

Executive Summary

This Management Skills Project aimed to identify the underlying reason for losses and reducing the continuous loss for Group Distribution. In the last two years, company's sales were growing yet reported loss has been continuously increasing. This indicates an unhealthy business cycle, which will inhibit growth and make it difficult to sustain. In this context, the project team studied reasons in detail using various techniques such as cause and effect analysis, ratio analysis and so on. Based on findings, project objectives has been established. These are to improve product gross profitability through managing the portfolio, control selected costs, improve working capital and motivate employee through incentive and training. Project commenced in March 2018 and completed in August 2018.

During the course of the project, the main challenge was to allocate resources accordingly based on a specific product range's contribution to gross profit and secure minimum gross profit compared to previous practices. Project team identified high and least profitable brands, set minimum GP target and initiate negotiation with supplier whose gross profit is below the minimum target. Further, project team established a purchasing committee to ensure that proper procurement process is in place and relevant concerns are taken into consideration when placing orders. Project team implemented cost control mechanism to identified costs such as fuel, rent, damage, demurrage, which has started to produce positive results including significant amount of savings to the company even well beyond project timeframe. Project team in consultation with key personnel in the company introduced various mechanisms to reduce working capital cycle, which mainly focused on stock reduction, limit customer credit and control, streamlining of purchasing practices, and so on. Furthermore, team managed to coordinate two training programs and have designed and implemented an incentive scheme targeting to achieve other three components of the project while motivating overall staff performance. Overall, project team has achieved more than 100% of the project objectives despite some challenges in a few areas.

GD management should sustain continuous implementation of this project's initiative as it can bring significant contribution to the company's bottom line in upcoming years while carefully managing main brands such as KRBL, which represent large volume and low margin. Project team has experienced how various concepts and knowledge acquired during the MBA program were applied into practice in real world scenario and improve team member's conceptual, interpersonal and technical skills.