

‘Working Capital Management - A Case Study of Starcom Worldwide, Bangladesh’

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Internship/Project Report Approval Form

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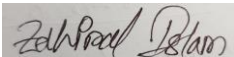
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Executive Summary

Starcom Worldwide, Bangladesh started its operation as the first Brand Marketing Agency in 2000 owned by Publicis Media of France and is now one of the most popular Marketing Agency in the United States of America. It's head office is located in Chicago, Illinois, USA. It has its franchise office located at House no. 15, Road no. 128, Gulshan -1, Dhaka, Bangladesh.

This study is based on Starcom Worldwide working capital management and its influence on day-to-day operations in Bangladesh. The primary objective of this report is to complete the BBA program's requirements. I successfully completed my internship at Starcom Worldwide Bangladesh office. As needed information sources, both primary and secondary data sources were incorporated. For the ease of understanding I have divided my whole report into two parts. Each part contains several chapters which can be seen at a glance in table of contents.

The company profile, internship position and duties, observation, recommendations, and conclusion are the three chapters in the first section. Using the five forces model and SWOT analysis, a significant effort was made in the company profile to understand the organization's vision, purpose, objectives, goods and services, and business positioning. Then, in chapter two, I summarized my experience as well as my tasks and functions throughout my internship. Later in Chapter 3, I discussed my findings about the agency and made some recommendations based on them.

Research Design, Theoretical Background, Analysis and Findings, and Recommendations and Conclusion are the four chapters of the second half. In chapter one, I outlined the research's goal and scope, as well as its methods and constraints. In chapter two, the concepts and hypotheses that would guide research were explored. The primary analysis and general conclusions from the investigation were highlighted in Chapter 3. I made my own suggestions based on the findings of the study, and I wrapped off the research by presenting a summary of the findings.

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Part A

Internship Experience

Chapter One

Organization Profile

1.1 Company Overview:

Starcom Worldwide, Bangladesh began its journey in global travel trade in 2000 and is now one of the most popular brand marketing agencies in the United States of America. This company is owned by Publicis Media Groupe. Publicis Media Groupe is one of the oldest multinational advertising public relations companies. Starcom Worldwide is now operating in more than 100 countries worldwide. Its head office is located in 25 West Wacker Drive, Chicago, Illinois, U.S.A.

The marketing agency has a motto of ‘creating the human experiences of the future’. To create this experience they have another the vision of using data to grab the opportunity and using technology to personalize and visualize those data for making impactful business decisions. Starcom Worldwide, Bangladesh now handles clients like Banglalink, Xiaomi, E-courier, Banglacut, Carnival Internet, Carnival Assure, Icarnival, Shohoj, Audra, Ghori Learning, ENO, Udemy, Green Delta Life Insurance and lastly Sensodyne.

1.2 Corporate Vision

Starcom Worldwide, Bangladesh believes in a vision of “Creating human experiences of the future”.

1.3 Corporate Mission

- Starcom Worldwide, Bangladesh aims to become the best brand marketing agency in Bangladesh
- Client satisfaction is given maximum priority and will be ensured by providing reliable information that would help to make business decisions.
- Starcom will design impactful marketing plans for its clients and will set standards for it
- Clients will get maximum flexibility throughout the all phases of service.
- All these objectives will be achieved and simultaneously sustainable growth and profitability for the company.

1.4 Objectives

Starcom’s main objective is to deliver its client the best services in terms of media planning and execution in the Digital World, TV Media and also in public relations. Starcom continuously provides data and insights on these mediums to deliver its client the best decision making capabilities that impacts their long term business sustainability.

1.5 Product & Service Offering

Starcom Worldwide has well diversified resource company portfolio. These resource companies are related to communications and data information systems. The resource company portfolio of Starcom is as follows:

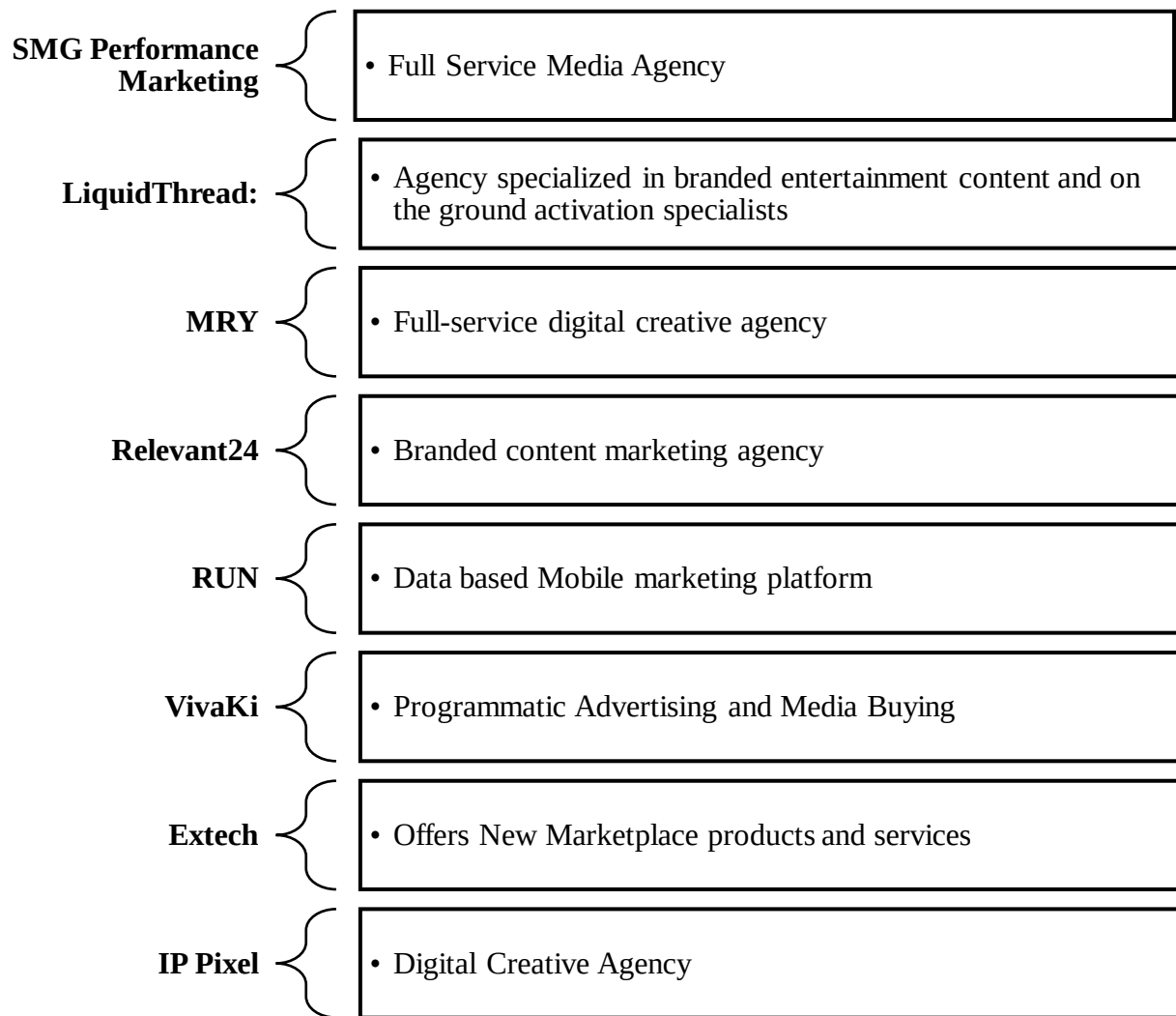


Figure1 : Resource company portfolio of Starcom Worldwide

1.6 Share Information

Starcom Worldwide owned By Publicis Media Groupe is a private limited company registered governed by articles L. 225-57 to L. 225-93 of the French Commercial Code. The following is the distribution of the company's share capital:

- Élisabeth Badinter (French National)
- Harris Associates LP (Investment management company)
- Public
- Treasury owned shares

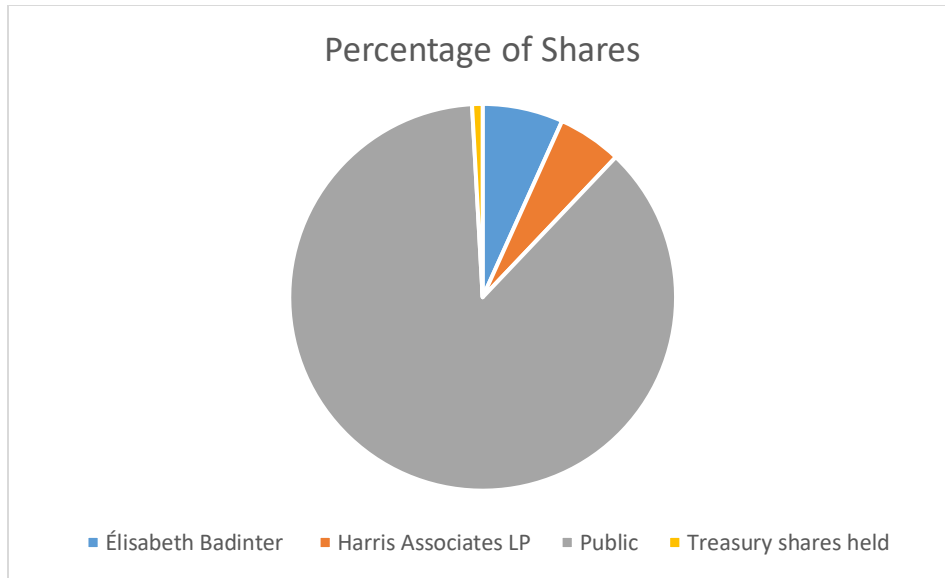


Figure 2 : Percentage of shares between shareholders.

1.7 Major Functional Division of organization

Starcom has operating its business under the following major functional divisions:

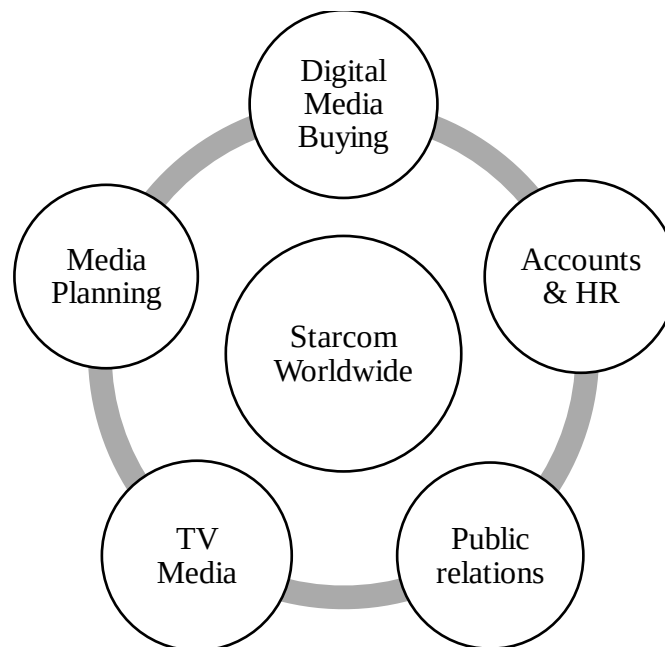


Figure 3: Major Functional Division of organization

1.8 Achievement & Awards

- **Best & Brightest Company Award:** Starcom Worldwide got the best and brightest company award for the year 2021 in USA. The best and brightest award is given by a community of extra ordinary leaders who share ideas and policies, and have proven that they are the employers of choice.
- **WARC Media 100 list:** World Advertising Research Centre (WARC) unveiled its 100 Media agency list, which ranks the best media agencies in the marketing agencies, featuring the most awarded campaigns, agencies and brands in the world. Starcom's Global Network received 11 honours in the year 2021 in WARC Media 100 list.
- **EFFIES Russia Awards:** Starcom won the EFFIES Russia and won 18 awards out of 23 EFFIES Russia Awards. Effie Worldwide promotes marketing effectiveness by highlighting successful concepts and promoting in-depth discussion of the factors that influence marketing effectiveness.

1.9 Porter's Five Forces Model:

A typical industry study starts with a broad evaluation of the dynamics that influence the company. The goal of such a research is to utilize it to create the organization's competitive advantage so that it can defeat its competitors. Professor Michael Porter of Harvard University Business School organized and presented most of this study. This is often called *Porter's Five Forces Model* because he identifies five basic forces that can act on the organization (Richard Lynch, 2006).

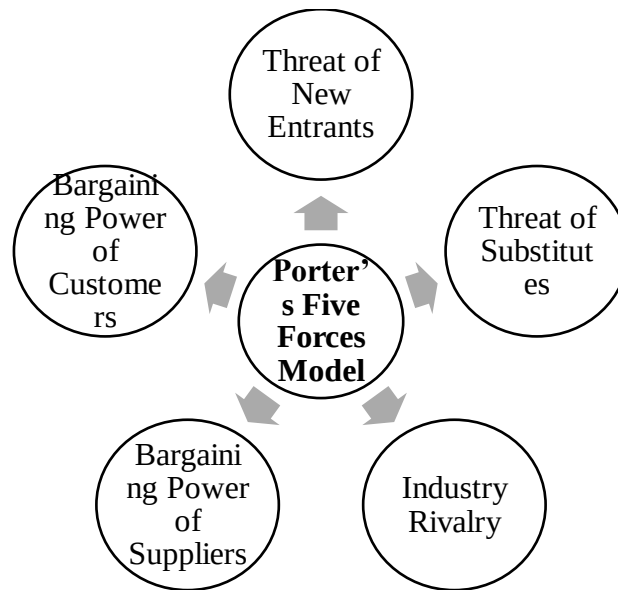


Figure 4: Porter's Five Forces Model

1. Threat of new entrants

Digital Marketing sector is steady and growing continuously for the past 7 to 8 years and it is still in a growing pace. The investment in this sector is comparatively less than other industries as well as the demand are very high as brands want the best output in minimal cost. Therefore the threat of new entrants in this industry is comparatively high.

2. Threat of substitutes

Apparently, there is no substitute for Digital Marketing as this technology and data driven marketing. Although companies that use the traditional method of marketing are still in a steady level but those are costly. But there are companies who want cheap marketing strategies and Digital marketing is the way forward for this scenario. So companies nowadays are more likely to choose Digital Marketing for their marketing needs for their products. Considering this scenario the threat of a substitute for Digital marketing is not near at the moment.

3. Bargaining power of customers

Clients are mostly influenced by advertising agencies. The number customers are relatively very high compared to number of marketing agencies in this industry.

Therefore the power of clients is somewhat low as agencies have numerous clients and brands to drive their business growth.

4. Bargaining power of suppliers

The price of this industry are mainly determined the by the skillful media planning of agencies. The agencies that can provide the best media plan with minimum cost and best sales strategies are usually given the acquisition for marketing the particular product of a brand. Therefore digital marketing agencies in this area usually have the upper hand as each agencies planning and execution are mostly accurate with the backing of data and technology.

5. Industry rivalry

The Digital marketing industry worldwide is growing rapidly and our country is no other exception to its growth. The number of marketing agencies in our country is also growing and around 100 plus marketing agencies are in Bangladesh right now. A very healthy competition is forcing this industry to constantly increase its expertise in media planning and execution for individual marketing agencies. Industry rivalry is therefore high in this industry as the number of agencies is growing in a healthy way.

1.10 SWOT Analysis:

A SWOT analysis outlines the major problems from the business environment and an organization's strategic capabilities that are most likely to influence strategy formulation. The goal is to determine how relevant and capable current strengths and weaknesses are in dealing with threats and capitalizing on opportunities in the business environment. (Jhonson, Scholes and Whittington, 2005).

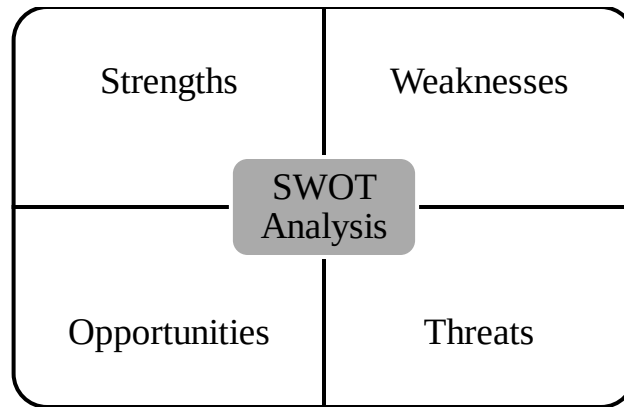


Figure 5: SWOT Analysis

Strengths

- Appointed sub resource agencies for media execution
- Worldwide brand recognition and industry reputation
- Diversified agency portfolio
- Skillful Media Buyers
- Skilled Ad Operation Managers and Account Directors
- Good agency culture and working environment
- Attractive Salary Package for employees
- Employee turnover rate is at a minimal level

Weaknesses

- Intense marketing competition
- More skillful data analysts and media planners needed
- Intense working pressure
- Because of huge workloads, deadlines of numerous campaigns may be missed
- Agencies sometimes tend to work with minimal manpower where more is required

Opportunities

- Increasing trend of market size in Bangladesh
- Abundant scope for the growth of Market Sector
- Being more responsive to clients
- Being more organized and structured to meet deadlines

Threats

- For existing participants in the market, it's a fiercely competitive environment
- Need to adapt any kind of data and technological changes rapidly
- Any kind of new government regulations affecting the digital marketing mediums
- Decreasing trend of profit margins in the agency sector due to intense competition
- Implementation of new rules and policies from the digital marketing mediums for Ad operations
- Increased bargaining power of Marketing Agencies

Chapter Two

Internship Role and Responsibility

2.1 My Experience during the Internship Program:

I joined Starcom Worldwide as an intern. I worked there for three months from July 2021 to September, 2021. I had been assigned to work there as an intern in the department of finance and accounts. Mr. Hasib Kamal Sheikh was my supervisor and he is the Manager, Strategic Planning and Ad operations of Digital Media. As it is a marketing agency, he was my supervisor but he stationed me to the Accounts department as well as the Digital Media Department. I was always on time and worked the required number of hours. I kept the following information private:

- Keeping track of ledger accounts, cash and bank transactions, receipt and payment statements, cash and fund flow statements, stock records, and trial balance.
- Maintain and prepare all types of vouchers, cash books, bank books, bill registers, general ledgers, and other finance and accounting registers.
- Observed and worked in the process of Digital Media Buying
- Observed how payroll is prepared based on merits and holiday leaves.
- Prepare and review budget, revenue, expense, payroll entries, invoices and other accounting documents.
- Provided ideas about user engagement contents to generate potential customer leads

- Prepared Marketing plan for different brands such as Shohoj, Star Kebab
- Worked with the digital media team to prepare content bill for different clients
- Prepared estimation bill for clients and proposed how much expenses would occur for a marketing plan
- Any other activities relating finance admin and also marketing assigned by my supervisor.

Chapter Three

Observations, Recommendations and Conclusion

3.1 Observations:

Joining a multinational marketing agency was a great opportunity for me as there were so much Corporate Exposure and got to meet talented and high officials from organizations like Banglalink, Samsung Electronics, Xiaomi, GSK, Dotlines Bangladesh, Publicis Media India. This corporate exposure helped me to understand how corporate culture in different organizations work and also how Digital Marketing industry is booming in Bangladesh. It is not so far that a revolutionary change will completely modify the way of business of this sector. Starcom Bangladesh is widely recognized in Digital Marketing industry and they are very adaptable to changes related to Data analytics and technology as both of these are the main drivers of the business. This Marketing agency continuously tries to train its employees to any kind of Technological Changes and provides subscription based Seminars from Google. The following are the main observations from my point of view:

- Company is currently using its own Enterprise Resource Planning made by a third party but according to the agencies own customized aspects software to manage client bill handling, employee payroll and leave status
- The agency uses a marketing tool to called Agency Analytics for its work to observe, review and optimize its marketing campaigns.

- The Agency regularly encourages participating in workshops from Google Digital Garage and getting the required training to enhance the skills of its employees.
- The Agency has its loyal client base who trusts the agency for its marketing needs and helps in the sustainability of the business.
- As it is a multinational marketing agency, the coordination among the resource companies and also the branches operating worldwide is strong and any changes that occurs in the organization worldwide also takes place also in the office of Bangladesh as well.

3.2 Recommendations:

This study identified several vulnerabilities and risks to the firm, which have an impact on present profitability as well as future business risk. To deal with these issues, the company might use the following strategies:

- Company needs to get more skillful employees in its Bangladesh office to achieve promised growth numbers in order to maintain long term client retention.
- Starcom needs to be more efficient its internal communication.
- Current software developed with company's own customization is good for maintaining agency's own internal finance, resources and employee related issues but they can also market this software to other Digital Marketing agencies and earn profits.
- Realistic KPIs should be provided to the clients so that it can be met. Sometimes to retain clients, unrealistic KPI's are given and therefore creates a problem for the account managers.
- Agency's creative team needs more manpower as the creative requirement from clients go through many changes within a short span of time.

3.3 Conclusion:

Starcom Worldwide, Bangladesh is one of the most renowned marketing agencies and it is one of the first brand marketing agency in Bangladesh. It serves famous brands such as Xiaomi, Samsung, ENO, Sensodyne, Banglalink, Carnival Internet, Green Delta Life Insurance, E-courier etc. I had a different yet amazing experience working in a multinational brand marketing agency. Although my work was on the Accounts department, but I was also assigned to work in the Digital Department as well which helped me to gain real life work experience in both Marketing and Accounting aspects. All of my Colleagues, Managers, Supervisor and Executives were very much helpful and the working environment was very dynamic and joyful.

Part B

Research Project

Chapter One

Research Design

1.1 Introduction:

Each and every firm needs enough liquid resources to support day-to-day cash flow. Businesses must have sufficient liquid capital to satisfy short-term obligations and, in the long run, to secure the company's existence. It is critical for management to pay close attention to working capital control and planning. The total of all current assets, including raw material inventories, receivables, notes receivables, work-in-progress, finished items, stores, short-term investment, and cash, is referred to as working capital. The gap between current assets and current liabilities

determines a company's working capital. If current assets exceed current liabilities, the firm is liquid enough to keep its operations running while simultaneously paying off short-term loans and other operational expenditures. Working capital is regarded as the lifeblood of a company. Working capital is compared to the soul of the human body in this case. The goal of working capital management is to strike a balance between short-term liquidity and long-term profitability in order to maximize an organization's value.

1.2 Objectives of the Study:

The main objective of this study is to find out the insight concept of working capital management of a multinational marketing agency. Some other important purposes of this study are given below:

- To determine the several proportions of working capital management of 'Starcom Worldwide, Bangladesh'.
- Using several accounting ratios, compare the performance of working capital across multiple years.
- To assess 'Starcom Worldwide, Bangladesh's' liquidity condition.
- To evaluate the accounts receivables and payables of 'Starcom Worldwide, Bangladesh.'
- To provide some suggestions that improve the efficiency level of working capital management.

1.3 Methodology:

Direct observation and interaction with the different executives of 'Starcom Worldwide, Bangladesh' were the primary sources of information for this study. I used some of the strategies listed below to improve my understanding and obtain new information:

- Library work method
- Interview method
- Observation method
- Desk study method

1.4 Source of Information:

Based on available resources, information sources are classified into two types which are

1. Primary Sources
2. Secondary Sources

Primary information sources are significantly more acceptable than secondary information sources because it delivers genuine, accurate, trustworthy, and timely information. All of the data has been carefully selected for its validity, relevance, and trustworthiness. This research is quantitative in nature.

The key sources of accumulating working capital management information for this study are mentioned below:

1.4.1 Primary Sources:

- Direct conversation with the respective employees and executives in Bangladesh Office of Starcom Worldwide.
- Work experience in the areas of receivables, payables, and bank management of Starcom Worldwide, Bangladesh.
- Work experience preparing different working capital management internal management reports.

1.4.2 Secondary Sources:

- Annual Reports of 'Starcom Worldwide, Bangladesh'.
- Official website of 'Starcom Worldwide, Bangladesh'.
- Various documents and files of 'Starcom Worldwide, Bangladesh'

1.5 Scope of the Study:

My research topic is 'Working Capital Management.' The major goal of this research is to assess the working capital management process at 'Starcom Worldwide, Bangladesh' from 2017 to 2021. As an intern in the accounts department and also in the digital marketing department, I had the opportunity to gather more and more real and relevant knowledge on this issue.

1.6 Limitations of the Study:

- **Limitation of Time:** More time is needed to comprehend Starcom Worldwide Bangladesh's working capital management trend. However, there is a time restriction for completing the study.
- **Lack of In-depth Study:** In-depth research was not feasible in certain cases due to time constraints and the security of company secrets.
- **Lack of Comparable Data:** It would have been extremely beneficial if I could compare the company's success to that of its competitors in the same industry during the same time period.

Chapter Two

Theoretical Background

2.1 Concepts of Working Capital

Working capital is defined in a variety of ways by various organizations. The purpose of this section is to help you understand what working capital is.

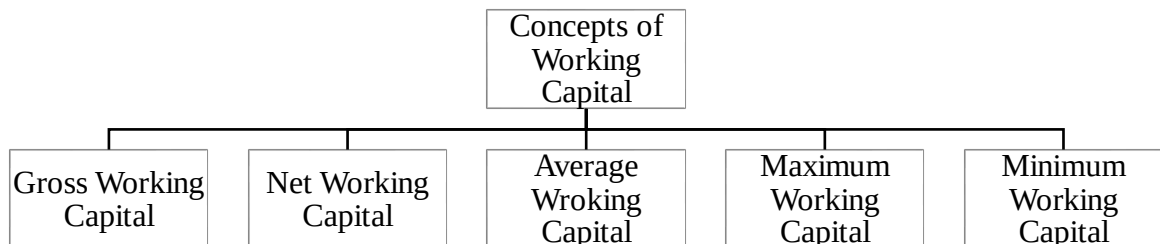


Figure 6: Concepts of Working Capital

2.1.1 Gross Working Capital: A company's gross working capital is the sum of all of its current assets. To put it another way, gross working capital refers to the entire amount of current assets

that can be financed. Current assets in gross working capital comprise cash, accounts receivables, inventories, marketable securities, short-term investments, and any assets that will be exchanged for cash within a year. If current assets rise, so does gross working capital. When you borrow money from others your existing responsibility increases as well. The computation of gross working capital aids in the measurement of a company's cash flow as well as providing a clear picture of available liquid funds to operate day-to-day operations.

Formula: Gross Working Capital = Total Current Assets.

2.1.2 Net Working Capital: The term "net working capital" is used to describe a company's present financial situation. The difference between a company's current assets and current liabilities is its net working capital. Current assets comprise, as previously stated, account payables, taxes, short-term obligations, and any liabilities due within a year. The term "net working capital" can refer to both good and negative situations. When current assets exceed current liabilities, the net working capital is positive; when current liabilities exceed current assets, the net working capital is negative. Positive net working capital indicates that the company's liquidity position is excellent, while negative net working capital indicates that the company's liquidity position is poor.

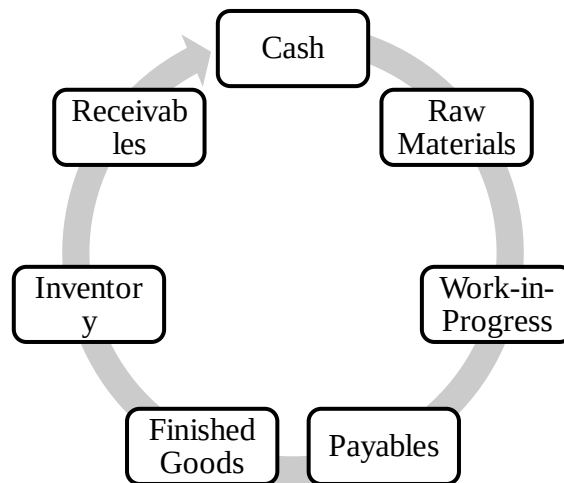
Formula: Net Working Capital = Current Assets – Current Liabilities.

2.1.3 Average Working Capital: The amount computed by dividing two years' worth of working capital by two is known as average working capital. This essentially eliminates any fluctuations in working capital over two years.

Formula: $\{\text{Working capital (current year)} + \text{Working capital (prior year)}\} \div 2$.

2.1.4 Maximum Working Capital: Businesses may experience seasonal variations in sales. A company's operational capital must be sufficient to meet increased demand during peak season. Increased inventory and receivables must be managed to ensure seasonal success. A company's working capital must be boosted to the maximum level during severe peak periods, which we refer to as maximum working capital.

2.1.5 Minimum Working Capital: Product demand declines substantially during the slow season, resulting in decreased inventory and receivables. The company's working capital needs was at an all-time low at the time. The company's basic operating capital is referred to as this.



2.2 Working Capital Cycle:

Figure 7: Working Capital Cycle:

The working capital cycle refers to the time it takes for a firm to turn its net current assets and liabilities into cash. The working capital cycle evaluates a company's efficiency and ability to handle short-term cash flow. Businesses track their working capital cycle in days. The working capital cycle of a firm should be as short as possible.

2.3 Components of Working Capital:

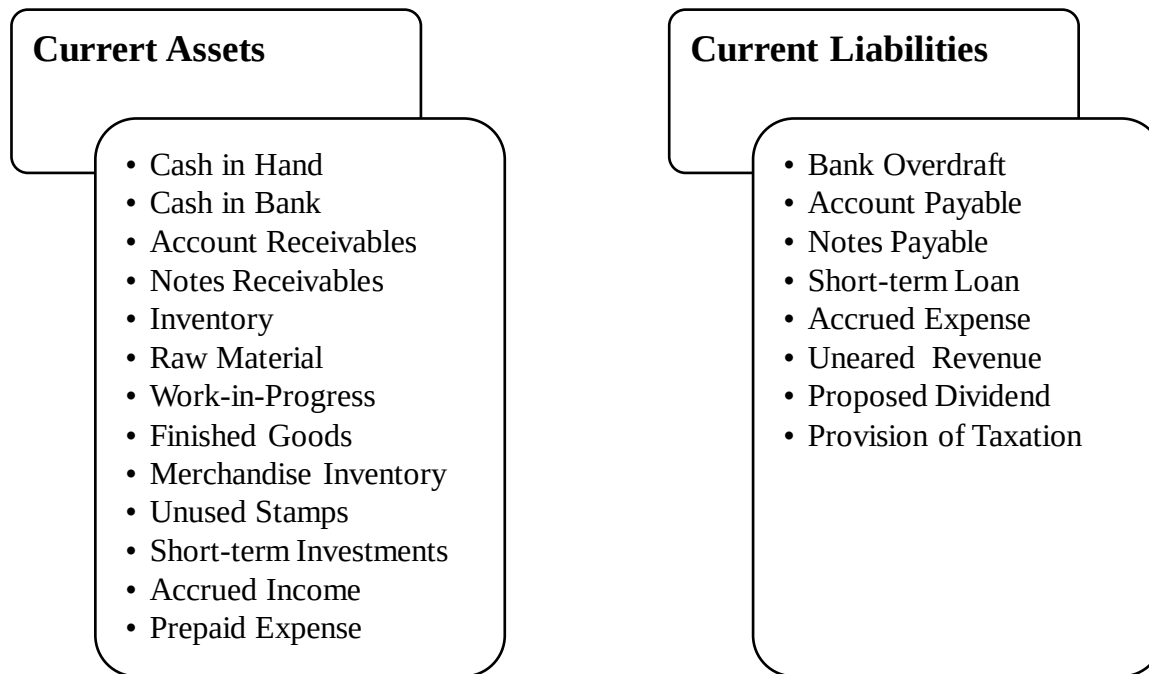


Figure 8: Components of Working Capital

The working capital cycle's major focus is on the management of four critical components. When analyzing a company's working capital cycle, it's important to have total control over these four components. The four basic components of a company's working capital are as follows:

- Cash and cash equivalents.
- Inventory.
- Debtors / accounts receivables.
- Creditors / accounts payables.

2.3.1 Cash and cash equivalents: One of the most crucial liquid components of a company's working capital management is cash. Because keeping cash or having a cash excess can be detrimental to a business, efficiently managing cash is a must. Cash is losing value every day, and because it is not an earning asset, having too much cash on hand can put a business in a poor situation. The most crucial aspect in avoiding bankruptcy is cash management.

2.3.2 Inventory Management: Inventory is one of the major items in many businesses. Cash is one of the most important liquid components of a business's working capital management.

Because retaining cash or having an excess of cash may be harmful to a firm, effective cash management is essential. Cash is losing value every day and having too much cash on hand can put a firm in a bad position because it is not an earning asset. Cash management is the most important component in avoiding bankruptcy. within current assets Raw materials, work in progress, and finished items are all included in inventory. Inventory management is a crucial aspect of management. The inventory must be properly and effectively managed by management. Excessive stock may be a burden for a company, while inadequate stock can stifle or delay sales. As a result, businesses should maintain an optimal inventory level.

2.3.3 Receivables Management: Receivables make up a significant portion of a company's current assets. As a result, the company's internal control system must create a good debtor management strategy. For consumers with an effective credit recovery policy, debtor management policy entails a control on credit term and credit limit. In addition, the firm must develop a procedure for granting credit to new clients. Failure to control debtors results in more money being locked up in receivables, resulting in a negative return on investment and an opportunity loss. There is also the possibility of an increase in bad debts. Poor debtor management will lengthen the cash operating cycle, necessitating an increase in working capital investment. Debtor management policies vary by industry and even by firm within the same sector.

2.3.4 Payables Management: Creditors, as well as debtors, play an important role in working capital management. Creditor management can be used to prevent unwarranted increases in working capital requirements. A company's liquidity may be improved by purchasing raw materials on time and controlling cash leakage. Excessive lateness in paying suppliers has a detrimental impact on company (e.g., a bad reputation, higher purchasing costs, reduced discounts, and failure to meet lead-time promises). The company must strike a balance between maintaining a positive creditor reputation and increasing liquidity to an optimal level.

2.4 Factors Affecting Working Capital Requirements:

It is critical for a company's working capital to be correctly estimated. Working capital, both too much and too little, has an impact on the operational cycle's balance. As a result, a company

must calculate the appropriate quantity of working capital. The following variables must be considered when determining working capital management.

2.4.1 Nature of Business: Working capital requirements vary depending on the type of the firm. The manufacturing firm must invest in raw materials, transform them into completed items, keep a stock of finished goods, and then sell them to consumers on credit, thus their working capital has to be large.

However, the cost of doing business as a wholesaler is lower than it is for a manufacturing firm since wholesalers typically buy items, maintain stock, and sell to customers on credit.

The working capital requirement of a retailer's trading firm is very low since it buys products on credit and sells them to customers with a short credit period. It might be zero for a supermarket chain since it buys on credit and sells on cash.

2.4.2 Length of Operating Cycle: The length of a company's operational cycle is directly proportional to its working capital requirements. The operating cycle is the time between when cash is first spent on manufacturing and when it is collected from sales. It's also known as the working capital cycle, as well as the trade cycle and the cash conversion cycle.

The longer the operational cycle, the more working capital is required. By shortening the operating cycle, a company may save money on working capital while maintaining a smooth business flow.

2.4.3 Scale of Operation: A tiny business with a modest scale of operations, a small number of clients, and a small inventory of items in stock requires a small amount of working capital. Working capital requirements increase proportionately as the size of the company grows.

2.4.4 Seasonal Factors: A firm that is not seasonal may keep its working capital consistent throughout the year. However, in a seasonal firm, demand is more likely to rise during peak season and decline during off-peak season. Increased demand during peak season will necessitate greater supply and more customer demands to be met. This necessitates a high level of working capital during peak season, and vice versa.

2.4.5 Business Cycle Fluctuation: The natural variation of economic growth is known as the business cycle. Demands have risen substantially because of increasing economic growth,

causing all other elements, such as increased production, stock, and consumers, to follow suit. To keep up with this expansion, additional working capital will be required. On the other side, during a recession, demand drops and all other factors work against the firm. As a result, the need for operating capital is minimal now.

2.4.6 Operating Efficiency: A company's working capital requirements may be reduced if its operations are more efficient. Low waste and idle time might help you save money on your operational costs. Working capital investments are low when operational expenditures are low. Costs and working capital requirements will rise as a result of inefficient operations.

2.4.7 Availability of Raw Materials: If a production process necessitates the use of rare, unusual, or scarce raw resources, the company must have a buffer stock of these commodities on hand. An increase in buffer stock will result in an increase in the company's working capital. Less material on hand means less money tied up in inventory and less money invested in working capital.

2.4.8 Technology and Production Cycle: In comparison to traditional labor-intensive companies, technologically sophisticated organizations are mostly machine intensive. Labor-intensive businesses must pay workers on a regular basis, implying that greater working capital is required. Machine-intensive businesses, on the other hand, have lower operational costs but require greater capital expenditure.

The amount of working capital required is also determined by the manufacturing cycle. The time it takes to turn raw materials into completed goods is referred to as the production cycle. The longer the manufacturing cycle, the more working capital is required to create the completed items. Because there will be less money locked up in inventory and completed items with a shorter manufacturing cycle, the amount of working capital required will be lower.

2.4.9 Credit Avail: The amount of credit available is determined by the average payment time of payables in days is referred to as the payable's payment period. Working capital requirements are heavily influenced by how long and how much credit a firm may get. If a firm can obtain more credit for a longer length of time, it will require less working capital.

2.4.10 Credit Allowed: Receivable's collection duration, which refers to the average collection period of receivables in days, is the most common metric used to determine credit granted.

Industry practice, consumer creditworthiness, and a few other criteria all play a role. Working capital requirements can be reduced by enforcing a tight credit management policy. The longer the interval for collecting receivables, the more working capital is necessary.

2.4.11 Growth Prospects: If a company expects to develop rapidly, it will need to significantly raise its working capital. Growth in the economy necessitates a rise in production size, which implies more raw materials, inventories, and capital invested in operations.

2.4.12 Level of Competition: Working capital requirements can be influenced by a competitive market. Customers may require a more liberal credit policy and on-time delivery. It must keep greater inventory in order to do so. Monopoly businesses, on the other hand, may set their own credit conditions for clients, potentially lowering their working capital requirements.

2.4.13 Inflation: Inflation indicates that the cost of materials, labor, and other costs will rise with time. If a firm can raise the price of its products, it will be able to handle this shift with ease. Otherwise, the firm will need to raise working capital as time passes.

2.5 Shortage of Working Capital

Working capital shortages indicate that a company lacks the funds it needs to carry out its day-to-day operations. It was also known as a lack of working capital. In other words, working capital shortfall is the difference between sufficient and actual working capital. Inadequate operating capital limits and complicates an organization's operations.

The following are the disadvantages of inadequate working capital:

- **Impact on goodwill:** It devalues the organization's reputation.
- **Liquidity affected:** It has an impact on the organization's liquidity.
- **Poor maintenance of fixed assets:** Fixed assets cannot be utilized properly due to a shortage of working cash.
- **Payables defaulter:** Due to a lack of operating capital, it is impossible to pay short-term obligations on time.
- **Inefficient production:** Businesses do not fully use their manufacturing capability.

2.6 Surplus of Working Capital

When a firm has more working capital than it needs, it is said to be in surplus. Excess, surplus, or working capital is undesirable for a company since it indicates there is far more money available in the company than is necessary for day-to-day operations. This is an example of a business's non-operating assets or idle fund.

The following are the disadvantages of excess working capital:

- **Idle money reduces return:** Excess working capital is a waste of money that serves no use for the company.
- **Increase of unnecessary work:** Because of insufficient working cash, unnecessary purchases may grow.
- **Hamper business relationship:** Excessive working capital might make it difficult to maintain relationships with banks and other financial institutions.

2.7 Working Capital Management:

Working capital management is a critical component of every company's long-term performance. It is a method through which a company manages its present assets and obligations in the near term. A company must have a clear understanding of and standards for managing each component of working capital. Working capital management is required to cover day-to-day operations as well as any unexpected debt obligations. Working capital management's major objective is to keep an organization's cash flow consistent.

Chapter Three

Analysis and Findings

This is the most important aspect of our research. We attempted to examine the findings of our study in this section.

3.1 Ratio Analysis:

		<u>2021</u> <u>(First Half)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	Total Average
1	Current Assets	£13,884	£15,130	£15,816	£14,434	£13,253	£14,503
2	Current Liabilities	£15,427	£16,783	£17,946	£15,324	£14,032	£15,902
3	Working Capital (1-2)	£(1,543)	£(1,653)	£(2,130)	£(890)	£(779)	£(6995)
4	Ratio						
	a) Current Ratio	0.90	0.90	0.88	0.94	0.94	0.91
	b) Working Capital Ratio	0.90	0.90	0.88	0.94	0.94	0.91
	c) Liquid Ratio / Quick Ratio	0.88	0.89	0.86	0.92	0.92	0.89
	d) Receivables Collection Period	9 days	8 days	8 days	8 days	11 days	9 days
	e) Payables Payment period	17 days	14 days	13 days	12 days	15 days	14 days

5	Comment	Deficit	Deficit	Deficit	Deficit	Deficit	Deficit

Figure 10: Ratio Starcom Worldwide, Bangladesh

3.2 Overall Impression:

Current ratio is very good to understand company's liquidity but sometimes it can be misleading which can be purely understood by quick ratio. The Agency delivers marketing services to its clients. This means the agency doesn't need to keep any inventory in its premises.

The ratios calculated above shows year by year all ratios became consistent. A consistent trend of current ratio, working capital ratio and quick ratio is very good approach for any company. From 2017 to 2021, We can see that it is being consistent, that means the company will not face any kind of liquidity crisis soon.

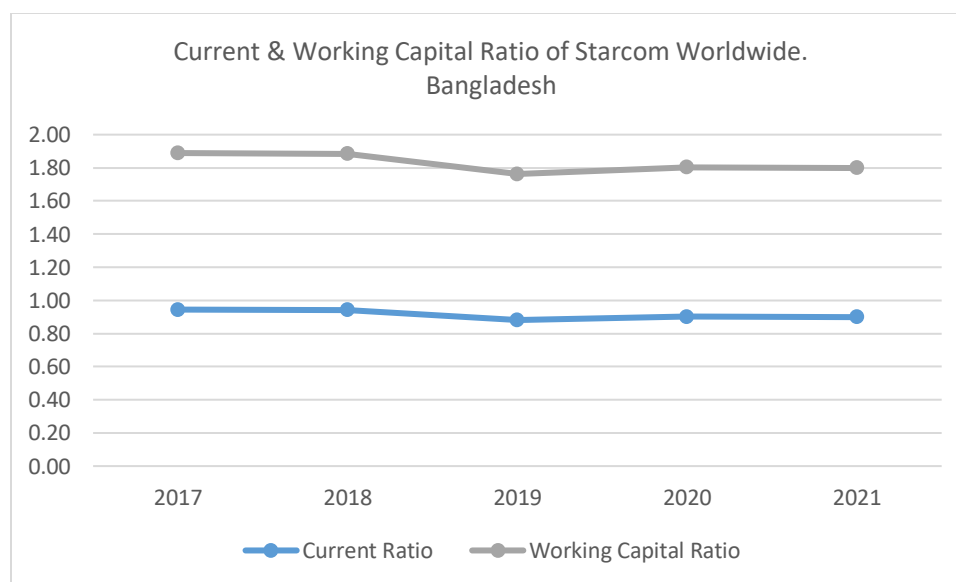


Figure 11: Current Ratio and Working Capital Ratio of Starcom Worldwide, Bangladesh

Though liquidity ratios remained consistent throughout the years, still the company is maintaining its current ratio and quick ratio less than 1 which indicates company may face difficulties in setting its current liabilities with its current assets.

By considering all factors, we can conclude that company has overall deficit of its current assets. Although the nature of business of Starcom Worldwide enables them to generate cash very quickly on an average of 9 days throughout the years which enables them to cope up for the deficit of its current assets.

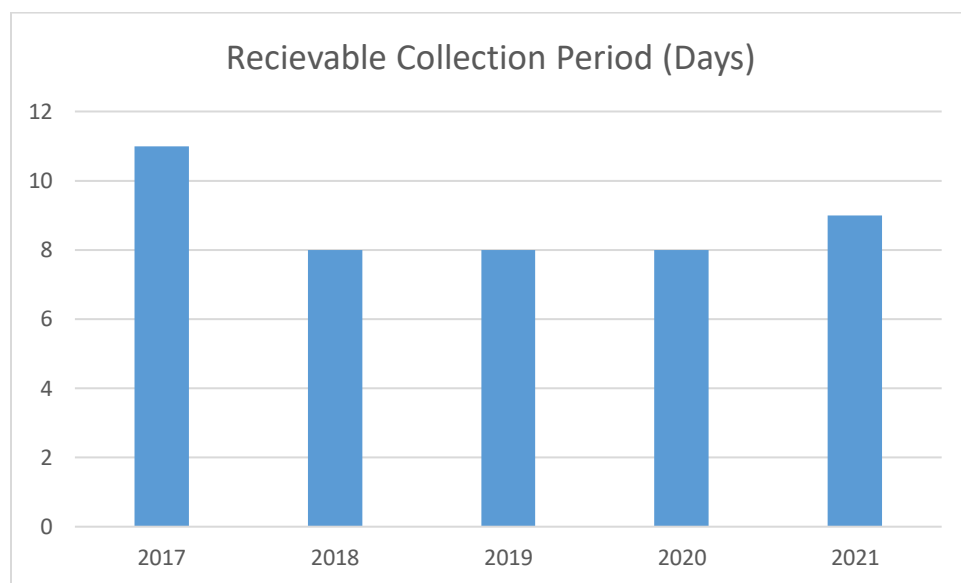


Figure 12: Receivables Collection Period of Starcom Worldwide, Bangladesh

Company's receivables collection period decreased over the period which is an indicator of good credit management policy of the company.

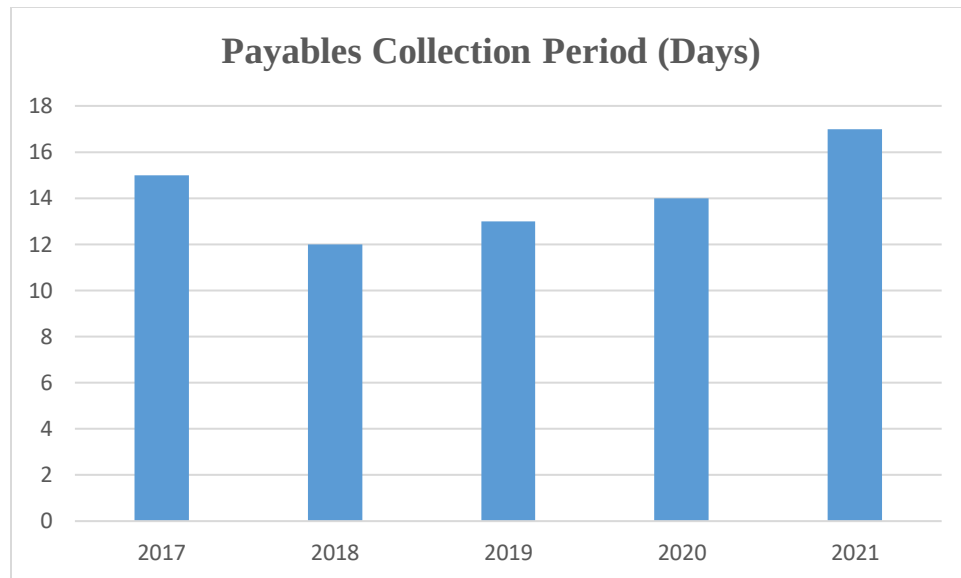


Figure 13: Payables Collection Period of Starcom Worldwide, Bangladesh

Agency's payables payment period was in a increasing trend from 2019 to 2021 and it further increased due to the corona virus pandemic that started from November 2019. However, because of the agency's positive relationships with its other suppliers, payable management remained steady throughout the period.

3.3 How to optimize the deficit funds:

- Starcom is a rapidly growing agency in its industry. The Agency can reduce its receivable turnover time further fund to increase its operational capacity and by increasing the payable time.
- The agency provides its franchise to Activate Media Solutions of Bangladesh which is mainly providing the marketing service to its clients. The agency can further increase its resource agencies in Bangladesh to further strengthen its efficiency level.
- The agency can sell its own ERP system to other agencies operating in Bangladesh to further generate its liquidity position.
- The agency can provide consultancy services for startup marketing agencies to diversify its portfolio and strengthen the brand image.

Chapter Four

Recommendations and Conclusion

4.01 Recommendations:

Following the research findings, some recommendations have been compiled that may be extremely beneficial for the company's future prospects.

- As a result of the firm's present pattern of a constant ratio, the company may establish an enhanced level of current ratio and quick ratio.
- The agency may be able to attract more consumers by offering more flexible marketing strategies. However, the agency should take the appropriate precautions to limit the risk of bad debts.
- The agency may put in place adequate safeguards to counteract the rising tendency in payables payment periods. In addition, the company should seek alternative providers, as relying on the same vendors might raise the danger of any uncertainty.
- The firm can identify idle cash and cash equivalents, and these funds will be very beneficial in increasing overall profitability.
- Agency may increase its off-season profit by boosting its other resource businesses independently. This will improve liquidity on off peak times.
- To increase working capital investment, agency might use more technological tools and data to track performance metrics.
- The nature of Starcom's company necessitates a very minimal working capital need, resulting in a very short cash operating cycle. The firm may be able to make crucial short-term choices and increase profitability by detecting and managing the cash operating cycle.

4.02 Conclusion:

Working capital management is one of the most important aspects of a company's overall performance. In this sense, Starcom Worldwide has not done well enough, putting the firm in a precarious position due to a liquidity deficit fund. However, it is a widespread misconception that liquidity and profitability are diametrically opposed, implying that a lack of liquidity may have a beneficial impact on a company's total profitability. It's interesting to see that the firm has no inventory and that its current and quick ratios are equal. These ratios have remained stable over the last five years, but they are still a long way from the danger zone. The amount of time it takes to collect receivables has decreased, which is a good indicator of increasing liquidity. Because the industry's average receivables collection time has also dropped, it won't harm your relationships with other clients. The payment time for payables has lengthened, indicating that there may be issues with its other resource agencies; however, because those agencies are also co-owned by Starcom, this will not be a problem. If an agency's working capital fund is effectively optimized, it may decrease its deficit and achieve maximum profitability.

Appendixes

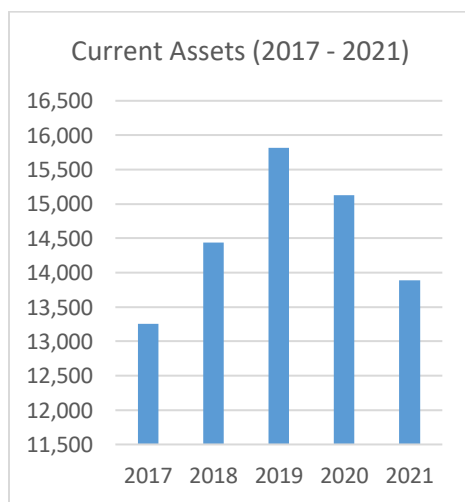


Figure 14: Current Assets of Starcom Worldwide

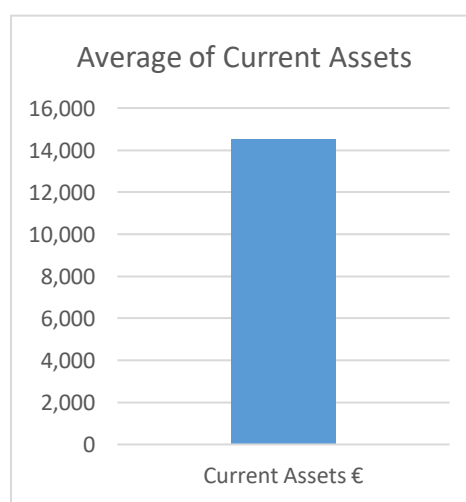


Figure 15: Average Current Liabilities of Starcom Worldwide

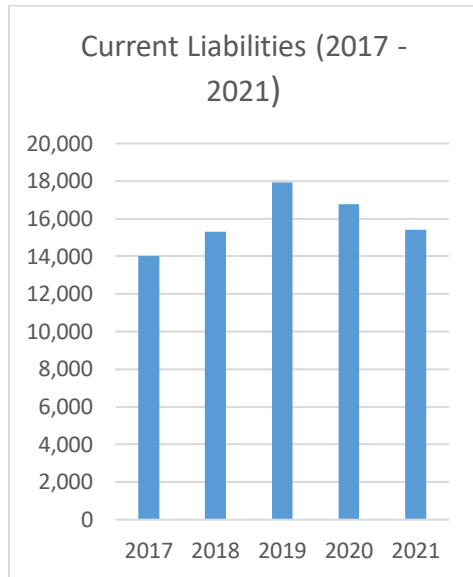


Figure 16: Current Liabilities of Starcom Worldwide

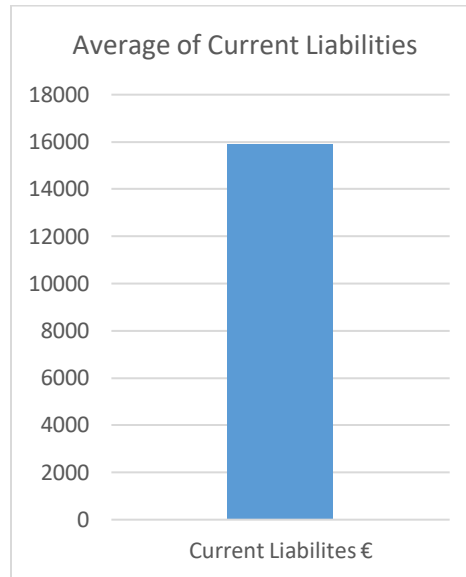


Figure 17: Average Current Liabilities of Starcom Worldwide

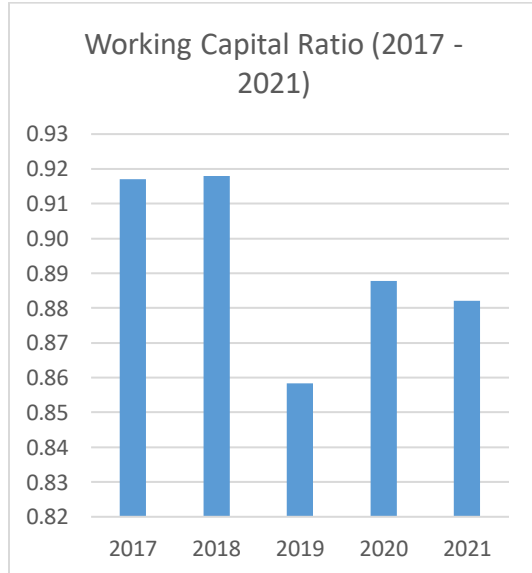


Figure 18: Working Capital of Starcom Worldwide

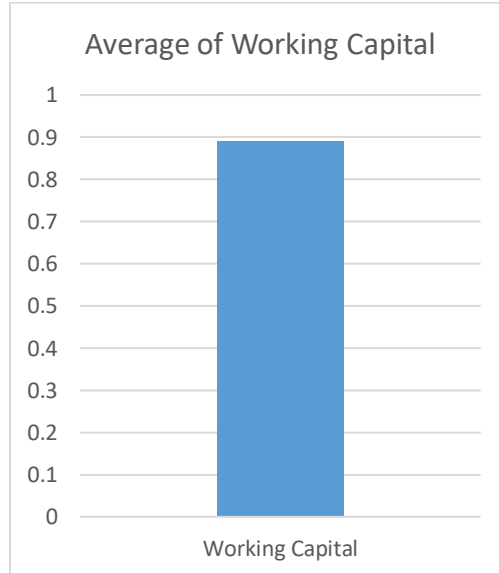


Figure 19: Average Working Capital of Starcom Worldwide

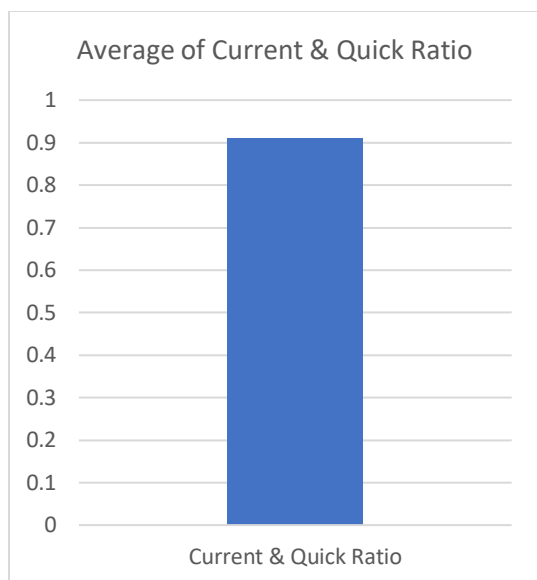


Figure 20: Average Current Ratio & Quick Ratio of Starcom Worldwide

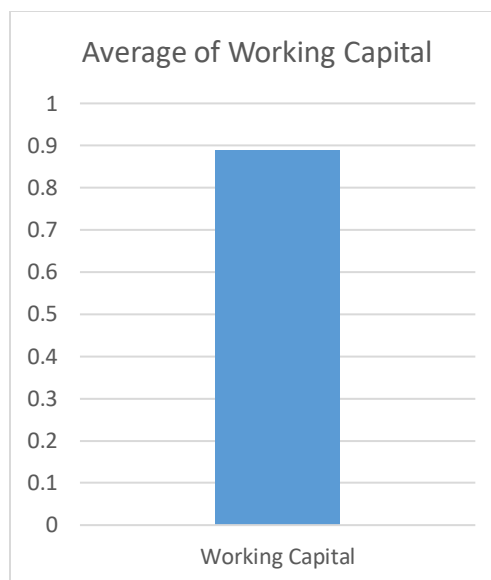


Figure 21: Average Working Capital Ratio of Starcom Worldwide

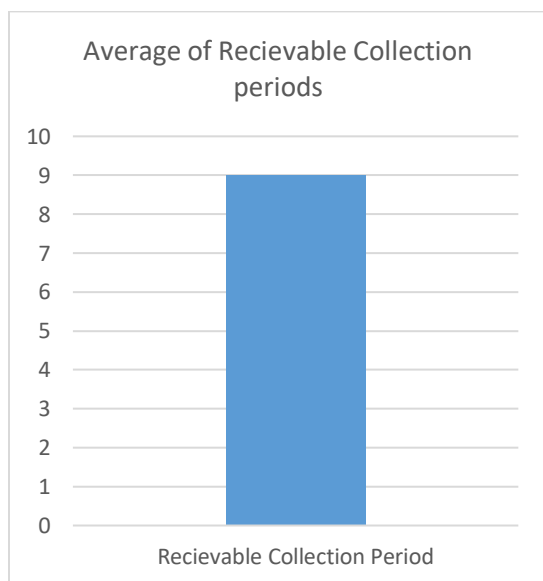


Figure 22: Receivables Collection Period of Starcom Worlwide

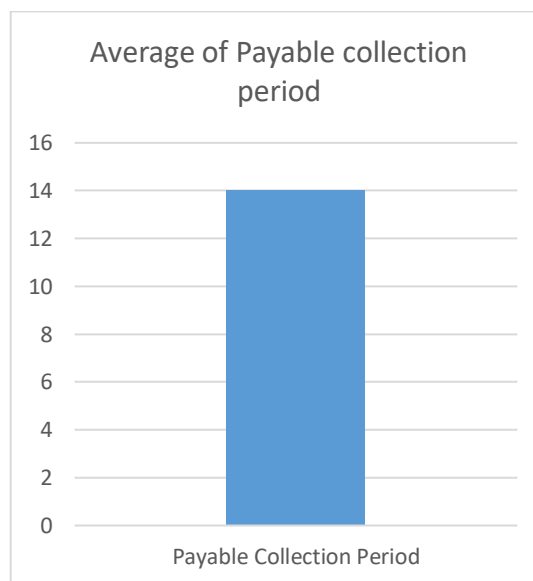


Figure 23: Payables Payment period of Starcom Worldwide

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