

**HOW WORKING CAPITAL MISMANAGEMENT DRIVES
BANKRUPTCY IN MID-CAP COMPANIES? A MULTI CASE
FINANCIAL DISTRESS ANALYSIS**

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Abstract

Corporate bankruptcies are commonly explained through declining revenues, competitive erosion, or excessive leverage. While these factors matter, they rarely explain why firms with substantial sales, assets, and market presence suddenly collapse. This paper argues that working capital mismanagement is the primary financial mechanism that transforms operational stress into insolvency, especially in mid-capitalization companies. Firms with market capitalizations between \$2 and \$10 billion operate under unique structural constraints: they must fund growth and manage complex supply chains without the deep capital access or diversification enjoyed by large corporations. Using a comparative case-study approach, this paper examines the bankruptcies of Bed Bath & Beyond (2023), Revlon (2022), and First Brands Group (2025). Drawing on bankruptcy filings, financial statements, and industry data, the analysis demonstrates how liquidity depletion, inventory distortions, aggressive shareholder payouts, and hidden short-term financing systematically weakened these firms' working-capital positions. By integrating cash-conversion-cycle theory, financial-constraint literature, and crisis-transmission mechanisms, the paper shows that bankruptcy is rarely triggered by losses alone; it is precipitated by the breakdown of the firm's working-capital architecture. The findings have important implications for corporate financial strategy, investor risk assessment, and regulatory disclosure.

Keywords: *management, capital mismanagement, bankruptcy, mid-cap companies, financial distress analysis*

Corporate bankruptcy is often portrayed as the inevitable consequence of declining sales, rising costs, or strategic failure. Popular narratives tend to frame collapse as the outcome of poor products, weak leadership, or competitive disadvantage. While these factors undoubtedly shape long-term firm performance, they do not explain the timing or mechanism of failure. Many firms continue to generate substantial revenues, employ thousands of workers, and maintain recognizable brands right up to the moment they enter bankruptcy proceedings. What ultimately brings them down is not the absence of demand, but the absence of liquidity. At its core, bankruptcy is a cash-flow event. Firms fail when they are unable to meet short-term obligations: payroll, supplier invoices, interest payments, lease commitments, and inventory purchases.

These obligations must be paid in cash, not in profits, accounting earnings, or market capitalization. This distinction is central to understanding why firms that appear solvent on paper can suddenly collapse. The financial system that

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governs whether a firm can continue operating from day to day is its working capital system — the structure of receivables, inventories, and payables that determines how quickly cash circulates through the business.

Working capital plays a particularly decisive role in mid-cap firms, typically defined as companies with market capitalizations between \$2 and \$10 billion. These firms operate at a scale that requires complex supply chains, large inventory positions, and extended credit relationships with both customers and suppliers. Yet unlike large multinational corporations,

mid-cap firms do not possess deep balance sheets, diversified business lines, or reliable access to global capital markets. When disruptions occur, they cannot simply issue bonds, sell equity, or draw on vast internal cash reserves. Instead, they must survive on the strength of their working capital architecture. This structural fragility became especially visible in the period following the COVID-19 pandemic. Between 2020 and 2025, firms around the world faced an extraordinary combination of shocks: global supply chains were disrupted, shipping times and costs surged, inflation eroded purchasing power, and central banks raised interest rates to levels not seen in more than a decade. These forces directly affected working capital. Inventories became more expensive and harder to obtain, customers delayed payments, and suppliers demanded faster settlement. For firms already operating with thin liquidity buffers, these pressures created severe cash shortfalls.

During this period, mid-cap bankruptcies rose sharply across industries. Retailers, manufacturers, consumer-goods companies, and industrial suppliers all experienced distress, even when demand for their products had not disappeared entirely. The pattern suggests that financial failure was not primarily driven by market collapse, but by the inability of firms to finance their operating cycles under new economic conditions. This paper argues that working capital mismanagement is the central channel through which these macroeconomic shocks translated into corporate insolvency. Poor working capital policies — such as excessive inventory accumulation, slow receivable collection, aggressive share repurchases, or reliance on opaque short-term financing — weaken a firm's liquidity position long before bankruptcy occurs. When external conditions worsen, these weaknesses become fatal.

To examine this mechanism, the paper adopts a comparative case-study approach focusing on three mid-cap firms that filed for bankruptcy during this period: Bed Bath & Beyond in 2023, Revlon in 2022, and First Brands Group in 2025. These companies operate in different industries and face distinct competitive environments, yet they share a strikingly similar financial trajectory. In each case, deterioration in working capital preceded and accelerated the firm's collapse. By integrating detailed case evidence with financial theory, this study seeks to make three contributions. First, it reframes bankruptcy not as a failure of profitability but as a failure of financial circulation. Second, it highlights the unique vulnerability of mid-cap firms to working-capital shocks.

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Third, it shows how modern financial practices, particularly off-balance-sheet working capital financing, can conceal risk until it is too late.

Understanding these dynamics is essential not only for corporate managers but also for investors, creditors, and policymakers who seek to identify distress early and prevent avoidable collapses.

Theoretical Framework and Literature Review: To understand how working capital mismanagement leads to bankruptcy, it is necessary to move beyond surface-level accounting concepts and examine the financial mechanics that govern liquidity, risk, and firm survival. Working capital is not merely a balance-sheet category; it is the operating system through which firms convert economic activity into cash. When this system becomes distorted, even profitable firms can become insolvent.

Working Capital as a Financial Circulation System: At its most fundamental level, working capital represents the funds a firm must commit in advance in order to generate revenues. A firm purchases raw materials, converts them into inventory, sells products or services, and waits for customers to pay. During this entire cycle, the firm must finance the gap between outgoing and incoming cash. This financing is either internal, using retained cash, or external, through debt, trade credit, or financial intermediaries. The length and stability of this cycle are captured by the cash conversion cycle (CCC), which measures how long cash is tied up in operations before it returns to the firm. A longer CCC means that more capital is locked inside inventories and receivables, requiring greater external financing. Conversely, a shorter CCC allows firms to operate with less capital and greater financial flexibility. Empirical research has consistently shown that the structure of working capital strongly influences financial risk. Deloof (2003) demonstrated that inefficient management of receivables and inventories reduces profitability and increases the need for external financing. Baños-Caballero, García-Teruel, and Martínez-Solano (2014) further showed that there is an optimal level of working capital investment: too little constrains operations, while too much traps cash and increases financing costs. When firms exceed this optimal level, their probability of financial distress rises significantly.

Financial Constraints and Liquidity Risk: The impact of working capital mismanagement depends critically on a firm's access to financing. Firms with easy access to capital markets can absorb temporary liquidity shocks by borrowing or issuing equity. Firms that are financially constrained cannot. This distinction is particularly important for mid-cap companies. Financial constraint theory explains that firms with limited borrowing capacity face a higher cost of external capital and are more sensitive to liquidity shocks. Kieschnick, Laplante, and Moussawi (2013) show that when constrained firms increase working capital, they crowd out investment and weaken future cash flows. In such firms, even small disruptions in receivables or inventory can trigger severe liquidity stress. Mid-cap firms are typically more constrained than large firms. They lack investment-grade credit ratings, deep bond markets, and diversified internal capital. As a result, they

rely more heavily on short-term credit lines, trade credit, and asset-based financing to support their working capital needs. This dependence makes them extremely vulnerable when lenders or suppliers tighten terms.

Aggressive Working Capital Policies and Crisis Exposure: In stable economic conditions, firms often adopt aggressive working capital strategies to boost returns. These include minimizing cash holdings, reducing inventory buffers, stretching payables, and using short-term financing to fund operations. While such strategies improve profitability during expansionary periods, they dramatically increase vulnerability during downturns. Aktas, Croci, and Petmezas (2015) show that firms with aggressive working capital policies experience higher investment and short-term performance but also suffer significantly worse outcomes during financial stress. When sales fall or credit tightens, these firms have no liquidity buffer to absorb shocks. Their cash conversion cycles lengthen, financing costs rise, and default risk increases rapidly.

Off-Balance-Sheet Working Capital Financing: In recent decades, firms have increasingly relied on off-balance-sheet financing tools to fund working capital. These include factoring, supply-chain finance, and inventory financing arrangements that allow firms to receive cash without recording traditional debt. While these instruments improve reported financial ratios, they do not reduce economic risk. Smith (2017) shows that such arrangements shift working capital risk from visible balance-sheet debt to opaque contractual obligations. When lenders withdraw or market conditions change, firms experience sudden liquidity collapses. This creates what is often referred to as a “liquidity cliff,” where funding disappears far more quickly than it was built. This phenomenon is especially dangerous for mid-cap firms, which may use off-balance-sheet financing to appear financially stable while accumulating hidden liquidity risk.

Linking Theory to Bankruptcy Risk: Taken together, the literature suggests a clear mechanism: working capital policies determine how much liquidity a firm must continuously finance. Financial constraints determine how easily that liquidity can be obtained. Aggressive or opaque financing strategies magnify vulnerability. When external shocks occur — such as inflation, supply disruptions, or rising interest rates — these forces interact to produce a rapid transition from operational stress to insolvency. This framework provides the foundation for analyzing the case studies that follow. In each case, the firm’s collapse can be traced not simply to declining performance, but to the breakdown of its working capital system under financial and operational pressure.

Methodology

This study employs a qualitative comparative case-study methodology to examine how working capital mismanagement contributes to bankruptcy in mid-cap firms. Case-study analysis is particularly well suited for investigating complex financial failures because bankruptcy is not a single event but a process involving interactions between operational, financial, and institutional forces. Quantitative bankruptcy models, while useful for prediction, cannot fully

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capture how liquidity problems develop and propagate within firms over time. A case-based approach allows for a deeper understanding of causal mechanisms, decision-making processes, and financial dynamics that precede insolvency.

Case Selection

The three firms selected for analysis — Bed Bath & Beyond (2023), Revlon (2022), and First Brands Group (2025) — meet several important criteria. First, each firm falls within or near the mid-cap range prior to bankruptcy, with multi-billion-dollar revenues and substantial market presence. Second, the firms operate in different industries — retail, consumer cosmetics, and industrial auto parts — which allows the analysis to isolate financial mechanisms from sector-specific dynamics. Third, each bankruptcy occurred during the post-pandemic period of heightened inflation, supply-chain disruption, and monetary tightening, making them ideal cases for studying how working capital stress interacts with macroeconomic shocks. These cases were not chosen to be statistically representative but to be analytically revealing. Each firm experienced severe liquidity problems, and publicly available bankruptcy filings provide unusually rich data on their working capital structures, financing arrangements, and cash-flow pressures.

Data Sources

The study draws on multiple data sources to ensure triangulation and reliability. These include bankruptcy petitions, restructuring support agreements, court filings, management disclosures, and audited financial statements. In addition, industry reports, analyst coverage, and investigative financial journalism provide contextual information on supply-chain conditions, pricing pressures, and financing arrangements. For Bed Bath & Beyond and Revlon, publicly filed financial statements and Chapter 11 documents were used to reconstruct changes in inventories, receivables, payables, and liquidity positions over time. For First Brands Group, which is privately held, information was obtained from court filings, creditor presentations, and investigative reports that disclosed the firm's supply-chain finance and factoring arrangements.

Analytical Framework

The core analytical lens of the study is working capital dynamics, particularly changes in the cash conversion cycle and liquidity buffers. For each firm, the analysis examines: Inventory dynamics, including changes in stock levels, turnover rates, and procurement practices; Receivables behavior, including customer payment delays and credit terms; Payables and supplier financing, including the extent to which firms relied on trade credit or short-term borrowing; Liquidity reserves, including cash balances, revolving credit facilities, and short-term financing; Financial policy choices, such as share buybacks, acquisition financing, or off-balance-sheet funding. These dimensions allow the study to trace how working capital requirements evolved and how they interacted with external shocks such as inflation, supply-chain disruptions, and rising interest rates.

Cross-Case Comparison

After analyzing each case individually, the study conducts a cross-case comparison to identify common patterns and causal mechanisms. This approach allows for the identification of structural features of mid-cap bankruptcy that transcend industry differences. The objective is not to produce statistical generalization but to develop a theoretically informed explanation of how working capital mismanagement translates into insolvency under stress.

Case Study 1: Bed Bath & Beyond (Retail, Bankruptcy 2023): Bed Bath & Beyond provides one of the clearest modern examples of how financial policy choices can undermine a firm's working capital long before bankruptcy becomes visible. For decades, the company was a dominant specialty retailer in home goods, generating billions of dollars in annual revenue and operating thousands of stores across North America. In the years leading up to its 2023 Chapter 11 filing, however, its financial structure became increasingly fragile, not because the business had suddenly become irrelevant, but because liquidity had been systematically drained from its operating system.

The Strategic Context: Throughout the 2000s and 2010s, Bed Bath & Beyond pursued an aggressive shareholder-return strategy. Rather than reinvesting cash into logistics modernization, e-commerce, or inventory systems, management used a substantial portion of operating cash flow to repurchase its own shares. Between 2004 and 2022, the firm spent approximately \$11.8 billion on share buybacks. While this strategy increased earnings per share and supported the stock price in the short run, it removed an enormous amount of cash from the business. Retail is an industry that depends critically on working capital. Inventory must be purchased well before it is sold, and consumer demand shifts quickly. Firms that lack liquidity cannot adjust product mix, negotiate favorable vendor terms, or absorb fluctuations in demand. By returning cash to shareholders instead of retaining it as working capital, Bed Bath & Beyond weakened its ability to operate flexibly.

Working Capital Erosion: As competition intensified and consumer behavior shifted toward online platforms, the company faced growing inventory challenges. Private-label initiatives increased complexity and lengthened supply chains. At the same time, suppliers became more cautious, tightening payment terms as the firm's creditworthiness deteriorated. These developments lengthened Bed Bath & Beyond's cash conversion cycle. The firm had to pay suppliers more quickly while waiting longer for inventory to sell. Cash became trapped inside the operating cycle. Yet because prior buybacks had drained reserves, the company lacked the liquidity needed to support this growing working capital requirement.

The Liquidity Death Spiral: Once liquidity tightened, a self-reinforcing feedback loop emerged. Insufficient cash meant fewer goods could be ordered, leading to stockouts and lost sales. Lost sales reduced cash inflows, further weakening the firm's ability to pay suppliers. Vendors, seeing rising risk,

demanded stricter payment terms or refused to ship without prepayment. This further increased working capital needs, accelerating the collapse. By the time Bed Bath & Beyond filed for Chapter 11 in April 2023, it still operated hundreds of stores and generated billions in revenue. Yet it was functionally insolvent because its working capital system had collapsed. The firm did not fail because customers disappeared; it failed because it could no longer finance the flow of goods through its business.

Case Study 2: Revlon (Cosmetics, Bankruptcy 2022): Revlon's bankruptcy provides a powerful illustration of how operational disruptions become financial crises when working capital systems are fragile. Unlike many failed firms, Revlon did not collapse because its products lost relevance. The company owned some of the most recognized cosmetic brands in the world and continued to generate billions in revenue. Yet in June 2022, it filed for Chapter 11 protection. The core reason was not brand weakness, but a breakdown in the firm's ability to finance its operating cycle.

Structural Vulnerability Before the Crisis: Long before the pandemic, Revlon's balance sheet was heavily leveraged due to acquisitions and debt-funded expansion. High interest expenses meant that a large portion of operating cash flow was committed to servicing debt rather than supporting day-to-day operations. This left the company with limited liquidity buffers and made it highly sensitive to any increase in working capital requirements. Cosmetics manufacturing is highly dependent on global supply chains for chemicals, packaging, and specialized ingredients. These inputs must be purchased well in advance of sales, tying up cash in inventory. Under stable conditions, Revlon could manage this cycle. Under disrupted conditions, it could not.

Supply Chain Disruptions and Working Capital Stress: Beginning in 2020, global shipping costs surged, lead times doubled, and many raw materials became difficult to source. Revlon was forced to pay higher prices and, in many cases, to prepay suppliers to secure scarce inputs. At the same time, retailers delayed payments due to their own financial pressures. These two forces lengthened both sides of Revlon's cash conversion cycle: more cash went out sooner, and cash came in later.

Collapse of the Financial Circulation System: As liquidity tightened, Revlon began missing shipments and losing shelf space at major retailers. This reduced sales, which further weakened cash inflows. Vendors, sensing rising risk, demanded even stricter terms. The firm became trapped in a downward spiral in which operational disruption, financial leverage, and working capital needs reinforced one another. By the time of its Chapter 11 filing, Revlon was not merely unprofitable; it was unable to fund the basic circulation of cash through its business. The collapse of working capital was the immediate cause of bankruptcy.

Case Study 3: First Brands Group (Auto Parts, Bankruptcy 2025): The bankruptcy of First Brands Group represents a distinctly modern form of corporate failure—one in which financial collapse was not caused by operating

losses but by the sudden unraveling of a complex, opaque working-capital financing system. Unlike Bed Bath & Beyond or Revlon, First Brands was not a consumer-facing company. It was a large industrial supplier of automotive components, including filters, spark plugs, and other replacement parts, selling primarily to retailers and distributors. Its revenues ran into the billions of dollars, and its products remained in steady demand. Yet in September 2025, the company filed for Chapter 11 with liabilities exceeding \$10 billion. The core of the crisis was not declining demand, but the way the firm financed its growth and its working capital.

Growth Through Acquisition and Financial Leverage: First Brands Group pursued an aggressive expansion strategy, completing approximately fifteen acquisitions in a few years. These deals were financed largely through debt and short-term financing tied to working capital rather than through equity or long-term bonds. This strategy allowed the firm to grow quickly while preserving reported profitability, but it created a hidden fragility: the company became increasingly dependent on continuous access to liquidity to fund its enlarged inventory base and receivables. As acquisitions added new product lines and customers, the firm's working capital requirements rose sharply. More inventory had to be held, and more credit had to be extended to distributors. Instead of financing these needs with stable long-term capital, the firm relied on factoring, supply-chain finance, and other asset-based lending arrangements.

Off-Balance-Sheet Working Capital Financing: A crucial feature of First Brands' collapse was the extensive use of off-balance-sheet working capital finance. Through factoring arrangements, the firm sold its receivables to financial institutions in exchange for immediate cash. Through supply-chain finance programs, banks paid suppliers on the firm's behalf and were later repaid by First Brands. These tools made liquidity appear abundant while masking the true level of financial obligations. Economically, these arrangements functioned like short-term debt. However, because they were not recorded as traditional borrowings, investors and creditors underestimated the firm's leverage and liquidity risk. As long as these financing channels remained open, the company could continue to operate and grow.

External Shocks and Liquidity Collapse: When tariffs on imported auto parts increased costs by hundreds of millions of dollars and global logistics bottlenecks forced the firm to pre-purchase inventory, working capital needs exploded. At the same time, interest rates rose, making short-term financing more expensive. Lenders began to reassess their exposure. Once confidence weakened, factoring and supply-chain finance providers reduced or withdrew funding. Because so much of the firm's liquidity depended on these instruments, cash disappeared almost overnight. The company still had customers and products, but it could no longer pay suppliers or finance inventory. This sudden loss of financial circulation triggered the bankruptcy.

Cross-Case Analysis: Although Bed Bath & Beyond, Revlon, and First Brands Group operated in very different industries, their bankruptcies followed a remarkably similar financial trajectory. This is not coincidental. It reflects a common structural mechanism through which working capital mismanagement converts operational stress into insolvency in mid-cap firms. At a surface level, each company faced different challenges: Bed Bath & Beyond struggled with retail competition and merchandising, Revlon was hit by supply-chain disruptions and inflation, and First Brands Group was affected by tariffs and acquisition-driven complexity. Yet beneath these differences lay the same financial breakdown: the collapse of the firms' working capital systems.

The Expansion of the Cash Conversion Cycle: In all three cases, the cash conversion cycle expanded sharply in the years leading up to bankruptcy. For Bed Bath & Beyond, inventory turnover slowed while suppliers demanded faster payment. For Revlon, shipping delays and material shortages increased inventory days while customers paid more slowly. For First Brands, acquisition-driven inventory growth and customer credit lengthened the operating cycle.

An expanding cash conversion cycle means that more cash is trapped inside the business. When firms must finance larger inventories and wait longer for customer payments, their need for liquidity rises even if revenues remain stable. In each case, the firms entered a phase where their operating cycles required far more capital than their balance sheets could support.

Financial Policy Choices and Liquidity Drain: The cases also reveal that financial policy played a decisive role in weakening liquidity. Bed Bath & Beyond diverted enormous amounts of cash to share buybacks. Revlon used operating cash to service heavy debt obligations. First Brands Group relied on short-term financial engineering instead of long-term capital. These choices reduced the firms' ability to respond when working capital needs rose. Instead of having reserves to absorb shocks, they faced binding financial constraints precisely when flexibility was most needed.

The Role of Opaque Financing: First Brands Group demonstrates how modern financial instruments can conceal working capital risk. Factoring and supply-chain finance allowed the firm to appear liquid while accumulating hidden obligations. When these financing channels closed, liquidity vanished instantaneously. While Bed Bath & Beyond and Revlon did not use such tools to the same extent, they also suffered from declining access to trade credit and revolving facilities, producing similar outcomes.

A Structural Model of Mid-Cap Collapse: Together, the cases support a structural model in which bankruptcy is triggered not by losses but by the breakdown of financial circulation. Operational stress increases working capital needs. Financial constraints prevent firms from funding those needs. Liquidity drains away, suppliers withdraw, and operations grind to a halt. This mechanism explains why mid-cap firms are especially vulnerable. They are large enough to require continuous financing but too small to secure it reliably when conditions deteriorate.

Implications: The analysis of Bed Bath & Beyond, Revlon, and First Brands Group reveals that bankruptcy in mid-cap firms is rarely a sudden or mysterious event. Instead, it is the predictable outcome of sustained deterioration in working capital combined with financial constraints and external shocks. This insight has important implications for corporate managers, investors, creditors, and policymakers.

Implications for Corporate Management: For corporate leaders, the central lesson is that working capital must be treated as strategic infrastructure rather than a purely operational metric. Many firms focus on earnings, margins, and growth while neglecting the financial system that allows those outcomes to be sustained. As the cases show, a company can appear healthy in terms of revenue and profitability while quietly losing its ability to finance day-to-day operations. Managers should therefore prioritize liquidity resilience over short-term financial engineering. Share buybacks, aggressive acquisitions, and debt-funded expansion may improve short-term shareholder metrics, but they weaken the firm's capacity to absorb shocks. Firms should maintain conservative cash buffers, diversify funding sources, and continuously monitor changes in their cash conversion cycles.

Implications for Investors and Creditors: For investors, these cases underscore the importance of looking beyond earnings and balance-sheet leverage. Working capital trends often provide earlier and more reliable signals of distress than profitability or stock price movements. Rising inventories, slower receivable collections, and increased reliance on short-term financing should be viewed as warning signs. Creditors and lenders should pay particular attention to off-balance-sheet working capital arrangements. Factoring and supply-chain finance can mask risk and create a false sense of security. Stress-testing borrowers' liquidity under adverse scenarios is essential for preventing sudden defaults.

Implications for Regulators and Policymakers: From a policy perspective, the growing use of opaque working capital financing raises concerns about financial stability. When large firms rely heavily on hidden short-term funding, their failure can create cascading effects through suppliers, lenders, and employees. Regulators may need to require greater disclosure of supply-chain finance, factoring, and similar arrangements so that investors and creditors can accurately assess liquidity risk. Moreover, bankruptcy is not merely a corporate event; it has social consequences. Large mid-cap failures disrupt employment, supply chains, and regional economies. Improving transparency and oversight of working capital practices could reduce the frequency and severity of such crises.

Conclusion and Directions for Future Research

This study set out to challenge a common assumption in corporate finance: that firms fail primarily because they become unprofitable. By examining the bankruptcies of Bed Bath & Beyond, Revlon, and First Brands Group, the analysis has shown that bankruptcy is more accurately understood as a failure of financial circulation rather than a failure of commercial viability. In all three

cases, the firms continued to sell products, retain customers, and generate revenue until shortly before their collapse. What ultimately brought them down was their inability to sustain the flow of cash through their operating cycles.

The evidence demonstrates that working capital mismanagement is the central mechanism through which operational stress is transformed into insolvency in mid-cap firms. Inventory distortions, delayed receivables, tightened supplier terms, and rising financing costs collectively expanded the cash conversion cycle, trapping liquidity inside operations. Financial policy choices—such as excessive share buybacks, heavy leverage, and reliance on opaque short-term financing—further weakened firms' ability to respond. When macroeconomic shocks struck, these vulnerabilities produced rapid and self-reinforcing liquidity crises. These findings have important implications for how corporate health should be assessed. Profitability and growth are insufficient indicators of stability. What matters most for survival is whether a firm can finance its operating cycle under stress. For mid-cap companies in particular, robust working capital architecture is not optional—it is the foundation of resilience.

This study also points to several promising avenues for future research. Quantitative work could estimate threshold levels of cash conversion cycle length or liquidity buffers beyond which mid-cap firms become statistically likely to enter distress. Other studies could examine how different forms of supply-chain finance affect bankruptcy risk or how working capital structures evolve during restructuring and post-bankruptcy recovery. As global supply chains become more complex and financial engineering more prevalent, understanding the hidden dynamics of working capital will become increasingly important for preventing the next wave of corporate failures.

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