



INVESTIGATING THE FAILURE OF STATE OWNED ENTERPRISES (SOES) OF AN EMERGING ECONOMY: A COMPARATIVE CASE STUDY

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Abstract:

This study investigates the failure and aftermath of state owned enterprises (SOEs) of an emerging economy, Bangladesh. Failure of SOEs of emerging economy has been investigated by many researchers during the last few decades. This study is an extension of previous research. Through the comparative case study, this study tries to explore the scenario of failure of SOEs, the causal factors of failure, remedial actions and aftermath in SOEs. The findings indicate that different authorities from the policy maker to the operating level employees cannot avoid the responsibilities for failure. Even proper restructuring within the ownership of government can drive the firm positively. It is expected that the comparative case study will help to make the decision for the concerned authorities of Bangladesh as well as the authorities of other countries of the world who are in the same position.

Key words: *State Owned Enterprises (SOEs), Failure, Remedial actions, Comparative case study, Bangladesh*

1. Introduction

In different transitional economy of the world, it has been seen that SOEs are playing an important role along with the private enterprises (e.g., Bilsen & Konings, 1998). However SOEs has been accused of low performance than private enterprises (Dewenter et al. 2001). In different researches, rise and fall of the SOEs have been

discussed in different regimes (Toninelli, 2000; Hay et al. 1994). A number of researches have been concentrated to the failure of SOEs. In these researches, a number of remedial actions have been tried to identify; for example, privatization, corporatizing in SOEs, restructuring, and others (Shirley, 1999). Some of the studies have focused on the pre-requisite of the mentioned remedial actions (e.g., Ariyo & Jerome 1999).

Among the available remedial actions, privatization has been buzzed more than others (e.g., Maskin, 2000; Jefferson & Su, 2006; Sharma & Lawrence, 2015). It has been recognized as a major political and economic phenomenon. Both the qualitative and quantitative researches have been conducted regarding the privatization of SOEs.

Bangladesh, an emerging economy, which is transitional in nature has faced and is facing the problem of SOEs. In transitional economy, the role of SOEs is assumed important. Bangladesh, a South Asian country, achieved independence in 1971 from Pakistan was aimed to pursue the socialism. Consistent with this, Bangladesh government nationalized most of the industry after independence. However, a crucial political change in 1975 changes the aim of pursuing socialism. The new ruler deviates the concept of socialism. The poor performance of SOEs influences the decision of privatizing the SOEs as well. Therefore, the Privatization Commission Bangladesh (PCMB) was established in 1993 that aimed to diversify the public sector resources from loss-making enterprises to other socially useful enterprises. The PCMB is working with the loss making SOEs only. Although a number of organizations have been privatized, till now SOEs are contributing significantly to the GDP of the country. Moreover, in some areas SOEs are playing the central role, e.g., Fertilizer sector, Paper mills, Power sector and others. Therefore, it seems that proper investigation of the failure of SOEs has not lost significance as it can contribute to the surviving SOEs till now.

According to the report of the World Bank (1994), around 305 SOEs includes industrial, commercial and financial organization was put under public ownership by 1974-75. In spite of the effort of PCMB, there are more than 200 SOEs in Bangladesh till now. SOEs are operating their business in different manufacturing area, e.g., fertilizer sector, paper mills, jute sector, textile sector, steel & engineering & miscellaneous sector, sugar and food sector, chemical sector, and other. SOEs are visible in other financial and non-financial sectors also, e.g., power sector, transport sector, port and container handling sector, natural gas and oil sector, fisheries and livestock sector, tele-communication sector, aviation & tourism sector, environment and forest sector. In most of the cases government owns 100% or significant portion of share. Government has sufficient monitoring and controlling power to take the decision.

According to the privatization commission of Bangladesh (PCB), since the establishment of PCB in 1993, 81 SOEs has been privatized of which 58 are privatized through outright sale and 23 through offloading of shares (PCB, Web). A number of SOEs are in the plan of the PCB for privatization including industry sector, Power, gas

& water, Transportation and communication, Trade, Agriculture, Construction and Services.

In Bangladesh, individual SOE investigation for failure & aftermath and case study has been seen before (e.g., Muhammad, 2002; Uddin, & Hopper, 2003; Chowdhury 2001, 2004; Parnini, 2009; Alamgir & Cairns, 2014). This study is an extension of previous research. This study seems to have added value as it builds the theory from comparative cases (case of failure and success). This study has added value from the perspective of international research as well. A number of previous researches (e.g., Ariyo & Jerome, 1999; Gouret 2007; Jiang, Yao & Feng, 2013) focus on the mode of privatization and its consequences where this study aims to explore the details scenario with comparative case study. The aim of this paper is fourfold. First, the methodology has been ensured for quality study. Second, three cases in SOEs have been presented. Third, theoretical ground has been underpinned with the cases and finally discussion has been made for reaching the closure.

2. Methodology

As a research methodology case study is used for a long time. Case study depends on the actual data for drawing the conclusions. Therefore, case study can provide more reliable insights (Eisenhardt, 1989).

Different steps are suggested by the researchers for the case study that can ensure the quality and effectiveness. Eisenhardt (1989) suggests several steps that can ensure the effective case study for building the theories. The steps are -1) Getting Started, 2) Selecting Cases, 3) Crafting Instruments and Protocols 4) Entering the Field, 5) Analyzing Data, 6) Shaping Hypotheses, 7) Enfolded Literature and 8) Reaching Closure. All these steps have been ensured for this study.

A well defined focus is required to conduct the case study. In our study, a well defined focus has been ensured first to ensure the quality research. Cases have been selected carefully to remain unbiased. Instead of random sampling, cases have been selected considering the value addition to the case analysis and theoretical interest (e.g., Seawright & Gerring, 2008). As the researchers suggest, both single and multiple cases are accepted for a case study, considering the overall analysis and surroundings, multiple cases have been selected for the study. It has been mentioned that multiple case studies can add more value than a single case study in government related research (Steward, 2012). Three different SOEs have been selected considering the failure and the variation in the aftermath of failure. One that failed completely even after restructure, one enterprise that failed and become profitable after privatization and another one that failed and bounce back to an extent after restructuring remaining as SOE have been selected. This selective approach is seen in previous recognized research also (See Seawright & Gerring, 2008).

Lack of cumulative knowledge and low quality of research has always been noticed in public administration research (e.g., White et al. 1996; Adams & White,

1994). Although SOEs is a bit different than public administration, the agency problem and the consequences of agencies problems are hardly possible to differentiate. Case studies have been suggested for these types of enterprises by the researchers as the case studies can satisfy the recognized need for conditional findings and in-depth understanding of the cause and effect relationships that other methodologies find difficult to achieve (Jensen & Rodgers, 2001). As the information access from SOEs is difficult, therefore, to conduct the case study, different documents have been analyzed e.g., documents from the privatization commission of Bangladesh, Newspapers, previous research papers, enterprises annual reports and others. The remaining step of the case study has been followed rigorously as suggested by the scholars.

3. Case Study

3.1. Case 1. The Failure of the Largest Jute Mill of the World

Adamjee jute mill (AJM) was recognized as the largest jute mill in the world. And after the independence of Bangladesh in 1971, it was renowned for employing the largest number of employees in the country.

From the very beginning of AJM in Bangladesh, it was struggling for the survival. Government mentioned that because of continuous losses, they closed the AJM. The government closed down AJM in 2002 despite huge protests from the local market, trade union and from political opponents. It has been mentioned that in 30 years AJM losses 1200 crore (South Asian numbering systems equal to ten million) BDT (Bangladeshi Currency) (Muhammad, 2002).

But, there are so many conflicting issues regarding the termination of AJM. It is obvious that AJM incurred continuous loss during the period. However, from the relevant authorities there had not any report been issued regarding the explanation of those losses. Critics argued that policy makers were intended to privatize or terminate the AJM instead of finding the solutions.

It has been mentioned by the scholars that management inefficiency and policy makers' failure are the reason of huge losses of AJM. Investigations of scholars support this notion also. Investigation of GS Sahota (1991) explored that Bangladesh installed better-practice technology of jute mills in the 1950s than India's. However, after 40 years of installation many of Bangladesh jute mills were using the same machines, scarcely renovated.

There are some interesting information regarding the terminations or privatization also. For example; in 1991, a task force of the caretaker government found out that the assets of 29 jute mills, worth more than 245 crore BDT were by then denationalized by the face value of only 5.5 crore (Muhammad, 2002). The caretaker government is a system of Bangladesh that takes the control of the country for a specific period of time (generally 3 months) with the object of a fair election to handle the power of the country to the winning political party.

The World Bank and the Chairman of the privatization commission of Bangladesh and Ministry argued that the policy of the SOE and private enterprise should be identical. But, it had been found that SOE suffers from loss more than the private sector.

Policy makers have been accused by the researchers very often regarding the failure of jute mills including AJM. It has been mentioned that all most all export oriented firms in Bangladesh get 100% duty free opportunity regarding importing of raw material and capital machinery. For example; garment industry. But it is not identical for the jute industry. Therefore, it has been said that that jute sector loss the competitiveness.

International issues involved with the closure of AJM also. Although the closure of AJM was announced on June 24, 2002, some researchers (e.g., Muhammad 2002) claim that its death warrant was actually issued on February 17, 1994, when Bangladesh government signed an agreement called 'Structural Adjustment Program (SAP)' with the World Bank.

The agreement was on the credit of \$247 million to adjust the jute sector. Under the agreement policy makers of Bangladesh reformed the jute sector, which was criticized by the various scholars. Under the reform program, the government closed 9 of 29 SOE mills and downsized 2 SOE mills. At least 18 mills were privatized from remaining 20 mills and retrenched about 20,000 employees.

In March 1995, World Bank prescribed a number of policies to reform the jute sector. They are –

- (1) Wage policy in jute industry.
- (2) Dispose of equipment of four closed mills and equipment
- (3) Close five identified public mills and downsize one other to reduce capacity in the public sector by 2,700 looms
- (4) Reduce permanent employees in the public mills by an additional 8,000
- (5) Reduce government's share in the total loom capacity to the most 7,000 looms by privatization or other means of disposal of at least nine mills and
- (6) Complete liquidation of BJC (Bangladesh Jute Corporation)

These reforms took place in SOE also. But, critics raise doubt about the reliability and validity of these reforms. Although World Bank prescribed to concentrate more on privatization by these reforms to develop the jute sector, ultimately private jute mill fails to prosper (Muhammad, 2002). At the end of 1996, the owners of the private Jute mills claimed that they had been harmed by the SAP of government also. And they suspected additional damages in the future, such as:

- (1) Permanent closure of private sector mills, with related loss of security, income and dislocation of careers
- (2) Job loss for thousands of employees and
- (3) Loss to Bangladesh's economy and social welfare (World Bank, 1997; Muhammad, 2002).

Ultimately, not only AJM, but also privatized jute mills and private jute mills failed after the reformation of the jute sector. The fact is that still Bangladesh has not succeeded to bring its glorious past in jute sector.

3.2.Case 2. Failure of Kohinoor Chemical and Privatization through offloading

The Kohinoor Chemical Company was established in 1956 before the independence of Bangladesh. It was involved with manufacturing the cosmetics, toiletries, soap and glycerin. After the independence of Bangladesh from Pakistan in 1971, Bangladesh Chemical Industries Corporation (BCIC) takes the control of the Kohinoor Chemical Company (KCC).

From the very beginning, KCC was renowned for producing high quality beauty care products. Standard, exciting and value-added innovations were the characteristics of KCCL.

During the decade of 80s, the company achieved the market leading position regarding its various products. Its brand name 'Tibet' became the most famous brand name in Bangladesh. Most of the products sold by using the brand name 'Tibet' were the market leader at those times. KCC used some other brand name also like 'Super Lemon Dew', 'Sandalina', 'Genstar', 'Dee-5', 'Honey Dew' etc. However, Tibet was the most popular and was the leader of the market. Some famous products of KCCL are Tibet 570 Soap, Tibet Snow, Tibet talcum Powder and others.

Tibet 570 Soap was the market leader for the longest time ever than any other soap. Once a time, it was hardly possible to think about any competitor of Tibet 570 Soap. In case of cosmetics, 'Tibet Snow' is the highest selling product regarding sales unit in Bangladesh. Once a time, it was the most common product in both the rural and urban community of Bangladesh.

Other well known products of KCCL are Tibet Glycerinne, Tibet Petroleum Jelly, Tibet Powder, Tibet Tooth Powder, Tibet lotion, Tibet Shaving Cream, Tibet Lip gel, Tibet Hair Oil, Tibet Bath Soap, Tibet Laundry Soap, Tibet Detergent Powder and dish wash powder. Each of the products is categorized in different way regarding flavor, color, size, user age and others.

Failure and losing the leadership of the market

Although, Kohinoor Chemical was offering wide range of product to the customer, its sales declined at the end of the 80's decade. The organization started to make loss instead of profit. Day by day, its market leader brand 'Tibet' lost the market to the competitor. A number of multi-national companies took the leading position in the market by beating 'Tibet'.

Specially, the products of Unilever took the leading position of the market rapidly. Cosmetics, Toiletries, Soap and other products of Unilever caught the market rapidly because of innovativeness of the product and quality. Although Unilever established their factory in Bangladesh in 1964 (in 1964, Unilever established soap manufacturing facility in Kalurghat, Chittagong), Tibet was the market leader up to the

80's decade. It indicates that as a national company Kohinoor Chemical Company was able to compete with the multinational company for a long time. However, the company lost the competitiveness during 80's decade.

Tibet lost the market not only to the multi-national company, but also to the national company. Square Toiletries Ltd (STL) (a private and Bangladeshi manufacturing firm) caught the leading position in some area of products also. STL showed the competitiveness as a national brand and competed with the multi-national company.

Because of continuous loss, the government took initiatives to privatize the Kohinoor Chemical Ltd. during the decade of 90's. On May 5, 1988 Kohinoor Chemical Company Limited (KCCL) was transformed into a public limited company under the Company act 1913. The Government held 51% share of KCCL, 34% shares were sold to the public and remaining 15% were reserved for the KCCL officials and workers. The shares are publicly traded in Dhaka and Chittagong Stock Exchange Ltd.

In 1993, the government of Bangladesh privatized Kohinoor Chemical Company Limited (KCCL). The reformation of KCCL was guided by the World Bank (WB) also. KCCL was purchased by the Orion Group, which is one of the largest groups in the country. After the privatization and reformation, KCCL is enjoying profit again (web, KCCL). The R&D department of KCCL is trying to provide strength to compete in the market.

Discussion Behind the failure

It has been mentioned by the KCCL that they have changed the organization in large scale, especially in Research & Development (R&D) department and in human management and development process. It has been claimed by the KCCL authority in their annual report that after privatization and reformation, they have ensured the following keenly –

- 1) People are placed appropriately according to the skill
- 2) Right mixed of the skills of the has been ensured in each product line
- 3) Monitoring and ensuring the employees attitude and behavior according the organization norm
- 4) Employees are developed in the right way (from the annual report of KCCL).

Each of the concerning areas has been ensured strictly in various ways. Moreover, the KCCL reformed the R&D department. They R&D department tried to make the 'Tibet' brand competitive again. They increased number of product line under 'Tibet' brand also. Moreover, they added some new brand. For example; Sandalina (for soup), Ice Cool (for Soup, Powder and Shaving cream), Fair and Care (fairness cream), AM PM (toothpaste), Bactrol (Health soup), Xpert (dish wash powder), Genstar and others.

Because of the above initiatives, KCCL get back the positive figure in the bottom line of the financial statement again. Last five years revenue and profit has been presented in table 1.

Table 1. Sales and Profit of KCCL

Particulars	June, 2013	June, 2012	June, 2011	June, 2010	June, 2009
Net Sales Revenue (BDT in thousands)	2,718,968	2,507,492	1,850,615	1,491,771	1,540,128
Gross Profit	470,625	429,583	316,272	254,591	253,468
Net Profit After tax	93,128	67,380	42,582	37,060	38,347

Source: Financial statement of KCCL, 2012 – 2013

Table 1 indicates that sales as well as the net profit of KCCL is increasing steadily. The policy and effective application of policy have helped the KCCL to get back the positive figure in the financial statements.

3.3. Case Study 3. Failure and bounce back after restructuring of Titas Gas

Titas Gas Transmission and Distribution Co. Ltd. (TGTDCL) was established in November 1964 as a joint stock company under the Company's Act 1913 with the aim of transmitting and distributing natural gas to the Dhaka city. After the independence of Bangladesh from Pakistan in 1971, TGTDCL was running as 100% government owned organization.

Currently, the organization is handling 800 million Cubic Feet (MMCF) gas per day (average and approximately). And the yearly revenue earning is BDT 24000 million (IN 2013, 1 US\$ equal to 78 BDT (approximately)). The organization has about 9,73,419 customers, including 17 Power stations, 4 Fertilizer factories, 2953 Industrial units, 7832 commercial units, 152 seasonal units, 55 CNG and 968016 domestic customers.

At present, about 2624 employees (660 officers and 1982 staffs) are working at TGTDCL. With time, the organization has grown large in size and capital. Now, the authorized and paid-up capital is BDT 2000 million and 1507.30 million.

Because of political dispute in 2006 and 2007, Bangladesh military interfere in government power of Bangladesh. Instead of interfering directly, the Bangladesh military backed the caretaker government, which consists of non-elected people who are successful in different area. On January 11, 2007, military backed government takes the control of Bangladesh.

Although, the main aim of this interim government was to create a fair environment for the election, they tried to reform various areas, especially the areas which were accused of corruption heavily. The interim government activated Anti Corruption Commission (ACC) of Bangladesh. Although, ACC was formed in 2004, it was ineffective. The interim government reformed ACC and makes it active from February 2007.

ACC started to investigate different areas to find out the corruption. Consisting with this, ACC investigated the property of the employee of Titas Gas T&D Co. Ltd. which was one of the suspected organizations by the general people.

The investigation result of ACC was quite shocking. After primary investigation, ACC claims that several employees of TGTDCCL have become multi-millionaires by giving discounts on gas to large industrial customers and pocketing kickbacks in returns (Booth, 2008). The employees provide illegal gas line to the industrial customers and provide the gas to the Industrial customer at domestic customer rate. And they pocketed all these money.

Primarily they identified 68 employees including present and current employees. ACC take legal action against them to take the money back. The investigation found out that employees from the top level to the lower level are involved with this deviance. The organizational designations of accused employees are; Managing Director, Deputy Managing Director, General Manager, Deputy Manager, Assistant Manager, Engineer, Assistant engineer, Junior technician, Assistant coordination officer, Assistant Accountant, Assistant Cashier, Sales assistant, Supervisor, Assistant supervisor, welders and meter readers (TCB, 2008).

Due to excess working pressure on ACC, interim government formed another commission named Truth and Accountability Commission (TAC) on 26th May, 2008. As the investigation procedure was taking long time to solve the case, TAC gives an opportunity to the employee to give self-agreement on their deviance by assuring them recommendation for lower punishment. Under this condition, 136 employees of TGTDCCL gave self-agreement on their illegal gaining of money from the organization.

After the interventions of ACC and taking some initiatives, performance has improved in terms of system loss. In gas industry, system loss indicates the amount of gas that is lost during the transmission and distribution. The authority of TGTDCCL claims that because of effective action, they have overcome the systems loss. They claim that they have gained some gas instead of loss regarding the systems. In their latest annual report, they have presented the following information regarding the systems loss. MMCM indicates the Million Cubic meters, which is a unit of gas measurement in the gas industry.

Table 2 Trends of System Loss over time at TGTDCCL

Fiscal year	System Loss/(gain)	
	Quantity (MMCM)	Percentage
2005-06	704.20	6.47
2006-07	621.66	5.26
2007-08	430.09	3.39
2008-09	109.36	0.81
2009-10	(313.26)	(2.14)
2010-11	(267.46)	(1.82)
2011-12	(1.86.43)	(1.39)

Source: Annual Report 2011-12, TGTDCCL (Source: www.titasgas.org.bd)

Table 2 indicates that TGTDCCL have gained some gas instead of losing. They mentioned about a number of initiatives that have improved the performance. They are:

- 1) Region basis measurement of gas input and output. And measurement of systems loss regularly.
- 2) Identification of authority and responsibility and ensuring the authority and responsibility regarding the systems loss
- 3) Testing and changing the old meter.
- 4) Enhancing the monitorial tasks
- 5) Solving the case against the accused employee rapidly.
- 6) Changing the meter position of industrial customer.
- 7) Using prototype pre-paid gas meter (Annual report of TGTDCCL)

They also claim that some time special teams are investing the industrial customer plant to check the connection line. And because of these initiatives they have improved the situations.

Theoretical Underpinning

It is agreed that public ownership suffers from inefficiency. The inefficiency of public sector drives mainly from the agency problem and political interference in the management of the organizations (Gouret, 2007). Researchers argued that poor management and weak capitalization of SOEs had a negative impact on the efficiency and financial viability (Road, 1997; Omran, 2004).

In developing countries, the performance of SOEs is observed by various authorities. Developing countries depend on the donor agencies for resources very often. To grant the resources, donor agencies set conditions. It is found that donor agencies are setting the conditions for reforming the public sector frequently. Bangladesh is not an exception of this (Parnini, 2009).

During the past few decades, public sector as well as SOE has undergone the reformation which is well known by the term "New Public Management" (Gruening, 2001; Hood, 1995, 1998). However, researchers have raised concern about the suitability of private sector managerial tools to the overall public sector. The scandals and the stream of corruptions involved in the NPM have raised doubts about the effectiveness of NPM on the public management (Maesschalack, 2004; Sheaff & West, 1997).

In reality, it has been found that different mechanisms have been used to make the SOEs profitable. For example; privatization, reengineering the business, capital restructuring (e.g., corporatization of SOEs where the public entity becomes a limited company) and others.

There is an agreement that privatization will have a positive impact on the economy's output level (Gouret, 2007). But, some researches indicate that little macroeconomic evidence exists on the effects of privatization (e.g., Lopez-Calva & Sheshinski, 2003). The fact is different privatization policies have been found since the starting. After analyzing the situation of Hungary, Poland, Czech Republic and Russia,

Kornai (2000) concludes that privatization through gradual sales rather than mass privatization is the best way to privatize the existing assets. The mass privatization has been found little effective or no effective in different countries, e.g, Lithuania, The Czech Republic, and Russia. The overall result of privatization was found negative in Egyptian SOEs (Omran 2004).

In case of corporatization, both the positive and negative results have been found. Apart from privatization, corporatization has been found as a mechanism to improve the performance of SOEs. Aivazian, Ying and Jiaping (2005) find that corporatization without privatization has had a significantly positive impact on SOE performance. The corporatization of Spanish SOE was not successful (Costa & Jaime, 2008). But, in China corporatization has been found the successful means of improving the performance of SOEs (Aivazian, Ying & Jiaping 2005). China adopted a gradual approach for reforming SOEs which found successful in increasing economic growth and productivity. Researchers have suggested restructuring the SOEs before the privatization as it is assumed and proved to be more effective (Gouret, 2007). This study finds some insight that is consistent with the previous study (e.g., Ariyo & Jerome, 1999)

Discussion on the failure/ Reaching Closure

From the previous literature, the form of reformation of the three firms can be identified easily. The form and aftermath have been presented in table 3. The failure of AJM motivates government and policy maker to close the operation. Not only AJM but also a number of SOEs jute mills were sold to private owner.

Table 3. Failure, remedial actions and aftermath

Firm	Initiative	Aftermath
KCCL	Offloading the share and Gradual Privatization	Success
AJM and Other Jute Mills	Liquidation and Mass Privatization	Failure
TGL	Restructuring, monitoring and control	Overcome to an extent

However, it seems that liquidating and selling was aimed to achieve some planned target. The task force of the caretaker government found out that the assets of 29 jute mills, worth more than 245 crore BDT were by then denationalized by the face value of only 5.5 crore (Muhammad, 2002). This type of liquidation for intentional purpose has been noticed by the international researchers also (See Kay & Thompson, 1986).

Scenario of KCCL can be identified and justified by the previous literature and empirical research. Researchers have mentioned that the reduction of government ownership can improve the performance of SOEs. As SOEs concentrate more on social objectives, the privatized firm shows more efficiency regarding profit (Hartley &

Parker, 1991). However, researchers have mentioned that not only ownership and objective, but also the competitive environment and capital-market discipline increases the efficiency of privatized firms (Castro & Uhlenbruck, 1997). KCCL is facing the severe competition, both from the local and multinational firm.

The scenario of Titas Gas Ltd. is different. Just after restructuring and improving the controlling and monitoring mechanism they have improved the performance. Earlier empirical studies support this observation as well. Kole and Mulherin (1997) mention that the availability and implementation of monitoring devices can favorably affect the performance of any form of enterprise, whether it is public or private. In case of TGL it has been found that not only policy maker or top management failure is responsible, but also lower level employees are responsible for the bad performance of the organization. Competition improves monitoring urge and increases incentives for production efficiency (Vickers & Yarrow, 1991). Although TGL adapt monitoring to protect corruption instead of facing competition, it has been found that the monitoring activities of TGL have improved the production efficiency positively.

Ultimately, it seems that the finding of the study is identical with international research. However, the study has explored the reason behind the failure of SOEs in Bangladesh through the comparative case study. The findings of the comparative case study indicate that apart from the policy maker, employees from different hierarchical level can't avoid the responsibility of the failure of SOEs.

4. Conclusions

The previous researches on the failure of SOEs of Bangladesh were limited to individual SOE study or general collective in nature. But, this study develops the conclusions on the basis of comparative cases, cases failure, authorities' action and variations in output which ensure the quality of the study. The result of the study shows that mass privatization without restructuring or noticing the main problem can't change the situation positively. However, offloading the share of SOEs shows significant performance improvement.

The paper adds value by analyzing the cases in detail also. The detail analysis shows the scenario of failure of SOEs and factors that drive the failure in details. The analysis shows that not only the policy maker of SOEs, but also the employees of different hierarchical level can't avoid the liability of failure. For example, the case of TGL. In TGL, employees, both from the higher level and operational level are responsible for the failure. This study draws the conclusion on the basis of comparative case study on some firms, while a number of firms in Bangladesh have been privatized, liquidated or offloaded the share. Therefore, scope remains for a further study in the future to make the conclusions stronger.

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