

CANE (RATTAN) ENTERPRISES AS FAMILY BUSINESS IN BANGLADESH: A CASE STUDY

Mahbubul Alam¹
United Graduate School of Agricultural Science
Ehime University
Matsuyama, Japan

Yasushi Furukawa
Forest Management Laboratory
Faculty of Agriculture
Kochi University, Japan

Abstract

Cane (*Calamus spp*), also known as rattan, is an important non-timber forest product used extensively all over Bangladesh as a raw material for making furniture, handi-craft and other household articles. The study has attempted to generate information on existing state of cane based family business, identify problems, and recommend solutions. Structured questionnaire has been employed in the field survey. During survey it was found that about 80% enterprises are traditionally inherited to the entrepreneurs from forefathers. Family members contribute about 30% of the total labor force. Thousands of people are engaged in collecting, processing, manufacturing of cane and cane products in the study area. Running cane enterprises has become an important income generating business for poor people. SWOT analysis of cane based cottage enterprises as a whole indicates that the best level of strength is low labor cost while the availability of substitutes is the top-level threat to cane products. Recommendations to improve this sector include government supports in quality raw material procurement, financing and creating awareness among people to use extensively these environment friendly products.

Keywords: labor, raw material, production, marketing, SWOT analysis.

¹ Address for correspondence: Faculty of Agriculture, Kochi University, Monobe Otsu 200, Kochi 7838502, Japan. Email: malam.ku@gmail.com, Phone: +00818039208422

INTRODUCTION

Family business is the predominant form of enterprise (Gersick et al 1997) and comprises a very significant proportion of business throughout the world (CLR 2005). Chua et al (1999) defined family business as a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families. A number of family businesses in the form of small and medium enterprises (SMEs) are operating in Bangladesh. These SMEs, mainly based in rural areas, provide direct economic opportunities for the poor or the middle-income section of people through employment and income generation schemes throughout the countries. Bangladesh Small and Cottage Industries Corporation (BSCIC) conducted a survey in 1981, according to which there were 322,000 cottage industry units in Bangladesh engaged in producing 160 different types of goods (Banglapedia 2008). Prominent among the cottage industries are fruit processing, fish processing, molasses making, apiculture and honey processing, silk and silk goods, rope making, bag making, wooden toy making, boat making, and bamboo goods, stick making, musical instruments, agricultural implements, and timber sawing. Cane based enterprises are one of the most flourished business in the northeastern region of Bangladesh.

Canes (rattans) are mostly trailing or climbing palms (Anon, 1972; Krishnamurty, 1993 Moore, 1973; Gupta and Guleria, 1992) with characteristic scaly fruits, classified in *Calameae* of subfamily *Calamoideae* (Uhl and Dransfield, 1987) of the palm family *Arecaceae* (*Palmae*) (Anon, 1980). About 600 species of 13 genera are found in the tropical forest ecosystems of the world. Out of them, Bangladesh is a home of only two genera; *Calamus* and *Daemonorops*. Cane is one of the most important forest products after timber and bamboos (Alam, 1990). In Asia, the rattan furniture industry represents substantially more than 25 percent in value of all furniture industry output, and it is growing remarkably (UNIDO, 1983; ESCAP, 1991). In Bangladesh too, cane is one of the most important raw materials for cottage industries. Canes are used for making furniture frames, walking sticks, umbrella handles, baskets, handicrafts and various fancy articles. Today small-scale cane industries play an important role in developing socioeconomic condition of villagers and rural lives. Thousands of people are engaged in collecting, processing, manufacturing of cane and cane products in different parts of the country. On the other hand, well-processed, good quality cane products have great demand in foreign market (Choudhury, 1984; Anon, 1980 appearing in Azad, 2002). Hence, there is a great scope to earn foreign exchange and also to solve unemployment problem by cultivating cane and by producing cane products in our country. Despite high socio-economic importance, little attention has been paid by researchers to study different aspects of cane and cane based cottage industry in Bangladesh. Under such a context, efforts have been made to explore current situation including production, management, and marketing of rattan-based cottage industry in the northeastern region of Bangladesh.

MATERIALS AND METHODS

The study was conducted at Sylhet town situated in the northeastern region of Bangladesh. A semi-structured questionnaire was developed, having a combination of closed and open-ended questions, covering the socio-economic profiles of entrepreneurs and workers, production, and marketing information. Open-ended questions were used to seek entrepreneurs' perception of existing problems facing the family business and recommendations for overcoming those. Face-to-face interview were conducted subsequent visits were made where entrepreneurs were not available on the first visit. Other family members associated with the business were interviewed in the cases when the entrepreneur was not available. Weekly local markets of the raw rattan were also visited to accomplish required information from the buyer and seller.

RESULTS AND DISCUSSION

Demographic and socioeconomic characteristics of the entrepreneurs

Age of most of the entrepreneurs (40%) belonged to the age group 40 to 50 years (Table 1) and none of them belonged to age group below 20 years. About 55% entrepreneurs received secondary education (6 to 10 years of formal schooling) followed by 40% having primary education. Only 5% respondents received higher secondary education (>10 years of schooling) and nobody was illiterate. In fact, it is difficult or impossible to run a business like cane enterprise without having at least basic education. About 80% respondents informed that they were running family business that had been inherited from forefathers and rest of the entrepreneurs started the business in the study area by themselves.

Table 1 Demographic and socioeconomic characteristics of entrepreneurs.

Characteristics	Percentage
<i>Ownership type</i>	
Self initiated	20
Family tradition (inherited)	80
<i>Age (years)</i>	
<20	0
20 to 30	10
30 to 40	35
40 to 50	40
>50	15
<i>Education (years of schooling)</i>	
Illiterate	0
1 to 5	40
6 to 10	55
> 10	5

Employment and labor

Labor size varies from industry to industry depending on the size and scale of production capacity and from season to season. During high production season (October – December), maximum labors work in these industries, because raw materials are available at this time and drying, processing, marketing of cane products are done mainly in this season (Sharma and Choudhary, 1987). Labor size of enterprises of the study area was found to vary from less than 2 to greater than 7 with the highest percentage (45%) having 3 to 4 labor followed by 5 to 7 labor in 35% enterprises. About 70% labor was hired and the rest was family members engaged as employee. Total number of males (85%) clearly dominated over total number of female (15%) labor in the study area. Skill and extent of experience were the determinants of monthly payments of the employees. Fifty percent of the labor was skilled and had experience to some extent in cane production, where as the rest were both semiskilled (30%) and unskilled (20%).

Table 2. Labor characteristics of cane enterprises.

Labor characteristics	Percentage
<i>Labor size</i>	
<3	5
3-4	45
5-7	35
>7	15
<i>Labor type</i>	
Family	30
Hired	70
<i>Gender</i>	
Male	85
Female	15
<i>Skillness</i>	
Unskilled	20
Semi-skilled	30
Skilled	50

Family implications of the business

According to Three-Circle Model (Gersick et al 1997), family business is described as three independent but overlapping subsystems: family, business and ownership. Any individual in a family business can be placed in one of the seven sectors that are formed by overlapping the subsystems. For example, all owners (partners or shareholders), and only owners, will be somewhere within the top circle (Figure 1). Simi-

larly, all family members are somewhere in the bottom left circle and all employees, in the bottom right. A shareholder, who is not a family member and not an employee, belongs in sector 2-inside the ownership circle, but outside the others. A family member who is neither an owner nor an employee will be in sector 1. For the cane business enterprises of Bangladesh, about 80% entrepreneurs belong to the sector 7 (figure 1) meaning that they are family members and owning the business. The rest of the entrepreneurs belong to the sector 5 meaning that they are owners but do not run the enterprises as a family business. In case of the labor, 70% are hired from outside and so belong to the sector 3. About 20% labor belongs to the sector 6 meaning that this labor force comes from the family members, but do not have any share in the business. The rest 10% labor force, belonging to the sector 7, is family member of that particular family business, has ownership and contributes labor in the enterprises.

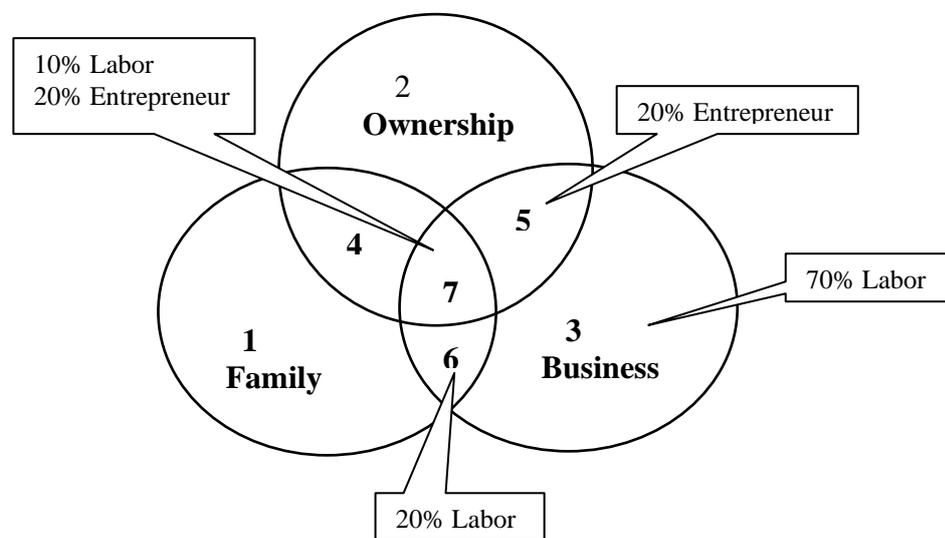


Figure 1: Three-Circle model of family business

Procurement of raw materials

Among various species of cane, Golla (*Daemonorops jenkisianus*) is used in largest numbers; other species include Jali (*Calamus tenuis*), Karak (*Calamus latifolius*) and Sundhi (*Calamus guruba*). Golla and Karak are used for structuring mainframe of products whereas others are used as binding materials, in designing – mainly creating *beni* (weaving) and *chati* (matting) required in the production process. Some enterprise owners also use bamboo and patipata (*Schumannianthus dichotoma*) in small quantity as raw material mixed with cane. Now-a-days, synthetic binding materials are also used in the cane enterprises since these last longer and cheaper in price.

Raw materials are procured from local, regional and international sources. The major market channels for the raw materials from all sources are shown in Figure 2. The international sources of cane include India, Indonesia, Myanmar and Singapore.

Regional sources include Chittagong, Sunamgonj and Teknaf where as locally raw materials are procured from government forests and private sources and also from the reed growing areas of greater Sylhet region.

The private sources of raw cane include the marshy areas of Sylhet where cane grows naturally. Swamp forest of Sylhet region is the home ground for naturally grown cane. Reed lands of Gowainghat, Jaintapur, Companigonj, Jakigonj and Jaflong areas are rich in cane. The local cane market in the greater Sylhet region exists at Ghassitula, Sunamgong, Haripur bazaar, Baralekha, Srimangal and Salutikor. The traders procure the raw material through local collectors, which are then transported to Sylhet city and then distributed to various cane based enterprises across the study area.

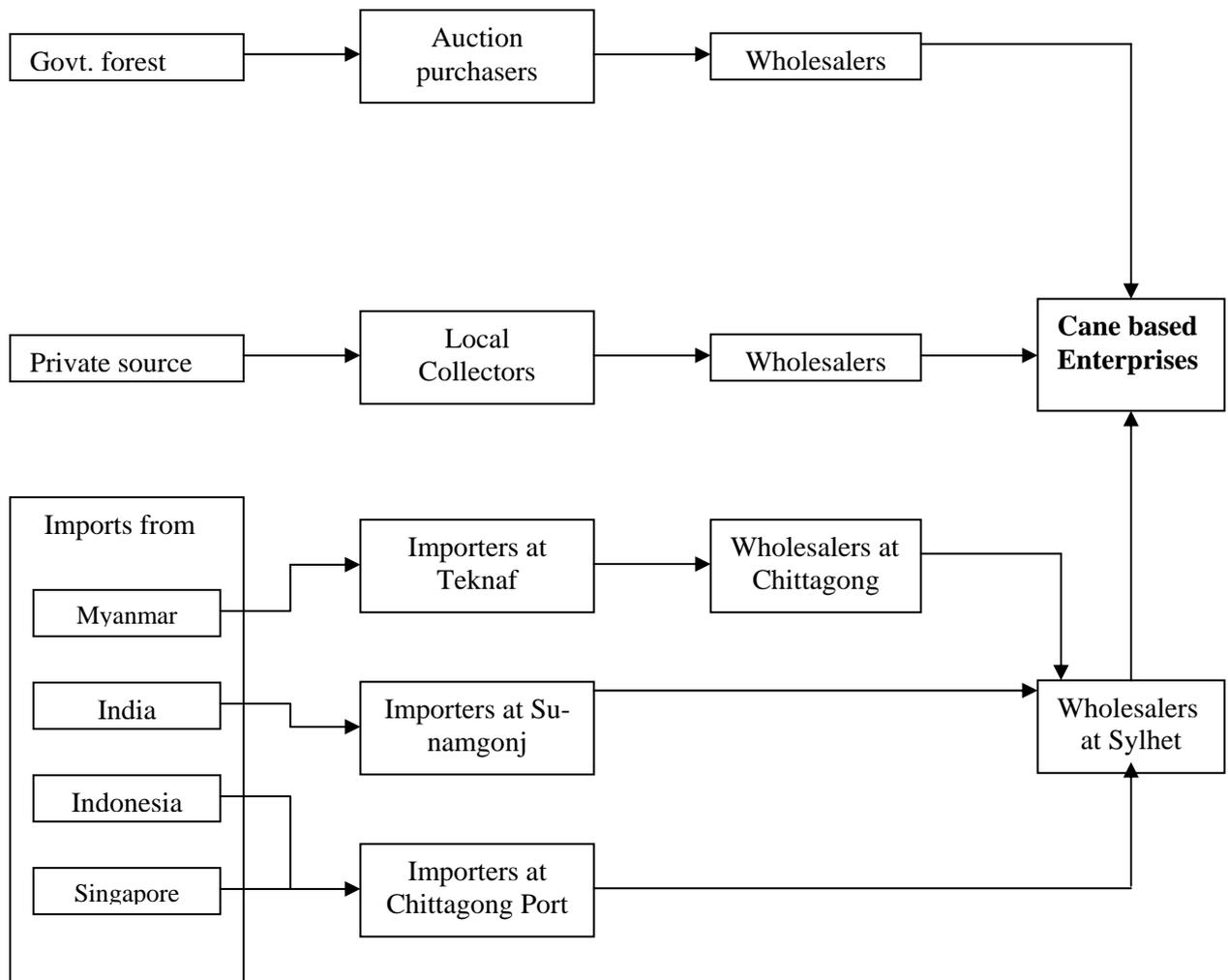


Figure 2. Market channel for the raw materials of cane based enterprises.

Production and marketing

Production of articles in the cane enterprises of all kinds and size include various furniture and household articles of daily use and novelties. Most common outputs are sofa set, dinning set, bed set, chairs, tables, divan, cradle, shelf and lamp stand. The price of the cane products varies from enterprise to enterprise and depends on number of labor involved, labor wage, cost of raw materials, cost of transportation, visual at-

traction and quality of products (Chaudhury, 1984; Mehta, 1981). A broad range of production cost, selling price and net average profit of different articles is given in Table 3. It shows that Production cost of a large size sofa set is about US\$ 124 to 218 and net average profit is US\$ 36. Chairs of different types and sizes are also produced at different costs (starting from US\$ 17) and sold at a margin of about US\$ 5. Other articles are sold at average profit margin of US\$ 4-10.

Table 3. Production cost, selling price and net profit of different cane products.

Articles	Production cost (US\$) ²	Average selling price per article (US\$)	Net average profit per article (US\$)
Sofa set	124-218	146-262	36
Dining set	11-17	14-15	3
Bed set	30-80	50-109	30
Arm chair	17-30	20-32	8
Rocking chair	26-43	30-45	10
Easy chair	30-42	32-45	6
Tea table	3-4	3.5-5	1.5
Book shelf	15-43	18-45	5
Dressing table	72-116	90-150	3
Divan	65-72	88-102	10
Cradle	21	25	4
Glass frame	3-15	4-18	8
Lamp stand	4-7	6-10	3
Magazine rack	3-4	3.5-5	1
Corner shelf	10-22	12-30	10

Both production and selling is done at the same place but larger enterprises have their own outlets in different market place of the city. Almost all enterprises produce their products on order basis from customers. Larger enterprises get production orders from different parts of the country and even from abroad. In terms of product demand winter is better since, tourists come from all around and thus the market demand is increased manifold. During these days the enterprises employ more labor force to meet the increased demand of products.

SWOT analysis

SWOT analysis of cane based cottage industry sector (Table 4) in the study area shows that the highest level of strength is low labor cost. Considering the present unemployment situation of the country it is easily understood why labor cost is low. Next to it is the innovativeness of the entrepreneurs and the employees. They easily understand customer satisfaction and design new articles in new style accordingly. Weakness remains in the lack of finance and institutional support. Sometimes the owners cannot expand their business because of lack in capital. Moreover, there is always addition of technologies in different stages of production of cane products in the world. But the entrepreneurs are not exposed to state-of-the-art technologies required to improve their production. Lack of proper marketing facility is also an im-

2 1 US\$ = Tk. 68.5 (as of December 2008)

pediment to expansion of this industry. Availability of substitutes is top-level threat to cane products. Substitutes like plastic furniture are sold comparatively in lower cost; as a result, many customers move towards those of cheap articles. Other threats include lack in consistent raw material supply, higher raw material collection and processing price and increasing utility payments.

Table 4 SWOT analysis of cane based cottage industry in Bangladesh.

Strength	Weakness	Opportunity	Threat
-Low labor cost	-Lack of finance	-Training	-Substitutes
-Skillness of labor	-Lack of institutional support	-Market development	-Supply of raw materials
-Innovativeness	-Managerial capacity	-Improved technology	-Raw material price
-Uniqueness	-Marketing	-Research	-Utility payment
-Environment friendly	-Technology		

CONCLUSION

Cane based cottage industry as family business can play a crucial role in the socio-economic upliftment of rural as well as urban poor. The industry has a number of desirable attributes of appropriateness in the context of prevailing socioeconomic conditions of the country. But because of various constraints, this industry is not flourishing at a desired pace. Moreover, cheap substitutes are threatening its growth at an increasing rate. In addition, the industry has been suffering from a number of problems: financial, instability of market demand, a decline in the availability of quality raw materials, lack of skill and managerial capability and technological backwardness. If these obstacles are addressed, cane based cottage industry will definitely find deserved position. The following recommendations can be made to improve the cane industry sector in Bangladesh in general, and in the study area in particular:

- i. The government agencies (i.e. Forest Department) should ensure sustainable supply of quality raw material by raising cane plantation.
- ii. Government can establish separate institute to carry research, training for the workers on various aspects of product development and marketing, including the improved processing technology.
- iii. Financial and marketing support should be ensured both by government and by private sectors. Fund allocation in favor of artisans engaged in cane industries can be increased. Mechanism can be developed to finance the entrepreneurs, especially in financially hard situations.
- iv. Awareness should be created among the people in favor of cane-based cottage industry and their products. In this case mass media can play prime role. Bangladesh Small and Cottage Industries Corporation (BSCIC) and other organization can arrange trade fairs for these products throughout the country to help develop and expand a local market.

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