

Managerial Effectiveness and Financial Performance of an MNC in Bangladesh

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Abstract

Managerial effectiveness and financial performance of a firm are effectively determined by thorough changes in the firm's contacting the environment and society. The main aim of the study is to identify the managerial effectiveness and financial performance of British American Tobacco Company Ltd. and to present the current scenario of their business. Attempts have been made to focus on the magnitude of problems of the management of the organization, financial position and other issues. Another conscious attempt is to depict the managerial and financial performance of this multinational organization, which the national organization can practice in an adaptive way. This study tries to reveal whether they are creating the job opportunity for Bangladeshi people or not and giving benefits to the government in the form of supplementary duty, import duty, VAT & Taxes which helps to enhance the socio-economic development of the country. This study covers the period 1999-2007 & data is collected from primary and secondary sources. The authors also tried to identify the problems related to management and finance in the organization and propose some recommendations for solving these problems.

Key words: Effectiveness, Diagnostic, National and Multinational, Performance, Managerial and Financial.

Introduction

In 1902 British American Tobacco Company Ltd. was formed by the joint venture agreement between Imperial Tobacco Company and American Tobacco Company of the U.S.A. It is the world's most reputed MNC based in London. It has been building an international reputation producing high quality tobacco product to meet the diverse preferences of consumers with more than 300 brands in its portfolio. The company is committed to claim the top position by increasing profitability and shareholders value through good leadership in quantitative & qualitative sense. Total annual shipment of it is more than 800 billion cigarettes, which represents a world market share of over 15 percent. It is an industry leader in supporting tobacco leaf production and providing direct agronomy support in 22 countries. In 1999 worldwide, BAT paid to the governments Tk. 130,000 crores as taxes.¹ Achieve leadership of the global tobacco industry and to extend our leadership through world-class performance.² Production of high quality leaf was found at low cost. The vision of BAT Bangladesh motivates their

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people and drives their operation in the desire to extend their market leadership through world class performance across all areas of their business and production of high quality tobacco leaf at the lowest cost.

In Bangladesh, BATBCL a subsidiary of British American Tobacco (BAT) is the market leader operating its activities since pre-independence as the oldest and largest multinational company. It is listed on the Dhaka and Chittagong stock exchanges. This is the leading company in Bangladesh in terms of capitalization at 7.93% of total market operation. It started its journey in this sub continent as Imperial Tobacco Company Limited in 1910 when India was undivided. After the partition of India, Pakistan Tobacco Company Limited (PTC) was established in 1949 to meet the demand of cigarettes for the entire Pakistan. After Independence in 1971 Bangladesh, Tobacco Company Limited (BTC) was incorporated on 2nd February 1972 as a private limited company with only three shareholders, 2 from BAT and 1 from government. On March 22, 1998 the company changes its identification from Bangladesh Tobacco Company (BTC) to British American Tobacco Bangladesh (BATBCL) and established commitment to the highest international standards. The main business of the Company is tobacco marketing, which involves all the activities from seed to smoke. The company also exports processed tobacco leaf in the international market, mainly in Europe. At present the company provides employment directly to more than 1300 people and indirectly to 24,500 farmers, distributors and suppliers. However, it is the first company in Bangladesh to be awarded class ‘A’ status as part of the international and prestigious total business excellence program, MRP II, audited by internationally renowned consultants Oliver Weight. BATBCL is a company with world-class people, products, systems, processes and tools. Utilization of Information Technology is at the core of business strategy and is a benchmark among the other fast moving consumer goods in Bangladesh. It has made significant contributions to the socio-economic development of the country. It is one of the highest taxpayers in the country, contributing more than Tk. 1500 core to the government exchequer annually. They also help in improving the environment, supporting philanthropic organizations and promoting arts and culture and assisting disaster relief through various projects and initiatives.³

Ownership:

Raleigh Investment Company Ltd. U K	65.91%
Investment Corporation of Bangladesh	27.41%
Bangladesh Government and Other Institutions	04.82%
Bangladeshi Shareholders	01.86%

Objectives of the Study

The major objective of the study is to highlight Managerial Effectiveness & Performance Evaluation of BATBCL during 1999-2007. The specific objectives of the study are as follows:

- i. To understand the historical perspective of BATBCL since its inception to 2007.
- ii. To analyze the growth & development of BATBCL during 1999-2007.
- iii. To assess the managerial effectiveness of BATBCL during 1999-2007.
- iv. To determine the strategic management issues of BATBCL.
- v. To evaluate the managerial performance of the BATBCL during 1999-2007.
- vi. To conduct the CATSCOW analysis of the BATBCL.
- vii. To suggest greater profit drive for BATBCL.

Methodology of the Study

Sources and Collection of Data

The data of this study has been collected through questionnaire and interview. For the secondary sources the authors have gone through different journals, articles, research publications, and internet, etc.

Sample Frame

Among the different multinational companies only BAT Bangladesh Co. Ltd. has been selected for the study as a sample of the study. The study covered 1999-2007 i.e. nine years. The study is prepared basically based on secondary data. This data is collected from the official records of BATBCL, annual reports of BATBCL, publications of BATBCL, etc. For the study, Managerial Effectiveness of BATBCL judged through some specific indicators like, total income, net income, expenditure growth, cost of fund, earnings etc. Trends analysis, arithmetic Mean, SD, CV, AGR, AAGR, Maximum level, Minimum level & ANOVA etc. are used for the study.

Limitations of the Study

The study has several limitations which need to be mentioned:

- i. This study is on the basis of secondary information. So, there may have the chance to include the inaccurate data.
- ii. Most of the data was collected from the Annual Reports of BATBCL. All the financial data of the company may not have been included. So, the findings may not present accurate picture.
- iii. The authors have not collected the primary data by using any data collection method.
- iv. By calculating ratios, the authors tried to assess the profitability, efficiency and solvency of the firm but most accounting information lacks precision.
- v. Although ratios are useful in making comparisons overtime, but the effects of inflation and changes in both economic conditions and accounting polices can not be identified.
- vi. Sometimes ratios highlight problems, but qualitative information should also be taken into account.

Measurement of Managerial Efficiency

The information may be used in management control system for measurement of financial or non-financial issues. Many widely used performance measures such as operating income relies on internal financial information. Increasingly, companies are supplementing internal financial measures based on external financial information (for example, stock prices), internal non-financial information (defect rates, manufacturing lead time, and number of new patents), and external non-financial information (customer satisfaction ratings and market share), often benchmarked against other sub-units within the organization and other organizations.⁴ Some organizations present financial and non-financial performance measures for their sub-units in a

single report called the balance scorecard. Different organizations stress different elements in their scorecard, but most scorecards include;

- (1) Profitability Measures,
- (2) Customer-satisfaction Measures
- (3) Internal Measures of Efficiency, Quality, and Time and
- (4) Innovation Measures etc.

Balance scorecard measures to evaluate the performance of the sub-unit managers and the sub-units themselves. Other measures, such as direct materials efficiency variances and overhead spending variance, have a short-time horizon. The most widely used performance measures for the organization sub-units covering an intermediate to long-time horizon. These are internal financial measures based on accounting numbers routinely reported by the organizations.⁵ According to **C.T. Horngren**, to measure performance of any company's activities through the accounting system mainly following six steps are mentioned i.e. **Step No. 1:** Firstly to measure the performance that align with top level management's financial goals through the operating income, net income, return on assets, or revenues etc. are the best criteria to measure a sub-unit's financial performance. **Step No. 2:** To measure the time horizon of each performance in previous step, Return on Assets (ROA) has been calculated for one year or for a multiyear time horizon? **Step No. 3:** Assets is defined as total assets or net assets (total assets minus total liabilities). **Step No. 4:** Assets is measured at historical cost or current cost. **Step No. 5:** To measure the target level of performance all sub-units should have identical targets such as the same required rate of return on assets. **Step No. 6:** To measure the timing of feedback, manufacturing performance reports are sent to the top-level management like, daily, weekly, fortnightly, monthly, bi-monthly, quarterly, half-yearly & yearly.

These six steps need not be done sequentially. The issues considered in each step are independent, and a decision-maker will often proceed through these steps several times before deciding on one or more accounting-based performance measures. The answers to the questions raised at each step depend on top management's beliefs about how well each alternative measure fulfills the behavioral criteria of goal congruence, management effort, sub-unit performance evaluation, and sub-unit autonomy.

List of Various Issues to Measure the Performance

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|-------------|--|
| Step No. 1: | Measurement of Economic Performance |
| Step No. 2: | Measurement of Time Horizon Performance |
| Step No. 3: | Measurement of Alternative definitions for Performance |
| Step No. 4: | Measurement of Alternatives for Performance |

Step No. 1: Measurement of Economic Performance: This section considers designing an accounting-based performance measure by describing four measures commonly used to evaluate the economic performance of organization sub-units. Three approaches included in performance measure i.e. Return on Investment, Residual Income, Economic Value Added & Return on Sales.

1. Return on Investment: Return on Investment (ROI) is an accounting measure of income divided by an accounting measure of investment. (Return on Investment (ROI)= Income/ Investment). ROI can often provide more insight into performance when it is divided into following components:

$\frac{\text{Net Income}}{\text{Investment}} = \frac{\text{Revenue}}{\text{Investment}} \times \frac{\text{Net Income}}{\text{Revenue}}$ <p style="text-align: center;"><i>ROI = Investment Turnover X Margin on Sales</i></p>
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Net Income / Investment = Revenue / Investment × Income / Revenue
 Also known as ROI = Investment turnover × Margin on sales

This approach is widely known as the DuPont method of profitability analysis. DuPont method recognizes that there are two basic ingredients in profit making using assets to generate more revenues and increasing income per unit of revenues. An improvement in either ingredient without changing the other increases ROI.

2. Residual Income: RI is an accounting measure of income minus a required amount return on accounting measure of investment. Residual Income (*RI*) = *Income – (Required rate of return X Investment)*. The required rate of return multiplied by investment is also called imputed cost of the investment. The objective of maximizing ROI may induce managers of highly profitable sub-units to reject projects that, from the viewpoint of the organization as a whole, should be accepted.

3. Economic Value Added: Economic Value Added is a specific type of residual income calculation that has recently attracted considerable attention. EVA equals after tax operating income minus the (after tax) weighted-average cost of capital multiplied by total assets minus current liabilities.⁶

$$\text{Economic Value Added (EVA)} = \left(\begin{array}{c} \text{After-tax} \\ \text{Operating} \\ \text{Income} \end{array} - \begin{array}{c} \text{Weighted} \\ \text{Average} \\ \text{Cost of Capital} \end{array} \right) \times \begin{array}{c} \text{Total} \\ \text{assets} \\ \text{minus} \\ \text{Current} \\ \text{Liabilities} \end{array}$$

EVA substitutes the following numbers in the RI calculations:

- i. Income equal to after-tax operating income,
- ii. A required rate of return equal to the weighted – average cost of capital,
- iii. Investment equal to total assets minus current liabilities.

4. Return on Sales: The income to revenues (sales) ratio – often called return on sales (ROS) – is a frequently used financial performance measure. ROS is one component of ROI in DuPont method of profitability analysis.

Step No. 2: (Measurement of Time Horizon Performance): To consider the designing accounting-based performance measures- choosing the time horizon of the performance measures. The ROI, RI, EVA and ROS calculations represent the results for a single time period.

Step No. 3: (Measurement of Alternative Definitions for Performance): To consider the designing accounting-based performance measures- choosing the alternative definitions of investment that companies use:

1. Total assets available - includes all assets, regardless of their particular purpose.
2. Total assets employed - defined as total assets available minus the sum of the idle assets and assets purchased for future expansion.
3. Stockholders' Equity - use this definition for each individual company allocation of long-term liabilities to others.

Step No. 4: (Measurement of Alternatives for Performance): To consider the designing accounting-based performance measures- choosing different way to measure assets included in the investment calculations. For example, should assets be values at historical cost or current cost? Should gross book value or net book value be used for depreciable assets? We now examine these issues.

Data Analysis & Interpretation

Table 01: Consolidated Information of Capital Structure of BATBCL during 1999-2007

Year	Ordinary Share capital	Revaluation & Capital Reserve	Other Reserves & Surplus	Share-holders Equity	Other Fixed Liabilities	Total Fixed Liabilities	Total Capital Employed	Current Ratio Tk. (In lac)
	1	2	3	1+2+3= 4	5	6	7	8
1999	4000.00	3364.00	6886.00	14250.00	1570.00	1570.00	15820.00	0.84
2000	4000.00	3364.00	8323.00	15687.00	3285.00	3285.00	18972.00	0.86
2001	4000.00	3258.00	9090.00	16348.00	2095.00	2095.00	18443.00	0.80
2002	4000.00	3251.00	10256.00	17507.00	1791.00	1791.00	19298.00	0.88
2003	6000.00	2086.00	12055.00	20141.00	2227.00	2227.00	22368.00	0.92
2004	6000.00	2086.00	15367.00	23453.00	2493.00	2493.00	25946.00	0.84
2005	6000.00	2086.00	15002.00	23088.00	6463.00	6463.00	29551.00	0.75
2006	6000.00	2086.00	15135.00	23221.00	6821.00	6821.00	30042.00	0.74
2007	6000.00	2086.00	15861.00	23947.00	6891.00	6891.00	30838.00	0.73
AVG	5111.11	2629.67	11997.22	19738.00	3737.33	3737.33	23475.33	0.82
SD	1054.09	645.87	3468.97	3841.08	2294.03	2294.03	5736.21	0.07
CV	20.62	24.56	28.91	19.46	61.38	61.38	24.44	8.36
AGR	500.00	-379.90	1303.37	680.49	3389.17	3389.17	949.30	-136.17
AAGR	62.50	-49.00	114.04	68.78	325.75	325.75	89.85	-13.03
Max. Lev.	6000.00	3364.00	15861.00	23947.00	6891.00	6891.00	30838.00	0.92
Min. Lev.	4000.00	2086.00	6886.00	14250.00	1570.00	1570.00	15820.00	0.73

Source: Annual Reports of BATB Company Ltd. during 1999-2007

Table No. 1 (Capital Structure): This table shows that the average position of ordinary share capital, revaluation & capital reserve, other reserves & surplus, shareholders equity, other fixed liabilities, total fixed liabilities, total capital employed and current ratio of BATBCL are Tk. 5111.11, 2629.67, 11997.22, 19738.00, 3737.33, 23475.33, & 0.82 lacs respectively during 1999-2007. The SD & CV of the same indicate the great variation during the study period. However, AAGR position of the same were 62.50, -49.00, 114.04, 68.78, 325.75, 325.75, 89.85 & -13.03 percent respectively during the period under study. The AAGR of total fixed liabilities surpassed that of shareholders equity which implies vulnerability of the company due to its high dependence on borrowed fund. The AAGR of current ratio is also negative implying that the company is highly dependent on short-term borrowing to conduct its operation.

Table 02: Consolidated Information of Liquidity position of BATBCL during 1999-2007

Year	Cash & Bank Balance	Investment	Accounts Receivable	Inventories	Total Current Assets	Current Liabilities	Net Current Assets	Quick Ratio Tk. (In lac)
	1	2	3	4	(1-4)=5	6	(5-6)=7	(5-3)/6=8
1999	377.00	0.00	570.00	13272.00	14219.00	16910.00	-2691.00	0.06
2000	278.00	0.00	1015.00	16613.00	17906.00	20750.00	-2844.00	0.06
2001	76.00	0.00	1085.00	17850.00	19011.00	23741.00	-4730.00	0.05
2002	138.00	0.00	2448.00	13699.00	16285.00	18553.00	-2268.00	0.14
2003	90.00	0.00	2357.00	16008.00	18455.00	19968.00	-1513.00	0.12
2004	2053.00	0.00	2330.00	19317.00	23700.00	28093.00	-4393.00	0.16
2005	2728.00	0.00	1633.00	22126.00	26487.00	35549.00	-9062.00	0.12
2006	2504.00	0.00	1952.00	21322.00	25778.00	34616.00	-8838.00	0.13
2007	3562.00	0.00	2985.00	20064.00	26611.00	36636.00	-10025.00	0.18
AVG	1311.78	0.00	1819.44	17807.89	20939.11	26090.67	-5151.56	0.11
SD	1386.55	0.00	798.69	3171.93	4742.04	7826.13	3284.78	0.05
CV	105.70	0.00	43.90	17.81	4294.36	30.00	-63.76	41.13
AGR	8448.28	0.00	4236.84	511.75	4029.27	1166.53	2725.38	2191.01
AAGR	2744.88	0.00	310.33	64.87	93.51	116.67	346.24	271.17
Max. Lev.	3562.00	0.00	2985.00	22126.00	26611.00	36636.00	-1513.00	0.18
Min. Lev.	76.00	0.00	570.00	13272.00	14219.00	16910.00	-10025.00	0.05

Source: Annual Reports of BATB Company Ltd. during 1999-2007

Table No. 2. (Liquidity): This table shows the average position of different components of liquidity such as cash & bank balance, investment, accounts receivable, inventories, total current assets, current liabilities, net current assets & quick ratio of BATBCL As shown, the average amount of cash & bank balance, investment, accounts receivable, inventories, total current assets, current liabilities, net current assets & quick ratio are TK 1311.78, 0.00, 1819.44, 17807.89, 20939.11, 26090.67, -5151.56 & 0.11 percent respectively during 1999-2007. The SD & CV of the same indicate the great fluctuation during the study period. Most striking figure in the table is

AVG net current assets because it is negative implying that company's current liabilities are greater than current assets. So, the company may not be able to meet up its current liabilities if they fall due. However, AGR & AAGR of quick ratio provides some positive impression that company is trying to make balance between quick assets and liabilities.

Table 03: Information Relating to Fixed & Non-current Assets of BATBCL during 1999-2007

Year	Plant & Equipment at Cost	Accumulated Depreciation	Land & Land Development	Other Fixed Assets at Cost	Total Fixed Assets Cost	Other Non-Current Assets	Total Assets	Depreciation For the Year Tk. (In Lac)
	1	2	3	4	1 to 4 =5	6	7	8
1999	26663.00	8821.00	648.00	0.00	36132.00	21.00	32730.00	1448.00
2000	31813.00	10656.00	648.00	0.00	43117.00	15.00	39726.00	1835.00
2001	35049.00	12536.00	648.00	0.00	48233.00	12.00	42184.00	1880.00
2002	33752.00	12806.00	612.00	0.00	47170.00	8.00	37851.00	270.00
2003	35382.00	12117.00	611.00	0.00	48110.00	5.00	42336.00	689.00
2004	39375.00	14262.00	2231.00	2991.00	58859.00	4.00	54039.00	2145.00
2005	46892.00	15343.00	2297.00	3798.00	68330.00	0.00	65100.00	3049.00
2006	51816.00	18543.00	2430.00	2325.00	75114.00	0.00	64658.00	3675.00
2007	53168.00	19486.00	2648.00	2465.00	77767.00	0.00	65947.00	3987.00
AVG	39323.33	13841.11	1419.22	1286.56	55870.22	7.22	49396.78	1955.56
SD	9263.92	3491.04	938.76	1579.39	14834.31	7.46	13140.80	1517.70
CV	23.56	25.22	66.15	122.76	13743.35	5.76	26.60	77.61
AGR	994.07	1209.05	3086.42	0.00	12399.60	4.43	1014.88	1753.45
AAGR	92.63	108.05	346.42	-19.27	103.60	-299.26	98.21	-939.75
Max. Lev.	53168.00	19486.00	2648.00	3798.00	77767.00	21.00	65947.00	3987.00
Min. Lev.	26663.00	8821.00	611.00	0.00	36132.00	0.00	32730.00	-689.00

Source: Annual Reports of BATB Company Ltd. during 1999-2007

Table No. 3. (Fixed Assets & Non-current Assets): Fixed assets and non-current assets position of an organization dictates its capacity to fulfill the demand of customers. AGR and AAGR of total fixed assets are very satisfactory over the period under study. The SD & CV of the same indicate the great variation during the study period. This may be due to high growth of the company in recent years. The average position of plant & equipment, accumulated depreciation, land & land development, other fixed assets, total fixed assets, other non-current assets, total assets & depreciation of BATBCL are Tk. 39323.33, 13841.11, 1419.22, 1286.56, 55870.22, 7.22, 49396.78 & 1955.56 lacs respectively during 1999-2007.

Table 04: Profitability Ratios of BATBCL during 1999-2007

Year	Gross profit margin	Net operating margin	Profit margin on Sale	Return on total Assets	Return on equity	Return on Investment (%)
	1	2	3	4	5	6
	Y	X ₁	X ₂	X ₃	X ₄	X ₅
1999	36.00	15.00	11.00	15.00	34.00	15.00
2000	47.00	20.00	11.00	16.00	32.00	13.00
2001	43.00	10.00	6.00	9.00	14.00	6.00
2002	46.00	13.00	9.00	14.00	27.00	13.00
2003	47.00	18.00	13.00	21.00	43.00	21.00
2004	43.00	15.00	13.00	19.00	42.00	18.00
2005	42.00	14.00	11.00	15.00	38.00	13.00
2006	42.00	12.00	8.00	12.00	29.00	10.00
2007	43.00	16.00	12.00	10.00	27.00	9.00
AVG	43.22	14.78	10.44	14.56	31.78	13.11
SD	3.38	3.03	2.35	3.91	8.97	4.57
CV	7.82	20.50	22.51	26.85	9.55	4.82
AGR	194.44	66.67	90.91	-333.33	9.55	4.82
AAGR	28.43	59.39	70.42	1.54	59.44	44.86
Max. Lev.	47.00	20.00	13.00	21.00	43.00	21.00
Min. Lev.	36.00	10.00	6.00	9.00	14.00	6.00

Source: Annual Reports of BATB Company Ltd. during 1999-2007

Table No. 4 (Profitability): The profitability analysis is essential to understand the company's ability to increase shareholders wealth. Table 4 presents the position of gross margin, net operating margin, profit margin on sales, ROA, ROE & ROI of BATBCL during 1999-2007. The average percentage of gross margin, net operating margin, profit margin on sales, ROA, ROE & ROI are 43.22, 14.78, 10.44, 14.56, 31.78 & 13.11 respectively during 1999-2007. The SD & CV of the same indicate that the company was able to maintain consistent profitability during the study period. Moreover, AGR & AAGR positions of the same also validate satisfactory performance of the company during the study period.

Table 05: Efficiency Ratio of BATBCL during 1999-2007

Year	Sales to fixed assets	Sales to total assets	Inventory turnover ratio	Average collection period	Debt-Equity Ratio (%)	Capital Gearing Ratio (%)	Book Value per Share	Net Assets Value Per Tk. (In lac)
	1	2	3	4	5	6	7	8
1999	2.45	1.38	1.05	5.00	11.02	1007.64	27.22	35.63
2000	2.07	1.13	2.01	8.00	20.94	577.53	30.81	39.22
2001	1.79	0.98	2.10	10.00	12.82	880.33	32.73	40.87
2002	2.50	1.42	2.14	17.00	10.23	1077.50	35.64	43.77
2003	2.77	1.56	2.17	13.00	11.06	1004.40	30.09	33.57
2004	2.74	1.39	2.21	11.00	10.63	1040.75	35.61	39.09
2005	2.40	1.25	2.12	7.00	27.99	457.23	35.00	38.48
2006	2.42	1.33	2.37	8.00	29.37	440.43	35.23	38.70
2007	2.69	1.38	2.59	9.00	28.78	447.51	36.91	38.99
AVG	2.43	1.31	2.08	9.78	18.09	770.37	33.25	38.70
SD	0.32	0.17	0.42	3.56	8.61	282.61	3.24	2.89
CV	13.24	13.08	20.36	36.44	47.56	36.68	9.76	7.46
AGR	97.96	0.00	1466.67	800.00	1611.84	-555.88	355.99	94.30
AAGR	24.91	15.70	147.57	133.14	251.94	-36.45	43.50	17.85
Max. Lev.	2.77	1.56	2.59	17.00	29.37	1077.50	36.91	43.77
Min. Lev.	1.79	0.98	1.05	5.00	10.23	440.43	27.22	33.57

Source: Annual Reports of BATB Company Ltd. during 1999-2007

Table No. 5 (Efficiency Ratio): The efficiency ratios help users to understand that how efficient the company was in the utilization of its assets during the period under study. As shown in Table 5, the average position of sales to fixed assets, sales to total assets, inventory turnover ratio, average collection period, debt – equity, capital gearing, book value per share and net assets value of BATBCL were Tk. 2.43, 1.31, 2.08, 9.78, 18.09, 770.37, 33.25 & 38.70 lacs respectively during 1999-2007. The SD & CV of the same indicate the great variation during the study period implying that company's efficiency was volatile during the study period. However, AAGR position of the same was 24.91, 15.70, 147.57, 133.14, 251.94, -36.45, 355.99 & 94.30 percent respectively during the period under study which implies that the growth in efficiency was satisfactory. Hence, the profitability of the company resulted from efficiency in asset utilization as well as sales growth.

Table 06: Market Ratios of BATBCL during 1999-2007

Year	Earnings per share	Price earning ratio	Dividend Yield (%)	Market to book ratio	Payout ratio (%)	Dividend per share
	1	2	3	4	5	6
1999	12.16	12.46	5.00	5.57	66.00	8.00
2000	12.59	8.95	8.00	3.66	71.00	9.00
2001	5.92	18.38	10.00	3.32	68.00	4.00
2002	11.92	8.77	17.00	2.93	76.00	9.00
2003	14.57	7.14	13.00	3.46	82.00	12.00
2004	16.52	6.27	11.00	2.91	67.00	11.00
2005	14.52	7.11	7.00	2.95	49.00	7.15
2006	11.22	16.61	8.00	2.29	74.00	8.25
2007	12.46	17.59	9.00	2.92	86.00	9.16
AVG	12.43	11.48	9.78	3.33	71.00	8.62
SD	2.96	4.89	3.56	0.93	10.69	2.28
CV	23.77	42.58	36.44	27.80	11.25	2.43
AGR	24.67	411.72	800.00	-475.76	11.25	2.42
AAGR	79.68	183.81	133.14	-58.28	56.36	122.95
Max. Lev.	16.52	18.38	17.00	5.57	86.00	12.00
Min. Lev.	5.92	6.27	5.00	2.29	49.00	4.00

Source: Annual Reports of BATB Company Ltd. during 1999-2007

Table No. 6 (Market Ratios): To analyze the performance of a company, only analysis of profitability is not enough. The financial performance should be validated by its performance in stock market. Table 6 depicts that the average position of earning per share, price earnings ratio, dividend, market to book ratio, payout ratio & dividend per share of BATBCL were 12.43, 2.96, 23.77, 24.67, 79.68, 16.23 & 5.92 percent respectively during 1999-2007. The SD & CV of the same indicate the great variation during the study period. This volatility may be due to the overall stock market volatility of Bangladesh. Financial performance did not fully reflect in the market performance. However, AGR & AAGR position of the same were satisfactory during the period under study.

Test of Validity

Table No. 7: KMO and Bartlett's Test (a,b)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.588
Bartlett's Test of Sphericity	Approx. Chi-Square	43.209
	df	15
	Sig.	.000

- a Only cases for which Ratio i.e. , Profitability Ratio are used in the analysis phase.
- b Based on correlations

Table No. 8: Total Variance Explained (b)

	Component	Initial Eigen values(a)		
		Total	% of Variance	Cumulative %
Raw	1	119.597	83.781	83.781
	2	13.516	9.469	93.249
	3	5.523	3.869	97.118
	4	3.125	2.189	99.307
	5	.841	.589	99.896
	6	.148	.104	100.000
Rescaled	1	119.597	83.781	83.781
	2	13.516	9.469	93.249
	3	5.523	3.869	97.118
	4	3.125	2.189	99.307
	5	.841	.589	99.896
	6	.148	.104	100.000

Extraction Method: Principal Component Analysis.

- a. When analyzing a covariance matrix, the initial Eigenvalues are the same across the raw and rescaled solution.
- b. Only cases for which Ratio i.e., Profitability Ratio are used in the analysis phase.

Table No. 7 and 8 show that the results of **Kaiser – Meyer - Olkin (KMO) & Bartlett's Test** of profitability ratio of **BATBCL** is based on the information during 1999-2007. High value (between 0.50 and 1.00) indicates that factor analysis is appropriate. The value below 0.50 implies that factor analysis may not be appropriate. **KMO** measures the sphericity of sampling adequacy as an index used to examine the appropriateness of factor analysis. In this case, **KMO** reveals the sampling adequacy indicating (Value of $.0.50 < \text{KMO} < 1.00$) i.e. .588 is appropriate for the same.

Bartlett's Test of Sphericity is a test of statistics used to test the hypothesis that the variables are uncorrelated in the population. The population correlation matrix is an identity Matrix; each variable correlates perfectly with itself ($r=1$) but has no correlation with the other variables ($r=0$). **Bartlett's Test of Sphericity** indicates that the approximate chi-square value is 43.209 for the company with 15 (d.f.) at 0.00 levels of significance. Hence, the factor analysis is considered as an appropriate technique.

Findings of the Study

CATSCOW Analysis : where, $C = Capability, T = Threat, S = Strength$

CA = Competitive Advantages, O = Opportunity & W = Weakness

1. Capabilities of the Company: BATBCL is one of the leading employers in Bangladesh. BATBCL's recruitment process is world class and the passed entrants are well known for their skills, management abilities and competencies among the market. It provides excellent work environment as well as extraordinary salary packages that motivate people to work for this company at the highest level. This is the company with huge marketing reach, it has divided the whole country's market into 43 territories and each territory is taken care of by one Territory Officer. Trade Marketing Team is regarded as one of the top divisions of Bangladesh regarding efficiency and aggressiveness. Mainly for their rigorous activities it has achieved supreme leadership in the tobacco industry of Bangladesh. Tobacco is a fast moving consumer good and is bound to be consumed and continuously consumed. This policy of BATBCL has worked a long way in eradicating poverty from the locality of the cultivation area.

2. Threats to the Company:

- i. A comprehensive ban on tobacco advertising, promotion and sponsorship within five years of ratifying the treaty.
- ii. Parties are required to implement health- warning labels that cover, at a minimum, 30% of the principle display areas within three years of ratifying the treaty.
- iii. Countries agree to prohibit misleading or deceptive terms on tobacco product packages within three years of becoming a party.
- iv. Nonsmokers must be protected in workplaces, public transport and indoor public places.

The local and international economic situation is another big factor in BATBCL's business. As many of the raw materials are imported from abroad and especially from the European countries, devaluation of Tk. always puts a negative impact on the business.

3. Strengths of the Company:

The existing strength of the company is mentioned as follows;
Huge capital involvement, an adequate and appropriate amount of assets, a well known reputed brand name, management competence, sound marketing skill, good material systems, MIS, AIS, DSS etc,

4. Competitive Advantages: BATBCL is currently the number one tobacco company in the country by every means. There is no competition in the market except in the segment of Star where it is fighting with Navy of Dhaka Tobacco. In the late 2003, BATBCL faced a potential threat from the brand Thames by Imperial Tobacco. BATBCL took immediate and highly aggressive measures, which at once broke Imperial Tobacco's backbone. These brands have become prestigious to smoke and smokers feel pride to associate themselves with these brands and their brand identities. BATBCL has a very good corporate reputation in the market as a fairly governed company. BATBCL is the highest corporate tax payer of the country providing over Tk.1500 crore to the Government of Bangladesh. BATBCL also has earned fame as a highly socially responsible country and has been awarded many a times by the national and international

authorities. BATBCL is also an excellent employer in terms of employing skilled and efficient workforce providing an excellent compensation package.

5. Opportunities of the Company: The Company is already exporting leaf to different countries after satisfying their own needs. In future they have the vision to export cigarettes to other countries and earn valuable foreign exchanges through it. BATBCL is also exporting IT services through 'Project Sunrise', where the project works as a call center for a foreign company. According to the agreement, the company will buy these vegetables and export it through the technical and logistical support from USAID. The whole project has been named as ATDP, Agricultural Technical Development Project. BATBCL also has the plan to make campaigns inside the BIRI smokers to convert them to cigarette smokers, preferably to BATBCL brands. Normally the BIRI operates in lower than Tk.1 segment and BATBCL's product portfolio starts from Tk.1.5 segment. BATBCL's vision in this case would be to convert this Tk.1.0 or fewer segments to a minimum of Tk.1.5 segments. By the way, the latest tax imposition in 2002 has eliminated Tk.0.5 segments as it will not be profitable anymore to run any brand at or below Tk.0.5 levels.

6. Weaknesses of the Company: Weakness is the internal & existing limitation of a company for which it is unable to take many competitive advantages. Some weaknesses of the company are as follows:

- Depends on bank loan, govt. subsidy & share capital.
- Top level management applies pressure tactics on lower level management.
- Prevailing conditions involving exceptional or non-recurring nature;
- Too much labor turnover rate,
- Delivery gap & less production line,
- Depends on imported raw material, foreign tools & equipment,
- Developing people skill assessing process requirement text time,
- Transactions of a nature not usually undertaken by the company;
- Co-ordination of section output & input still need further.

Comparing the performance of divisions of a multinational company, that is, a company operating in different countries creates additional difficulties.

- The economic, legal, political, social, and cultural environments differ significantly across countries;
- Governments in some countries may impose controls and limit selling prices of a company's products;
- Availability of materials and skilled labor and infrastructure (power, transport, and communication) may also differ significantly across countries;
- Divisions operating in different countries keep score of their performance in different currencies.

Conclusions & Recommendations

The financial statements, if utilized and interpreted carefully, can provide 'symptoms' of the condition of the firm. As a physician uses symptoms for diagnosis, a financial analyst or manager utilizes his experience to interpret the 'symptoms' revealed by the financial statements to assess the financial, economic and managerial conditions of the company. The continuous positive result may affect financial soundness of the company. The profitability ratio implies that the favorable position for BATBCL during the period 1999-2007, while CV indicates poor variation during 1999-2007. Even the AAGR position of the same was more satisfactory during 1999-2007. This title of the report denotes the area or scope of the study. It covers the period from 1999-2007. The researchers have visited and worked in a branch and also visited website of the organization and collected their five years annuals report from 1999-2007. Researchers tried to focus upon the general operation of various departments, some controllable & uncontrollable factors during the study period. BATBCL puts its core emphasis on developing the skills and motivation of its employees. In doing so, they have taken the EHS (Environment, Health and Safety) program to secure the safety and health related issues of their employees. On the other hand, BATBCL is striving to retain the name as an A class company and perform accordingly which will certainly provide the human resource with great motivation. Nonetheless, BATBCL is continuously training people on different issues to develop the 'group' feeling among them and motivate them to feel empowered and important in the development process of the company. So, BATBCL is developing its manpower to foster the growth. It has been recommended that the system be designed in such a way that automation can be used alongside the manual processes. Various peripherals have been considered:

- Bar Coding for tracking the tobacco bales;
- Personal Data Assistants (PDA) in absence of online connectivity;
- Use of electronic weighing scales;
- Digital displays for displaying the purchase details of a farmer's sale at the buying point;
- Smart cards have also been considered as an option for farmer identification.

To survive in this business environment, every organization needs to develop their system, increase their effectiveness and efficiency.

To improve efficiency, loan recovery, control on operation, central monitoring, inventory management & performance measurement system and decision-making selected processes are needed;

- (i) Way forward to be explored for the changes requested to satisfy the business need.
- (ii) Detail survey taking all end markets to be conducted to evaluate were as lagging and potential opportunity to derive maximum business benefits out of the system.
- (iii) Service & maintenance system needs to be organized to make faster and accountable and user's satisfaction survey to be conducted periodically to improve further.

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End Note

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