the thesis the type of research methodology that is the most suitable one for getting insight of the present Bangladesh RMG situation will be discussed. In addition, the process of collecting data will hold the significance of industry's given situation.

3.1 Methodology

This particular part of this thesis paper will provide a broader view of the topic methodology because it is an important tool which is used to evaluate the collected data. In order to achieve the goal of this paper there should be a linking with the selected theory and strategy of the thesis and in the process the internal competitiveness of Bangladesh RMG industry. The aim of the thesis paper is to find out whether Bangladesh RMG industry has the internal competitiveness ability to chase down the international competition and becoming world leader of apparel exporter instead of the present crisis apparel market.

3.2 Researchmethod

Choosing the appropriate research method is a necessity in order to avoid ignoring important research findings. Right research method is also important because it provides a fruitful output of the thesis paper. Qualitative, quantitative, correlational, quasi-experimental, experimental and meta-analysis are some of the research methodologies that are widely used in the world. But the choice of a research method for a thesis paper basically depends on "the researcher's own intuition"(Rebecca, Michael, William & Deborah, 2000, 189) on the topic itself.

3.2.1 Qualitative research

The basic use of having qualitative research method for this thesis is to critically analyze the collected data and to understand the attitude of responsible government personnel for Bangladesh RMG industry and factory owners of the industry towards the improvement of the internal competitive advantage in order to gain external competitiveness. The method has been described as “a method that is not meant for the faint of heart. The method demands imagination, courage to face the unknown, flexibility, some creativity, and a good deal of personal skills in observation and, interviewing.” (GoldmanL,1989, 83-84)

3.2.2 Reason for qualitative research

The survey type approach allow the view point of an independent observer on the certain topics but a qualitative method that allows the researcher to get close to the objects under Bangladesh current RMG crisis needs to be used in order to penetrate the internal logic that can manipulate the country’s internal RMG competitiveness and interpret their subjective understanding of reality. However, “qualitative methodology enables greater and better understanding, since it provides access to the meanings” that drive the success of Bangladesh RMG industry.(Ekanem,I. 2007.106)

3.2.3 Reason for not considering other research method

The nature is this thesis is such that makes it compulsive to consider the qualitative methodology as the research method for this particular thesis. The nature of the thesis also demands the thesis to be defensible to its’ users. In order to make the better understanding of the thesis, it was important to find the “why” answer from the people who are working for the development of the garments industry. That is why, qualitative research is the best choice as a research methodology for this thesis. However, as the figure 9 stands that the validity of quantitative research in developing countries are missing because most of the people do not have the greatest idea about the certain topics. On top of, the majority of the people do not have the internet access so the only way to collect the data is by doing it manually. But at the moment, it is impossible for

me to be there in Bangladesh and to collect the data because it is very expensive and time consuming. Furthermore, mix research is also not appropriate for this paper because mix research methods will lead to the confusion which of the research methods should be given priority qualitative or quantitative. And figure 9 also says that the data for qualitative research is not valid form Bangladesh for this particular research so as a result of this mixed research methodology was not considered for this research. Experimental research is considered to be the most scientific method than the other non-experimental research methods because researchers have more control on experimental research than any other methodologies. But for this research the result of the experimental would be imperfect because it is important for the researcher to be present at the place where the experiment phenomena occurred. But again because of the time and cost matter it is not possible for me to be there in Bangladesh and observe the phenomena. In the table below in figure 9 the reasons have been explained why not some other research methodologies are being considered for this thesis.

Different Research methods				
Research method	Details	Provides the useful answers	Relevance to this topic	Evidence of effectiveness for the thesis
Qualitative	It is based on qualitative phenomenon.	Answer to the why questions.	Qualitative methodology enables greater and better understanding as it allows the researcher to get close to the objects.	
Quantitative	It is based on measurement of quantity or amount. (Dhawan S,2010)	Answer to the how questions or in quantity.	Reliable source of finding data for quantitative research is hard in developing countries such as Bangladesh.	
Mixed	It is a combination of qualitative and quantitative research in a single or multiphase study. (Biber H & Nagy G, 2010)	“Leads to findings that raise questions or contradictions that will require clarification.” (Biber H & Nagy G, 2010)	The nature of this research will lead the implementation of conceptualized framework if mixed research is used.	
Quasi-experimental	“It is about comparing a group that gets a particular intervention with another group that is similar in characteristics but not receive the intervention.”(Serve Center,2008)	Did the program cause any significant differences in participants’ outcomes as compared with similar characteristics who did not receive the intervention?	Confounding variables are considered to be the major problem for what quasi experimental cannot be considered as the research method for this topic.	
Experimental	Using random assignment to assign participants to an experimental or treatment group and a control or comparison.	It works best when it is asked if the program cause any significant differences in participants’ outcomes as compared to the control group’s outcomes.	Using the experimental method it is impossible to achieve the perfect result.	

Table 1: Research methods (source:McNamara, C. 1998.servecenter,University of North Carolina)

3.3 Approach for this study

The basis of this research approach is to collect primary data through interviewing. In order to reach the goal, the writer of this thesis paper had an initial plan to approach the collection of primary data that would include interviewing regulatory individuals of Bangladeshi RMG industry in order to find out their experiences and how they can relate the experience towards better future of the industry. In addition, the RMG industry in Bangladesh is such a growing industry that every time there seem to be a fluctuation which increases the demand for collecting the primary data for the sake of reaching a better conclusion in the research. However, the researcher also realized the importance of collection the secondary data while analyzing the primary data because all the secondary data will complement the primary data and will so possibly increase the acceptance of the primary data.

3.4 Qualitative Research –Telephone Interviews

Interviews which were conducted over the phone provided the necessary depth information for this thesis. Although it was a hard job to interview some of the interviewees but it was very important in order to serve the purpose of the thesis. Most of the interviews were conducted between 12th to 28th of April. At first, Interviewees were requested by mail to give their valuable time to give an interview. But unfortunately, most of the interviewees did not show their willingness to give an interview. In fact most of the interviewees did not even mail me back. As a result, it became necessity for me to give a direct call to their number and asking for their permissions to give me an interview. It is needed to be mentioned that all the numbers of the interviewees can be found either in the official site of their companies or in the

BGMEA webportal. Unfortunately, none of the interviewees gave me an interview in the first call but some of them requested me to call them later and some of the interviewees gave me a certain time to call them. However, it was a long process to conduct the interviews of the interviewees who are very important persons of the garments industry of Bangladesh. And eventually, all the interviews were conducted by 28th of April.

3.5 Secondary data

Secondary data is classified as a collection of data done by someone else previously. It can also be defined as “data collected by others, not specifically for the research question at hand” (Cowton, C. J. 1998,424). In addition, secondary data is also considered as very important because they save time and money (Davis, 2000). Henceforth, secondary data from a wide range of sources has been used in this study. On the basis of categories of sources of data three major sub-sections can be drawn namely VAMK Tritonia web portal, Google and Bangladesh RMG related organization’s official web sites.

3.5.1 Tritonia webportal

The most important source of secondary data that has been used for this thesis is the Tritonia web portal. The VAMK Tritonia web portal provides access to journals like Wire Feeds, scholarly journals, Emerald, different magazines and many more.

3.5.2 Google

In the form of search engine, Google is also a great source of secondary data. By using the Google search engine it was possible to get the access to collect data from Google scholar. International organizations such as World Bank, WTO, IMF, and BBCWorld often publish important articles on Bangladesh RMG industry. Thus, using the Google

search engine it was possible to access those articles published by all those international organizations which in this writing has an important role as a source of secondary data provider.

3.5.3 Bangladesh RMG official websites

There are both Bangladesh government and non-government organizations that work closely with the industry and all the official sites of these organizations have been very useful sources of secondary data for this paper. Bangladesh Export promotion bureau, a government organization, is an important publisher source that gives very potential data about the industry and those data have created huge interest as to be considered to be used in this writing. The other organizations, whose data have been used widely in this paper, are BGMEA and BKMEA.

3.6 Primary data

Primary data provides the best solution for complex evaluation obstacles. As initial plan of collecting data from primary source so the traditional way of collecting the primary data has been used for this paper which is conducting interviews over the mobile phone. The lists of the interviewees are given in appendix 2.

3.7 Design of sample and size

The BGMEA boards of directors are split into two bigger cities which are adorned with most of Garments businesses. The list first gives the BGMEA board of directors from Dhaka and then BGMEA board of directors from Chittagong. While choosing the samples it is being also considered that interviewees from other related industries' personnel are also being included on the basis of the importance of those institutions and the size of those institutions.

There are total twenty two boards of directors in BGMEA both from Dhaka and from Chittagong. And all the directors were contacted and requested to give the interview but

only eight directors out of twenty two directors were available to give the interview. However, seven more garments factory owners and import-export personals were also contacted but out of those seven only two people gave the time to interview them.

Boards of directors in BGMEA are the most important people who have direct involvement in the development of the Bangladeshi garments industry. And at the same time, they are always aware about the current updates of the garments' industrial situation in the apparel market. Conception, perception and view point of the boards of directors of BGMEA are very important in order to find out the depth information of the thesis problem. That is why, boards of directors of BGMEA were considered to be the most appropriate people to conduct the interview.

3.8 Design of the questionnaires

The questionnaire is design in such a way that the initial questions provide general perceptions about the garment industry and it is followed by some questions that aim to provide facts that has impact on the garments industry. Thirdly, the next few sets of questions aims to provide deeper understanding and an inside picture of the industry and also the government's thought about the industry. The questionnaire ends with comments from the interviewees on the studied object.

DATA ANALYSIS

Data analysis is a very import part for this thesis paper because on the basis of the analysed data the future commendation for the garments industry of Bangladesh will be made. In addition, thispart of the thesis paper will help to provide the answers of the research problems by combining the primary interviewees and secondary data. In order to perform the analysistable and figures are presented along with the basic information.

4.1 Internal competitiveness

On the basis of some the initial questionnaires it was found how the garments industry boomed in less than three decades, how the country's internal competitiveness helped the industry to become an exemplary industry by setting a high growth rate in the total economy of the country. According to Md. Sheik Sadi, a friendly environment, experience, cheap labor, availability of cheap energy such as natural gas, land and small capital are some of the main factors that supported the industry to grow in a very short time with a very high growth rate. In addition, AnjanShekhar Das emphasized on women's role in the growth of the industry and he also added that women comprise of 80% of the total number of employees in the industry which adds an extra value to the empowerment of the women. However, the main factor of production in the garments industry is that labor is very much available and cheap compared to other apparel exporting countries and capitalizing on such a main factor the garments industry has seen the summit of success. In the graph (Figure: 9) the comparison of labor price and people employed in the garments industry are given.

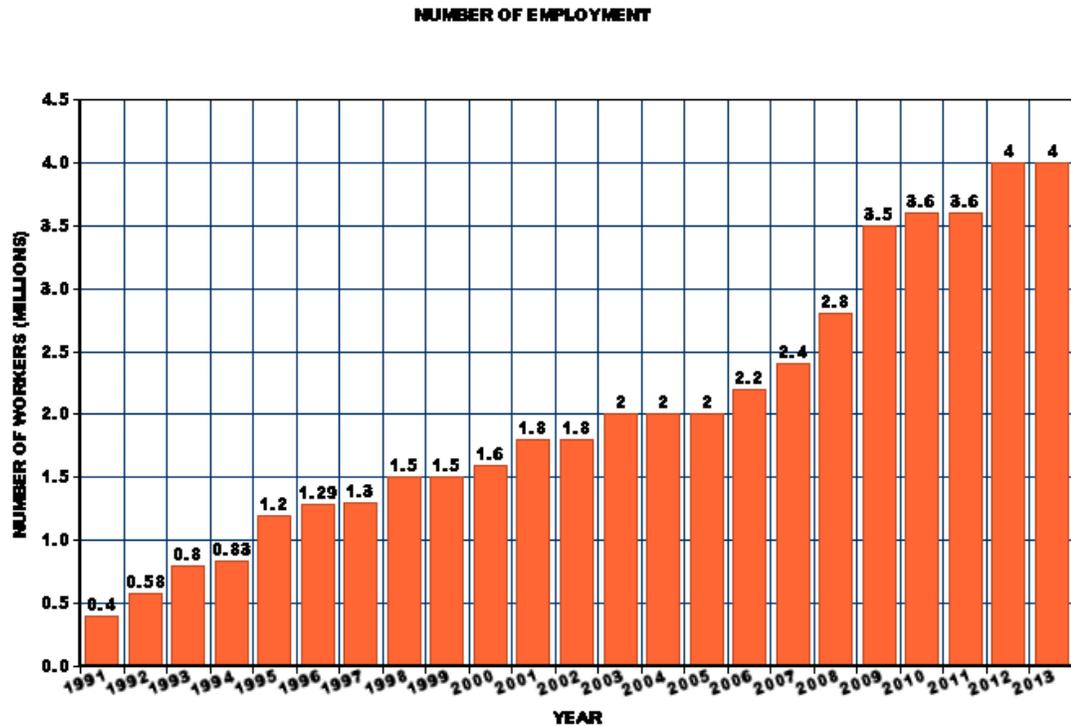


Figure 9 Increase in total number of employees in Garments industry over the years

(Source: BEMEA official site, 2014)

Bar chart in the Figure 9, above show that early in the year 1991 the garments industry has only four million employees, then it rose steadily but in the year 2003 to 2005 it remained unchanged with two million employee. However, in the following years the number started to rise again even though there was world economic crisis in the year 2008, but at the end of 2013 the total number of employment in the garments sector reached four million. In addition, the success stories of Bangladesh also reveal the truth that the labor cost for the production is not only cheap but it is cheaper compared to its' other international competitors as the data provided by BKMEA in the year 2014 makes evident.

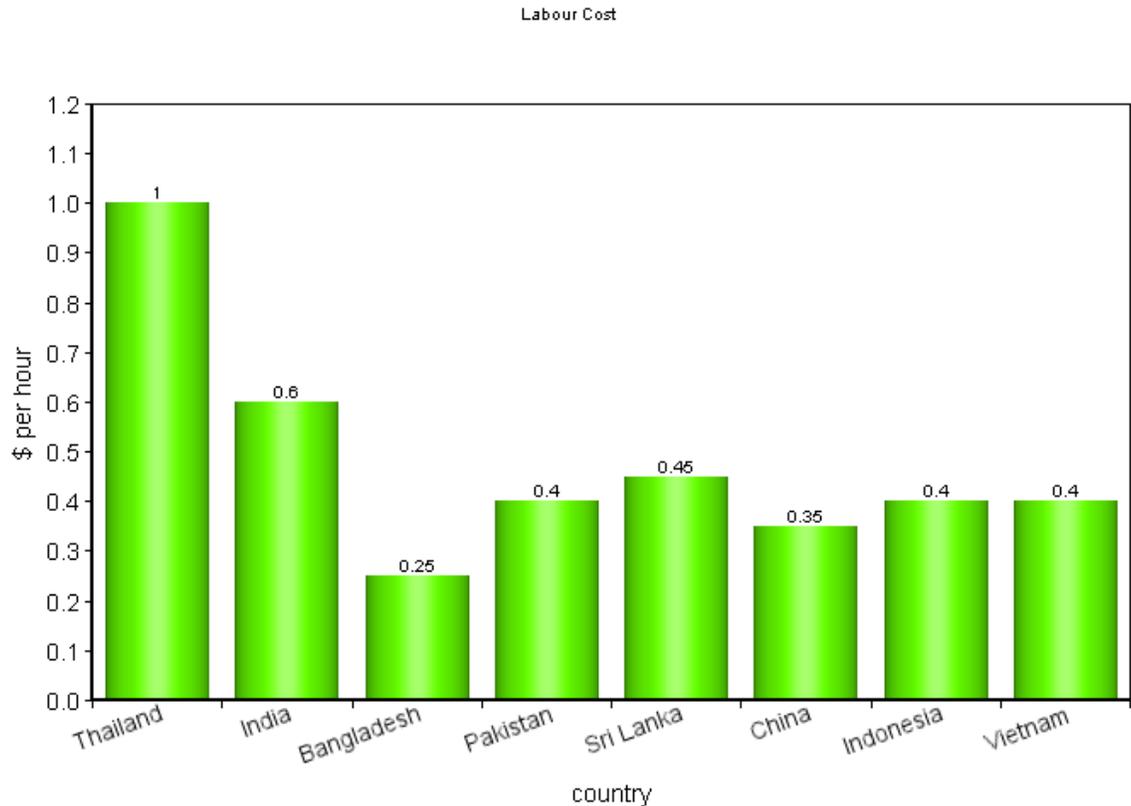


Figure 10 Comparison in Labor cost by countries

(Source: BKMEA official site, 2014)

4.2 Lowcost Energy factors

The main energy that is required to function the garment factories is natural gas and electricity as far as Bangladesh garments' industry is concerned. Bangladesh is blessed to have a natural resource like gas but natural gas is mostly used in the process of heating. Although natural gas is only used for the process of heating, the demand is still increasing steadily. The main reason for the rise of the use of natural gas in the garment industry is the low price of the gas. According to Petro-Bangla the price of a thousand cubic feet of natural gas is 165.91 Bangladesh taka that is equivalent to 1.55 euro (Petro-Bangla official site, 2014).

The price of other source of energy that is required in the garments industry is electricity. And the price of electricity in Bangladesh is very low compared to other countries that are considered the competitors of Bangladesh in the garment industry.

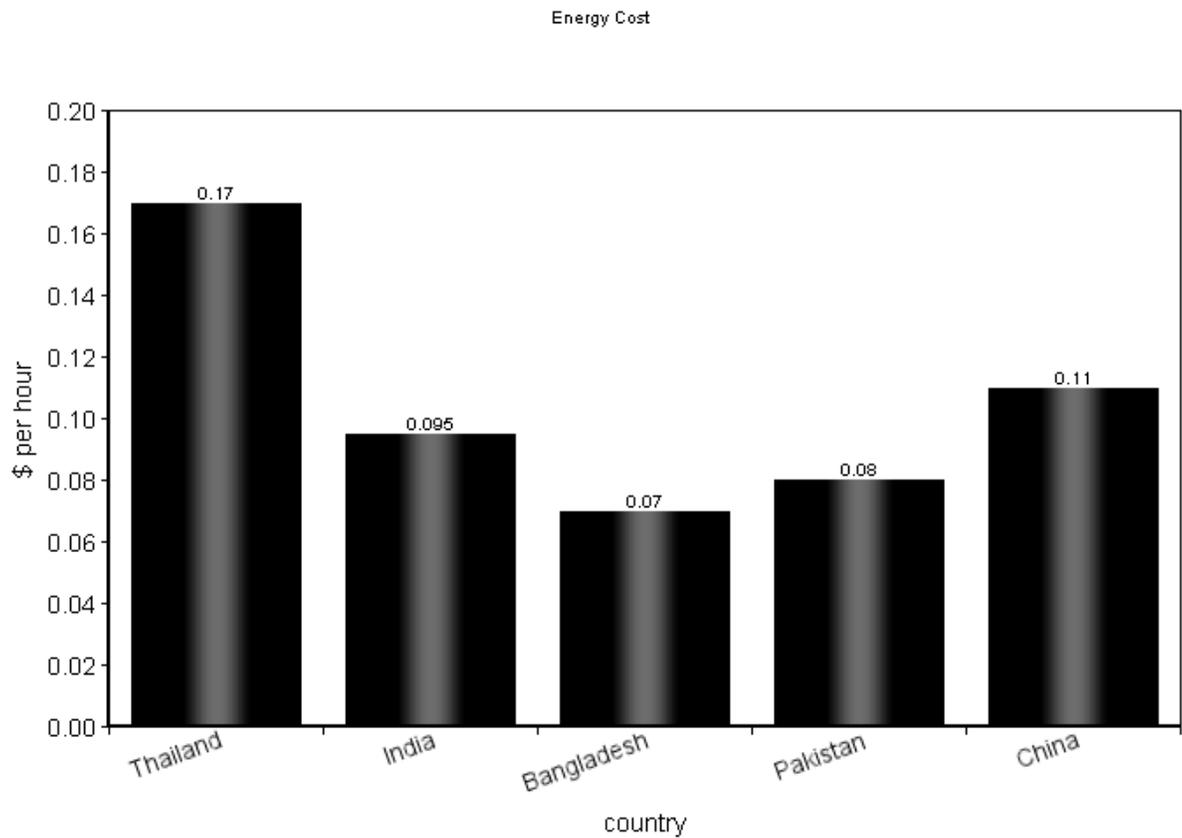


Figure 11 Comparison in Energy cost by countries

(Source: BKMEA official site, 2014)

Bar chart in the figure 11 shows that Bangladesh has the lowest cost of electricity in the world which is 0.07 dollars kilowatt per hour. Although, China, who is the biggest competitor, has a moderate price of electricity that is 0.11 dollars kilowatt per hour, out of the biggest competitors Thailand has the highest price rate of electricity, is 0.17

dollars kilowatt per hour. Thus, the chart clearly proves that Bangladesh low energy price gives the garments industry an advantage in the competition.

4.3 Entrepreneurial characteristic

The beginning of the garments industry in 1970s in Bangladesh also shows the entrepreneurial characteristics of the owners of the early garments industry. “We are really thankful to those owners who started the early garments industry because it was them who were very much self motivated and realized the opportunity that the industry can bring in future.

Risk taking ability of those entrepreneurs added extra value to the growth of the industry. The early entrepreneurs had such risk taking power which made them invest in the then new business and the investment came from their personal savings or without any loan from the bank” says Mr. Md. M. Mohiuddin Chowdhury. Praising the early garments owners he added the entrepreneurial power of the owners of the garments industry is a major internal competitive advantage that the industry has had over the years and this entrepreneurial power of the industry owners’ is the key that has helped the garments sector a lot in reaching the stage where the industry is at present.

The early garments entrepreneur also had the ability to learn from others. Making the perfect product portfolio for the buyers, utilizing the favorable trade agreements, managing the product cost are some of the things that the early entrepreneurs learnt very fast which helped the garments industry to grow at a good speed.

Chart below in figure 12 shows a picture that the industry progressed over the years. In early 1985 Bangladesh garments export ranked 42 with the total export of 0.168 billion but in the year 2011 it ranked fourth with the total exports of 19.939 billion.

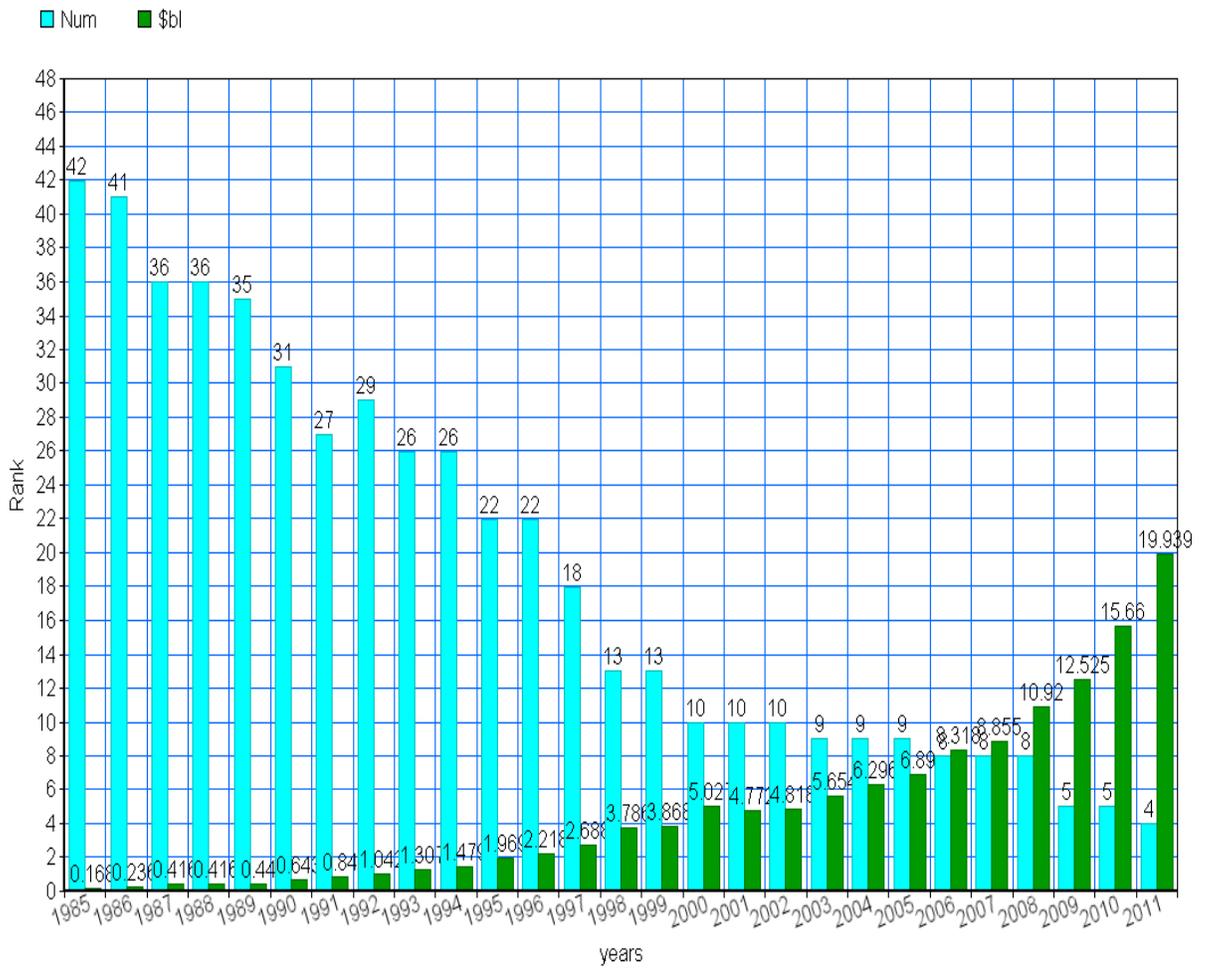


Figure 12 World ranking over the years and total export by years

(Source: Cadman E & Bernard S, 2013. Financial times)

4.4 Diamondreflection

Porter's diamond theory basically emphasizes the advanced production factors of traditional factor conditions. Consequently, some of the further primary questions also relate the traditional factor conditions of Bangladesh garments industry, capitalizing on why the particular industry has become so successful based on the Porter diamond's advanced factor conditions. It is believed that Bangladesh garments industry has been so successful because of the cheap labor, but it has been seen in the recent years that the labor price of Bangladesh garment industry has increased to five times. According to Md. Sheik Sadi, the starting salary of initial labor used to be 1000 thousand Bangladesh Taka at the beginning of twentieth century but presently they receive 5300 BD taka which is approximately 230 US dollars per month. Line chart in figure 13 also carries the evident that in the year 2000 the fixed minimum salary of primary labor was only 1100 but it grew dramatically over the years and in the current years it reached 5300 taka.

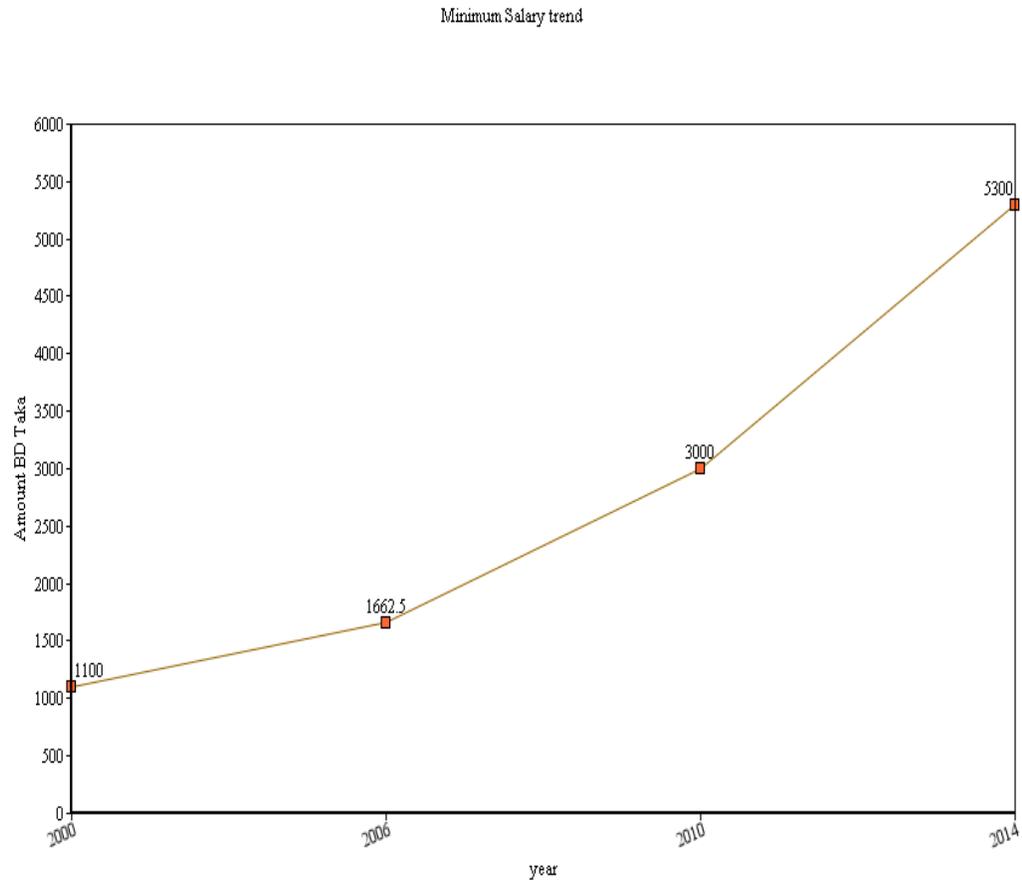


Figure 13 Minimum salary trend for labors

(Source: Yesmin, S. 2013. The daily Star)

However, these beginners type of workers do not have any primary education related to the jobs on a certain industry so as a result they cannot contribute as much to the production as much as they should do at the beginning stage of their work. Furthermore, the traditional strength of Bangladesh garments industry is at its verge to cultivate advanced factor conditions because “Cheap labor lasts only for a short time” (Byounggho, J. 2006)

At present the industry alone employs four million workers but unfortunately out of four million people 3.5 are skilled or semi-skilled workers and the rest half a million workers are unskilled workers without education in the particular industry. Thus, these half million workers need to be trained or there can be an implementation of a long run

employee development program. As a result, currently there seems to be an urgency to develop such kind of a program but the specialists believe that the scope of program is just not enough to develop more skilled workers. SadekAhamed who is a BGMEA Board member added BGMEA alone has nineteen programs to develop skilled workers but the number of programs is just not enough compared to the supply of primary workers they have for the industry.

Moreover, MohiuddinChowdhury, one of the BGMEA board members from Chittagong said that currently the industry is introducing a special, semi-automatic and a totally automatic machine in order to achieve the production efficiency but new workers do not have the training to operate those machines. In such circumstances providing technical training facilities is the right way to operate in order to make the industry more competitive.

4.5 Industrial infrastructure and laborsafety

The Rana Plaza industrial incident made the foreign buyers more aware of the garment industrial safety and infrastructure; as a result U.S government stopped the GSP benefit for Bangladesh Garments. (Press release June 2013, Office of U.S trade representative).Low investment and rental housing was the main motivational back up for establishing a garments factory. According to Vidiya Amrit Khan, in the early eighties establishing a garments factory would only required personal capital because the commodities and factory costs were below average and on top of that there was no necessity to own a factory building rather than rent a factory building. However, at present it is a must for garments entrepreneurs to own a factory building in order to establish a garment factory. Moreover, establishing a garment factory on your own land requires a huge investment and it is impossible to cover such huge investment from personal capital. Moreover, GSP facilities demands safety in a factory building for workers in order to regain the GSP benefit. One of the condition under the GSP program for Bangladesh garments is to own the factory on own land or a building. Conversely, among 5600 garment factories of Bangladesh the majority of factories do have their factories on their own land or in their own building. Nevertheless, it is still

mandatory to have a factory in the company's own premises but with the current land prices it would be very expensive to establish a factory in the company's own premises. And getting a loan from a bank is a dilemma for the industry owners because the interest rate is very high for the garments industry. Mr. Md. Abul Kalam a board director of BGMEA mentioned "Bangladesh is one of the countries which have the highest banking interest rate for apparel industry; this makes it impossible to accumulate both the initial capital and the working capital for the betterment of the industry." Table from figure 14 shows the trends of interest rate in the garments sector over the last few years.

Number	Bank	Year	Rate	year	Rate	Year	Rate	Year	Rate	Year	Rate
1	Government Commercial Banks	2010	13%	2011	13%	2012	15%	2013	16%	2014	16%
2	PUBALI	2010	13%	2011	13%	2012	14%	2013	15.50%	2014	15.50%
3	AB-BANK	2010	13%	2011	13%	2012	16.50%	2013	15.50%	2014	15.50%
4	ISLAMI	2010	13%	2011	13%	2012	13.50%	2013	14%	2014	15.50%
5	THE CITY	2010	13%	2011	13%	2012	14.50%	2013	17.50%	2014	19%
6	PRIME	2010	13%	2011	13%	2012	14.50%	2013	16.50%	2014	16.50%
7	DHAKA	2010	13%	2011	13%	2012	15.50%	2013	15.50%	2014	15.50%
8	DUTCH-BANGLA	2010	13%	2011	13%	2012	14.50%	2013	15.50%	2014	15.50%
9	EXIM	2010	13%	2011	13%	2012	17%	2013	17%	2014	18%
10	STANDARD	2010	13%	2011	13%	2012	17%	2013	17%	2014	17%
11	BANK ASIA	2010	13%	2011	13%	2012	14.50%	2013	15.50%	2014	15.50%
12	BRAC	2010	13%	2011	13%	2012	14.50%	2013	17%	2014	20%

Figure 14 Bank interest rate in different commercial banks in different years

(Source: Bangladesh central Bank, available at <http://www.bangladesh-bank.org/>)

Table in the figure 14 shows that the top twelve banks had 13% interest rate in the year 2010 but after five fiscal years in the year 2014 all the banks had increased their interest rate for the sector. In some cases it is seen that the interest rate has increased by 7% in five years time. Similarly, line chart in the figure 15 represents the dramatic increase in the banking interest rate over the years, which has put an immense pressure onto the garment factory owners as they want to develop the infrastructure and working environment according to set standards.

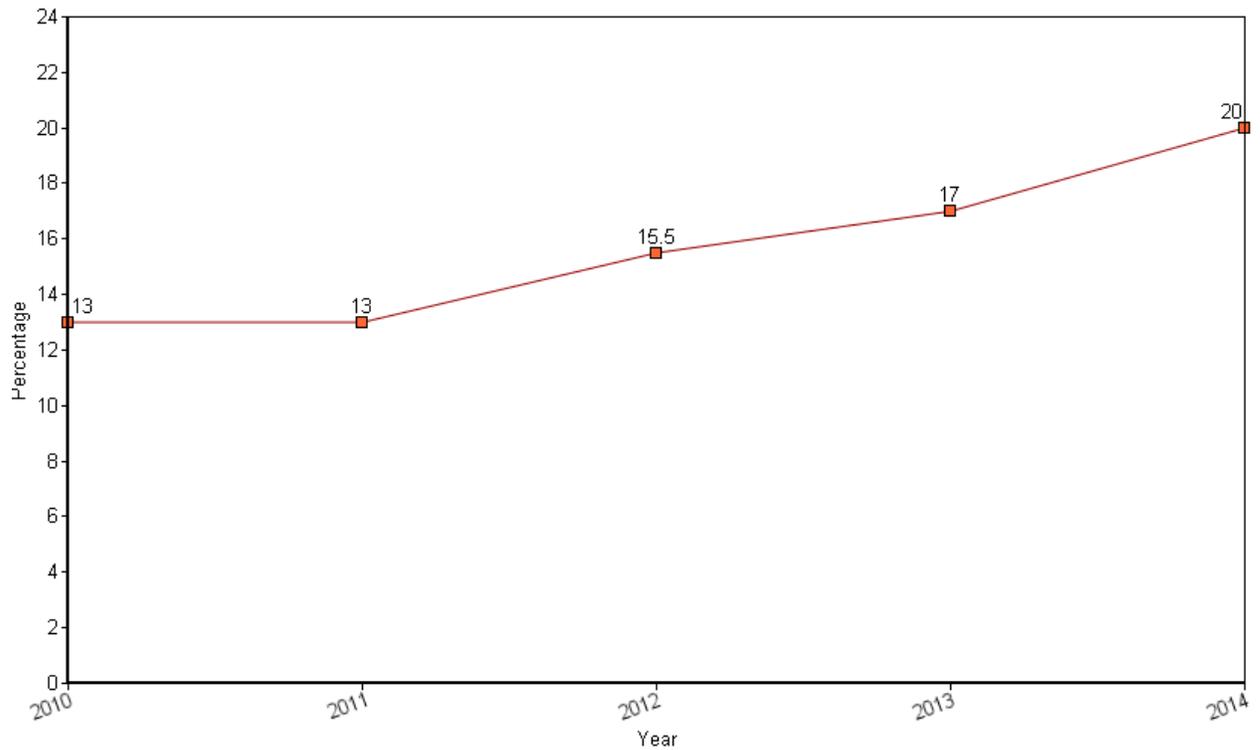


Figure 15 Increase in Bank Rate over the years

(Source: Bangladesh Central Bank)

Furthermore, Bangladeshi infrastructure competitiveness is ranked 130th in the world but the ranking of country's competitors is much better. As shown in the figure 16, Bangladesh ranks 130th with only 2.7 points out of 10 points. The interviewees believe that because of the unplanned industrial infrastructure the production at the garments industry suffers a lot. It is not only the suffering of the production but also the delivery time is affected by the country's poor infrastructure. According to Mr. Khandoker Rafiqul Islam, the normal delivery time for knit clothing is around 50-70 working days for the Bangladeshi garments industry. Its competitors have much shorter delivery times, for example India has 40-60 working days.

Industrial infrastructure Ranking			
Number	Country	Ranking	Point
1	Bangladesh	130	2.7
2	India	91	3.6
3	China	72	4.1
4	Pakistan	100	3.5
5	Sri Lanka	61	4.4
6	Thailand	46	4.9
7	Cambodia	83	3.8

Figure 16 Bangladesh industrial infrastructure ranking along with other countries

(Source: World economic Forum 2011.)

4.6 Social compliance in RMG

Social compliance in Bangladesh ready-made garments industry has been a fundamental requirement for many of the western buyers and it is also considered as the main hindrance in getting different benefits to enter into the western markets. The social compliance in Bangladesh garments industry has been talked vastly as different NGOs, media and other foreign buyers are closely monitoring the labor working environment and safety standards. However, Bangladesh Labor Act, reformed in July 15, 2013, shows conformity with ILO. Therefore, the labor act in Bangladesh fulfills most of the fundamental rules and regulations that encourage the development of working safety and working environment.

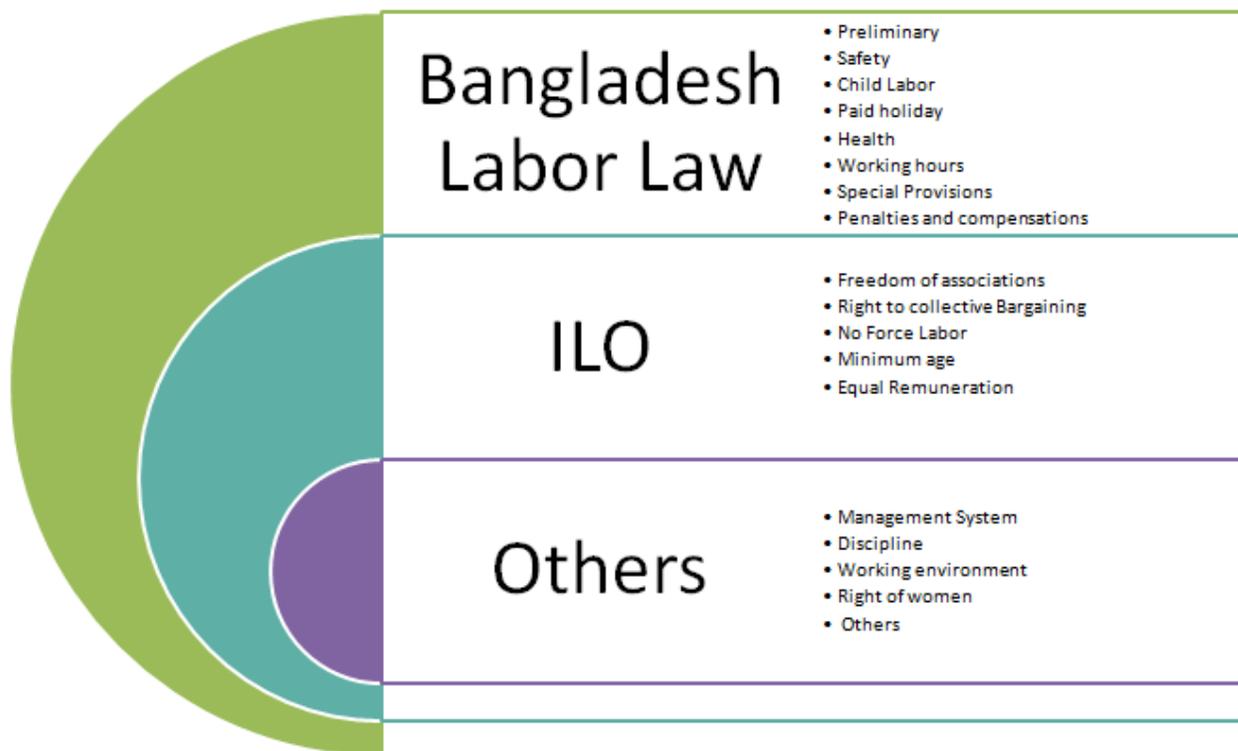


Figure 17 Garments labor code of Bangladesh

(Source: BGMEA and ILO convention)

In the figure 17 table, it is clearly seen that Bangladesh Labor Act 2013 is clearly overlapping with most of ILO labor act. A press release from ILO in 22nd July 2013 stated that the act will rectify in Bangladesh Labor Act that concerns workers occupational and health safety and from the following year that act would ensure the critical occupational and health safety for the workers. This provides the evident that the government and law of Bangladesh are keen to ensure the garments labor occupational safety and health safety at the work. Moreover, BGMEA is also working on the betterment of labor at work place. An interview over the phone with BGMEA board of directors revealed that they have keen interest to develop the labors' rights at work and

in working life as they are the main drivers of the industry. As a result of that BGMEA is working hand in hand with institutions such as:

- WRAP- Worldwide Responsible Apparel production.
- FLA- Fair Labor Association.
- ACCORD
- FLA- Fair Labor Association
- ETI- The Ethical Trading Initiative
- BSR- Business for Social Responsibility.

On top of that, BGMEA at present have the monitoring body that every now and then check the compliance by visiting different garments factories. But the interviewee stated that the only thing that is missing is the implementation of the existing labor act that the country has adopted in 2013.

4.7 Political instability

Political instability is one the main reasons that has made the garments industry suffer along with some of the other industries in Bangladesh. A recent report from one of the pioneering daily news papers named ProthomAlo news reported that in the current fiscal year 2014 due to 45 days of strike \$ 154 million has been net cost only to the country's garments industry. Bangladesh is currently accommodating approximately 5300 factories, most of which are located either in Dhaka or in Chittagong. Dhaka is the capital of the country located in the middle of the country and Chittagong is the port city. When a political strike spreads across the country then it becomes impossible for the factories located in Dhaka to deliver their finished products to the port city of Chittagong for the delivery shipment. Mahmudur Rahman Sumon points out that it is not only that the delivery of finished goods suffers from the political strikes but also the production of the factories suffers as a lot of the employees cannot move to the work place.

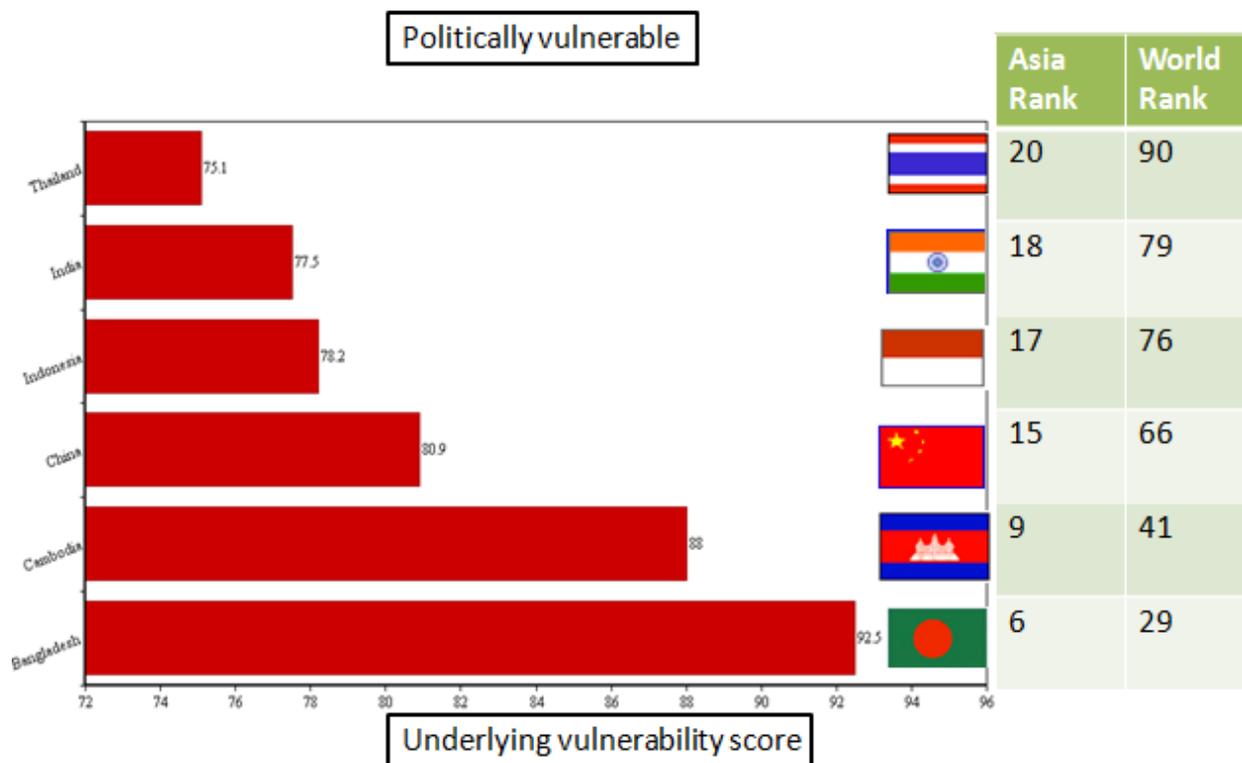


Figure 18 Ranking of politically vulnerable countries

(source: The Asian Studies Center)

According to Asian Studies Center, Bangladesh is one of the most politically vulnerable countries both in the world and in Asia. The country ranked sixth in Asia and 29th in the world with 92.5 points.

4.8 Factors of influence

Government policy, bank interest rate, social compliance, infrastructure and training programs are some of the main factors that came out as the interviewees expressed the garments industry in their phone conversation over the telephone. Most of the interviewees, four out of ten, that is 40%, revealed that high bank interest rate is the most challenging for them as they want to compete with other countries. Social compliance and the industrial infrastructure were given the second priority by the

interviewees. Basically there is no industrial zone for garments factories in Bangladesh, the government of Bangladesh even fails to provide an industrial zone facility to help the industrial safety and sustainability. Some interviewees also believe that the government is not as supportive as they should be but in the early 1980s the government introduced “back to back L/C through which exporters were able to open L/C in a local bank for the import of inputs against the export orders placed in their favor by the final apparel importers. Thus, by showing the export order, firms could get credit to pay for imported inputs” (Acevedo, L., Robertson, G & Raymond. 2012) and this was massive support for the initial garments entrepreneurs. Nevertheless, the interviewees claimed that government fails to provide some of the basic support such as

- Industrial zone
- Industrial police
- Industrial incentive
- Good governance
- Sustainable energy support.

Likewise, 10% of the interviewees, which is one interviewee out of ten, believe that social compliance is a burning topic in order to regain GSP benefits. The Rana Plaza incident came as an alarming call which made the social compliance for the garments industry as a compulsory requirement, Hence, BGMEA is working together with the government and various NGOs which makes the social compliance in garments factory better than ever before. Thus, only 10% of the interviewee agrees with the fact that among other factors social compliance bears less importance.

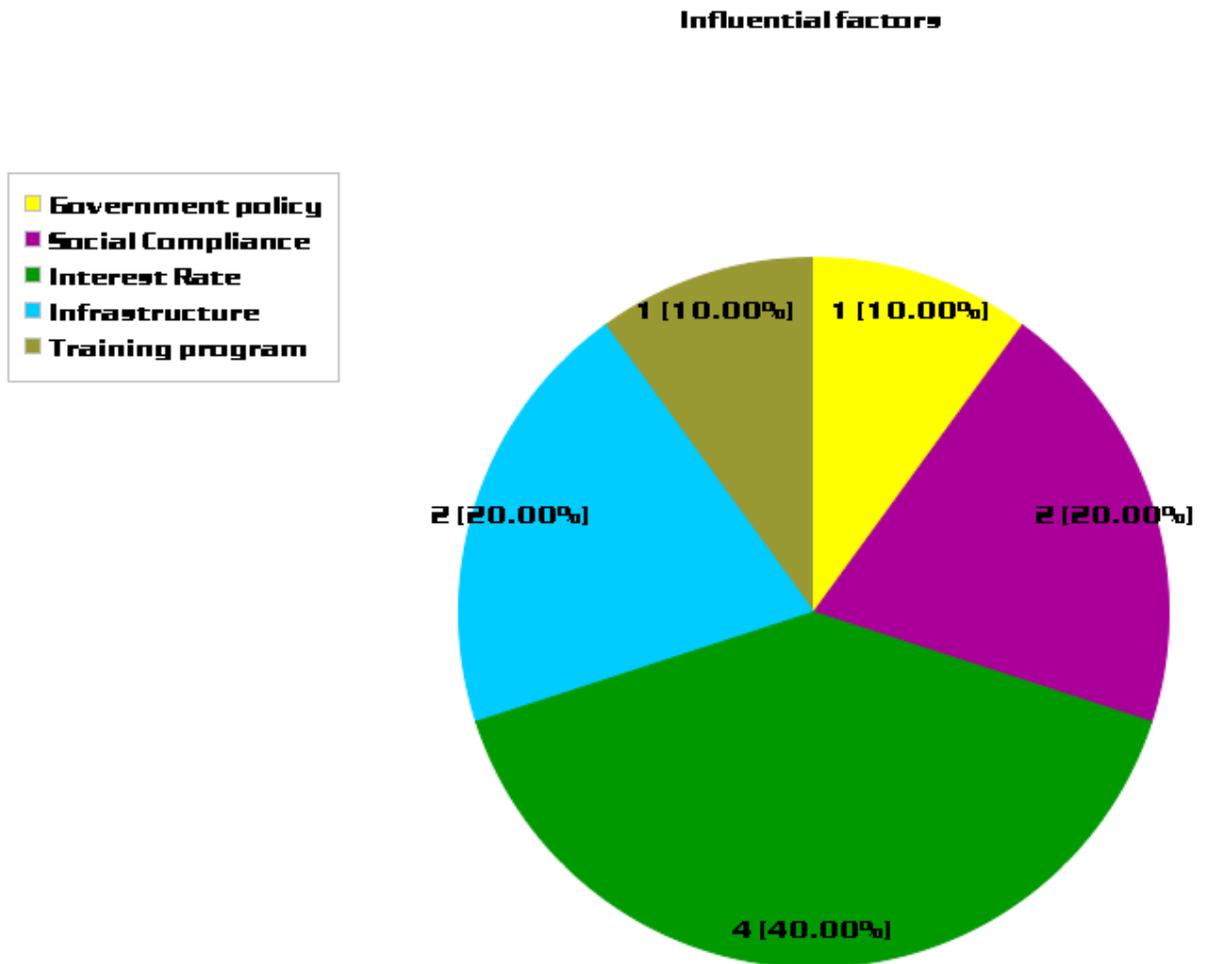


Figure 19 Factors that influence the growth of Bangladesh RMG

(Source: Author himself)

4.9 Strategic Findings

Porter's generic strategy is the best suited to Bangladesh garments industry as the industry is the producer of the cheapest clothes in the world. It was the government who promoted the industry in the early days and then low labor costs, abundant supply of labor, and low energy costs supported the industry vastly in competing with the other competitors in the world market of apparel industry. Primary data collected over the phone revealed that it is not the garments companies in Bangladesh who search for new markets to explore but it is the lowest production costs because of which new foreign companies choose Bangladesh as a source of their outsourced production. In addition, Mr. Syed Sadek Ahmed mentioned that South America has always been a market for the Bangladesh garments industry. In the years 2012 they exported \$2.3 billion, in the year the exported amount was \$3.5 and current in the year 2014 it is being expected as the highest exporting year to South America by the exporting amount of \$6 billion. Thus, it is an indicator that shows the fact that Bangladesh is the cost leader in the apparel market.

Some other factors that made Bangladesh garments industry as the cost leader are competitive price, capability, and suppliers capabilities. Although competitive price has always been a prime advantage for the garments industry but careful and the experience management manages the low labor lost with satisfactory quality which results in lowest product cost. And in this way the Bangladesh garments industry has become cost leader in the apparel market.

Porter's generic strategies show that this is only because of cost leadership, an industry last long. In addition, the industry has to differentiate itself from other competitors. So Bangladesh garments industry is currently developing and implementing issues like green production (official site BGMEA) and they are also implementing issues like social compliance and good working environment (primary data). North America and the European Union are the main buyers which want to see that Bangladesh garments factories have implemented social compliance and standard working environment

which will allow North America and European Union to buy Apparel Product from Bangladesh by providing Bangladesh the GSP Benefit.

In spite of differentiating Bangladesh garments industry by adding some value the success and the competitiveness will not be sustained if the industry do not focus on their strengths. Bangladesh is the second largest knit producing country in the world after Turkey by exporting 7.78 billion pieces of knitted product compare to turkey's 7.74 billion pieces knitted product (Hunter B, 2011).

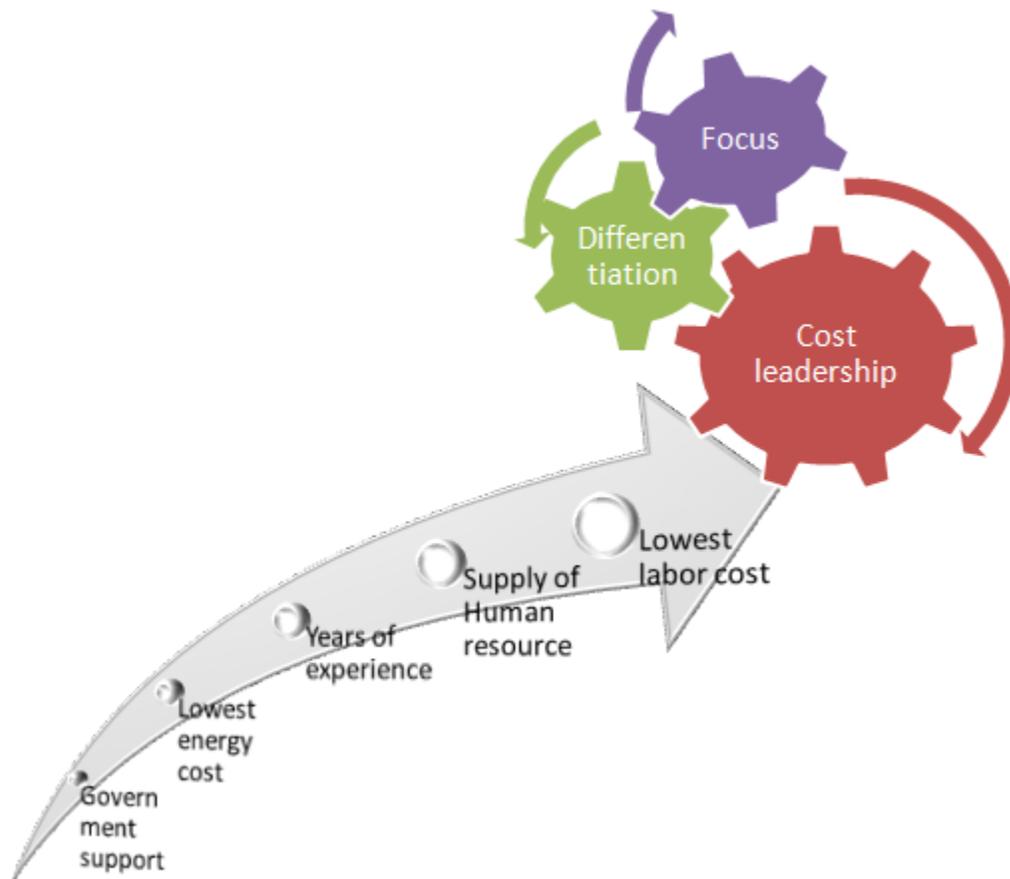


Figure 20 Model for Bangladesh RMG

(Source: Porter's generic strategies)

In the process data above figure 20, taken from Porter's generic strategies, hold the portrait that some of the competitive advantages that the Bangladesh garments industry holds compile the industry to be the cost leader. By full filling the requirement given by the EU and USA and developing the production by performing social responsibility, the industry can differentiate itself from other competitors. Specially, focusing on the strengths such as producing woven and knitted product, the industry can win sustainable competitiveness.

Recommendation for future and Conclusions

When looking at the answers given by the interviewees, it is very important to overcome all the internal challenges of the Bangladeshi garments industry in order to make the garments industry more competitive in the global market.

The areas that should be considered to make the Bangladeshi garments industry competitive include the following:

5.1 Development of local supply chain

Bangladesh garments owners import most of their raw materials from China which makes their production dependable on the supply of other countries. As a result production and the production times suffer mostly. Therefore, the industry has to develop a strong supply chain. Raw material for Knitted products can be found very easily in Bangladesh (BKMEA Official site) but there is no short term or long term plan to develop the local supply chain. A short and long term plan of development of local supply chain can benefit the industry to become less dependable on the supply of other countries raw material. Consequently the production and production times will be improved. So, the development of the local supply chain is the right way to proceed in order to make the industry more competitive internally.

5.2 Development of infrastructure

Road, deep sea port, commercial buildings for storing products, factories all contribute to the production, warehousing and fast delivery. Moreover, when other related supporting industries like packing, dyeing, and sewing deliver the processing goods then it requires storing them in a warehouse, which also makes the development of infrastructure a mandatory requirement. Nevertheless, development of infrastructure for the further growth of industry is necessary.

5.3 Separate zone for garments industry

A separate zone for the second largest industry is currently a need for the sustainable growth of the industry. In Bangladesh, everything is centralized either in Dhaka or in Chittagong and the garments industry is also a part of the centralized zone. As a result when there is some political strike, social turbulence or anything that interrupts the normal social life and causes huge production costs for the industry. Therefore, there should be a separate garments industrial zone.

5.4 Meeting the standardization of social compliance

Issues such as labor unrest, losing the quotas, country's entry benefits in the form of GAP can be solved only if the social compliance standards are met and practiced. Practicing social compliance will not only bring peace in the industrial unrest circumstances but it will also improve the international competitiveness by regaining the international benefits.

5.5 Lowbankinterestrates

High interest rate is hampering the expansion of the existing businesses and it is also blocking the growth of new industries. No industries can grow if the interest rate is too high against the bank loan of that particular country. Moreover, companies require bank loan both for new investments and for working capital as they need to import raw materials from outside the country. Consequently, if the interest rate is high for them then it becomes impossible for those companies to survive and to contribute to the country's industrial growth. Therefore, consideration needs to be given in order to make the bank interest rate as low as possible for the garments industry.

5.6 Conversion of privategarments to publiclimitedcompanies

All the garments industry companies in Bangladesh are private limited companies. As a result, the only source from where they accumulate both investment and working capital are from banks or personal sources which do not help them much to be more efficient in doing the business. Even, the large scale companies presently do not accumulate working capital from banks as the banks in Bangladesh are going through a liquidity problem (primary data). As a result, the alternative option for the companies is to converse the companies into public limited companies and accumulate money from the market.

5.7 Sustainable energysupply

Energy is the main driver for the garments industry. But the recent year's statistics from Petro-Bangla, which is the main body to provide energy supply for industry, reveal that there did not take any new gas supply from the garments industry (Petro-Bangla official site). Hence, due to the regular interruption in energy supply the production of the industry suffers a lot. However, large and medium scale companies have their own energy supply, but that is very expensive (primary data). Therefore, sustainable energy supply is a need for the garments industry in order to achieve the competitive advantages.

5.8 Increase in the number of training center

Bangladesh garments industry has an abundant supply of workers but the workers join the companies without any training or technical education which make the production vulnerable. Similarly, trained workers are also aware of safety measures and know the initiatives that have to be taken when the accident occurs which reduce the chance to get workers hurt or injured. Nevertheless, production efficiency can be achieved by the trained and experienced workers. But the number of the training center for the garments workers is very low compared to the supply of workers. And as a result of that, the companies spend time and money making the workers more experienced and in the process the production of the company suffers. So, the number of the training center should be increased both by privately and collectively.

5.9 Reduction of leadtime

Now the garments companies are getting bigger contracts than ever before but at the same time, the time limit to fulfill the contract requires production efficiency and efficiency to deliver the finished goods to the buyers. On top of that to make the customers satisfied and to retain the existing customers, the main aim is to reduce the lead time and deliver the products in time. Lack of modern machinery, new production

facilities, inexperienced workers, underdeveloped infrastructure and poor logistic systems are some of the main problems that prolong the lead times. So, in order to achieve customer satisfaction and sustain the competitive advantage, reduction in lead times need to be reduced.

5.10 Working in collaboration with government

Government has major responsibilities in the growth of the garments industry and undoubtedly, working in collaboration with government will play a vital role to the future success of the industry. Issues like interest rate, development of infrastructure, rail connectivity for logistic cost reduction, allocation of separate industrial zone, reduction of duties and reduction of bureaucratic problems in the exporting procedure can certainly help the industry to gain competitiveness. It is believed that the major organization of garments owners, BGMEA, have not been to successful in working in collaboration with the government in order to make the government realize the importance of the garments industry's problems and how the involvement of government can increase the success rate of the industry which will contribute in a greater way to the total economy of the country. Nevertheless, government support should be increased to make the industry more competitive domestically.

5.11 Brandingstrategy to explore new market

It is founded from primary data that garments companies in Bangladesh do not have any branch that searches for new buyers or there is no branch inside the company that works on R&D or brand strategies. In the table below in figure 21 a typical organizational structure is provided which also holds the same truth as the primary data suggests.

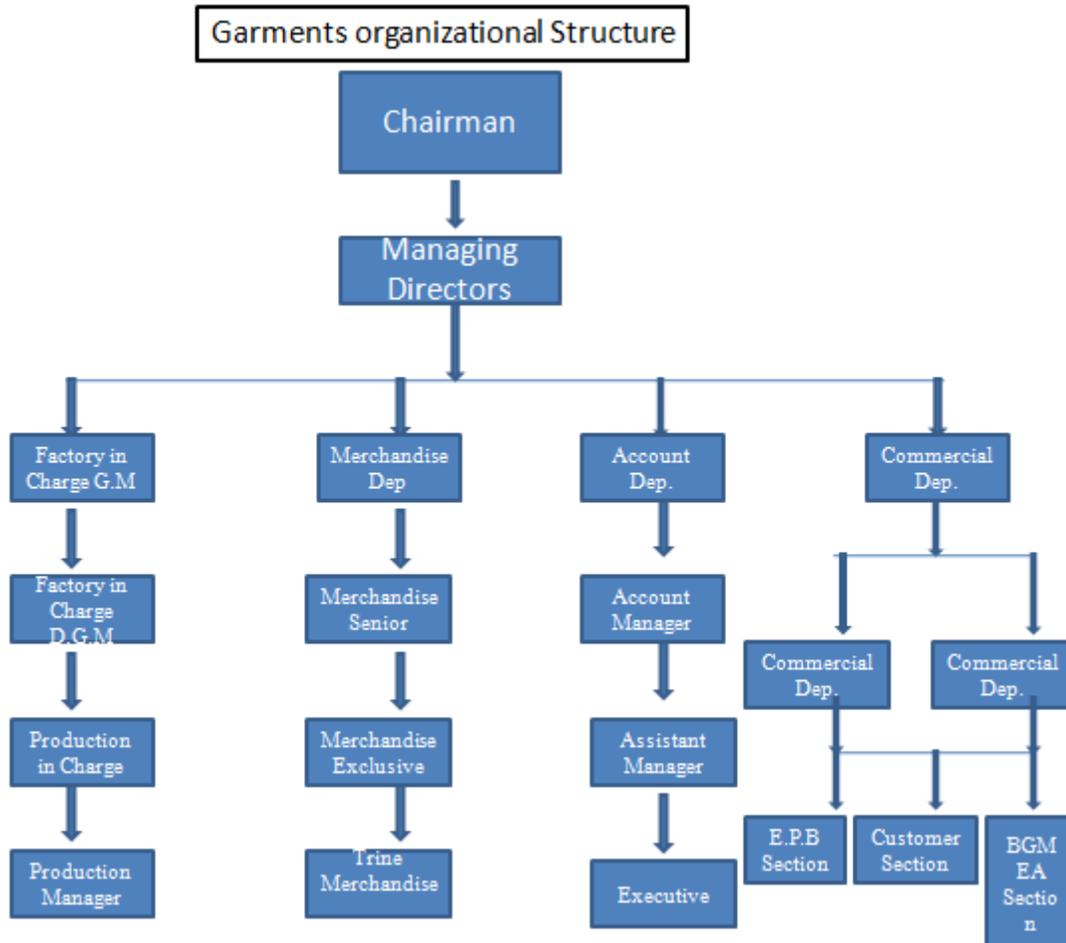


Figure 21 Garment's organizational structure

(Source: Envoy Garments Ltd.)

However, from the empirical finding, it is undoubtedly important to have a R&D or brand strategy department because as soon as the company has to differentiate the markets such as Europe, America and South America, then the responsible department needs to find out the way to reach the customers they aim to reach. Therefore, every garment company should have their branding strategy department, considering the fact that the company is financially strong enough.

5.12 Conclusion

Cheap labor, preferential access, low investment and low energy cost are no more considered to be the basis of competitive advantage in Bangladesh garments industry.

Cheap labor and preferential access are two main things that accelerated the growth of the industry in the early days of garments industrial development. In such circumstances the advanced factors of the Diamond theory of Michael Porter is most suitable. However, it is undeniable that Bangladesh has an abundance of some of the traditional factors of production that are required to develop the industry. The recommendations that have been made above depending on the respondents' comments are demand of time for achieving the competitive advantage in the global apparel industry.

The research process revealed some of the facts that can be the topic for future research for many researchers. The garments industry of Bangladesh also opens the door for the researchers to look into fascinating aspect of sourcing in a low cost production country. Issues like social compliance, political instability are some of the obstacles that are creating problems for Bangladesh garments industry in order to gain the out sourcing value by international buyers including EU and North America. So the extension of outsourcing value of Bangladesh garments industry by improving the social compliance can be the future research topic for the researchers.

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Appendix 1

Interview questions

1. What do you think BD RMG industry? Does the industry have potential internal competitive advantage that can drive the industry's external success?
ANS:
2. What do you think about the garments labour? Do the labour need to be provided with special training so that they can be more efficient and contribute more to the total production?

ANS:

3. What do you think about the surrounding infrastructure such as road, sea port, wire houses etc? Can they play a role for the success of the Garments industry?

ANS:

4. Do you think companies can emphasis more modern machine in order to decrease the labour cost and be more efficient in producing more?

ANS:

5. Is it possible for the industry to put more attention to the local market as it can also help the industry to grow stronger in size and quality?

ANS:

6. Can the local raw material supply contribute to the profit of the industry rather than importing raw material outside the country?

ANS:

7. Does the Bangladesh Government have the right policy to lead this industry?

ANS:

8. What kind of support do you expect from the government to see the industry as a leading apparel exporter of the world?

ANS:

9. Do you think country's political instability is a hinder to success?

ANS:

10. Do you believe that in future BD RMG industry can be the world leader in the ex porting readymade Garments?

ANS:

Appendix 2

List of interviewees

1.Mr. SyedSadek Ahmed

Director, BGMEA &

ManagingDirector, SpaceSweater Ltd.

2.Vidiya Amrit Khan

Director, BGMEA &

ManagingDirector, DeshGarments Ltd.

3.Mr. Md. SheikSadi

Director, BGMEA &

ManagingDirector, SatabdiGarments Ltd.

4.Mr. Anjan Shekhar Das

Director, BGMEA &

M.D., R.S.I. Apparels Ltd

5. Mr. Md. AbulKalam

Director, BGMEA &

ManagingDirector, ChaityComposite Ltd.

6.Mr. Md. M. MohiuddinChowdhury

Director, BGMEA &

ManagingDirector, CliftonApparels Ltd.

7.Md. FaisalHuda

Director, Marketing and Communication

Global RMG Ltd.

8.Mahmudur Rahman Sumon

ManagerExport-Import Ltd. Unit -1

9.Youngones

Manager Bangladesh Ltd.

10.Mr. KhandokerRafiqul Islam

Director, BGMEA &

M.D., Golden RefitGarments Ltd.