

Chapter : 13

Entrepreneurial Cases

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13.1 Ali Brothers

Haider Ali a pious man died at the age of thirty leaving two sons- Shubid Ali [5] referred to as SA and Khurshid Ali [3] referred as KA in the current case hereafter. Mrs. Haider was the only issue of her parents who were reasonably rich with 100 acres of fertile lands and two shops in a Gonj. Her father & other relations persuaded her seriously for a second time marriage. Though was young she refused the same and devoted herself in rearing up the two kids. The kids had religious education first and schooling afterwards under the close guidance of their mother and a caring tutor. SA passed S. S. C. in first division and in that year their maternal grand father died which caused SA discontinue his studies. SA insisted his youngster to continue his studies. Thus KA could pass both SSC and H. S. C. They had a distant relation in the Gonj. He was an important business person and was widely respected in the society. This person advised Ali Brothers to engage themselves in business in the two shops inherited by them. Half of the lands were sold to raise initial capital which were given to the Alis in equal amounts. They were directed to keep proper accounts of the two shops separately. And were told that they need not spend any business earnings for the joint family which would depend on land income alone.

Of the two brothers SA was more pious and business centered while KA was very social and club minded. Three years after KA's capital increased by five times and got involved in local leadership and was elected to Union membership. At the same time SA's capital increased by only three times and he was married to a 8th standard pass girl of a school teacher. KA on the other hand married a graduate who was the only daughter of dried land lord. At the advice of one of the KA's wife's relation who was a banker he sold his shop and managed a bank loan to start a textile of 250 looms. All his money and the bank loan of Tk.. 20 lacs was invested in the plant. The required machinery were procured from India on a soft credit. It took 2 years while KA started the factory. He got the son of the relation who helped him securing the bank loan as the manager of the factory. The manager was a graduate and

smart enough to manage the whole show. Initially KA was charmed at his performance and heavily dependent on him. Three years after KA's Textile was making profit but he got involved in Federation politics. In the process KA developed club culture. He used to regularly visit close-clubs [the corner for special enjoyments] accompanying his wife who got interested in a friend of KA. KA's wife became disinterested in her husband and there were quarrels for minor matters as a regular feature. KA once got tempered and scolded her for which she left the house. At this for a mediation KA used his manager who happened to be her cousin. Manager succeeded not to bring her back to KA's house but for himself. She then finally left KA's house to marry their manager. Once in the manager's office KA became unusually angry and asked him not to come to his office any more. This irritated the manager who afterwards used means for a revenge and thus KA turned crippled permanently. KA was thrown out of the industry and had to go back to his village at the shelter of SA.

SA slowly made money and started a brick field. He was blessed with four sons and a daughter. They all are graduates who take good care of both their father and uncle.

As a student of Entrepreneurship & Small Business, analyse the case to find out the qualities to aspire for a successful entrepreneur and things to guard against to protect a almost sure downfall.

13.2 Wasima

Wasima, widow of late Alhaj Abdullah received Tk. 3,50,000 from the employer of her husband in the month following the death of her husband. She is without any children and of the money received she kept with her Tk. 50,000 and the remaining money was given to her brother to increase through investment. Her brother Mr. Abed Ali [AA] promised to return the money whenever his sister ask for that along with the profit earned. Meanwhile, AA spent Tk. 1,00,000 to send one of his three son, who was lucky to get an American DV-1 visa. AA started a business of a grocery shop in his locality. He employed two of his poor relations to work as sales assistants who proved to be honest but irregular. This has irritated him. He then replaced both of them which has caused dissatisfaction among lot of AA's relations. They were speaking ill of him, may be true or false. But this made many good customers leave AA's shop. All on a sudden a theft was committed in his shop and substantial trading goods were stolen. AA faced serious setback and was desperately trying to recover but failed.

In the 3rd year of the money lent to her brother, Wasima became seriously ill and the doctor advised her to immediately sending her to India for a good treatment. Wasima requested her brother to arrange money but AA failed to get any money from his son or from other sources in spite of his sincerest best searching. He then wanted to sell his agricultural land but there were no such party with so big an amount to buy the land. At last, AA in spite of his best efforts could not arrange the required amount of money to send his sister, who, therefore, died almost without any meaningful treatment.

As a student of Entrepreneurship & Small Business, analyse the case to locate the causes responsible for the miseries and advise the appropriate decisions that should have been taken in order to avoid such possible unwelcome situation.

13.3 Lilla Billa

Lilla Billa [LB] is the owner of a small locality shop. He started the shop selling the small amount of gold that his wife got at the time of their marriage. Three-fourth of the money was used to erect the shop and the furniture required for keeping the goods & materials that are being sold in the shop. LB was very laborious & honest. The suppliers gradually found him dependable and was giving him increasing amount of goods on credit. He never failed to keep his words given to the suppliers.

Because of hard labour & increasing credit facilities his shop size in the volume of business increased by five times. His daily cash transactions estimated to several hundred. He used to keep the money either at home or in the cash box lying in the shop till the week end when he takes the same to the wholesale market for making the payments to the suppliers of goods on credit. Every week end while going to the market he used to find lesser amount of money than what was likely to be there. His school going sons and the shop assistant were often doubted but no appropriate actions were taken to stop the offence. Besides, once he was going to the wholesale market with Tk. 13,000/ which was robbed of causing no physical injury to him. LB was poor at maintaining proper accounts and was happy to see the cash movements. His school going boy used to make some kind of records from which no systematic accounting was possible.

As a student of Entrepreneurship & Small Business, analyse the case and advice LB for a better entrepreneurial behavior.

13.4 Hanufa

Hanufa had been working as a maid servant in the house of a radio artist, Roosa who at their 7th marriage day gave their children, brothers & sisters and in-laws one token gift of Tk. 100 Prize Bond each. He was kind enough to give a Prize Bond of Tk.100 only to Hanufa who at the year end got a prize of Tk. 50,000 while all others got nothing. Roosa is an honest master who in her name opened a savings account and kept the money there. After three years Hanufa took all the money from the bank and started a restaurant in her village bazar. She herself used to prepare tea & other items to be served. In two years time she made handsome amount of profit. Observing her good days the owner of a brickfield- Torab Ali made her an equal partner. The brickfield was far off from the area in which Hanufa's restaurant was located. She visited the field once or twice a year. Torab Ali was giving her some cash every year in the name of profit. At every Eid or social occasions, Hanufa used to give gifts to her relations besides buying some land for her. Whenever her relations fell in difficulty they would take money from her in the name of loan but never returned. After three years, Torab Ali stopped contacting her and no money as profit was paid to her. She of her own saw Torab Ali who intimated her that all the money due to her were paid to her by installments. And he refused to admit her as his partner. She was very much upset and asked for the remedy but failed as there was no agreement signed & registered at the time she gave money in the name of partnership. At this, she lost all her trust and stopped taking required care of her restaurant as well which was sold to village tout at half of the market price.

As a student of Entrepreneurship & Small Business, analyse the case to locate the causes responsible for the miseries and advise the appropriate decisions that should have been taken in order to avoid such possible unwelcome situation.

13.5 Sagir's Jams and Jellies, Inc. Factory Layout

When Sagir Raza started making jams and jellies in the kitchen of his home to sell to the public, he never expected that his products would be in such a great demand. His success forced him to find larger and larger facilities to produce his excellent products. After 8 years he was determined to find a factory building that would make his production more efficient. The problems he currently faced included much cross handling of raw materials, inadequate storage space, poor loading and unloading areas, and inability to use conveyor belts or horizontal escalators in the manufacturing process. He

knew that his labor cost was higher than that of his competitors because of the inefficiency of his factory operations.

He found an available building that he believed would be ideal for his operations. The building was 150 by 250 feet and had a railroad sidetrack on the north side. It was set back 100 feet from the south side of a busy industrial street. On the east, it reached to within 6 feet of a side street. On the west the property had open ground space of 200 feet by 250 feet. The north, west, and south sides of the building had a 10-foot loading platform covered with a roof that reached 4 feet beyond the platform. Ceilings in the building were 40 feet high, and sliding partitions reached across the entire floor space from east to west at 50-foot intervals. Some doors were in those partitions, and others could be added.

His manufacturing operations consisted of eight steps: cooking the fruit, cooling it, adding sugar and other ingredients, filling the jars, packing the cases, storing the finished cases, and getting shipments out to buyers. The labeling of jars was done by machine on the production line, and the printing on the cases was done before purchase. Most of the fruit, sugar, and other materials were received in carload or truckload lots. Trucks could enter the loading platform area on the three sides of the building with loading docks. The jams and jellies were cooked in 100-gallon steel drums, which had to be moved from the gas stoves in the process of adding other ingredients to the fruit. Each operation required a maximum of 50 feet of operation area in width and varied in length down the line from 25 to 30 feet.

Sagir was satisfied that he could easily meet his production schedule of 600 cases of jam per day and still have space to expand if his demand continued to grow.

1. Make a layout for the factory. Design it for highest efficiency and flow, and consider inflow of raw materials and outflow of finished products.
2. Where would the storage areas best be located? The shipping area or areas?
3. What would be the best method to move the 100-gallon steel drums filled with hot cooked fruit? Would an overhead crane be a good idea?

13.6 Saibal Mogh 's Famous Shoe Store

Famous Shoe Store was a prosperous retail business in a populous area of Mogh Bazar of the Dhaka Metropolitan city. It sold both man's and women's shoes. Saibal Mogh [SM], the owner, prided himself on the capabilities of his six salespersons, many of whom had been with him for several years. The three female and three male salespersons averaged 34 years of age, did not belong to the union, and often gave extra time to their work without extra pay when busy periods occurred. Mogh instituted a profit-sharing plan, which was based on the earnings for the year and distributed at Christmas.

In June, he was forced to replace one of the salespeople, who moved to another city to open his own store. Mogh hired Giri Chakma, who had just been graduated from the local community college. Chakama was clean-cut, 23 years old, had some previous selling experience, and appeared very personable. He was interviewed by the other five salespeople, as well as by Mogh, before he was employed. All gave their approval.

Within 2 weeks Mogh started receiving complaints from the other salespeople about Chakma's over aggressive tactics on the sales floor, especially when Mogh was not around. Young Chakma rudely interrupted the others when they were making sales or considering choices of shoes with customers. He offered his positive opinions to the point that customers resented them. He sometimes took customers away from the other staff members. His favorite comment to the others was "Stick with me," "Some day I will own this store." He interrupted the person assigned to balance the cash register at closing

time. He interrupted the person assigned to balance the cash register at closing time. He insisted that he could improve the established procedures because "After all, I've been to college."

At first, the other salespeople tried to make kind suggestions to Chakma, but they failed to change his method of operation. When Mogh first became aware of the situation, he talked to Chakma. He pointed out that Chakma's sales record was good but that customers complaints and the complaints of his fellow salespeople had to stop. Chakma said he would try to change his behavior. Mogh felt particularly concerned about this situation because Chakma's father was a personal friend and a fellow card player at the local country club. As a result, he put off any final disciplinary action as long as possible.

In December Mogh received a memorandum signed by the five senior staff members. It indicated that unless this aggravating situation was corrected immediately, they would not attend the Christmas party and would look for other jobs because they all planned to resign as of January 1. They also said that they would like an opportunity to have a full staff meeting to air their grievances. Mogh knew he could no longer postpone action. He decided, in view of the total situation and his friendship with Chakma's father, that he would have the requested meeting with the entire staff.

1. If you were Mr. Mogh, how would you conduct the meeting?
2. What would your "purpose" be for the meeting?
3. Would you talk to employees individually first?
4. Would you consider firing young Chakma? Since he was a good salesperson, would you keep him and let the other salespeople resign?

13.7 Bahadur and Rita Start or Buy a Firm

Bahadur and Rita were childhood sweethearts who married after they were graduated from high school. Jobs were scarce in their hometown, so they opened a small restaurant of their own "on a shoestring." They were such a good team that they prospered from the beginning. As their finances improved, despite their raising four children, they turned their thoughts to their lifetime desire to move to Rangamati. When a chain offered them Tk. 5,00,000 for their restaurant, they decided the time had come to move Cox'sbazar. They settled in a beautiful, large city called Chittagong and immediately set about finding the location for a new restaurant.

They found an attractive suburban location and proceeded to plan the financing necessary to get underway. The building they planned to rent was new, and no equipment of any kind was available from the landlord. With careful planning they determined that they could equip the place and start business with a minimum investment of Tk. 2,00,000. The market survey suggested a profit of Tk. 1,00,000 per year.

Rita came home from shopping a short time later and reported to Bahadur that she had found a For Sale sign on "that cute little restaurant" they had visited some time before. She visited the owner and found that the business could be purchased for Tk. 1,75,000. The owner even showed her his bank deposits and income tax returns to prove that he had averaged between Tk. 90,000 and Tk. 1,30,000 net profits each year for the past 10 years. His desire to sell was explained as a wish to retire.

The ensuing discussion between Bahadur and Rita was the most bitter of their entire married life. Bahadur bemoaned the disadvantages of buying an established business and praised the advantages of starting a new firm in the fine location they had found. Rita insisted they buy the restaurant that had

been established for years and was a proven moneymaker. She cautioned Bahadur about the additional risks undertaken in starting a new firm.

1. Can you help Rita and Bahadur resolve the dispute?
2. What specific factors should enter into their decision?

13.8 Kennedy

President John F. Kennedy has been considered by historians to be one of the most charismatic and effective leaders in the American history. He was born into a very rich, highly disciplined and a closely knit family. His father was not only an industrial tycoon but also highly politically influential so that at one time, he served as the U.S. Ambassador to England, so that John Kennedy came from a family of highly placed socio-economic status.

When he ran for the presidency of the United States, odds were stacked high against him. If elected, he would be the first Catholic in that high office and perhaps the youngest president ever. Even though he had been a senator for sometime, he was not as well known nationally. As one commentator remarked at the time "Don't send a boy to do a man's job," his leadership quality had not yet been tested. As it turned out, during his brief period of presidency, he was instrumental in passage of many laws to protect human and civil rights. His handling of Cuban crisis in October 1962 established him as one of the great leaders on modern times. His personality, his boyish charm, his personal charisma, his sense of humor, his political acumen, his sociability, his grasp of world affairs all made him a leader to remember.

Behaviour is considered to be a function of personality and environment so that some of the characteristics exhibited by successful leaders are genetic by nature and others are formed by environmental factors including value systems for the immediate family. Based upon the information provided, answer the following questions:

1. What are the traits of President Kennedy that you consider as inherited? Explain why traits could not have been acquired later.
2. What parts these inherited traits played in making him a leader? Is it possible that he may not have been the leader in spite of all these traits?
3. What are some of the traits that he learned from his environment? Are these learned traits exclusive to a particular kind of environment such as rich family or better education? Support your reasons.
4. Keeping the traits aside, how much his "desire" to become a leader helped him in becoming a leader? What is the role of this "Desire" and "willingness" in shaping a persons' behavioural patterns?

13.9 Rangana

Dr. Rangana comes from a very highly placed family of South India. His father was a Major General in the armed forces and his mother, though a educated housewife, was very ambitious and aggressive in teaching her children the value of success, competition and achievement. All the five children in the family are very well settled in various fields.

Dr. Ranga, he second son and the third child in the family was specially loved and attended to by the mother because he was exceptionally bright and from a very early age expressed his desire to become a

doctor. He went to the best convent school, was very good in sports and graduated with high honors. He was accepted in one of the finest medical schools in India and completed his MBBS degree in 5 years, specializing in neurosurgery.

After spending two years in medical residency in a hospital in India, he came to America in 1974 and started working in a hospital. He was very diligent, hardworking and became known as one of the best neurosurgeons in the hospital by 1980. In the meantime, he went to India in 1976, got married and had one daughter. He was making very good money and was considered as one of the most successful and affluent Indian doctors in the Indian social circles.

In 1984, one of Dr. Ranga's old friends from India, Dr. Singh who had also settled in America visited an Indian restaurant for dinner. He was most surprised to see Dr. Ranga sitting lotus style on the floor playing an Indian musical instrument known as Sitar. His total income from playing the instrument for the guests including tips came to less than \$100 for the day. Dr. Singh greeted Dr. Ranga with affection but wanted to know what was going on. The conversation went something like this:

Dr. Singh: Dr. Ranga! My God! What a surprise? I have not seen you for ages. I heard you are working in the hospital as a neurosurgeon. And I assume you are playing the Sitar just as a hobby.

Dr. Ranga: No. Dr. Singh. I am not playing the Sitar as a hobby. I am playing it as a profession. I have always liked music and it gives me a lot of peace of mind. My needs are limited and I make enough money of satisfy these needs.

Dr. Singh: But Dr. Ranga, you spent a lifetime in being a doctor – a very good neurosurgeon – with unlimited money potential. You could afford the most beautiful house, the best car and anything else you wanted. Everybody wants the best in materialistic possessions. They are the best motivators to work harder, achieve more in your professional life and be successful. I feel bad that you have to give up all that.

Dr. Ranga: But I have achieved all I wanted to achieve. I made a lot of money and have everything material that I need. These material things are no longer motivators to me. Now I want to know myself. I want to understand the purpose of life. I want to be happy. And I am happy. I am what I want to be and I do what makes me happy. Isn't happiness the ultimate goal in life anyway?

Dr. Singh: Well you are right on that point and I wish you the best of luck.

Questions

1. What has Dr. Ranga lost in giving up his hospital job and medical practice and what has he gained instead?
2. How does Maslow model of motivation explain and justify his behaviour?
3. What do you think might have prompted Dr Ranga to change his entire outlook on life? Knowing what you, do you think his change in behaviour was a gradual process building within him or is it possible that some sort of crisis situation suddenly affected this change?
4. How does McClelland's theory of needs fit in with this situation where McClelland's theory of needs fit in with this situation where McClelland theory emphasizes achievement, power and affiliation as the primary motivators in an organizational setting?
5. Do you think that the fact that Dr. Ranga is from India where cultural values emphasize harmony with God and that a man's life is predestined, as compared to American values of individualized achievement and the belief that the man is the architect of his own fortune, his something to do with his decision to change his life style and behaviour?

13.10 Walton

One of the most successful discount department stores in America is known as Wal-Mart stores and is named after its founder Sam Walton. Because of the phenomenal success of these Stores, Sam Walton became the richest man in America. Also, because of his leadership, the stores have enjoyed continuous growth and expansion, so that by mid 1980s, the chain had over 700 stores and increasing at the rate of an additional 100 stores per year. Its sales increased annually by over 35% per year and the profits have soared close to 40% per year every year since 1975.

Sam Walton, until he died in 1992, took personal interest in his employees. His managerial philosophy was to get the right people in the right places and then give them the freedom to be innovative to accomplish their tasks. He called his employees as associates and treated them as associates. As per company policy, all associates are eligible for profit sharing plans which motivates the employees further. The managers of the stores are required and encouraged to meet with their employees in a social stores are required and encouraged to meet with their employees in a social setting to discuss their concerns as well as issues of organizational interest, and this makes the employees feel that their input is taken seriously by the management.

Sam Walton himself led a simple life. He did not exhibit any aura about himself, giving the employees a feeling that he was one of them. He and his executives regularly traveled in a company owned planes to visit Wal-mart stores situated at various sites across the country. He met with sales clerks stock boys and sales managers to find out what items were popular. He knew most of them by their first names and addressed them so. He initiated "employee of the month" in all categories and created honor roles for more successful stores. This created inner competition requiring extra effort to improve sales and service. This policy gained high respect for him as a leader.

The administration of the organization is very cost conscious. It only spends about 2% of sales for general administrative expenses. It shops for suppliers at bargain prices all around the world and has built giant warehouses around the country in such a manner so that most stores are within six hours of driving distance from a warehouse. This helps in better delivery system and reduced inventories at retail stores. Each store prepares a monthly financial report which can be studied line by line to look for ways to reduce costs further. These cost savings are passed on to the customers and this in turn generates customer loyalty. Wal-Mart slogan of "Quality you need, prices you want" has become a generic organizational statement.

Wal-Mart with more than 2000 stores at present is faced with tough competition from a similar chain of discount stores known as K-Mart. However, Sam Walton did not worry about the competition because he felt that his people oriented philosophy of operations and cost cutting efforts without diluting the quality of the merchandise would always meet the competition head-on.

Questions

1. What are the major reasons for the company's phenomenal success? Explain those reasons in detail.
2. How would you describe Sam Walton as an effective leader? What leadership theory is consistent with his leadership style?
3. How important it is for a leader to mix with the employees? How does this leadership style of "being one of the boys" affect the motivation of the employees?
4. What factors, other than the leadership style contributed towards the survival and the growth of the organization? Support your reasons.

13.11 Garibullah's Grocery Store

Mr. Garibullah assumed operation of the store in January, and was immediately struck by the fact that he knew very little about the grocery business, and had a great deal to learn. He delayed a decision to quit his job with the Employment Exchange, and continued to work there for three months after the opening of his store. While he was absent from the store, he left a variety of family members and trusted people in charge, none of whom knew much about the grocery business. In addition, he employed several young blacks as delivery and stock clerks, but gave them little or no training or guidance. Garibullah decided that the credit business was too risky for him, and eliminated the granting of credit except to personal friends and family. He successfully collected around 60 percent of the accounts receivable, but was unable to collect the remainder as the customers avoided his store and him when the grapevine reported his action with regard to credit.

Visits to the store by consultants from the university based training and consultative center were fruitless since Garibullah could not be found there. When he was there, the consultant, in attempting to work with him, found him at first quite confident and totally unreceptive to suggestions. Later, when Garibullah realized that he was heading into trouble, he rejected assistance on the basis that it was not there when he needed it.

For the first two months of operation, Garibullah's Grocery Store showed a net profit. Garibullah purchased a new pick-up truck for deliveries, and a new automobile for his own use. As profits declined, Garibullah's Behavior changed drastically. Initially, he had worn a shirt and tie to the store, and attempted to keep himself, his employees, and his store neat and clean. After three months, he was seen in the store with a dirty sport shirt, out at the waist, and his employees and store reflected his attitude.

One of the consultants stated, in a report filed on March 19, the following problems:

1. Severe labor problems, with high turnover and loose supervision.
2. Periodic lack of adult supervision.
3. Unbusiness like behavior, i.e., yelling across the store at employees.
4. Stock on shelves low or out.
5. General atmosphere of store strained and tense.
6. Ordering procedures spotty, and major items out of stock on Monday.
7. Employees sullen or non-responsive to customers.

When the consultant made suggestions for rectifying these problems, Garibullah replied, "I can handle it," but took no action.

Another action taken by Garibullah was to advertise in the university student newspaper and via handbills that students would be granted a 10 percent discount on steaks and other selected items. He made no such offer to his regular customers, who were low income public housing residents. He realized losses in his red meat department as a result of failure to attract steak-buying students, and further antagonized his customers.

Questions for Discussion

1. Evaluate the way Mr. Garibullah managed his store. What does this tell you about the need for managerial abilities for small businessmen?
2. What does the case illustrate about the performance of the management functions?
3. Explain Mr. Garibullah's unwillingness to accept help from the consultants.
4. What would you have suggested to him about correcting the problems described in the March 19 report?

13.12 Sagir's Lawn Mowers- A Strategic Plan

Sagir Khan has lived in Narshingdi all his life, and he loves the old home town. Monohardi, Baburhat and Belabo each has only few thousand people plus the few farmers who lived in the area, but it has charm, and the people have always treated Narshingdi okay with a population size of about half a million. Now Sagir thinks he has a chance to put together a business of his own, without moving out of the area. He has noticed that people are always complaining about having to drive to Dhaka to buy their lawn mowers, chain saws, and garden tractors. May be he could start a business to sell those items. He could see the sign now, "Sagir's Lawn Mowers." The more he's thought about it the more excited he's become. If only he knew how to start up a business. He has no idea where to begin. May be he should just rent old Garment's vacant building on Tik Tik street. Its only a few blocks from down- town and he probably could get it cheap, because it's been empty a long time. What would Sagir need in the way of products ? Should he become a dealer for a major company or an independent selling several brands? How much money would it take to put the business together? And how about customers , is the market there? Sagir certainly has a lot to think about.

1. Does Sagir have a good strategic plan? What kind of planning should he do?
2. Would you suggest to Sagir that he should go ahead with his plans? Why or why not?
3. What planning steps should Sagir consider? What will he gain from this exercise?

13.13 Sagar Chowdhury 's Dilemma-To Buy or Not to Buy

Sagar Chowdhury has decided that he has worked for someone else long enough. For the past 4 years, he has been taking business classes at the local Private College and attending seminars offered by the Bangladesh Small & Cottage Industries Corporation [BSCIC]. He and his wife, Jesmin, have been saving several hundred takas each month and they now have Tk.. 1,50,000 in savings.

The Chowdhurys have been investigating buying one of the small, neighborhood Offset Press which are for sale in the greater Mirpur area. These convenience stores are each independently owned and operated, and most have been in business for several years. The Chowdhurys have found two operations they like. Here are the facts:

	Offset Press A Tk. in '000'	Offset Press B Tk.. in '000'
Service revenues (average for 5 years)	850	1000
Cost of the materials used	600	750
Operating expenses (including owner's salary)	170	180
Net profit	80	70

1. Calculate the value of each store using the capitalized-earnings method of determining value. Assume a 15% CAP rate. Since these types of stores are considered to be high risk, refigure the value using a 25% CAP rate.
2. The depreciated value of the store fixtures has a value of only Tk.. 40,000 for Offset Press A and Tk..50,000 for Offset Press B. Inventory on hand in Offset Press A is worth Tk.. 72,000 and in Offset Press B is worth Tk..80,000. What would the replacement cost be for each Press?
3. The selling price for either Offset Press is Tk.. 2,00,000. Would you recommend the purchase of either Offset Press? Why or why not?

13.14 Tota Chickens- Franchise Negotiation

Mr. Raza Hassan did not really enjoy himself at his company's convention in Chittagong. He went to the meetings and to most of the social events at the hotel, but he really felt out of place. Since his thirty-fifth birthday last year, Raza had started to think he was on a treadmill going no where. Raza was dissatisfied most with his district manager and the way he treated people. He made Raza feel inadequate even he had done a good job. Then, in Chittagong, the company announced that they were cutting Raza's territory, and he knew he would have to work twice as hard to keep his income level with last year. Raza was so depressed that he skipped the awards banquet and wandered around the New Quarter. After several hours, he decided he was hungry. Just off Lion Street he found the Tota Chickens Cafe. He really enjoyed his meal with all its new Tota flavors in spite of his mood.

As he paid his bill, Raza picked up a brochure about the Cafe. Back in his hotel room, he took time to read it. When he came to the part about Tota Chicken franchises being for sale at reasonable prices, he started to get excited. The more Raza read, the more interested he became. Raza knew the people of N'Gonj, his hometown, would like the Tota Chicken as much as he did. And besides, it was a way for him to put up with that district manager. Raza had most of the Tk. 1,20,000 franchise fee in savings, and he knew where there was an empty building on Min Min Avenue. "It will work," he thought himself. "I'll just call the franchisor tomorrow and ask a few questions."

1. What questions should Raza ask about the franchisor?
2. How would Raza go about determining if the people of N'Gonj would like Tota Chicken? Should he go to the expense?
3. What kind of help could Raza expect from the franchisor?
4. What do you think of Raza's motives for going into a franchise?
5. Would you advise Raza to start a Tota Chicken Cafe in N'Gonj? Why or why not?

13.15 Bandhu's Store

Mr. Dabir operated a small independent bakery in his hometown Chandpur of 1,00,000 people. Mrs. Dabir often worked with him during the rush hours. The shop had been very successful in competing with larger bakeries. The breads, cakes, and pastries were popular with everyone who tried them, and the bakery had consistently made a good profit for many years.

As small firm owners, the Dabirs encouraged all their friends to patronize small firms. They made their own purchases at small firms wherever possible. They truly believed that a prosperous small business community was in the best interests of the people.

One of their friends was the proprietor of a small independent paint store located two blocks from the bakery. They had made intermittent purchases of paints, brushes, wallpaper, and allied products there for many years. Service was usually very good. One day Mrs. Dabir stopped by to purchase an additional quart of red cement paint. They had used a full gallon to paint a back porch landing but needed just a bit more to finish one corner.

The first time she stopped at the store she found it was closed at 2:00 P.M., contrary to the business hours posted in the front window. The second time she came by she was stopped at the door with an explanation that a robbery had just occurred in the store, and the police were inside investigating. The third time she returned she asked for a quart can of the same paint. She was advised by a new clerk that they carried this particular paint only in gallon sizes and, therefore, she couldn't buy just one quart. When she said, "I'm surprised that you don't have quart cans," the clerk replied with a smirk, "So, you're surprised," and turned away to prepare another order for delivery.

Mrs. Dabir felt deeply offended. She then went to another paint store that was a serious competitor of the one she had patronized for so long. As a stranger in the store, she was greeted warmly. She explained her desire to get one quart of this particular brand of red cement paint. The clerk said, "We don't carry this paint in quarts, but we will get one at the wholesaler this afternoon and deliver it to your house later today.

Happy to be assured that her needs were now taken care of, Mrs. Dabir returned to the bakery. But she was most upset at the treatment received from the first store, which she had patronized for so long. She told all the details to her husband. Together they decided that the customer relations of their friend's store needed some attention.

1. What would be your reaction to this situation, and what action would you take?
2. Would you advise the owner of the incident? Would you return to the store as a customer?
3. What does the term *customer relations* mean to you? What violations of good customer relations do you observe in this case?

The difference between failure and success is
the difference between doing a thing nearly
right and doing it exactly right.

- Edward Simmons

Business is never so healthy as when, like a
chicken, it must do a certain amount of
scratching for what it gets.

- Henry Ford