



# Research on S Company's Working Capital Management Based on Supply Chain Management

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**Abstract.** Amidst intensifying global competition and the accelerating digital transformation, corporate working capital management has evolved from an isolated financial function into a collaborative supply chain-oriented process. This paper explores the working capital management approaches of Company S, a prominent global smart hardware manufacturer, in the context of changing global industrial chains and digital technologies. It emphasizes the transition from conventional internal optimization to supply chain integration, highlighting the integration of resources through core enterprises to improve capital efficiency. An analysis of Company S's working capital trends between 2020 and 2024 shows fluctuating assets and liabilities, indicating operational challenges. The company encounters procurement difficulties due to supplier payment requirements, production complexities from innovation investments, and extended sales cycles from credit policies. Major challenges include excessive inventory buildup and liquidity constraints. To tackle these issues, the paper suggests implementing just-in-time inventory, predictive analytics, flexible supplier payment terms, and supply chain diversification. It stresses the importance of supply chain strategies, such as integration and financial innovation, to enhance working capital resilience and operational stability in volatile markets, providing valuable insights for companies facing global complexities.

**Keywords:** Working Capital Management, Supply Chain Management, Credit Control.

## 1 Introduction

As global industrial chains become more specialized and digital technologies permeate various sectors, corporate working capital management faces dynamic and complex challenges<sup>[1]</sup>. While traditional approaches focus on internal process optimization, the supply chain perspective emphasizes integrating upstream and downstream resources through a core enterprise hub, leveraging information sharing, process collaboration, and risk-sharing to enhance capital efficiency. The technology sector, characterized by rapid technological iterations, globally fragmented supply chains, and intensive R&D investments, requires working capital management that balances innovation investments with operational stability. As a leading global smart hardware manufacturer,

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Company S has maintained steady growth amid industry volatility through supply chain integration and financial innovation, offering valuable lessons for peer enterprises<sup>[2]</sup>.

## 2 Analysis of the Current Situation of S Company's Working Capital Management

### 2.1 Introduction to Company S

S Company, founded in 2012, is a leading comprehensive service provider for electronic bidding and procurement informatization in China. Specializing in management consulting, platform delivery, and operational support, it serves governments, enterprises, and large private companies. Its core strength lies in the seamless integration of legal, business, and technological expertise. With a team deeply involved in national bidding legislation, S Company ensures credibility and professionalism. The platform, authoritatively certified, covers the entire procurement lifecycle. Serving numerous benchmark clients, it operates nationwide and is progressively expanding into overseas markets.

### 2.2 The Current Situation of Working Capital Management in Company S

**Table 1.** Analysis of the Current Situation of S Company's Working Capital Management

Item	2020	2021	2022	2023	2024
Total Assets (billion)	424.8	450.2	420.6	419.2	430.0
Current Assets (billion)	129.0	129.0	161.2	143.5	143.4
Total Liabilities (billion)	251.4	250.9	218.5	221.4	225.4
Current Liabilities (billion)	105.0	105.0	85.7	90.2	115.3

From Table 1, The company’s operational landscape from 2020 to 2024 shows fluctuating trends. Total Assets grew temporarily to ¥450.2 billion in 2021 but declined consistently afterward, reaching ¥419.2 billion in 2023 before a slight recovery to ¥430 billion in 2024, indicating limited capacity for asset expansion. Current Assets surged by 25% to ¥161.2 billion in 2022 but dropped in the following two years, reflecting instability in short-term asset allocation. Liabilities structure improved notably: Total Liabilities decreased by 13% from ¥251.35 billion in 2020 to ¥218.5 billion in 2022. However, liabilities rebounded after 2023, reaching ¥225.4 billion in 2024, nearing 2020 levels. A critical observation is the sharp rise in Current Liabilities to ¥115.3 billion in 2024, signaling intensified short-term repayment pressure. The simultaneous contraction of assets and liabilities suggests active deleveraging, yet liabilities grew faster than assets in 2024, potentially impacting long-term financial stability. Figure 1 was generated via a data-driven approach.

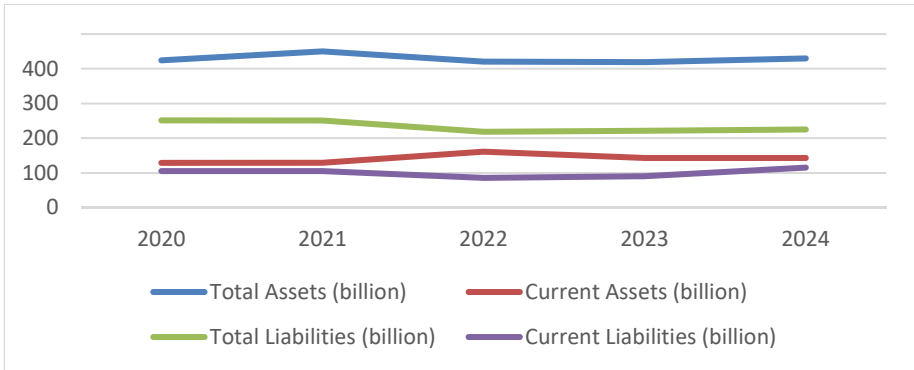


Fig. 1. Current situation of working capital from 2020 to 2024

### 3 Current Situation of Working Capital under Supply Chain Management

#### 3.1 Working Capital in the Procurement Process

Table 2. S Company's Working Capital in the Procurement Process

Year	2020	2021	2022	2023	2024
Raw Materials (billion)	5.36	6.84	6.60	6.93	7.21
Prepaid Accounts (billion)	0.82	0.82	0.82	0.82	0.59
Accounts Payable (billion)	25.35	23.28	20.95	23.15	34.34
Notes Payable (billion)	0.73	1.23	1.10	1.10	0.75
Procurement Operating Capital (billion)	-20.08	-16.85	-14.63	-16.50	-27.29
Procurement Turnover Period (Days)	-53.38	-27.53	-29.56	-34.24	-49.70

From Table 2, raw material costs rose steadily, peaking at ¥7.21 billion in 2024, while prepaid accounts dropped sharply—likely due to delayed supplier payments or bulk purchasing. Sales spiked 63% in 2021 but leveled off afterward, coinciding with growing strain on working capital (as seen in negative procurement operating capital) and a slowing inventory turnover rate by 2024, despite minor improvements in 2022–2023. These trends suggest the company is managing rising costs, erratic demand, and shifting supplier payment tactics.

### 3.2 Working Capital in the Production Process

**Table 3.** S Company's Working Capital in the production process

Year	2020	2021	2022	2023	2024
Work in Process (billion)	2.33	3.05	2.85	2.66	2.65
Other Receivables (billion)	1.52	1.98	1.79	0.63	0.81
Employee Benefits Payable (billion)	2.53	2.97	3.29	3.29	20.43
Other Payables (billion)	4.02	4.98	4.45	3.09	3.46
Production Operating Capital (billion)	-2.70	-2.92	-3.00	-3.09	-20.42
Production Turnover Period (Days)	-7.18	-4.77	-6.05	-6.43	-37.52

From Table 3, Work in Process peaking in 2021 before gradually declining, suggesting temporary production expansion followed by efficiency gains. Other Receivables surged in 2021 but plummeted by 2023, indicating potential credit policy tightening or collection challenges. Employee Benefits Payable and Other Payables grew steadily, with a dramatic spike in 2024, signaling accrued liabilities or one-time obligations. Production Operating Capital worsened annually, plunging to -20.43 billion in 2024, reflecting severe liquidity strain likely tied to soaring payables and reduced receivables. These trends imply a company facing escalating operational costs, delayed supplier payments, and mounting employee-related obligations, culminating in significant working capital pressure by 2024.

### 3.3 Working Capital in the Sales Process

**Table 4.** S Company's Working Capital in the sales process

Year	2020	2021	2022	2023	2024
Accounts Receivable (billion)	8.94	13.86	12.06	12.06	12.24
Inventory (billion)	15.00	20.00	18.00	33.37	36.34
Cash and Cash Equivalents (billion)	0.50	0.60	0.50	0.38	0.38
Other Receivables (billion)	4.00	5.00	4.50	3.09	3.50
Other (billion)	0.80	1.00	0.90	1.00	1.50
Total Current Assets (billion)	19.64	29.46	25.16	41.62	44.05
Operating Revenue (billion)	135.55	221.00	178.40	174.54	198.38
Accounts Receivable Turnover (Days)	52.23	48.37	51.07	86.50	80.10

From Table 4, The financial data from 2020 to 2024 reveals rising inventory levels, peaking at 36.34 billion in 2024, while cash reserves remained low, indicating potential liquidity constraints. Accounts Receivable stabilized after 2021 but turnover days worsened, reaching 86.5 days in 2023, suggesting slower collections. Total Current Assets

grew 124% by 2024, driven largely by inventory expansion, though Operating Revenue fluctuated, peaking in 2021 before partial recovery in 2024. These trends imply a company prioritizing production scale-up and asset accumulation, yet facing challenges in cash conversion efficiency and revenue growth alignment.

## 4 The Problems and Improvement Methods in the Working Capital Management of S Company

### 4.1 The Problems Existing in the Working Capital Management

**Inventory Overaccumulation and Working Capital.** The company is increasingly delaying payments to suppliers to manage cash flow, which risks damaging relationships and credit access<sup>[3]</sup>. The extended repayment periods and slowing procurement cycle raise concerns about supply chain stability if suppliers impose stricter terms<sup>[4]</sup>. Additionally, rising costs without corresponding revenue growth highlight inefficiencies in converting procurement into sales. To address these issues, the company could negotiate more flexible payment terms, diversify its supplier base, or adopt dynamic discounting to better balance liquidity needs with maintaining supplier trust.

**Liquidity Strain from Rising Accounts Payabl.** S Company faces challenges such as inventory overaccumulation and liquidity strain. In contrast, Huawei, a global technology giant, excels in supply chain integration and digital transformation, achieving higher operational efficiency and cash flow stability through advanced analytics and tighter supplier collaboration. S Company demonstrates innovative approaches but lags in inventory control and supplier payment efficiency compared to Huawei's best practices. To enhance its competitive edge, S Company should adopt more rigorous inventory management practices and strengthen supplier relationships, aligning closer with industry-leading standards in cash flow optimization and supply chain resilience<sup>[5]</sup>.

### 4.2 Method of S Company's Improvement

**Reduce Excessive Accumulation of inventory.** Dynamic discounting frameworks strengthen supplier relationships and optimize cash flow by aligning payments with cash inflows<sup>[6]</sup>. Supplier Relationship Management (SRM) software effectively manages suppliers, reducing dependency and ensuring flexibility. Integrating these digital tools enhances efficiency, reduces costs, and improves financial flexibility, enabling S Company to navigate complex markets and sustain its competitive edge.

**Alleviating Procurement Liquidity Pressure.** Leveraging predictive analytics improves demand forecasting, helping S Company adjust production and prevent inventory overstock during market changes. Flexible supplier payment terms and dynamic discounting enhance cash flow, ensuring timely payments and maintaining crucial supplier relationships during disruptions. Diversifying suppliers reduces reliance on single sources, boosting negotiating power and securing alternative supply options. Inventory-backed loans provide financial flexibility to manage supply chain uncertainties without

disrupting operations. Together, these strategies strengthen S Company's resilience, ensuring smoother operations and a competitive edge in unstable markets.

## 5 Conclusion

This study examines S Company's working capital management, a leading Chinese electronic bidding firm. It explores working capital challenges in a dynamic market and complex supply chain, providing insights for academia and industry. Key findings include significant working capital fluctuations, notably inventory growth causing inefficiencies, and rising accounts payable indicating liquidity pressures. S Company's supply chain strategy boosts efficiency but requires substantial investments, impacting working capital. Challenges identified include excess inventory, delayed supplier payments, and slow accounts receivable turnover. Theoretically, the study contributes by analyzing technology service providers in global supply chains. Practically, it recommends strategies like just-in-time inventory, predictive analytics, and flexible payment terms to optimize working capital. This research bridges theory and practice, demonstrating how firms can leverage supply chain integration and financial innovation to navigate complex markets, enhancing financial flexibility and sustaining competitive advantage.

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