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The competitiveness of Bando Apparels Ltd in international market

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Abstract			
<p>The objective of this thesis paper was to identify and explore competitive factors of Bando Apparels Ltd and describe the competitiveness of the company. Bando Apparels Ltd is an export oriented garment manufacturing company in Bangladesh. The main function of the company is to export RMG products to some of the world's renowned fashion brands.</p> <p>Three aims were designed based on the objective. The first aim was to explore competitive factors of Bangladesh garments industry and its position in international market. Secondly, the aim was to examine the theory about competitiveness, to better understand the meaning and influencing factors of competitiveness. Finally, the aim was to examine company's competitive factors and overall situation by evaluating the theory part. The research was conducted by collecting relevant information about the objective.</p>			
Keywords			
Bando Apparels Ltd, Competitiveness, International market, Export, Garment			

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List of Abbreviation

RMG	Readymade garments
BGMEA	Bangladesh garments manufacturer and exporter association
BKMEA	Bangladesh knitwear manufacturers and exporter association
BEPZA	Bangladesh export processing zone authority
DEPZ	Dhaka export processing zone
CEPZ	Chittagong export processing zone
WTO	World trade organization
WCO	World customs organization
IOR-ARC	The Indian Ocean Rim Association
SAFTA	South Asian free trade area
GSP	Generalized system preference
CPO	Commodity pool operator
GDP	Gross domestic product
UNIDO	United Nations industrial development organization
MVA	Manufacturing value added
CBS	Copenhagen business school
R&D	Research and development

1 Introduction

This thesis paper is based on the competitiveness factors of Bando apparels LTD Bangladesh. And the main objective is to identifying competitive factors of the company that sustain the competitive advantage of the company in the international market.

Background of the research

In this competitive era of globalization, the world economy is facing fiercer competition than ever. High tech communication system, less trade barriers, developed infrastructure and extensive use of technology have increased the competition in every aspect of international trade. (Omar 2014, 10)

Last three decades prove that the world economy has changed; now developing countries are participating in international trade and challenging some of the world giant economic powers. Intense competition in national and international markets requires organizations to develop their competitiveness. Concerning, the global position of Bangladesh Readymade garment industry this is true fact that as a small developing country Bangladesh, where competitiveness can allow the readymade garment manufacturing organizations to overcome the internal restrictions in order to attain competitive advantage in the international market. This development will not only benefit the organization themselves, but also it has a great direct influence on the competitiveness of the domestic economy, as a nation living standard depends on country competitiveness. (Omar 2014, 12,13)

The purpose of this thesis paper is to develop a framework of competitiveness factors of Bando Apparels Ltd that allows the company to create a position in international market. Bando Apparels Ltd Is an export oriented readymade garment manufacturing company in Bangladesh. According to Faruk (2014, 24) when describing competitiveness of particular organization, author must express the meaning of competitiveness and identify the most significant factors of competitiveness and how they affect the subject organizations' competitiveness.

Author of this thesis paper develop a framework to better understand competitiveness; on Bangladesh readymade garments industry situation, what is competitiveness and the influencing factors of it and finally the Bando Apparels Ltd competitiveness factors.

Research objective

The purpose of settling research objective is to answer hidden question by using the scientific method (C.R Kothari 2006). The primary objective of this thesis paper is to identify and explore competitive factors of Bando Apparels Ltd and describe the competitiveness of the company in the international market. The secondary objective is to assess the overall situation of the case company Bando Apparels Ltd. Moreover, analysing strengths, weakness, opportunities and threats to the company. Bando Apparels is a garment products export oriented company which is representing many other garment factories in Bangladesh.

To implement research objective questions needed to be answered are following:

- What are the Internal Competitive factors of Bando apparels Ltd?
- What are the competitive advantages of Bando Apparels Ltd?
- What are the strengths, weakness, opportunities and threats to the company?
- Suggestions for future succession of the company.

To make a clear view of the comparative situation of Bando Apparels LTD in ready-made garments production market, Michael Porter's diamond model will be used in this research. This model will be applied to describe the competitive position or competitiveness since it explains how several different features interact to shape the business environment (Porter 1998). An additional analysis of strengths, weaknesses, opportunities and threats for Bando Apparels Ltd will be done by using SWOT analysis.

Research Structure

This thesis paper contains six main chapters that are consistently Introduction, Bangladesh ready-made garments industry overview, Theoretical framework, Research methodology, Result: competitiveness of Bando apparels ltd, suggestions for future succession and conclusion.

Introduction part contains the information on the background of the thesis, research problems and the objective of the research. The second part contains the overview of Bangladesh ready-made garment industry, history of development, recent situation and major market situation.

Chapter three deals with the theoretical framework of this thesis paper that includes different theories about competitiveness and description of porter's diamond model.

Chapter four descriptions of research methodology and data analysis process.

Chapter five Result analysis part where collected data will be analysed to describe the competitiveness of Bando Apparels LTD in international market and SWOT analysis of the company. The following chapter is about making suggestions to the company for future succession and conclusion.

2 Bangladesh garment industry overview

2.1 Economy review

Bangladesh, official name peoples' republic of Bangladesh is a small south East Asian country. Land area approximately 1, 47, 570 sq. kilometers and situated between Burma and India with 150 million inhabitants. According to World Bank Bangladesh is categorized as world eighth developing country with a growing market economy. The economy is diversified with various private sector and government enterprises. Bangladesh economy largely depends on International trade. Major export products of Bangladesh are textiles and apparels, jute, tea, leather, telecommunications, pharmaceuticals, cement, ceramics, shipbuilding, fertilizer, food processing, paper newsprint, light engineering, sugar, fisheries, rubber, ship repairing, agriculture. The main exporting partners of Bangladesh are USA, Germany, U, K and France. Major trade organizations of Bangladesh are WTO, WCO, IOR-ARC, SAFTA, D8. The total GDP of the country is \$347 billion and the GDP growth rate is 6.7% (2013 EST). The GDP contributions by sectors are agriculture 17.3%, Industry 28.6% and service 54.1%. Bangladesh has large labour force about 87.9 million. The industrial operation zone is mainly capital city Dhaka and port city Chittagong (Bangladesh tourism board)



Figure 1 Geographic location of Bangladesh

(Source: <http://countrystudies.us/bangladesh/23.htm>)

2.2 Industry review

Bangladesh is one of the few winners from the process of international economic integration among the low income countries. The relative success of the labor intensive export orientated RMG sector of the country is cited as a vivid example in this regard. The RMG industry in Bangladesh witnessed its modest beginning through a few factories set up in 1978. Today Bangladesh RMG sector comprises about 5000 units with a workforce of 3.5 million. In both the Dhaka Export Processing Zone (DEPZ) and Chittagong Export Processing Zone (CEPZ). The RMG sector accounts for about a third of the industrial workforce and contributes about a quarter of gross value added in the manufacturing sector. Export earnings from this sector account for more than 70% of Bangladesh's total export earnings and contributing approximately 13.5% of total GDP. Garments sector has brought revolutionary changed over the country through employment. (BGMEA & BKMEA).

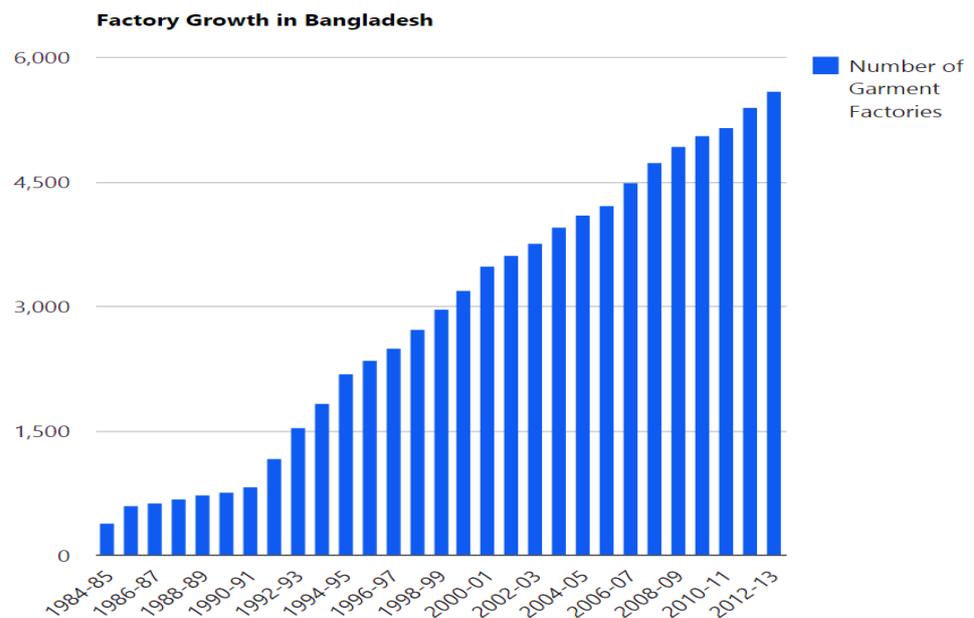


Figure 2 Bangladesh Garments factory growth from (1984-2013)

Source: BGMEA official website

(http://www.bgmea.com.bd/chart_test/factory_growth_in_bangladesh)

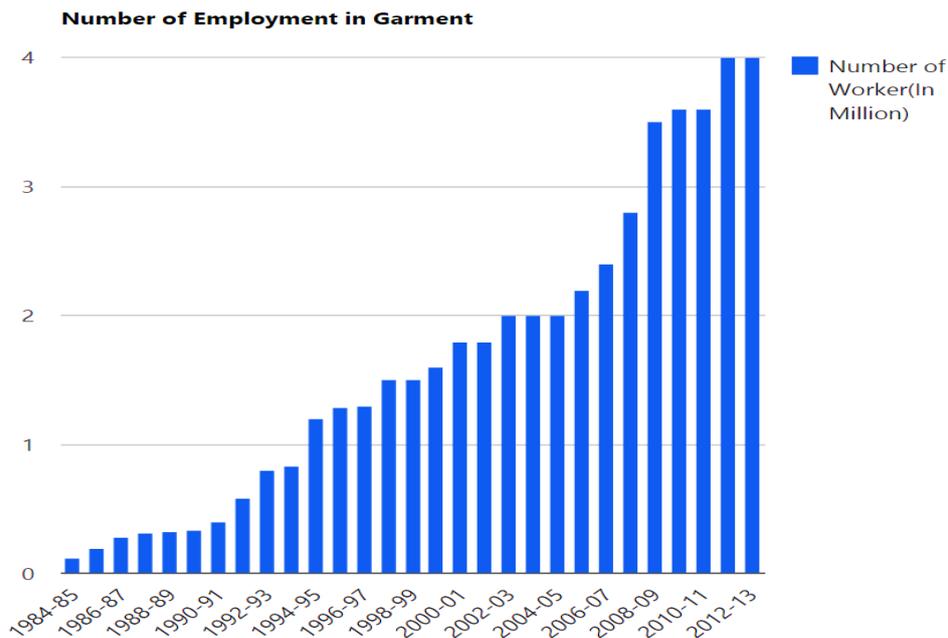


Figure 3 Employment in garment growth rate in Bangladesh (1984-2013)

Source: BGMEA official website

(http://www.bgmea.com.bd/chart_test/number_of_employment_in_garment)

Figure 2 and Figure 3 shows the development the quantity of garment factory and increase the number of workers. The number of garment factory and workers are increasing every year; there is a clear indicator of developing from 1984 to the year 2013.

2.3 Industry development and succession

Ready-made garments business in Bangladesh began in the late 70s with just a casual & cursory effort. The country registered in first apparel export in late 1970, but the progress since the early 1980s has been simply phenomenal. It has now become a colossal industry, earning the lion's share of the foreign exchange and providing women's largest informal employment. Today not only the large scale of buyer coming into the Bangladesh RMG industry for their satisfaction, but also many new markets is created rapidly. In early age only woven garments are the main garment product in Bangladesh but after passing year earnings of knit garment are increasing and now the knit garment earning the lion's share of garment industry. Now-a day's sweater garment are doing their business increasingly. According the export bureau of Bangladesh in 1992-93 woven garments export worth 1240 million US dollars, and in that time knit

garments export worth only 200 million dollars, but in 2009-10 fiscal year woven and knit garment export in total 6010 million US dollars and knit garment export the larger volume. In 1995-96 fiscal year sweater garments export 70 million US dollars and in 2009-10 fiscal years the export reached at 1790.5 million US dollars. So the exports of sweater garments are significant. In 2009-10 fiscal years the total earning from garments exporting is 12.5 billion US dollars and within the next five years that rate will be increased to 17 billion US dollars.

Major Products exports from Bangladesh of 2009-10

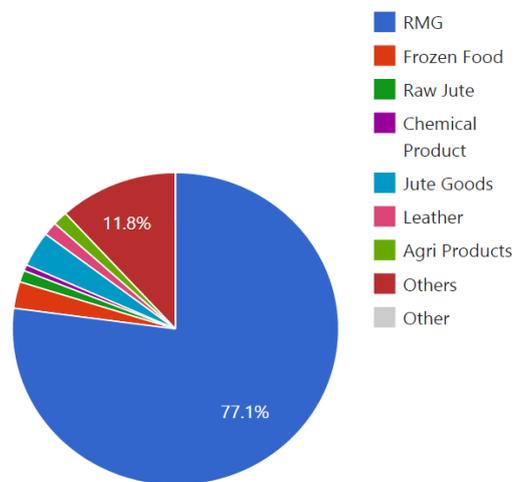


Figure 4 Major products export from Bangladesh

(Source: BGMEA official website

http://www.bgmea.com.bd/chart_test/product_export)

Currently Bangladesh got a GSP advantage in exporting garment such as in the UK, Austria, Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Nederland, Portugal, Romania, Span, Sweden, Estonia, Latvia, Lithuania, Malta, Poland etc. in total 27 countries. In global market the competition is rapidly growing. So to survive in this kind of situation RMG sector have to take many other different strategies. Only the traditional marketing will not help in this respect. (BGMEA & BKMEA)

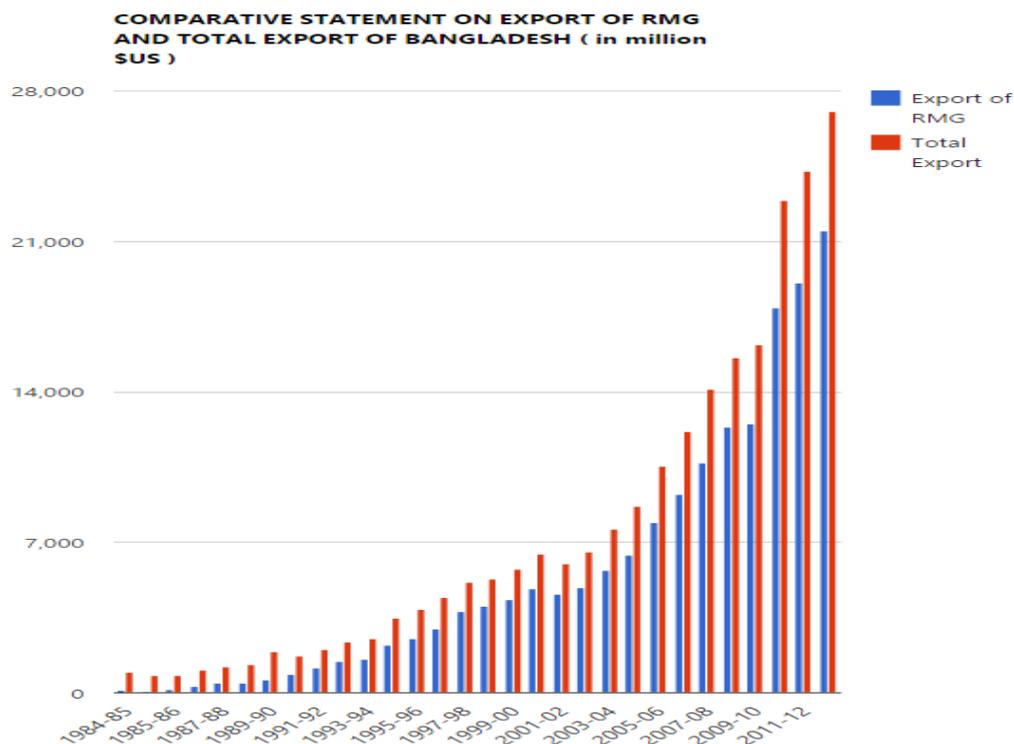


Figure 5 RMG export and total export statement

Source BGMEA

(http://www.bgmea.com.bd/chart_test/total_product_export)

Figure 5 illustrate the comparative statement between Bangladesh total export and RMG export from the year 1984 to 2012. RMG export contribution to Bangladesh total export is increasing as day passing. From the above figure it's clearly shown the export position of Bangladesh rmg products.

2.4 Competitive factors of the industry

The main factors that are affecting to Bangladesh ready-made garment industry growth are price, capacity, capability, quality and trade regulations. Competitive price is visibly the key advantage of the industry. Minimizing production cost is the prime concern of any company. In order to achieve selected profit level companies all over the world are looking for low cost production zone. And Bangladesh is known as low cost production zone due to the cheap and massive labour force.

China is the leading textile exporter country in the world, but they have recently been planning to format this sector because of rising labour and related production cost. Another leading exporter country India has quite similar situation concerning production

cost. Hence, these two leading exporter countries are not any more cost efficient for international garments importers. After this two country Bangladesh has the excellent export opportunity for US and European market using the advantage of price competitiveness. (Mackinsey 2011)

Capacity of production is the second competitive advantage of the Bangladesh garment industry. Bangladesh has over 5000 garment production factories with more than 3.5 million work forces from 74 million of the total national workforce. Comparing to the other South East Asian countries, Bangladesh has been already ahead in terms of production capacity. Indonesia has approximately 2450 textile factories, Vietnam 2000 and Cambodia has about 200 factories. India and Pakistan could have the capacity of higher production, but the structure of their workforce and risk condition prevents the utilization of their capacity. Supplier capability of export ranked 3rd. Bangladesh suppliers are well known for supplying good quality products and able to deliver larger order. According to world street journal report 2013, Bangladesh ranked 3rd as largest garments exporter with totalled \$19.9 billion export value in the international market after China and Italy (Mackinsey 2011).

Table 1 Bangladesh ranked 3rd largest garments exporter in 2011

Top 10 clothing exporters 2005 VS 2011			
Year 2005		Year 2011	
China	\$74.2 billion	China	\$153.8 billion
Italy	\$18.7	Italy	\$23.3
Germany	\$12.4	Bangladesh	\$19.9
Turkey	\$11.8	Germany	\$19.6
India	\$8.7	India	\$14.4
France	\$8.5	Turkey	\$13.9
Bangladesh	\$7.3	Vietnam	\$13.2
Belgium	\$6.9	France	\$11.0
Us	\$6.7	Spain	\$9.2

(Source: The wall street journal website)

<http://www.wsj.com/articles/SB10001424127887324766604578460833869722240>

In additionally, the United Nations industrial development organization, industrial performance of Bangladesh garment industry is relatively compatible. Figure 6 illustrates the Bangladesh Industrial performance amongst major competitor country China, south Asian countries and the world

Table 2 International comparison of industrial performance

Indicator	Year	China	Bangladesh	South Asia	World
Manufacturing value added (MVA) average annual real growth rate (in %)	2005-2010	10.6	5.8	7.2	2.0
	2010-2012	8.1	6.0	5.6	2.3
MVA per capita (at constant 2005 prices in us \$)	2005	967	95	141	1240
	2012	1147	108	154	1277
MVA as percentage of GDP (at constant 2005 prices in us\$)	2005	33.8	17.4	15.2	16.6
	2012	34.4	17.8	15.4	16.7

(Source: The Daily Star 2014)

<http://www.thedailystar.net/accessing-chinas-trillion-dollar-market-15534>

In FY 2005-2010 manufacturing value added and average annual real growth rate of Bangladesh garment industry was 5.8% this rate increased to 6% at the end of 2012 while in China it was 8.1%, in south Asian countries 5.6% and world rate was 2.3 %. MVA per capita in 2012 was US \$108 in Bangladesh and US \$1147 in China compared to china this rate was lower. But when compared with other South Asian countries (Us \$ 154) this MVA per capita wasn't that less. And finally Table 2 shows the MVA as percentage of GDP. In FY 2005-2012 MVA as percentage of GDP rate increased everywhere, 2012 in Bangladesh it was US \$17.8 which was almost half of China (US \$34.4) and slight higher comparing with south Asia (US \$15.4) and world (US \$16.7). Moreover, the Bangladesh industrial sector is developing every year and also Industrial performance of this industry expanding enormously. (The daily Star 2014)

Product quality is another prime concern that garments importers are attracted to the Bangladesh garment industry. According Mackinsey report when interviewing major

apparel buyer CPO's from US and EU are in favour of moving some of their sourcing from China to Bangladesh. Some of CPO's opinion regarding the Bangladesh garment industry is, Bangladesh RMG industry offering high quality products with very cheap price. (Mackinsey 2011)

Apart from price, capacity, capability and quality competitiveness a big number of European and US apparel buyers are interested in sourcing in Bangladesh because of the advantage of Bangladesh trade agreements. Bangladesh has the opportunity to use the EU Generalized System of Preferences (EU-GSP) when exporting garment products to EU. Bangladesh has been under the EU GSP facility since 1971 when the EU-GSP introduced. The EU's "Generalized Scheme of Preferences" (GSP) permits emerging developing country exporters to pay a smaller amount or not any duties on their export trade to the EU. This facility provides them a very crucial access to EU markets and contributes to national economic growth. (European trade commission EUROP.

❖ Competitive operating model framework of the industry

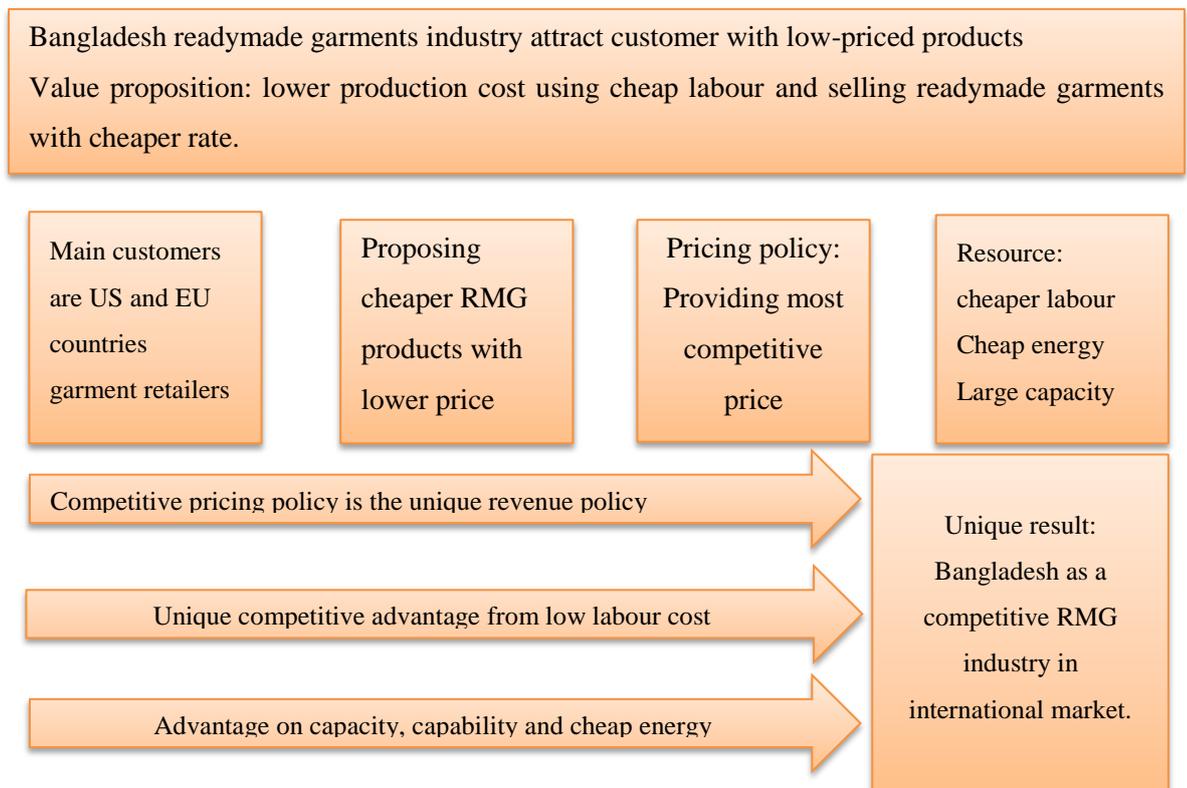


Figure 6 Competitive operation model of the industry (Omar 2010)

2.5 Global outsourcing market

Outsourcing has become the recent central discussion topic of international trade. Businesses all over the world trying to minimize their production cost by outsourcing. Outsourcing is the concept that one company make contract with another company for a specific business function or individual for accomplishing certain job. These contracted activities include production, marketing activities, manufacturing, sales & services, distribution, etc. Because of rising production cost and inadequate labour force world renewed fashion houses and garment retailers are considering outsourcing. Moreover another big reason of considering outsourcing is that the companies will be able to focus on their central business procedures while delegating time consuming procedures to outside agencies. (Ilan Oshri 2009).

In today's competitive trade market Bangladesh garments industry has become a very popular outsourcing destination for garments importers. Development of Bangladesh garments industry start since 1970 when Bangladesh garments industry start to export garment products and now this industry ranked as world 3rd largest garments exporter with approximately USD 15 billion export values by 2010. Readymade garment industry is now most valuable industry sector of Bangladesh contributing 13% of national GDP and 75% of total export share and 12% of annual growth rate. The attractiveness reasons for buyers to outsourcing in Bangladesh on industry's long time experience and good performance in outsourcing country choosing criteria. The international retailers find Bangladesh is a suitable place for outsourcing as the country meet all the requirement with efficient way. European and US buyer started direct outsourcing in Bangladesh by establishing their direct office in Dhaka and Chittagong. Last 15 years Bangladesh export to the EU and US more than double then before. Bangladesh has achieved No.3 position as garments exporter in European countries and no.4 position in US exporte. In 2011 around 39% company have increased their sourcing share in Bangladesh. Now Bangladesh has expanding their exporting in Brazil, Russia, India and China. As a competitive market of apparels European and US buyers are looking for the cost advantage countries and Bangladesh has proven that they provide low cost product with satisfactory quality and capacity. These reasons make Bangladesh garments industry superior from the other countries. Mckinsey report state that the EU and U.S apparel organizations want to increase their proportion of outsourcing in Bangladesh from 25% to 30% by 2020. (Mackinsey 2011 & BGMEA)

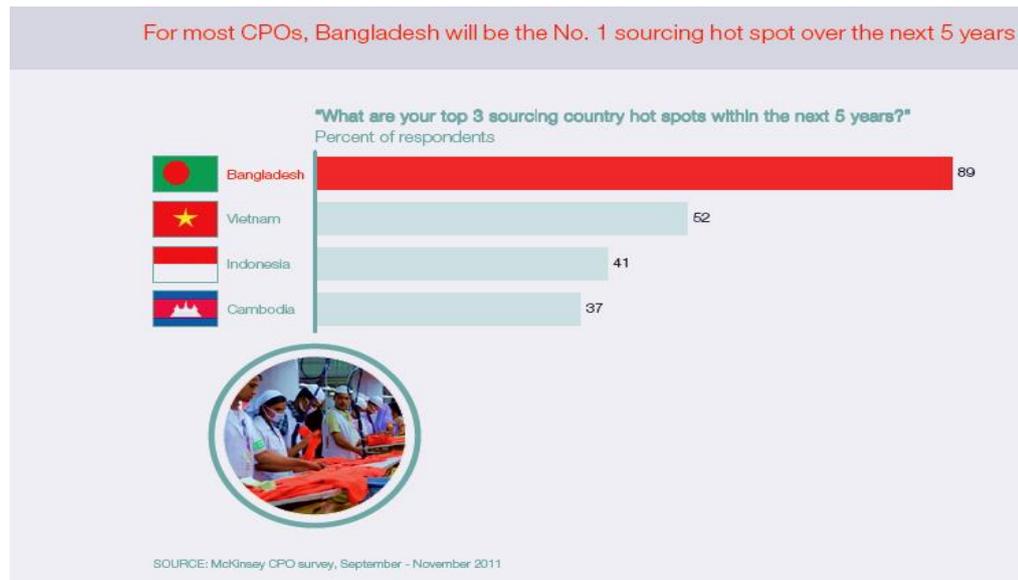


Figure 7 Bangladesh as next hot spot for outsourcing
(Source: Mackinsey report, www.mackinsey.com)

Mackinsey report and survey was conducted by the visual media Europe in 2011. According to the report when interviewing CPO's of world leading apparels buyer from US and EU 56% of CPO's opinion was 'There is no alternative to Bangladesh.' And they think Bangladesh garments industry will be the next outsourcing hot spot. (Mackinsey 2011)

2.6 Major export market

2.6.1 The US Market

United States of America is the most significant trading partner of Bangladesh. About a quarter of national export items designed for the USA market. In 2012 Bangladesh exported worth \$4.88 billion merchandises to USA, with 90 percent of merchandise were clothing items. From a US perspective, Bangladesh is a small export partner. At the present Bangladesh holds the 58th largest trading partner of the US. Bangladesh is one of the beneficiaries of the US GSP facility. However, the US GSP program doesn't help Bangladesh much as Bangladesh export mostly apparels items to the USA and unfortunately apparels items are not under the US GSP facility. As a result Bangladesh exported items to US faces stiff tariff penalty. For instance, in 2012 Bangladesh total exported apparel items faces stiff tariff penalty about \$731.82 million. (US embassy 2014)

Despite of high range import tariffs in the US, Bangladesh apparel products have made a significant impact on the US market in current years. In 2005 Bangladesh's total apparel items exported to the USA were worth about \$2.37 billion this rate reached to \$4.44 billion by 2012.

Now Bangladesh holds the 4th largest position as an apparel exporter US market, just after China, Vietnam and Indonesia. The comparative position of major apparel exporting countries in recent years is given in below figure. (US embassy 2014 & US trade commission)

Table in Billion US dollars:

Country	2005	2008	2010	2012
China	19.89	27.19	31.87	33.26
Vietnam	2.74	5.25	5.87	7.15
Indonesia	2.97	4.15	4.55	5.09
Bangladesh	2.37	3.44	3.91	4.44
Mexico	6.32	4.21	3.75	3.94
India	3.15	3.20	3.21	3.18
Honduras	2.69	2.67	2.48	2.65
Thailand	2.22	2.13	1.85	1.75

Table 3 Comparative position of major apparel exporting countries in US market
(Source: US embassy Dhaka.)

2.6.2 The EU market

The EU is the Bangladesh main trading partner, around 12% of Bangladesh's total trade share with the EU. In 2012 Bangladesh was the 35th largest trading partner with the European Union. EU countries are the major export destination of Bangladesh apparel products. Bangladesh has been one of the beneficiaries of the EU GSP program since 1971 and fortunately apparels products are covered by EU GSP facilitate commodities. Over 90% of total apparel products export to EU markets. In FY 2008 - 2009 total apparel export to the global market was US \$12347. 77 million where apparels export under the EU GSP scheme was around US \$7218. 28 million, which was 58.46% of the total apparel export to the global market. Year by year Apparels export under the EU GSP scheme increased. In FY 2010-2011 apparel export to EU worth US \$ 10519.84 million. And in 2012-13 apparel export to EU worth \$ 12564.85 million, which is 58.40% of total apparel export. From FY 2008-2013 total growth rate of Bangladesh Apparel

products under the EU GSP scheme was approximately 74.25% and in the same time export route to global market was about 74.25%. This result evidence that export to EU countries increased because of the EU GSP facility and that has a direct effect on the total export growth rate of the industry. (European trade commission EUROPA & BKMEA 2014)

Table in Million US dollars:

Country	2009-10	2010-11	2011-12	2012-13	2013-14
Germany	1282.77	2022.05	2039.97	2168.13	2573.70
UK	725.74	990.98	1103.30	1259.84	1335.25
France	692.00	999.71	855.18	892.45	964.27
Spain	384.55	595.92	660.73	702.90	856.28
Italy	379.04	379.04	571.46	554.94	731.91
Netherlands	528.57	591.07	325.28	246.77	385.48
Belgium	155.79	299.74	320.46	317.19	440.63
Denmark	178.24	256.32	318.72	375.62	450.71

Table 4 Comparative apparel export value to EU importer countries.

(Source: BKMEA website compiled from the Export Promotion Bureau, Bangladesh.)

2.6.3 Future market

BGMEA president MR Shaiful Islam Mohiuddin state to Daily Star 2012,

‘After USA and EU, China will be the Bangladesh largest garment export market.’

According to The Daily Star report ‘Accessing China's trillion dollar market’ Bangladesh ready-made garment industry has possibility to export billion dollar-mark with next five years in China. In 2010 Bangladesh apparel export share with China was only 1% of national export that worth about \$24 million. In 2012 this rate has increased to \$28 million. (The Daily Star 2014)

China has continued extraordinary economic growth since 1980 and sustained double digit growth rate in last few decades in the economic history of development. China is

world largest manufacturing country and holding first position as an apparel exporter in the international market. However, recent years Chinese garments manufacturing sector has faced few structural difficulties. Because of increasing production and labor cost, China the world leading garment manufacturer gradually shifting their focus from manufacturing garment products. Despite of these reasons exchange rate policies and global financial crisis influencing this situation as well. (The Daily Star 2014)

Recent crises of China's garments sector bring the opportunity for Bangladesh and other exporter countries that had faced China's competition before to move forward. China targeted to buy \$20 trillion worth of merchandise from international market. China's domestic ready-made garments market worth about \$310 billion. And Chinese garment retailers imported \$100 million worth of apparel products from Bangladesh in first 9 months of 2011. And the future target is to touch \$1 billion mark by 2014. China and also has offered duty free access of 4721 products from South Asian countries and apparels products is one of them. (The daily Prothom Alo & Daily Star 2014)

Moreover, if the industry can overcome the recent obstacles and able to use industries potential competitive factors, it is just time of fact that world second largest economy will be next largest export market for Bangladesh.

3 Competitiveness

3.1 Definition of competitiveness

According to the world economic forum (2014) competitiveness refers a bunch of organizations, policies and features that control or define the efficiency of productivity of a country. Productivity level has great impacts on the level of driving growth. It regulates the amount of investment return as well the level of capital that could be earned by the certain economy. (World economic forum 2014)

Definition of competitiveness could be different to different sector, industry or groups. To organizations, competitiveness could be the ability to compete in the market using positive strategy. To the state or government it is when the country's economy has a progressive level of trade and to economists; it could be, when the unit cost of labour is low in respects of the exchange rate (Porter 1998, 96).

Competitiveness is basically about beating contenders to be eligible for an order, receiving it and return it with good conditions so that the company could make extraordinary surplus. Organization obligation is to provide quality, reliability, dependability, speed and flexibility as well as being cost effective. Such competences are developed based on policies or strategies on continuous improvements, procedures, innovation, location, and organizations human, financial and natural resources. These influencing factors have different roles in different organizations based on the company characteristics. (CBS, Competitiveness Platform 2014)

Porter describes that organizations own approach to compete in sustaining and growing industries by implementing competitive strategies. Two vital factors that promote competitive strategies are; organizational structure and the position of this particular organization within a particular industry. However, industries differ by means of competition and profitability as a result, these two factors are not sufficient to stimuli the selection of competitive strategy. Despite of this, both of these factors are dynamic and can be formed by the organization which may effect on business atmosphere and make a positive impact on their favour. The competitive strategy essentially originates from understanding of organization structure. Apart from these two factors of industry competitiveness, in national and international level industries, Competition nature is demonstrated in five major competitive forces, (1) Threat of new entrants (2) bargaining

power of suppliers (3) bargaining power of buyers (4) threat of substitute's and finally (5) Industry rivalry

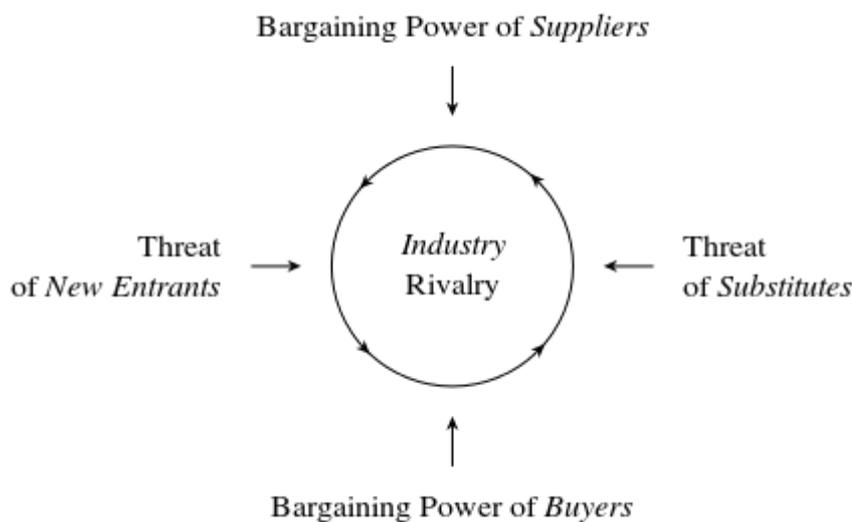


Figure 8 Porter's five forces (Porter 1998)

The influence of these five forces varies from industry to industry and effect on industry profitability as they influence values organization can control. (Recklies 2001)

➤ Threat of new entrants

The competition within an industry will be complex if it is easy for other companies to enter into this industry. In this kind of situation new companies can change the major determinants of the market environment, e.g. prices, customer share and loyalty. The threat of newcomers will be in control if there are entry barriers. These are typically; least size requirements for making profitable operations, high level of preliminary investment, fixed costs and brand loyalty of customers. As well if the distribution channel and raw materials access are controlled by the existing player on the market. (Recklies 2001)

➤ Bargaining power of suppliers

The term 'suppliers' comprise all the sources which are required in order to provide products or services. Supplier bargaining power is high when there are few large supplier existing in the market or there are no alternative suppliers to supply that particular input. And also because of high rises of changing supplier, buyer wanted to stick with one supplier. Threat from the supplier is high when the buying industry has

own higher level of profitability than supplier industry and advancing integration makes economies of scale for the supplier, (Recklies 2001)

➤ Bargaining power of Buyers

Similarly, bargaining power of the customers defines the power of customers to control values and volume of needed products or service. Bargaining power of customers is high when customer's buy large volume, suppliers have a large number of small operators, possibility to replace by alternative products. And additional switching to alternative products is simple and not an expensive factor. (Recklies 2001)

➤ Threat of substitutes

Threats of substitutes happen, if other companies are offering substitute products with lower price, better performance and market availability. These could attract a significant portion of market share and hence reduce the sales volume of existing players. The threat of substitutes is determined by influences, e.g.; close customer relationship, brand loyalty of customers, substituting costs for customers, as well the relative price for performance of substitutes. (Recklies 2001)

➤ Industry Rivalry

Industry Rivalry refers to the competition between the existing market players within the industry. Higher level of Industry rivalry results in pressure on prices, hence in profitability for individual companies in the industry. Competitive rivalry between companies is high when there are many same size companies existing in market, companies have similar business strategies, and high market existing barriers. As well similar products of competitors create high price competition. (Recklies 2001)

3.2 Porter's Diamond Model

Porter's diamond model is a perfect economic exemplary model developed by Michael Porter (1998), and this model was first published in his book ***The Competitive Advantage of Nations***. To understand why particular industries succeed to achieve competitive advantage in a particular location, Porter brings four major elements in focal point; factor condition, demand condition, related and supporting industries and Firm strategy, structure and rivalry. Afterwards Porter's diamond model has been expanded by other scholars. And they have added other elements such as; government and chance to illustrate a more brief of this model.

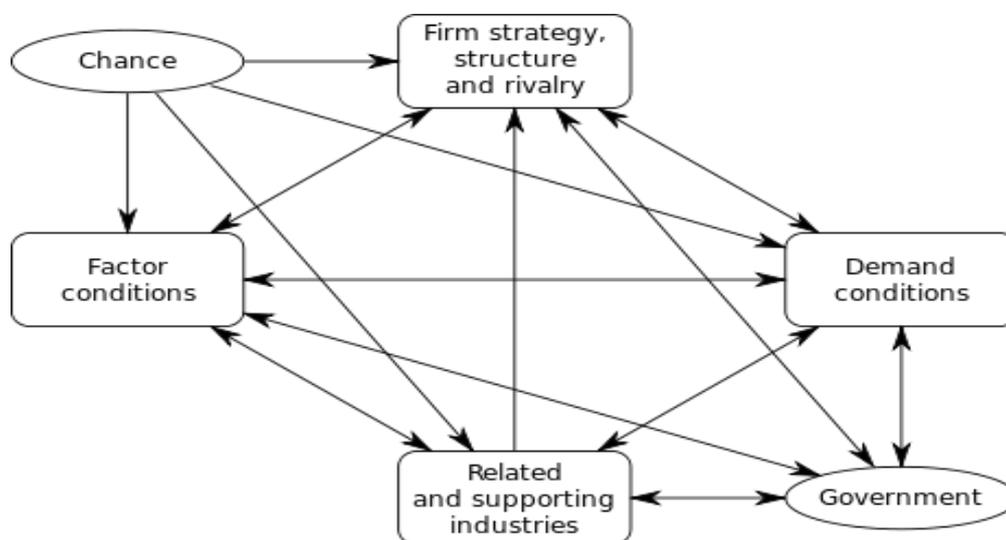


Figure 9 Porter's diamond model

Michael Porter's Diamond Model helps to understand the comparative position of a nation in international competition. This model could be used for major geographic regions. The diamond model classifies various dimensions or scopes of microeconomic competitiveness of nations, industries or other locations and comprehends how they interact. Geographic position can increase competitiveness by classifying and improving elements in the diamond model that are acting as difficulties to productivity (Bulcke et al 2009).

This model of determining factors of national advantage known as Porter's Diamond model, suggests that the national home base of an organization plays an important role in shaping the extent to which it is likely to achieve advantage on a global scale. This home base provides basic factors, which support or hinder organizations from building advantages in global competition. Porter's four determinants of competitive advantage are followings....

➤ Factor conditions

Factor conditions refer the resources that are necessary for industry, to be competitive in national or international level. These factors include; land, capital, labour, natural resources and industry infrastructure etc. These factors could be created by the nation, maintaining various processor or either be inherited. The factors that are created within industries are much critical then inherited factors. Consequently, the factors that are already available in an industry are less important than that are created, upgraded, promoted and specialized by the industries. Porter also added where an industry faces shortage of labour force they can overcome this situation and achieve competitive advantage by practicing innovation or influencing strategy. Porter's grouped factors in larger categories that influence competitive advantage of industry such as; human resource, physical resource, knowledge resource, capital and infrastructure resource. (Porter 1998, 74).

- Human resources are; size, quality and cost of workers with special consideration to working hours, work ethics, etc. Human resources can be categorized into two main categories skilled and unskilled fields. Skilled personnel are engineers, programmers, doctor's etc. and unskilled personnel, physical workers in various industries.
- Physical resources are land, water deposits, timber deposits, energy sources, weather conditions etc. Quality, amount, availability, accessibility to these resources are also big concern.
- Knowledge resources are the scientific and technology related resources within a nation. Porter indicates some advance factor as knowledge resource which are significant for competition. Institutions that generate advance factors e.g, educational institutions need educated human resource and high tech

technology. National knowledge resources level exists on universities or research organization etc.

- Capital resources are assets that are available to invest or finance in an industry e.g; firms' capital, debt, equity etc. National capital influences these resources. Infrastructure resources are another factor that has great importance to be in competition that includes logistics system of the nation, payment method, health care and other institution which has effect on quality of life within a nation. (Porter 1998, 75).

➤ Demand conditions

The home demand has an important role to create competitive advantage of industries. Home market provides initial signs of their desires, and put pressure to local organizations to originate faster and achieve additional competitive advantages beyond foreign competitors. The main benefits of dealing with local customers are cultural similarity and easy communication system. Home buyer nature is another vital consideration factor, if the home buyers are much demanding and sophisticated that increase competitive advantage of the industry. Similarly, if the natures of home buyers are vice versa, then industry apparently start to depend on international buyers. (Porter 1998, 75)

➤ Related and supporting industries

Existence of internationally competitive related and supporting industries is very significant. Those supplier industries that are internationally competitive can provide advantages to subsequent industries by supplying cheap inputs. Organizations that have close interactions with international suppliers have advance chance to access information, new concepts and innovation. Supporting industries influence the innovation process and development of the existing situation. (Porter 1998 78)

➤ Firm strategy, structure and rivalry

The existing conditions in the country determine how organizations are established, controlled and succeed, that also define the characteristics of national competition. Here cultural issues play a vital role. Factors like organization structure, management structure, working moral or communication between companies, act differently in

different nations. Differences in management performance and organizational skills create either advantages or disadvantages inside industries. Many characteristics of nation effect the ways organizations are organized and succeed. Such characteristics are interpersonal communication, interaction, attitude towards authority, employee attitudes towards management, management attitude towards employee, life standard, social values and professional value. Porter state that national rivalry creates pressure on the organizations to be creative and innovative. National rivalry organizations create substitute approaches to strategy and generate various products and services to cover many sectors. Additionally, advantage gaining from national rivalry include; cost effectiveness, higher quality products and service, innovative approach, skill and improving the business knowledge. (Porter 1998, 80)

➤ The role of Government

Competitive advantage cannot be gain without any influencing factors. Government stimulate the other four determining factor to achieve competitive advantage. Porter state that government doesn't create competitive advantage for organizations, it is rather organizations that create it, government works as an influencing factor in this regards. The role of government could be negative or positive that creates advantage or disadvantage for organizations. Government decision on tax policies and subsidies has great impact on organizations, infect that could rise the price or service provided by the organization hence, it influence the demand condition as well. Moreover, government are the main buyers of many industries e.g; defence goods and chattels, aircraft, ships telecommunication equipment's etc. (Bulcke et al 2009)

➤ The role of Chance

Chance are beyond the control of organizations and even government that are the opportunity or advantage for the new entrants to the market. Chances are often created by previous competitors or potential opportunities within an industry. Chance events includes, sudden increase of world or local demand, conflict, political decision, change in world economic market, new innovation etc. Chance events could shifts the diamond conditions. E.g; wars can make an urgency on domestic scientific deposits (factor condition) and break customer relation (Demand condition). Thus; Chance events promote competitive advantage of a nation. (Bulcke et al 2009)

3.3 SWOT Analysis:

SWOT is the abbreviation of strength, weakness, opportunities and threat. The SWOT analysis process was first introduced in 1960, this process is broadly used process for analysing organizations internal competence and external market demand. SWOT analysis process is straightforward model that identify what an organization capable of, what they can do and cannot as well as organizations potential opportunities and threats. In SWOT analysis process information taken from the related environment and separate it into internal issues (strength and weakness) and external issues (opportunities and threats). Once the SWOT analysis done it determine what can support the organization to achieve its objectives and what difficulties should overcome or reduced to reach desire result. (Investopedia)

According to Joint Research Centre (2007) SWOT analysing process is a significant means of strategic planning and explanation of competitiveness. The process involves collection of information concerning internal and external factors that have an effect on the organization or industry performance. Internal factors within an organization could be the organization structure, capacity, capability, different resources availability etc. e.g; human resource, energy, capital, knowledge etc. Analysis of external environment needs consideration of different influences. Threats may include government engagements, activities by other competitors, inflation rate, technological changes, etc. (European Commission Joint Research Centre (JRC))

4 Research Methodology

This part of the thesis paper will provide a framework of chosen research methodology because it is an essential tool which will be used for evaluating collected data. In order to achieve research objective (chapter 1.2) there should be a connection between elected theories.

‘Research is a systematized effort to gain new knowledge’ (C.R Kothari 2006).

‘A careful investigation or inquiry especially through search for new facts in any branch of knowledge’ (Advanced learner dictionary, 2008, 207). There are various definitions of research; basically research is a scientific method of investigation for particular reason on specific topic. Research methodology assists the researcher to make good strategy according to research objective and research type. There are several types of research which are categorized on research objective. Selection of appropriate research type is essential to bring out the research outcome. Qualitative, quantitative, correlational, quasi-experimental and meta-analysis are some of the research methodologies that are broadly used in the world.

4.1 Qualitative Research

The strength of qualitative research is, its capability to provide difficult textual explanations of how people experience a given research issue. Qualitative methods are also effective in detecting intangible factors, such as competitiveness, competitive advantage socioeconomic status, gender roles, ethnicity, and religion. When quantitative research is used along with qualitative research it can help researcher to interpret and better comprehend the complex reality of a given situation as well the implications of quantitative data. However, qualitative methodology allows greater and better understanding, since it provides access to the situation. (Lewis.P. 2013)

Qualitative research allows the researcher to get close to objective of this research. The research type makes it compulsive to choose qualitative research as the research type for this thesis. In order to have better understand and answer research objective it was important to find out ‘**What**’ answer from the company personnel. Hence, qualitative research approach is the best choice for this thesis paper.

4.2 Data collection

Two type's data were collected for this thesis paper; secondary data and primary data. The purpose of collecting secondary data was to make a framework on Bangladesh garments industry, description various terms which was important for thesis objective and making theoretical framework for imperial part of the thesis. Primary data were collected for the implementation of research objective.

4.2.1 Secondary Data

Secondary data known as a group of data collected by someone else earlier. It can also be describe as “data collected by others, not exactly for the research demand at hand” (Cowton, C. J. 1998, 424). Besides, secondary data is considered as very significant source of data because it is easy to access to secondary data and also they save time and money (Davis, 2000).

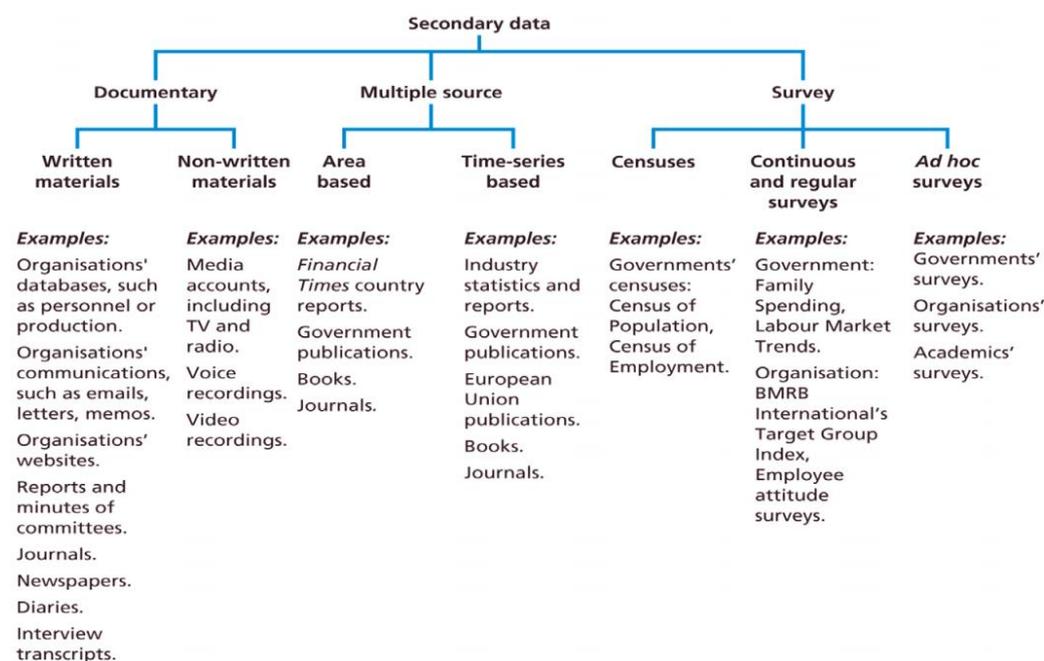


Figure 10 Secondary data categories

(Source: Saunders, et.al 2009, 259)

Saunders explains secondary data types in his book *Research Methods for Business Students*. When collecting secondary data for this thesis author's aim was to follow Saunders (2009) to ensure data were correct and trust worthy. Most of the secondary data were collected from multiple sources and various survey reports which were

derived from government organization, universities, company survey, government survey, academic books, journals, newspaper report etc. It was a challenge for the author to collect reliable and sufficient data on Bangladesh garments industry as there were lots of information about the industry which didn't have strong background.

4.2.2 Primary Data

According to the Saunders, Primary data are unknown data which were collected by the researcher for particular research purpose. Most efficient way of collecting primary data is interviews. He also categorized interview process as standardized and non-standardized (Saunders, 2003, 89).

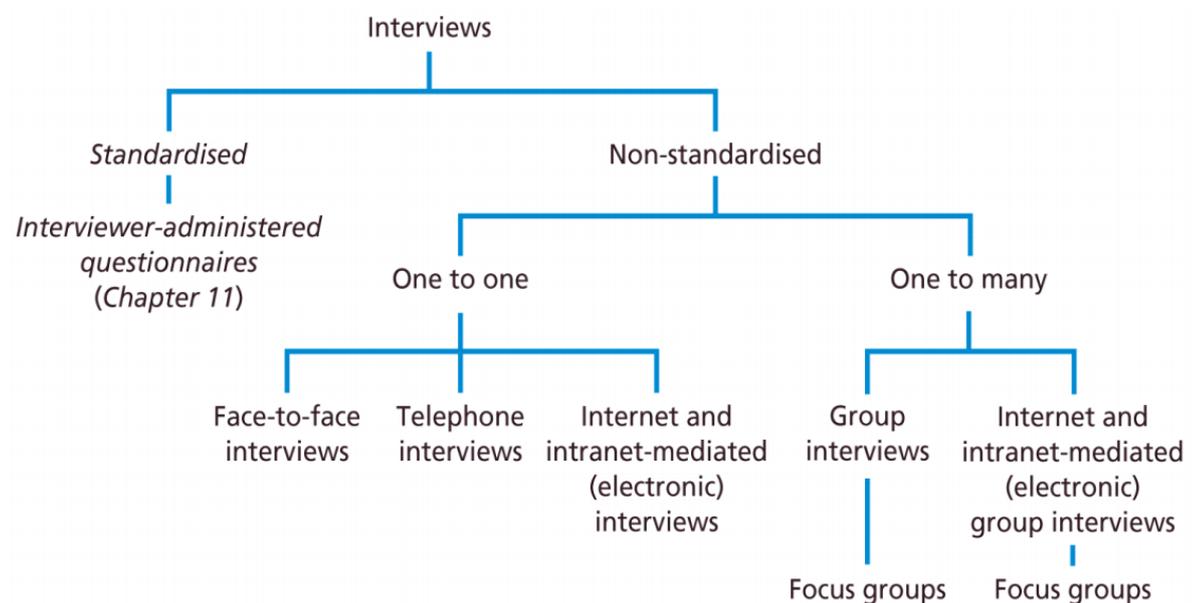


Figure 11 Forms of Interviews

(Source: Saunders, et.al 2009, 321)

Author used non standardized interview process for collecting primary data. Primary data were collected on Bando Apparels Ltd which is the case company of this thesis. Company data and information were collect by interviewing company personnel through telephone interview and using electronic media (email and skype interview).

4.3 Limitations of the Study

This research is based on internal company competitiveness. As a developing country Bangladesh has lots problems (ex: infrastructural, political etc.) which is influencing the garments sector. For developing company competitiveness it is believed that entire country competitiveness needs to be developed. Without get rid of those problems, companies will always face lots of complication. However considering an enormous matter, external competitiveness has not been explained in this research papers which can be consider as study limitations of this thesis.

5 Competitiveness of Bando Apparels Ltd

5.1 Company review

Bando Apparel Ltd is SME type garment manufacturing company in Bangladesh. The company started their journey in the beginning of 2011 and established by MR MD Giash Uddin also the managing director of the company. Bando Apparel is now one of the promising company in the Dhaka export processing zone in outwear and casual wears manufacturing to some of the world renowned fashion brand owners.

Business type: 100% export oriented garment products manufacturing company. It is private enterprise compiled by the Bangladesh government business regulations, guidelines and administrative charter of the company.

Company Logo:



Figure 12 Company logo

Head office: Plot No. 01, Building No. 01,
Turag Housing (Ground, 1st & 4th Floor),
Baribad, Mohammadpur, Dhaka-1207, Bangladesh.

Main products: Gents and ladies outer and casual wears such as Coats, Jeans, Jackets, Jumpers & Cardigans, Shirts, Socks, Sports, Clothing, Suits & Ties Swimwear, T-Shirts, Trousers & Chinos.

Production Capacity: About 260 Thousand Pcs of Woven Garments per Month. Around one thousand workers are employed in the company. The main production factory is about 58,500 Sq. Ft spacious.

Corporate website: www.bandoappareals.org.bd

Bank: Export Import Bank of Bangladesh Ltd.
Head Office Corporate Branch,
Gulshan, Dhaka-1212, Bangladesh.

Business objective:

The main business objective of the company is to confirm and exceed the customer expectations, efficiency in productivity, reduce rejection proportion, employee satisfaction and development to meet future challenges and continual development. The company is mainly focused on producing high quality products in an entirely compliant environment and meeting timely delivery. Management of the company are aware of the fact that today's international market for garments trade is a place where law of perfect competition operates to its maximum. Keeping that crucial fact in mind Bando Apparels Ltd is very much focused on producing high quality products. In Bando apparels from the upper management to worker all are dedicated to exceed customer expectations. The management team of the company are conscious about positive attitude, innovative thinking and being quick response to clients essential. In additionally in today's corporate world communication plays an important role. Management think business success lies on proper and efficient communication system. (Primary Data)

5.2 Product review

Garments products can be defined as clothing products which are made of fibre or some textile material to cover up human bodies. But in recent year's definition of cloth has changed. Cloths are now not only using for cover up the body but also for fashion, cultural and social purposes. Keep these demands in mind Bando Apparels Ltd offers wide range of variety of products to the buyers. Main products produced by the company are Gents and ladies outer and casual wears such as Coats, Jeans, Jackets, Jumpers & Cardigans, Shirts, Socks, Sports, Clothing, Suits & Ties Swimwear, T-Shirts, Trousers & Chinos. For quality control and make high quality products Bando Apparels use high Tec machines and outstanding raw materials. (Primary Data)

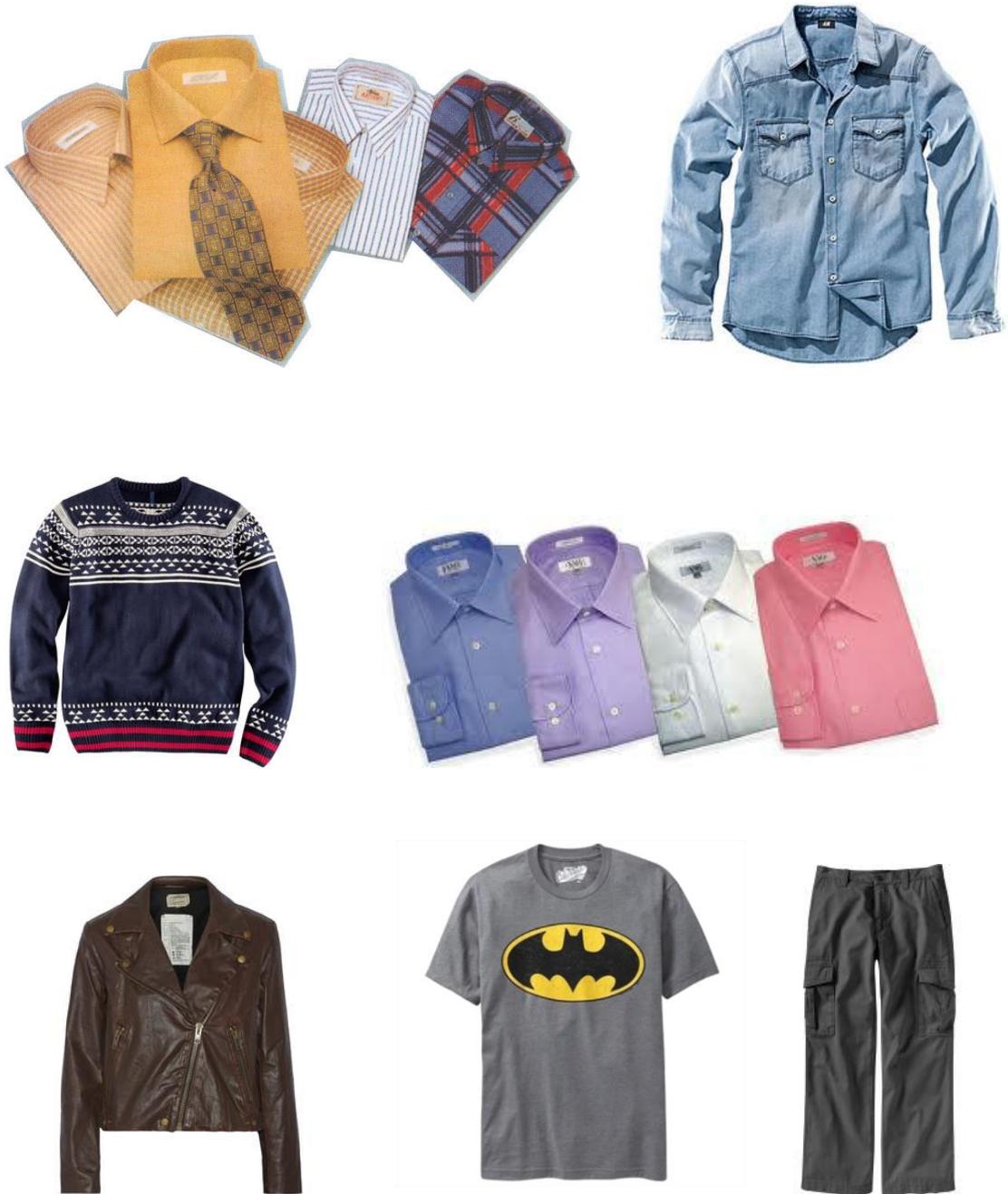


Figure 13 Product type and sample
(Source: Company profile and Polyvore)

5.3 Business structure

In readymade garments industry most of the garments producer companies in Bangladeshi are acting as subcontractor. Basically these companies are performing cutting, making, sewing, trimming activities (Abdullah and Yusuf, 2008). Bando Apparels as well act as subcontractor. Subcontractor refers person or businesses who sign the contract to perform fragment or all commitment of another contract. Company receive order directly from the buyer or buying houses. After the production process has been done product delivered to the buyers. Garments companies are not responsible for doing any marketing, distributing or servicing to the end users of these products. Most of the raw materials for making garments are imported. According the production manager of the company, 90% of woven fabrics and 60% of knit fabrics are imported to produce export quality products. In some cases buyers chose the material supplier and company must import raw materials from the chosen company. The company act quite simply compering to other high-tech industries. Company head office receive orders form the buyers and then second stage is to collect raw material from the foreign seller or sometimes from the local market. Production units act as a lager tailor's shop and final stage is to deliver the readymade products to buyers. (Primary Data)

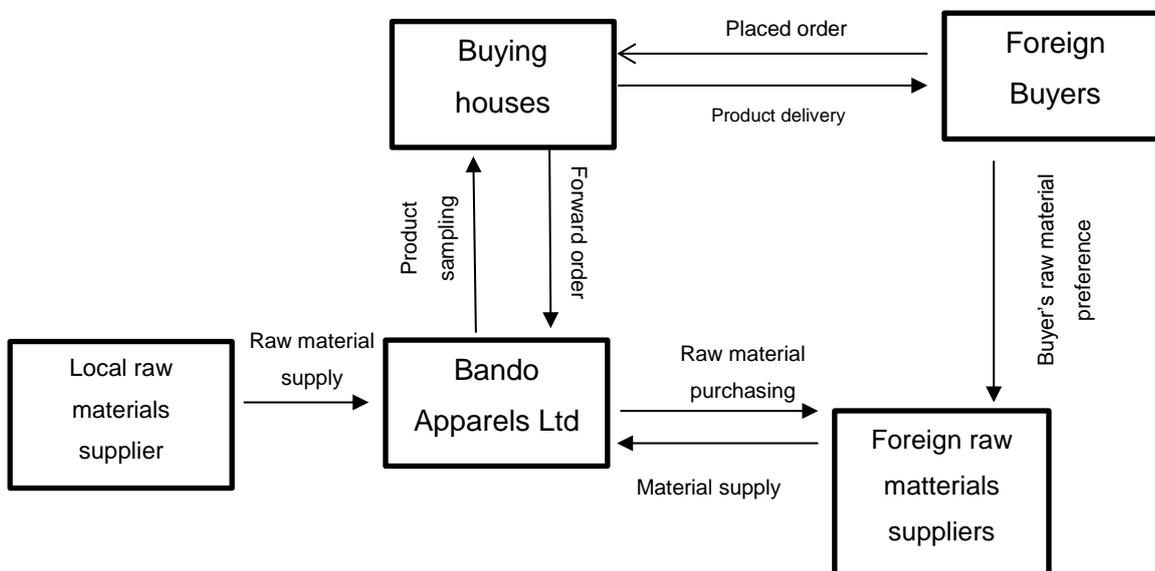


Figure 14 Business structure of the company

5.4 Competitive business strategy

Competitive advantage allows a business to produce and sell more efficiently than competitor business. Business vendors usually develop business strategies in order to sustain a competitive advantage. Quite a few types of business strategies are existing in the business environment. Business vendors can use standard strategies or raise their own business strategy. (Smallbusiness.chron)

Bando Apparels business strategy is generic level business strategy. The preliminary objective of setting up a business strategy is to sustain competitive advantage. The company's business strategy is based upon distinctive competencies. Distinctive competencies are internal strength of the company that used to create substantial lower cost and differentiate its products over competitors which ultimately create value for customer. (Primary data & Hills 2013, 85)

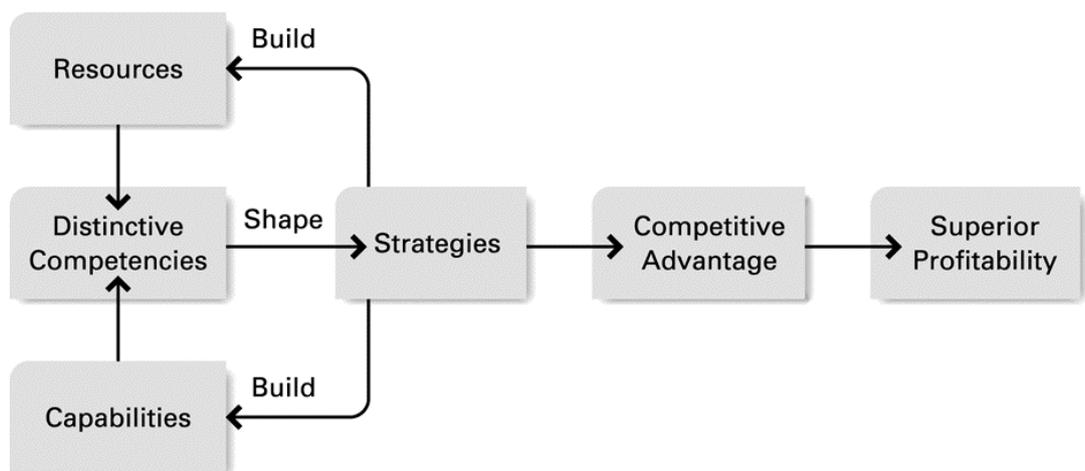


Figure 15 Business strategy for sustain competitive advantage
(Hills & Jones 2013, 85)

Distinctive competencies rise from two complementary; company resource and capabilities. Resources are the assets of the company that can be divided into two categories that are tangible and intangible resource.

Tangible resources are the companies land, manpower, capital, manufacturing building efficiency, equipment that are used in production as well communication, inventory etc.

Intangible resources are nonphysical entitles that are created by the company personnel such as brand name, business reputation, knowledge and awareness that are gained through experience. Capabilities are the organizations resource coordination-skills and

productive use. Skills exist in organizations rules, regulation, routines that is the style of manner which used by the manager in decision making and inside procedure to achieve organization objective. More specifically, organizations capabilities lies on, organizational structure, production process, hiring process and organization control system (Hills & Jones 2013, 85).

Bando Apparels Ltd Tangible resources are equipment's that are used for garment manufacturing, company has larger man power that allows company to produce larger amount of products. These valuable tangible resources allow the company to lower its costs then the competitors. Similarly, company has intangible resources that are brand name and good reputation in quality products. These valuable resources lead the company to sustainable competitive advantage. (Primary Data)

5.5 Organizational structure

According to Porter (1998) one of the major influences of factor condition is organization structure of a company. Organization structure is important for decision making keep the organization functional. Organizational structure is use to define the company management hierarchy what shows the allocation of duties of individual work and reporting person. The main idea of developing organizational structure is to establish company operation process how the management of a company function and how to achieve company's goals and objective. Organizational structure depends on company objectives and operation. There are types of organizational structure to meet different organization aims that function differently. Several types of organizational structures are centralized, decentralized and matrix organizational structure. In centralized organizational structure companies are regulated by head of the management. Head of the management have the decision making power and control over other division. In decentralized structure decision making power is assigned to different division and individual division may have independence when decision making. Bando Apparels Ltd. follows centralized organizational structure. (Omar Faruk 2014 & Primary Data).

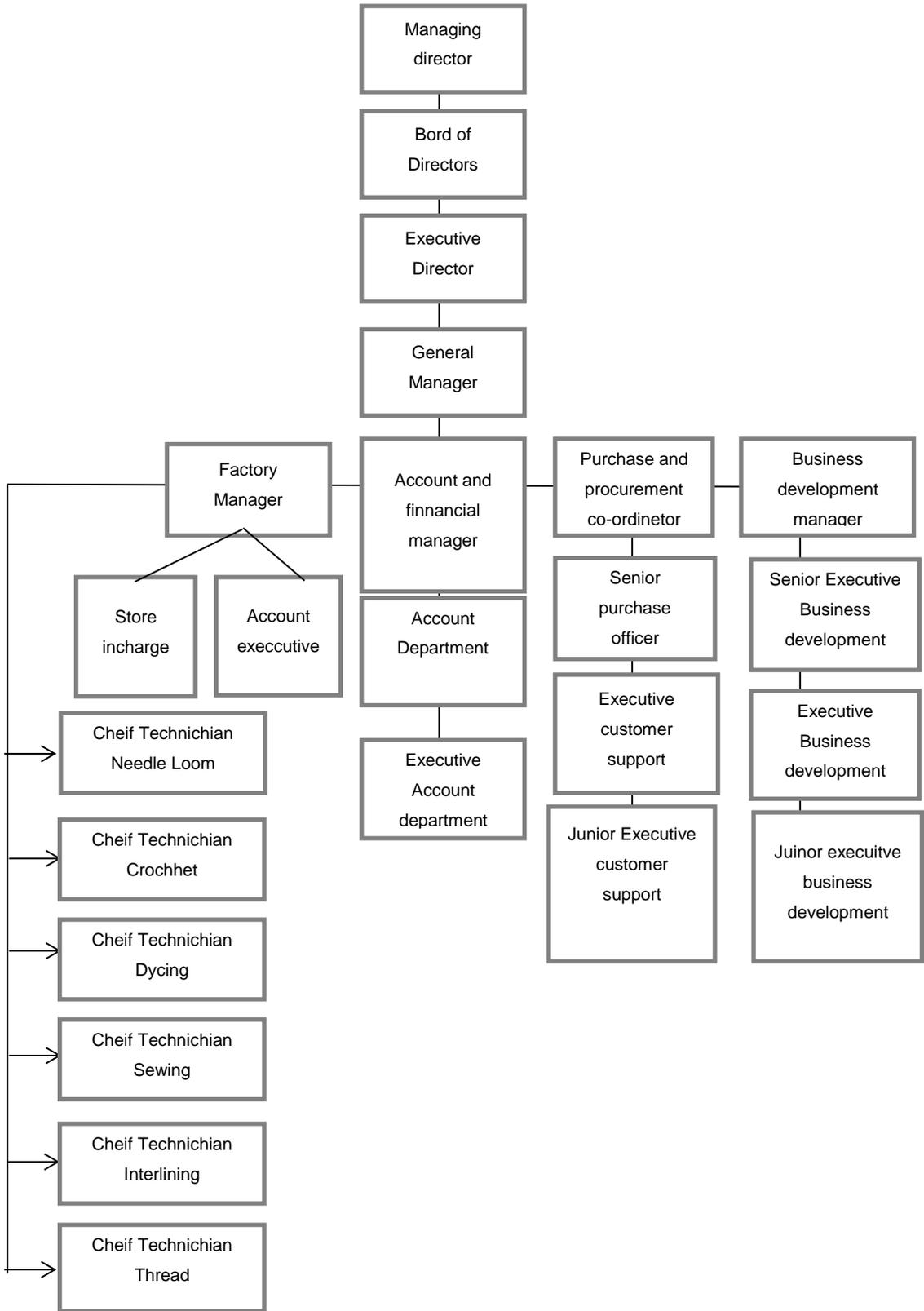


Figure 16 Bando Apparels organizational structure (primary data)

- The rules and responsibilities of each department in the company

Managing Director: The managing director is the front-runner of the company and he takes the highest responsibility of the organization. He is responsible for the day-to-day management of the Business affairs. The Board of directors has adopted procedure from the managing director provided guidelines and instructions concerning the company's day-to-day supervision. To accomplish his responsibilities the managing director assisted by the members of the board of directors. (Primary Data)

Board of directors: Including the managing director, executive director, general manager and all the manager in different department are the members of board of directors. The managing director is head of them. The duty of board of director is to select the managers for different departments and control the complete situation of the business and provide direction. The board of directors are also responsible for recruiting all the other employees. Other duties of board of directors are providing direction for the business operation and report to the managing director about overall business function. (Primary Data)

Executive Director: Executive director is responsible for reporting to the board of directors. The executive director (ED) has the complete strategic and operative responsibility of the company. (Primary Data)

General Manager: He is responsible for all the administrative function of the company. Major duty is to leading, guiding and motivating employees. Increase organization effectiveness by developing strategic plan as well hiring, choosing, orientating, teaching, training, advising, and disciplining managers. General Manager is the person who is responsible for building company image collaborating with consumers, government and other officials. He is also responsible for sharing employee's view and problems to the board of directors. (Primary Data)

Financial department: Finance department is responsible for transactional accounting for the trade. It also responsible for management of the company's cash flow and confirming there are enough capitals existing to meet the day to day expenditures. This department also deals the payment with foreign delegators, employee wages and taxation process. Finance department also make the annual financial statement for the company. (Primary Data)

Business development department: This department analyse other departments especially sales of the company. Also relative marketing related matters handled by this department. They look for the ways to improve sales performance of the company. (Primary Data)

Factory: The major duty of a factory manager is to take the responsibility of all the people who are working on the production site. Factory manager is responsible for production team. He maintains the production and quality control process. Factory manager distribute the work duties to the production employees. He has to control any uncertain issues as disciplinary and motivate employees to achieve company's objective. (Primary Data)

5.6 Company code of conducts

Code of conduct is a bunch of rules and regulation about company acts and business dealings. Every organization has to have standard code of conduct for decision making and following ground rules. Such code of conduct assists organization to build standard for business running, commitment to staff member and build transparent relation with larger community. Bando Apparels Ltd realizes the importance of code of conduct to be successful in marketplace. Company's main codes of conducts are as follows

Legal compliance

Legal compliance refers that organization ensure all the external regulatory Laws and regulations. Some association have border explanation of legal compliance. Australasian compliance institute defines legal compliance as a process by which every organization reaches their strategic commitment. Bando Apparels Ltd acquiesce all the required national laws and regulations. And obliged to the International Labour organization (ILO) conventions and maintain minimal industry least possible standards and any other applicable statutory requirements needed to be on the business.

Child labour

In 1990 as public awareness Bangladesh ministry of labour and employment fix age range for the employees to start working. According to the Labour Act (2006) in Bangladesh minimum age is 14 years to get accepted in work and 18years are for various hazardous works such as constructions work. Bando Apparels Ltd doesn't allow

any one below 14 years old in their facility to work. Companies human resource department is very strict about child labour they refused to hire anyone under 14 years old. To ensure that they are not hiring any child labour company have their own certified doctor who verified the age and physical fitness of every worker before they start working.

Compensation and benefits:

According to ILO average wage rates for garments worker in Bangladesh is BDT 3000 which is equal to 39 US dollar per month. Comparing to other countries Bangladeshi workers are one of the lowest paid workers in the world. Most of the workers in various companies working average 8-10 hours per day and receiving \$1.56. This salary rate doesn't support recent years living cost. As a consequence garment's workers are leading miserable life which always makes them to stand against the companies. Alternative Movement for Resources and Freedom (AMRF) Society Bangladesh Stat that until June 2013 almost seventy two times police attacked to labour who had gone on strike to support their wage demand. Those actions left over 1000 of people injured and over 50 arrested in various incidents.

Characteristics of minimum wage setting system and minimum wage levels

	 BANGLADESH	 CAMBODIA	 VIET NAM
Body that makes recommendation to Government	Minimum Wages Board	Labour Advisory Council	National Wages Council
Coverage of minimum wages	42 sectors	1 sector (<i>garments & footwear</i>)	All sectors
No. of different rates	42 schedules (<i>with different grades</i>)	1 rate	4 rates (<i>by region</i>)
Frequency of adjustments	Every 5 years (Sec. 139-6) and <i>ad hoc</i> (Sec. 142)	Annual (from 2014 onwards)	Annual
Minimum wage for entry-level garment worker (per month)	\$ 39 / BDT 3,000	\$ 80	\$ 78 (<i>Region 4</i>) \$ 86 (<i>Region 3</i>) \$ 100 (<i>Region 2</i>) \$ 112 (<i>Region 1</i>)
Mandatory bonuses	(<i>included above</i>)	Attendance \$ 10; Seniority \$ 2-10 (<i>2nd – 11th year</i>); Transport / housing \$ 6.	Based on agreement in the labour contract, collective agreement, or the regulations of the enterprise.
Next adjustment	Late 2013 / early 2014	January 2014	January 2014

Figure 17 ILO minimum wage setting system and minimum wage levels
(Source: International Labour organization)

Compering with the recent situation Bando apparels has faced fewer problems because of wage demand. Compile with national law company pay regular working hour average BDT 210 (\$3) per day. Depending on working responsibilities in production department salary differ from BDT 10000-7000. Company also allows other benefits such as 25% extra for overtime working hours, maternity leave as well as festival bonus. According to legislation someone can work maximum 48 hours in a week. And maximum acceptable overtime hours per week 12 hours. Over time work will be done solely on voluntary basic. The entire staff member have one day off after six continuous working days.

Table 5 Bando Apparels LTD employees wage range

Bando Apparels Employees Wage structure				
Grade with position	Basic wage	House rent (40%of Basic)	Medical allowance	Net Salary
Grade1 pattern master ,Quality controller	BDT 7000	BDT 2800	BDT 225	BDT 3975
Grade 2 Mechanic, Electrician, maintainer, cutting master	BDT 6500	BDT 2600	BDT 225	BDT 3675
Grade 3 Machine operator, sample mechanist	BDT 6300	BDT 2520	BDT 225	BDT 3555
Grade 4 sewing machines inspector, cutter, quality checker ,packer line leader etc.	BDT 6000	BDT 2400	BDT 225	BDT 3375
Grade 5 Junior machine operator, junior cutter, junior marker etc.	BDT 5590	BDT 2236	BDT 225	BDT 3129
Grade 6 operator general swing machines etc.	BDT 4760	BDT 1904	BDT 225	BDT 2631

(Source: Bando Apparels accounting department)

Company have their own housing for the employees. The employees who are living in company own housing, 40% of their basic wage has been deducted as house rent. As well as monthly medical allowance also deducted from the basic wage.

Discrimination:

Gender discrimination in work place is another prior problem in Bangladesh Gender discrimination refers when individual is being discriminate because of gender differences. This issue are quite strong in Bangladesh. Bangladesh is men a dominated country and women's faces more disadvantage in various aspects of their life for example education, employment, health care and financial issues. Concerning the employment issue many companies give priority to male candidate than female. Typical reason for these discriminations are male employees are more productive, hardworking

then female and also for female candidate company needs to provide more security and other benefits. However recently situation is changing females are now treating as equal to males. Many entrepreneurs are now realizing the truth that women's are half of the nation population. Without bringing them in front company cannot achieve their goal. Currently approximately 3.6 million people are working in Bangladeshi garment industry among them 80% are women. Bando Apparels Ltd doesn't support discrimination between men and women when hiring new person. Company mainly focus on working ability of individual rather than other elements which could rise discrimination for example social origin, caste, birth, age, religion, sex, physical disability, family responsibilities, marital status, political opinions etc. Male and female are equally treated in the work place and provided with equal training, promotion and every other benefits as well as termination. Management does not support any behaviour that is offensive, threatening or sexually harassing. Currently approximately 1000 male and female staff members working in Bando Apparels where majority are female.

Health and safety:

Bando apparels compile with all national legal procedures and settlement that followed occupational health safety and welfare. Company is equipped with all necessary equipment to ensure employee health safety .Pure drinking water, adequate lighting, twenty four hour electricity, good ventilation system, sufficient fire exit doors, spacious and free walkways inside the factory, and clean toilets for every twenty five employee as well as all necessary equipment, first aid kits are applicable where necessary. Two Full time doctors and five nurses appointed for health service along with company health care centre. Company is also associated with BEPZA medical centre that provide 24 hour emergency medical service to all the employees without charge. Employees are provided with protective equipment and personnel health and safety instructions including job specific instructions on regulatory basics. Company also appointed a senior management representative who will be responsible for health safety and welfare in workplace for all employees.

Work environment:

Employee does want to work in worker friendly place. For making a worker friendly place it doesn't always need massive investment but attention and thoughtful consideration. Employees feeling towards working mostly depend on work environment. A good work environment gives motivation to come to work which also boost working performance.

Bando Apparels Ltd complies with all national applicable environmental laws and regulations and developed a better system to assure all manufacturing processes meet the commitment to progressive environmental and preservation of national resources.

5.7 Demand condition

When the demand condition of a particular product is high that leads to the competitive advantage for the organization. Garment product made in Bangladesh has already achieved high market demand. All the garment factories in Bangladesh are now having high market demand. (Rhaman & hussain 2014)

World renowned garments retailers and fashion houses are outsourcing in various garments factories of Bangladesh. Some of the main clients of Bando Apparels Ltd are H&M, Gap, Zara, Carrefour, Levi's, Tesco, Walmart, Tally Weill, Li & Fung Ltd, JC Penney, Target, K-Mart, Meijer, Woolworth, Rickis (Canada), New Yorker, Target Costco, Oshkosh, Reitman's (Canada), Pennington's (Canada), Marcus (Denmark), Jeans Fritz (Italy), Rica-Lewis (Italy), Colin's Turkey), ICEMAN (Denmark), NOS (Germany), Woolworth (South Africa), PIEZZA ITALY (Italy), Lidl (Germany). (Primary Data)

Most of the clients are popular brands in USA, UK and Europe. Reason behind the interest is C&M service provided by the company, low production cost and high quality products. Recently current buyers are expanding their production order and many more companies are looking forward to trade with Bando Apparels Ltd. Well known fashion Brand H&M and Walmart promised to double their order by 2015.

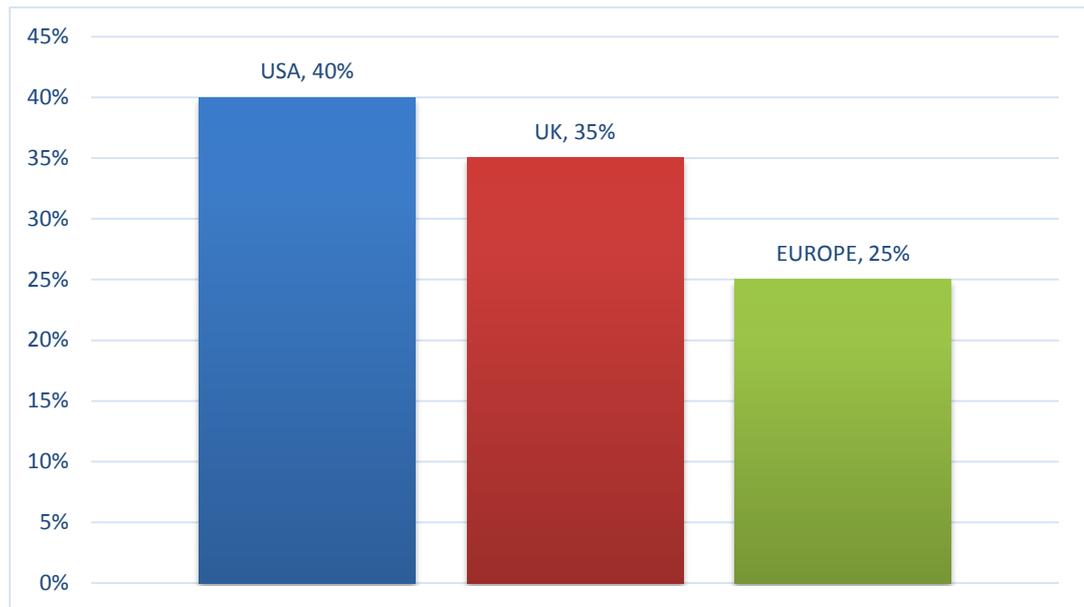


Figure 18 Bando Apparels major export processing zone in 2013

(Source: Bando Apparels Accounting department)

Swedish giant clothing merchant H&M known as biggest outsourcing company in Bangladesh. H&M CEO Karl-Johan Persson has recently visit Bangladesh and meet with the commerce minister Mr Tofail Ahmed in Dhaka on October 14 2014. On this meeting, Karl-Johan Persson expresses his interest to double their outsourcing amount to \$3 million which is currently 1.5 million. H&M is one of the biggest clothing brand in the world with more than 60,000 employee and 2600 stores. H&M stores can be found anywhere in the world. H&M buisness stretegy is to provide vast range of products with affordable price that makes them to source from Bnagladesh because of competetive products with lowest price.(Pimary Data)

5.8 Production capacity

Number of production lines: 26

Number of machine per line: 25

Number of pcs per month: 260,000

Table 6 Bando Apparel production capacity

Item	Monthly capacity	Annual Capacity
Pants	180,000	2160000
All outwear jackets	80,000	9600000
Total	260,000	3120000

Production lines are basically sewing lines. The greatest critical production process is sewing, as it usually includes a great number of methods. Bando Apparels have 26 production lines and every line has 25 sewing machines. The purpose of assembly line stability development in sewing lines is to allocate tasks to the production lines, so that the machines of the production lines can accomplish the allotted jobs with a stable loading. Accurate and high performance of production lines increases the production of the company. (Primary Data)



Figure 19 Production lines example

Source (<http://klasstextile.com/units.html>)

5.9 Quality control system

Quality control of garments meaning verifying necessary level of quality exists on products which delight customer. In today's competitive market maintaining garments products quality is very crucial. Quality control of garments products based on written or official guideline provided by the company in order to maintain product quality. (Rhaman & Hussain 2014, 75)

In Bando Apparels Ltd quality control process is given high priority. The company belief quality of the product plays a vital role in business sustainability. In global market quality is given high preference before choosing or buying. Bando Apparels quality control process followed by promoting product quality using cost effective method which minimize customer complain and maximize profitability of the company. (Primary Data)

Garments quality control processes followed by the company are:

Fabric inspection

All the fabrics is inspected carefully to find out various defeats for example weaving mistakes, random holes, printing defects, dying defects, defect colour fabrics etc. Company use mainly 4 point system for fabric inspection. 4 point system is also known as American Apparel Manufacturers (AAMA) point-grading system for checking fabric quality. In this system 1.2.3 and 4 penalty points given according to the amount and significance of defect. No more than 4 penalty points are acceptable in any single defects.

Accessories Inspection

All the accessories used for production process are checked randomly for persistence and performance. Performance of production materials checked carefully to avoid defects on ready products and minimizing wastage of raw materials.

Cutting quality inspection

All cutting materials are being controlled and checked. Company prefer to use computerized cutting method to avoid shade variation. Computerized cutting method provide more accuracy in cutting method but in some obligation manual cutting method being used. Manual cutting process is led by hand cutters. Other aspects of quality control in cutting methods are controlling fabric skew and avoiding horizontal and vertical stripes cutting mistake

Stitching quality inspection

Stitching quality is checked in order to ensure garments products are accurate to the buyer specification for example measurement of garments, stitching, seam and trims quality are correct.

Finishing and washing quality inspection

After production process ready products are given enough time to dying out before packaging to get rid of bed smell. String cutting, ironing and other require finishing methods are done under disciplinary and strict quality control process. Before packing product labelling and hangtag are checked 100% correctly. Before forwarding the package to the buyer all the packed products are inspected under supplier quality control audit.

Safety issues for children garments

Safety issues are given much importance to children garments. To make sure there are not any hidden needle or any sharp metal things remain inside the garments all the readymade garments are passed through under metal detector. Any sharp accessories items like button pulls and zipper are not at all used in Kid garments.

6 SWOT analysis of Bando Apparels LTD

Strength:

- Competitive price

Price competitiveness factor is the main key reason behind the growth of Bangladesh garments sector. Production cost is always been a prime concern of any company existing in this industry. Because of price competitiveness Bangladesh garments sector has become one of the first choice for world famous garments buyers. Regarding this situation Bando Apparels main concern is to maintain production cost and provide most competitive price. The main three reason of Bando Apparels Ltd price competitiveness are following:

- ❖ Low labour cost
- ❖ Adequate quantity of labour force
- ❖ Low production cost
- ❖ Energy at reasonable price

Compare to other competitor's country (China, Vietnam, Pakistan and India) Bangladesh has cheap labour. Bando Apparels have the advantage of this situation. Using cheap labour company can provide best quality products to their customers.



Figure 20 Wage range of garments exporter countries

(Source: The world street Journal)

Energy needed for production are quite cheap as well in Bangladesh. Commercial energy source are mostly natural gas. Bangladesh is naturally blessed with 23 natural gas fields where more than 73 gas wells produce 2000 cubic meters of gas per day. Ministry of power, energy and mineral resources of Bangladesh state that according to renewable energy policy 2008 Bangladesh government must facilitate all private and non-private sector by providing 5% of total generation energy sources and 2015-2020 that rate will be increased to 10%.

➤ Brand loyalty

Brand loyalty refers that buyers have confident and positive attitudes towards a particular brand and they are willing to shop repeatedly. Customer loyalty can retain a long-term customer relation and make a persistent profit for the company. In the meantime, customer loyalty provide competitive advantage and decrease marketing cost for the company (Tepeci, 1999).

Bando Apparels brand loyalty can be describe by discussing following substances

Brand awareness: customers are aware of Bando Apparels products. The main methods of creating brand awareness by Bando Apparels are advertising, promotion activities and high quality products sampling to buying houses etc.

Bando apparels has created good brand reputation in market by providing high quality products with competitive price. Brand reputation helps the company to attract new customer and changing loyal customers to spokesman.

Customer demand are changing to meet this demand company has maintain innovation in their product quality and design. In order to maintain this company have hired best fashion designers who are maintaining variation in products and keeping customers satisfied. (Primary Data)

➤ Bargaining power the company

Company can use their bargaining power in business dealings, Because of long-time relationship with the buyers, high expense of changing supplier, good quality products with reasonable price bargaining power of Bando apparels is strong. Company use strategic plan before use bargaining power, they don't not squeeze the customers too

much and recognizing the customer relationship before use bargaining power is taken into account. (Primary Data)

Weakness:

➤ Lack of raw materials

Very fast weakness of Bando Apparels is lack of raw materials supply from local suppliers. Textile manufacturing raw materials are fiber, fabric, dye staff, etc. The quality of raw materials plays a vital role for high quality garments products. Raw materials are the main ingredients of garments production sector. Unfortunately, Bangladesh local textile raw materials suppliers are not able to meet all companies demand to supply necessary amount and quality raw materials. And available cotton materials in local markets are not greatest in quality. According to the production manager of the company, 90% of woven fabrics and 60% of knit fabrics is being imported to produce export quality products. Imported raw materials are high in quality. However that added additional production cost and increase lead delivery time. (Primary Data)

➤ Long Lead time

Lead time knows as time between order places to order received time (Azad 2004). Average leading time for most of the Bangladesh garments manufacturing companies as well as Bando Appals ltd is approximately 90-100days.

Meanwhile, in china it is only 30 days because of their first production process, availability of raw materials and other export facilities provided by the management and government in Pakistan and India average loading time is about 45-50days (Hussain 2013).

Usually cloths are seasonal demand most of the foreign buyers want their order to be in hand by time. The lead of the company takes unusually long time that sometimes it appears customer couldn't catch up the season.

According to general manager of the company reasons behind long lead time is, Firstly, after getting orders from buyer company import raw materials, mainly from China, India and Indonesia. These raw materials getting process take almost 40-50

days. This time includes order placing, sampling, choosing, and shipping etc.(Primary Data)

Secondly Bangladesh export-import station only depends on Chittagong port.

Chittagong port is not well equipped enough to maintain all this load and facility has not been increased from years. Because of this poor facility in port sometimes imported order containers stuck in Chittagong port for 15-20 days. (Primary Data)



Figure 21 Basic supply chain of Bando Apparels Ltd

(Source: Primary Data)

➤ Skill labour

Despite of this fact that Bangladesh huge labour force and companies can easily hire cheap labour force, most of the employee are unskilled. They doesn't have any training in manufacturing garments before. Company needs to train them before engaging them to the production process. That is consumption of time, extra cost for the company and also there is high chance of wastage and company has to pay for this. (Primary Data)

➤ High bank Interest rate

As a medium size Private Enterprise Company doesn't have huge capital. Around 50% of the investment come from the bank loan. But high interest rate is obstructing the growth of the current productions and it is also delaying the development of the company. Company cannot develop if the interest rate is too high in contradiction of the bank loan. However, company need bank loan for innovative investments and for operational capital as they needed to import raw materials from foreign country. Although company have nothing to do against the high bank interest rate. (Primary Data)

Opportunities:

Opportunities are the mainly external matter that creates chance for business development. According to company general manager, garments market for Bando Apparels will increase by 7% until 2019 sitting on rising global market demand of Bangladesh ready-made garments products. Mackinsey survey report conducted in 2010 state that European and US buyers aim is to increase their share of sourcing in Bangladesh. Companies are now focusing on a value segment plan development from existing average 20 percent to a 25 -30 percent sourcing share by FY 2020. Mid-market brands, which participate around 13 percent of their sourcing value in Bangladesh nowadays, they are planning to raise their share to 20 to 25 percent in the coming period.

This external market demand creating the future developing opportunity for the company. (Mackinsey & Primary Data)

Most importantly Bangladesh government focus has changed towards the garments sector of the country. The government is now supporting the industry positively. The Bangladesh government has recently offered bailout to 270 garments factory Bando apparel is one of them. Bailout is the financial aid from the government for business development and save the business from collapsing. (Primary Data)

The Bangladesh government has taken some effective step to establish an export processing zone. This area will be a restricted zone where only export oriented garment companies can lease plot and establish their own factory. This great opportunity for the company to establish their own garment production factory. Because the company has now rented some floors in one commercial building (Turag Housing) which is not a great place for production based company. (Primary Data)

The government has also provided the opportunity of tax exemption for the first 10 years of the business. According to the tax exemption act 2012 for the first 2years of company establishment The tax exemption rate is 100% nest 3rd and 4h year this exemption rate is 50% and last 5 years this rate is 25%. This is a great opportunity for the company to extend their business as a company is in their 3rd year of establishment, company is facilitated with a 50 % tax exemption. (Primary Data & Bangladesh export bureau)

Threats:

Threats originate similarly from the external business environment. From decades, Bangladesh is suffering from political instability. Along with the Garments industry, many other industries are suffering economic downwards because of political fluidity. Many European and US CPO's mentioned that political instability is the fifth risk when thinking of investing in Bangladesh. Some of the CPO's state that they will reduce their sourcing volume in Bangladesh if the political stability would decline. According to Bangladesh national newspaper the daily Prothom Alo, in this current year 2014 due to 45 worker strikes only the Bangladesh garments sector has gone through net 158 million dollar loss. Political strikes are also another big burden on business environment. Political strikes commonly known as 'Hartal' in many South Asian countries, especially in Bangladesh, India, Pakistan. Hartal refers locking doors that mean shops and every organization will be closed, traffic will be stopped, to show the protest or realizing opposition party demand to the Government. In 2014 until November totally 46 political strikes have taken place by various political parties (The Daily Jugantar 25th October). Which is a big figure comparing other developing countries. More than 5000 garment factories situated in Bangladesh mostly located either in the capital city Dhaka or in the port city Chittagong. Whenever a political strike occurs, logistic function all over the country has to stop. General Manager of Bando apparels Ltd mentioned during 2014 because of the political strike many times company has to stop all their production, management as well as export process that cost huge loss for the company.

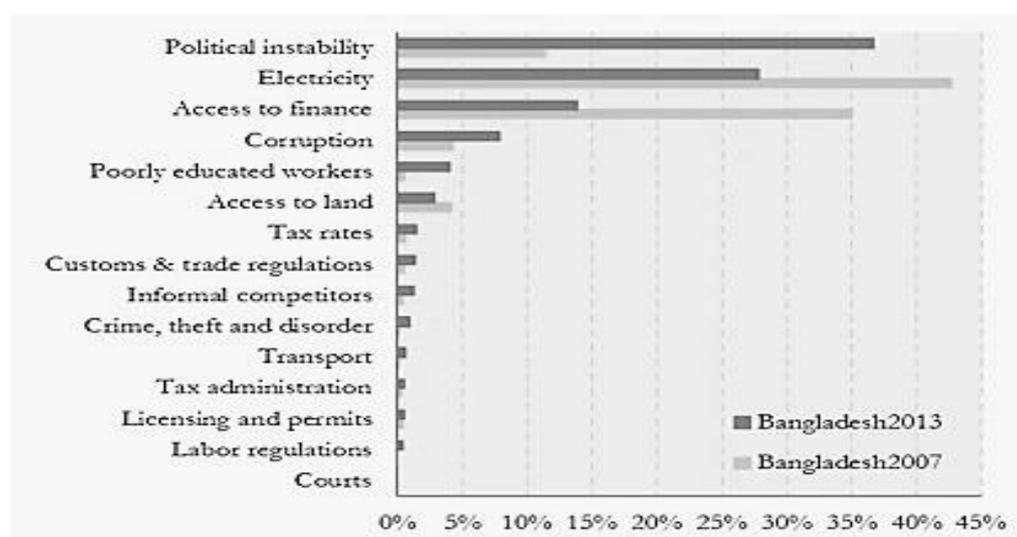


Figure 22 Political instability as the biggest obstacle in business environment

Source: World Bank blog

In 2013 Bangladesh enterprise survey reports shows that out 15 conditions of business environment, political instability as a major restriction to delay progression pursued by electricity, access to finance and so on.

Country infrastructure is another significant threat to the company. Export process mainly depends on Dhaka-Chittagong highway as the Chittagong port is the only and the main export transport route. The following cases of present problems are already restraining the competence of the company:

- The highway is often congested as there are more transportation than the capacity which increase the transport period from Dhaka to Chittagong up to 20 hours.
- Lead period for sea cargo is improved by about ten days because of the absence of a deep-sea harbour.
- Efficiency of Chittagong port suffers from unproductive procedures (e.g., manual processing), inadequate crane capacity, and strikes every now and then extended numerous days at a time.
- The Dhaka-Chittagong train transport provides limited capacity (e.g.; only for about 120 containers/day) which is not enough. (Primary Data & Mackinsey)

7 **Suggestions for future succession**

❖ Use local raw-material suppliers

Bando Apparels mainly depend on foreign raw material exporter. Most of the raw materials imported from China, Vietnam and Indonesia. Hence, production process and production time are unnecessarily long. To get rid of this problem company must utilize local suppliers. According to BKMEA website raw material for Knitted garments can easily be found in Bangladesh local market. Therefore, it is high time for garment company owners to take long or short term plan for developing local supply chain to become less dependable on foreign raw material supplier. As a result production and delivery time will be reduced. Consequently, using local raw material supplier and developing local supply chain is the only precise process in order to be more competitive. Additionally, Government assistant is necessary for developing local supply chain.

❖ Convert to the public limited company

This company is a private limited company, owned by a solo person, therefore the investment and capital are accumulated from the only source either personal source or banks. These sources are not enough to run business more efficiently. As the banks in Bangladesh are suffering the liquidity problem and also because of high bank interest rate it is not profitable for company to accumulate money from banks (Primary data). The only alternative option is to convert the company to public limited company and collect money from the market.

❖ Reduce the leadtime

From the beginning of 2014 the company is receiving larger working contracts from international market. In the meantime, to meet the order requirement company needs quick raw material supplies, more efficiency in production process and deliver ready products to customers on time. In order to satisfy new customers and retain current customers, companies should anyhow reduce leadtime and deliver product on agreed date. Reduction of lead time can sustain the competitive advantage as well customer satisfaction.

❖ Development in marketing strategy

Extract from the company organizational structure (5.6.1. Organizational structure) company doesn't have any marketing department who are responsible for exploring new customer or a new market for the company. And also company doesn't have any R&D or brand strategy developer inside the company. Importance of R&D and brand strategy developer undoubtedly high because they must differentiate Europe, USA and Asian market and market demand so that marketing department can innovate the way to reach customers in those areas. So that company should have marketing department to implement branding strategy as soon as possible.

❖ Separate production building

Bando Apparels production process operated from the Turag Housing (1st and 4th floor) Dhaka. This is a commercial building where other small organization are located as well. For being able to efficient production process, company need to establish their own production building in a separate zone. Moreover, Dhaka and Chittagong are the central zone of Bangladesh, and all the garments industry as well other industries are centralized in these cities. So whenever there are political problems or other social turbulence occur company faces interruption in production process that cost lots for the company as well.

So if the company can establish their own production building in some separate zone that will bring more sustainable competitive advantage for the company.

❖ Training for new employees

In order to reduce wastage and produce defect less high quality products, company should trainee their employees. Though the garment industry in Bangladesh has vast labour force, but most of them join in companies without any kind of training. As a result company has to spend times to trainee the new comers. So if Bando Apparels introduce some pre requirement for hiring new employee for example; working experience or certificate from training centres that will bring some advantage for the company. Similarly, trained employees are well known with safety measures and know the initiatives which needed to be take when any uncertain coincidence occurs.

❖ Working in collaboration with government

Government has the major responsibilities for forwarding industry growth. Working in collaboration with the national government will bring the future success for the company. There are some issues which have direct effect on company growth, but the company doesn't have any control over those issues, only government has the power to resolve them. Issues such as; high bank interest rate, infrastructure problems, social and political problems, reduction of export duties, developing local supply can only be handle by government to sustain industry competitiveness. Garments owners association BGMEA haven't been success yet to made government understand the importance of Bangladesh garment industry and how the industry success rate can change national economy (Primary Data). But it is high time for the company management working in collaboration with government to make the company more competitive.

8 Conclusion

The impartial of the study was to identify and explore competitive factors of Bando Apparels Ltd Bangladesh and describe the competitiveness of the company in the international market. However, this thesis paper also contains some important information about Bangladesh garment industry and description of competitiveness. Before analysing company competitiveness it was important to know the industry competitiveness and meaning of competitiveness. In this concerns Porter diamond theory of competitiveness is most appropriate. The research process revealed some of the facts that could be consider as the company competitive factor. The five force of porter diamond model and content of those factors has somehow relies on the company. And SWOT analysis grounded the external and internal competitive advantage of the company.

Research was mainly focused on succeeding and sustaining the competitive advantage of the company through the internal resources of that company. Therefore, from analysis of collected data of the company it could be comprehended that strength of the resources like raw materials, capacity and capability of production, infrastructure, organizational structure, quality, manpower etc are the main competitive factors .Some of the focal things example only cheap labour, quality products, low energy cost etc. are no more considered as the influencing factor of winning competitive advantage. If the company can sustain their internal resource and able to utilize them properly, company will remain competitive in the international market. Resource and capability not just only the direction for organizational strategy, but also are the key of company performance what generate advantage as well the main foundation of organization profit.

At the end suggestions were made based on the collected data. It could be concluded that it is just not having the adequate and quality of resource but also knowing the use of these resources and proper use of these resources effectively to generate essential result in productivity. Once this is done, that will certainly create competence for the company.

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Interviews:

General Manager: Mr Faisal Ahmed interviewed on (November 5th, 8th, 20th 2014)

Production manager of the company: Mr Kadir Hussain interviewed on

(November 10th 15th 19th)

Interview questions

- ❖ Interview questions to the Bando apparels general manager Md Faisol Ahmed.
 1. What is the business objective of Bando Apparels ltd?
 2. What are the major products types of the company?
 3. What kind of business structure and strategy been used by the company to achieve business objective?
 4. What are the assets of the company that makes the company competitive in international market?
Which asset is strongest?
 5. What unique resource you have either internal or external?
 6. What are the reasons behind the price competitiveness?
 7. What differentiates the company from the competitors?
 8. Do you have immensely talented people on your staff what kind of organizational structured used by the company?
 9. What unique resources do you have?
 10. Do you have a sustainable competitive advantage?
 11. Do you have adequate cash flow to sustain the competitive advantage of the company?
 12. Do you have sufficient profit levels?
 13. Who are the main buyers of the products?
 14. What are the internal weakness of the company that preventing company growth and achieving sustainable competitive advantage?
 15. What are the external threats and opportunities?
 16. According to you what should be improved and what are your suggestions regarding this?

❖ Interview questions to the Bando apparels production manager Mr. Kadir Hussain.

1. What is the production capacity of the company month/ year
2. Is the production department equipped well enough for high volume production?
3. Do you have enough skill production workers?
4. Are the capable of meet high demand?
5. What is the advantage of the company over competitors?
6. Can you please explain the quality control process?
7. What is the customer feedback about products quality?
8. Are they satisfied with the products?
9. How would you explain the customer loyalty?