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Strategic Management for Sustainable Growth: A Case Study of Song Hong Garment

Quang Thang Dao
Vinh University

ABSTRACT: The Vietnamese textile and garment industry plays a crucial role in the national economy, contributing significantly to export turnover and employment. However, the industry faces intense competition from countries such as China, Bangladesh, and India, alongside rising demands for environmental, social, and governance (ESG) compliance. This research examines the strategic management approach of Song Hong Garment, a leading Vietnamese garment manufacturer, as it seeks to enhance its competitive position through the development of a High-Tech & Green Facility. This paper employs strategic management analysis tools, including SWOT, SPACE Matrix, BCG Matrix, and QSPM, to evaluate the company's competitive standing and recommend strategic actions for sustainable growth. The findings suggest that by prioritizing sustainable production and expanding its market reach, Song Hong Garment can maintain long-term profitability and industry leadership.

KEYWORDS: Strategic management, Song Hong Garment, textile industry, ESG compliance, sustainable growth, SWOT analysis, SPACE Matrix, BCG Matrix, QSPM, Vietnam garment sector, high-tech manufacturing.

1. INTRODUCTION

The textile and garment industry is a cornerstone of Vietnam's economy, generating billions in revenue and providing employment to millions. Vietnam ranks among the top textile exporters globally, with the sector playing a vital role in industrial development. However, the industry is increasingly subject to challenges such as global supply chain disruptions, fluctuating raw material costs, and stricter environmental regulations. As international brands and retailers place greater emphasis on ESG compliance, Vietnamese manufacturers must adapt to these evolving demands to remain competitive in the global market.

Song Hong Garment (MSH) has positioned itself as a key player within this sector. Founded in 1988, the company has grown into one of Vietnam's leading garment manufacturers, specializing in apparel exports primarily to the U.S., Europe, and Japan. Despite its strong market position, MSH faces the risk of losing its competitive advantage if it does not proactively enhance its production capabilities and integrate sustainable practices into its operations. The company must shift towards a more sustainable business model by incorporating green technology, improving labor conditions, and diversifying its market reach to mitigate risks associated with overreliance on a single market.

This paper explores the challenges faced by MSH, evaluates its strategic options, and proposes a roadmap for sustainable growth through the implementation of environmentally friendly and high-tech manufacturing solutions. By analyzing MSH's internal and external environment, this study aims to provide actionable strategies that align with global sustainability trends while ensuring long-term profitability and market leadership.

2. METHODOLOGY

This research employs a mixed-method approach, incorporating both qualitative and quantitative analyses to ensure a comprehensive evaluation of Song Hong Garment's strategic positioning. The study draws on primary and secondary data sources, including financial reports, industry analyses, and market research reports. Data collection methods include:

- **Primary Data Collection**: Interviews with key stakeholders, including MSH executives, industry experts, and supply chain partners, to gain insights into the company's strategic direction and operational challenges.
- **Secondary Data Collection**: Examination of MSH's financial statements, industry benchmarks, and government reports to establish an empirical basis for strategic analysis.

To assess MSH's competitive positioning and strategic options, the study applies several strategic management frameworks:

- **SWOT Analysis** to identify strengths, weaknesses, opportunities, and threats impacting MSH's business operations.
- **SPACE Matrix** to evaluate the company's financial strength, competitive advantage, and environmental stability.

- **Boston Consulting Group (BCG) Matrix** to classify MSH's business segments based on market growth and competitive positioning.
- **Quantitative Strategic Planning Matrix (QSPM)** to compare strategic alternatives and determine the most effective course of action based on weighted evaluation criteria.
- **Financial Forecasting** to assess the potential financial impact of implementing a green factory, including projected revenue growth, cost savings, and return on investment (ROI).

By integrating these analytical tools, the research provides a data-driven approach to evaluating MSH's strategic initiatives and recommends actionable solutions for long-term sustainability and market leadership.

3. ANALYSIS OF DATA AND INFORMATION TO EVALUATE MSH'S STRATEGIC

3.1. Internal & External Analysis

Vietnam's textile market is the third largest in the world for exports and is a key industry for the country. Among about 7,000 companies in the industry, TNG, MSH and TCM are the three leading companies in terms of revenue scale. Based on 12 criteria of the textile and garment industry's success factors, the Competitive Profile Matrix shows that the results between MSH and TNG are not much different. However, MSH is the most competitive company in terms of price, product quality and workers, while TNG and TCM are both strong in raw material management and production processes.

Table 1. Competitive Profile Matrix, MSH and Competitors

		MSH		TNG		TCM	
Critical Success Factors	**Weight**	**Rating**	**Score**	**Rating**	**Score**	**Rating**	**Score**
Production Materials	0.08	2	0.16	3	0.24	4	0.32
Production technology	0.05	1	0.05	3	0.15	2	0.10
Order fulfillment capability	0.07	3	0.21	4	0.28	2	0.14
Product Variety	0.07	2	0.14	3	0.21	1	0.07
International Market Penetration	0.10	3	0.30	4	0.40	2	0.20
Employee Dedication	0.06	4	0.24	3	0.18	1	0.06
Financial Profit	0.12	4	0.48	1	0.12	2	0.24
Customer Loyalty	0.12	1	0.12	3	0.36	2	0.24
Logistic	0.10	3	0.30	4	0.40	2	0.20
Product Quality	0.12	4	0.48	3	0.36	2	0.24
Top Management	0.05	2	0.10	3	0.15	4	0.20
Price Competitiveness	0.06	1	0.06	2	0.12	3	0.18
Totals	**1.00**		**2.64**		**2.97**		**2.19**

Table 2. Internal & External Factor Analysis, MSH

	Strengths	Weight	Rating	Weighted Score
S1	Strong cooperative relationships with major and world-famous brands such as Columbia Sportwear, Walmart, Target, Haddad, GIII	0.05	3	0.15
S2	National brand, long-standing tradition	0.02	2	0.04
S3	Focus on high-end products with high profit margins	0.06	4	0.24
S4	Board of Directors have over 20 years of experience in the industry and 10 years at MSH, with deep understanding of the international market	0.03	3	0.09
S5	Flexible in business operations: Proactively seeking new partners to offset the decline in orders	0.06	3	0.18
S6	Strong finances, high liquidity ratio of over 41%, the highest in the asset structure	0.07	4	0.28
S7	Very good employee welfare regime, the best policy in the industry even during the most difficult times for the company	0.05	3	0.15
S8	MSH has the highest FOB level 1 order rate in the garment industry	0.08	4	0.32
S9	Proactively aiming towards sustainable development standards (ESG) in the world	0.05	3	0.15
S10	Debt ratio is lower than the industry average and remains stable (<1)	0.06	3	0.18

	Weaknesses	Weight	Rating	Weighted Score
W1	Not yet developed strongly in e-commerce	0.03	1	0.03
W2	The factory is not capable of meeting large, high-value and special standard orders	0.06	2	0.08
W3	The main activity is still FOB level 1, not participating in high-value stages such as ODM, OBM	0.05	2	0.1
W4	Revenue in the most recent year decreased sharply by 20% yoy due to difficult market	0.07	2	0.14
W5	The number of customers is small, leading to dependence on customer orders	0.05	2	0.14
W6	Gross profit margin has tended to decrease sharply in the past 3 years	0.06	1	0.06
W7	The company is labor-intensive, leading to increased labor costs	0.04	3	0.12
W8	High financial costs when the USD/VND exchange rate fluctuates	0.04	2	0.08
W9	Accounts receivable increased by 113%	0.01	3	0.03
W10	80% of revenue comes from the US, causing the operations of company to be affected when the US entered a recession	0.06	2	0.12
	Total IFE Score	**1,00**		**2.68**

	Opportunities	Weight	Rating	Weighted Score
O1	Capitalizing on opportunities from signed free trade agreements (EVFTA, CPTPP, UKVFTA, RCEP, VIFTA, and 11 others)	0.03	2	0.06
O2	The recovery of the domestic market in the near future, particularly with growing interest in Vietnamese products	0.02	3	0.06
O3	The recovery of the foreign fashion market in the near future, especially as inflation stabilizes and major brands face inventory shortages	0.05	3	0.15
O4	Increasing the number of orders transferred from Bangladesh - Vietnam's biggest competitor in the export market due to political fluctuations	0.04	2	0.08
O5	The trend of shifting the supply chain out of China helps Vietnam become the biggest beneficiary	0.07	3	0.21
O6	Nam Dinh - the area where MSH factories are located is oriented to become a textile and garment center in the North	0.07	4	0.28
O7	Vietnam's textile and garment industry receives investment and attention from the state	0.05	3	0.15
O8	Vietnam's textile and garment industry shows high growth and rapid production, keeping pace with global fashion trends	0.04	3	0.12
O9	Advantage in attracting investment capital from countries, especially sustainable investment funds	0.04	4	0.16
O10	Easy to connect new customers thanks to Vietnam's position as the world's third largest garment exporter	0.04	3	0.12

	Threats	Weight	Rating	Weighted Score
T1	Climate change affects natural resources, disrupting supply chains	0.05	2	0.1
T2	The world market is increasingly demanding green production, reducing emissions	0.07	2	0.14
T3	Lack of supply of raw materials and low reserves of primary energy resources in Vietnam	0.03	2	0.06
T4	Quality and cost of raw materials are not guaranteed, due to heavy dependence on imported sources	0.05	1	0.05
T5	Volatile VND/USD exchange rate	0.07	2	0.14
T6	Rapid change in customer demand for products	0.06	3	0.18
T7	Competition in digital transformation worldwide	0.02	1	0.02
T8	Competition for workers among companies in the industry in the North	0.04	2	0.08
T9	Intense competition among Vietnam's textile and garment firms, with FDI accounting for 65% of export turnover	0.07	3	0.21
T10	Fierce competition in the international market, especially Vietnam's direct competitor Bangladesh	0.09	2	0.18
	Total EFE Score	**1.00**		**2.55**

3.2. SWOT Analysis

SWOT model is used to further analyze MSH. With primary implications from the Internal Factor Evaluation (IFE) Matrix, MSH's strengths lie in its strong financial and high-margin quality products. However, its main weakness is that its revenue and profits are on a downward trend. Primary implications from the External Factor Evaluation (EFE) Matrix, the shift to the textile industry in the world is clearer than ever, along with the long-term growth opportunities of the industry. This also opens up huge challenges for businesses on how to compete with rivals, not only in Vietnam but globally in a flat world.

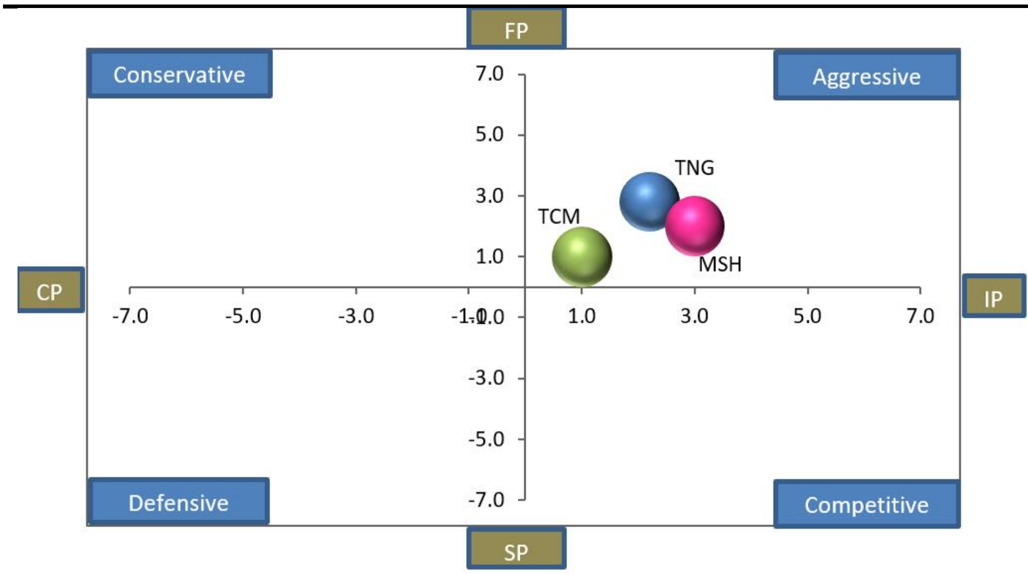
Table 3: Summary SWOT Analysis of Song Hong Garment

Strengths	Weaknesses	Opportunities	Threats
Strong financial position	Dependence on US market	Growing demand for ESG products	Intense competition
High-quality production	Limited advanced facilities	Trade agreements (EVFTA, CPTPP)	Rising labor costs
Established brand reputation	Slow adaptation to tech trends	Expansion in Asian markets	Supply chain disruptions

3.3. The Strategic Position and Action Evaluation (SPACE) Matrix

The SPACE Matrix results indicate that MSH is financially strong and holds a competitive position in a growing industry.

Chart 1. SPACE Matrix, MSH and Competitors



Internal Analysis:		*External Analysis:*	
Financial Position (FP)		**Stability Position (SP)**	
Current Ratio	7	Rate of Inflation	-2
Debt to Equity	5	Technological Changes	-4
Net Income	7	Price Elasticity of Demand	-3
Revenue	6	Competitive Pressure	-4
Inventory Turnover	6	Barriers to Entry into Market	-4
Financial Position (FP) Average	**6.2**	**Stability Position (SP) Average**	**-3.4**

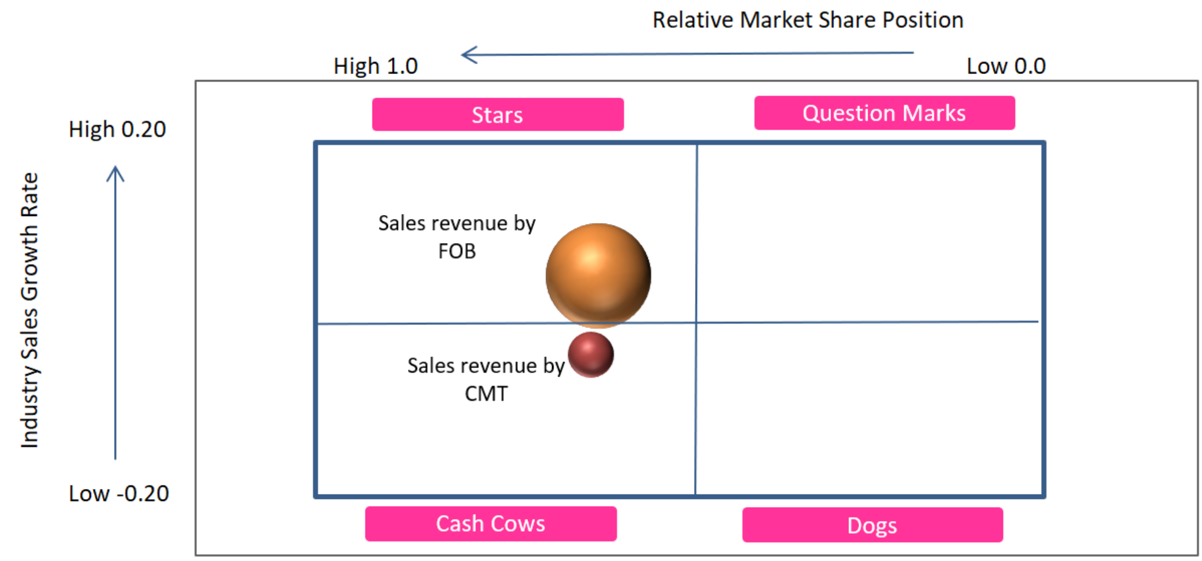
Internal Analysis:		*External Analysis:*	
Competitive Position (CP)		**Industry Position (IP)**	
Market Share	-3	Growth Potential	5
Product Quality	-3	Financial Stability	7
Customer Loyalty	-3	Ease of Entry into Market	5
Variety of Products Offered	-3	Resource Utilization	4
Control over Suppliers and Distributors	-4	Profit Potential	6
Competitive Position (CP) Average	**-3.2**	**Industry Position (IP) Average**	**5.4**

The results of the Spatial Matrix show that MSH is financially strong and at the same time, the company has a solid position, with a strong competitive advantage in a growing industry. Therefore, the MSH profile is very positive and the appropriate strategies include:

- Intensive strategies: market penetration, market development, and product development.
- Integrative strategies: backward integration, forward integration, and horizontal integration.
- Diversification strategies: related diversification, unrelated diversification.

3.4. Boston Consulting Group (BCG) Matrix

Chart 2. BCG Matrix, MSH and Competitors



Division	Your Firm's Division Revenues	Top Firm in Industry Division Revenues	Industry Sales Growth Rate	Relative Market Share Position
Sales revenue by FOB	$153	$237	0.07	0.65
Sales revenue by CMT	$29	$44	-0.06	0.66

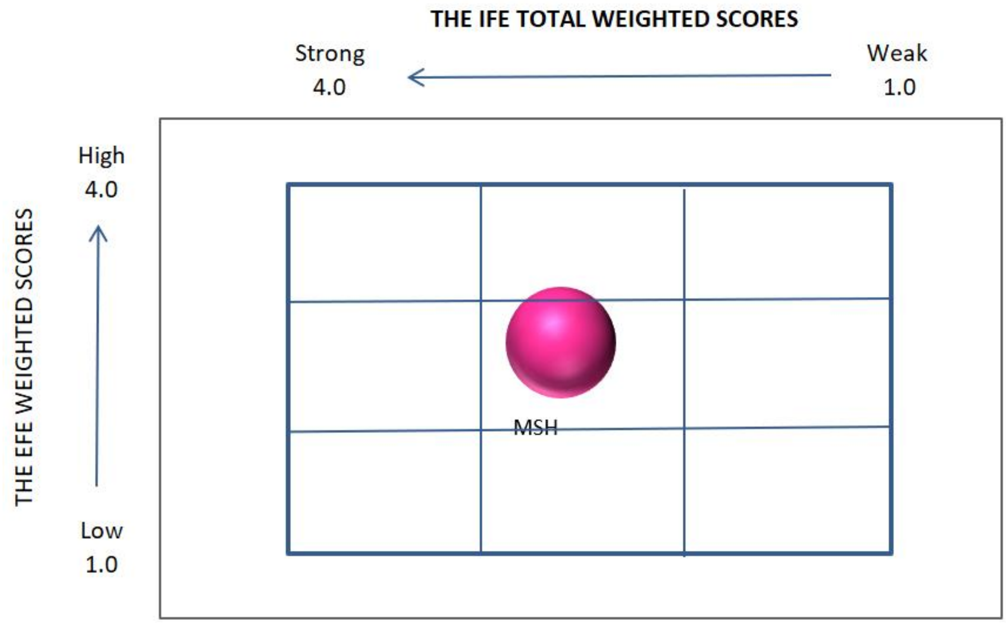
The Boston Consulting Group matrix indicates that MSH's SBU is classified as a Star. The BCG Matrix classifies MSH as a 'Star' business unit, indicating high market growth and strong competitive standing.

The appropriate strategies for this Star SBU are:

- Intensive strategies: market penetration, market development, and product development.
- Integration strategies: backward integration, forward integration, and horizontal integration.

3.5 The Internal-External (IE) Matrix

Chart 3. IE Matrix, MSH

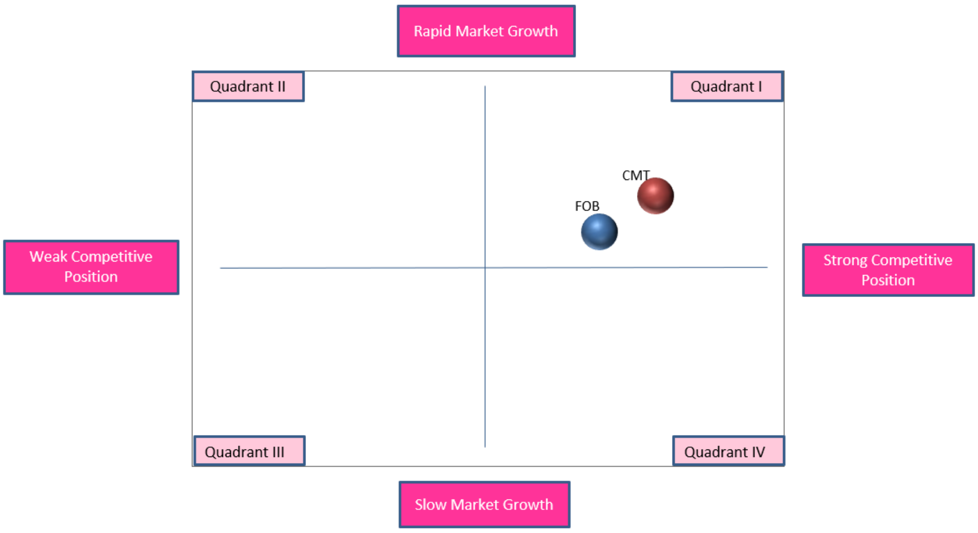


The MSH arrays falling into cell V are suggested to have the following strategies:

- Hold and Maintain: Market Penetration, Product Development

3.6 The Grand Strategy Matrix

Chart 4. Grand Strategy Matrix, MSH



With a strong competitive market position and rapid market growth, MSH is located in the Quadrant I of Grand Matrix. The appropriate strategies for this SBU include:

- Intensive strategies: market penetration, market development, and product development.
- Integrative strategies**:** backward integration, forward integration, and horizontal integration.
- Diversification strategies**:** related diversification

3.7. The Quantitative Strategic Planning Matrix (QSPM) Matrix

Table 4. QSPM Matrix, MSH

			Promote development into the Japanese market		Building high-tech green factories		Expand investment in the textile industry value chain	
	Strengths	**Weight**	**AS**	**TAS**	**AS**	**TAS**	**AS**	**TAS**
1	Strong cooperative relationships with major and world-famous brands such as Columbia Sportwear, Walmart, Target, Haddad, GIII	0.05	0	0.00	3	0.15	2	0.10
2	National brand, long-standing tradition	0.02	2	0.04	0	0	0	0
3	Focus on high-end products with high profit margins	0.06	2	0.12	3	0.18	1	0.05
4	Board of Directors have over 20 years of experience in the industry and 10 years at MSH, with deep understanding of the international market	0.03	0	0.00	2	0.06	0	0
5	Flexible in business operations: Proactively seeking new partners to offset the decline in orders	0.06	3	0.18	0	0.00	2	0.10
6	Strong finances, high liquidity ratio of over 41%, the highest in the asset structure	0.07	1	0.07	3	0.21	2	0.1
7	Very good employee welfare regime, the best policy in the industry even during the most difficult times for the company	0.05	0	0.00	3	0.15	2	0.10
8	MSH has the highest FOB level 1 order rate in the garment industry	0.08	2	0.16	3	0.24	1	0.05
9	Proactively aiming towards sustainable development standards (ESG) in the world	0.05	1	0.05	4	0.20	2	0.10
10	Debt ratio is lower than the industry average and remains stable (<1)	0.06	0	0.00	0	0	0	0

			Promote development into the Japanese market		Building high-tech green factories		Expand investment in the textile industry value chain	
	Weaknesses	**Weight**	**AS**	**TAS**	**AS**	**TAS**	**AS**	**TAS**
1	Not yet developed strongly in e-commerce	0.03	0	0.00	0	0.00	0	0.00
2	The factory is not capable of meeting large, high-value and special standard orders	0.06	0	0.00	4	0.24	3	0.15
3	The main activity is still FOB level 1, not participating in high-value stages such as ODM, OBM	0.05	0	0.00	1	0.05	3	0.15
4	Revenue in the most recent year decreased sharply by 20% yoy due to difficult market, both selling price and orders decreased	0.07	4	0.28	3	0.21	0	0
5	The number of customers is small, leading to dependence on customer orders	0.05	4	0.20	0	0.00	0	0.00
6	Gross profit margin has tended to decrease sharply in the past 3 years	0.06	0	0.00	3	0.18	4	0.2
7	The company is labor-intensive, leading to increased labor costs	0.04	0	0.00	0	0.00	0	0.00
8	High financial costs when the USD/VND exchange rate fluctuates	0.04	3	0.12	0	0	0	0
9	Accounts receivable increased by 113% due to the company implementing policies to loosen payment for customers, increasing competition with other businesses in the same industry, as well as maintaining the necessary number of orders to retain employees	0.01	3	0.03	0	0.00	0	0.00
10	80% of revenue comes from the US, causing the operations of company to be affected when the US entered a recession	0.06	4	0.24	0	0.00	0	0.00

			Promote development into the Japanese market		Building high-tech green factories		Expand investment in the textile industry value chain	
	Opportunities	Weight	AS	TAS	AS	TAS	AS	TAS
1	Capitalizing on opportunities from signed free trade agreements (EVFTA, CPTPP, UKVFTA, RCEP, VIFTA, and 11 others)	0.03	4	0.12	3	0.09	2	0.10
2	The recovery of the domestic market in the near future, particularly with growing interest in Vietnamese products	0.02	0	0.00	4	0.08	3	0.15
3	The recovery of the foreign fashion market in the near future, especially as inflation stabilizes and major brands face inventory shortages	0.05	4	0.20	3	0.15	2	0.10
4	Increasing the number of orders transferred from Bangladesh - Vietnam's biggest competitor in the export market due to political fluctuations	0.04	0	0.00	4	0.16	3	0.15
5	The trend of shifting the supply chain out of China helps Vietnam become the biggest beneficiary	0.07	3	0.21	4	0.28	2	0.10
6	Nam Dinh - the area where MSH factories are located is oriented to become a textile and garment center in the North	0.07	0	0.00	4	0.28	1	0.05
7	Vietnam's textile and garment industry receives investment and attention from the state	0.05	4	0.20	3	0.15	2	0.10
8	Vietnam's textile and garment industry shows high growth and rapid production, keeping pace with global fashion trends	0.04	3	0.12	4	0.16	2	0.10
9	Advantage in attracting investment capital from countries, especially sustainable investment funds	0.04	2	0.08	3	0.12	1	0.05
10	Easy to connect new customers thanks to Vietnam's position as the world's third largest garment exporter	0.04	4	0.16	0	0.00	0	0.00

			Promote development into the Japanese market		Building high-tech green factories		Expand investment in the textile industry value chain	
	Threats	Weight	AS	TAS	AS	TAS	AS	TAS
1	Climate change affects natural resources, disrupting supply chains	0.05	0	0.00	0.00	0.00	0.00	0.00
2	The world market is increasingly demanding green production, reducing emissions	0.07	0	0.00	4	0.28	2.00	0.1
3	Lack of supply of raw materials and low reserves of primary energy resources in Vietnam	0.04	0	0.00	0.00	0.00	0.00	0.00
4	Quality and cost of raw materials are not guaranteed, due to heavy dependence on imported sources	0.05	0	0.00	0	0	3.00	0.15
5	Volatile VND/USD exchange rate	0.05	4	0.20	0.00	0.00	0.00	0.00
6	Rapid change in customer demand for products	0.06	1	0.06	4	0.24	3.00	0.15
7	Competition in digital transformation worldwide	0.02	0	0.00	0	0.00	0.00	0.00
8	Competition for workers among companies in the industry in the North	0.05	0	0.00	0	0	0.00	0
9	Intense competition among Vietnam's textile and garment firms, with FDI accounting for 65% of export turnover	0.07	2	0.14	3.00	0.21	1.00	0.05
10	Fierce competition in the international market, especially Vietnam's direct competitor Bangladesh	0.09	3	0.27	4	0.36	2.00	0.1
	TOTALS			3.25		4.43		2.55

The QSPM results indicate that the optimal strategy for MSH is investing in a High-Tech & Green Facility. The company aims to increase revenue by 25% by 2027 and maintain a profit margin above 20%.

4. RECOMMENDATION STRATEGY

4.1. Strategy Planning

Based on above analysis, here is strategy planning for MSH

SO Strategies

SO1 | Market Penetration: Build a green factory to enhance production capacity and meet global standards *(S6+S8+S9 + O3+O4+O5)*

SO2 | Market Development: Develop new customers in new regions such as Asia, maximize resources to increase revenue, reduce dependence on the US *(S1+S5+S8 + O1+O3+O10)*

SO3 | Product Development: Invest in R&D to develop new products, catch up with world market trends *(S2 + O8)*

SO4 | Related Diversification: Promote domestic market development thanks to national prestige and brand *(S2+S3 + O2)*

ST Strategies

ST1 | Market Development: Invest in a textile raw material area near the US to leverage labor resources and reduce costs *(S6 + S10 + T10)*

ST2 | Product Development: Enhance cooperation with major brands to develop exclusive products and strengthen the company's high-end market position *(S8 + S9 + T2 + T6)*

ST3 | Horizontal Integration: Acquire or joint venture with companies in the industry to increase competitive strength *(S5 + S6 + S10 + T9 + T10)*
ST4 | Backward Integration: Build factories and invest in the textile industry, expand the value chain *(S6 + S8 + T1 + T4)*
WO Strategies
WO1 | Forward Integration: Participate in higher value stages such as ODM or OBM, increase gross profit margin *(W3 + O4 + O5)*
WO2 | Market Penetration: Take advantage of market recovery and shifts to develop new customers, build reputation and brand, increase orders *(W4 + W5 + O3 + O4 + O5)*
WO3 | Market Penetration: Take advantage of preferential capital from sustainable investment funds to quickly expand the scale of green factories, meeting international standards *(W2 + O9)*
WO4 | Market Development: Promote development into the Japanese market, both increasing revenue and reducing pressure on the USD/VND exchange rate *(W8 + W10 + O1)*
WT Strategies
WT1 | Forward Integration: Invest heavily in human resources, improve the capacity of the team, create a solid development foundation for the company *(S4 + S7 + T8)*
WT2 | Market Penetration: Combine e-commerce to expand sales channels and reach global customers *(W1 + T6 + T7)*
WT3 | Backward Integration: Implement M&A with raw material suppliers to control quality, while investing in textile companies to improve gross profit margin *(W3 + W6 + T1 + T4)*
WT4 | Divestiture: Sell off or upgrade old factories that do not meet standards, avoid loss of resources and cannot operate at maximum capacity *(W2 + W7 + T2)*

4.2. Alternatives for strategy planning

Table 5. Three Alternatives from Strategy Planning

	Alternative 1 **Building high-tech green factories**	**Alternative 2** **Promote development into the Japanese market**	**Alternative 3** **Expand investment in the textile industry value chain**
Type of Strategy	Market Penetration - Total score: 4.43	Market Development - Total score: 3.25	Backward Integration - Total score: 2.55
QSPM Result Specification	Creating a high-tech green factory to lead in the global apparel manufacturing shift.	Research partners and expand exports to Japan to boost revenue and reduce US dependence.	M&A a textile factory to control quality and costs.
Distinctive competency that competitors cannot copy	- High-tech factory located in Nam Dinh with fast construction, focusing on resource investment - Invest in advanced machinery that fully meets ESG standards - Pre-building a strategic customer group	- Building early relationships to create customer trust - Owning the leading textile and garment production system in Vietnam, top 2 in capacity	- Investing in the textile value chain requires a huge initial capital, which not every company can afford.
How will it help meet the company's direct objectives?	- Objective 1: Adding 25% to the Revenue Growth FW26-27 - Objective 2: Create more jobs for workers, helping them improve their job skills - Objective 3: Expand opportunities to seek customers in high-demand countries	- Objective 1: Adding 15% to the Revenue Growth FW26-27 - Objective 2: Reduce financial costs and pressure on exchange rate - Objective 3: Diversify customers	- Objective 1: Adding 7% to the Revenue Growth FW27 - Objective 2: Improve gross profit margin - Objective 3: Self-sufficient in inputs, targeting ODM/OBM
How will it help overcome the main barriers	Complete factory construction and operate at full capacity while ensuring quality and environmental standards.	Pursue green funds through customers to upgrade factories for Japan export standards.	Implement renovation of M&A factories, requiring ESG standards

Concerns when choosing this strategies/ Contingency Plan	- Initial order shortage limits capacity => Proactively seek customers during construction - Employees lack proficiency in the factory => Hire skilled staff and enhance training.	The factory is not qualified to meet the needs of large Japanese customers => Proactively research and connect in advance to understand customer needs	Lack of textile experience hinders progress => Establish clear strategies and KPIs for all departments.

4.3. Recommendation

The QSPM results suggest that **Alternative 1: Building High Tech & Green Facility**, and improving old factories to meet ESG is the best option with the total score of 4.43.

Table 6. Strategy in Brief, ESG Factories, MSH

GOAL			
Upgrading Song Hong Garment to become a Vietnamese brand that owns many green and sustainable factories, becomes a leading manufacturing partner of major brands in the world, leading in production capacity and reputation in the market..			
MARKET SHARE		**FINANCIAL PERSPECTIVE**	
No. 1 factories operating under ESG and operate at maximum capacity	Leading in export revenue	Debt/Equity < 1 Debt/Total Assets < 0.5	Prioritize capital from shareholders and green bond funds
KEY ACTION ITEMS			
- Proactively follow up on implementation - Factory capacity operates at 50% in year 1, 100% in year 2 - Prepare raw materials carefully	- Ready for new customer groups - Research customer behavior and needs	- Review financial plans monthly and quarterly - Ensure cash is available to support employee benefits and other expenses	- Research preferential funding sources, especially from funds investing in green factories and sustainable development. - Create a contingency plan for exchange rate changes

4.4. Implementation

- **Products/Services:** High-tech green factory, ESG standards
- **Target segment:** Large fashion brands and enterprises worldwide
- **Location:** 10 hectares, in Nghia Hung, Nam Dinh
- **Completion time:** Q1-2026
- **Must-win battles:** (1) Develop within 1 year, ready for use by the end of Q4-2025; (2) Operate of factory capacity and training workers to be ready to work in the first year; and (3) Operate 100% of factory capacity from the second year
- **Budget:** 30 Million Dollars

Table 7. Action Plan, ESG Factories, MSH

Department In Charge	**Description**	**Budget**
Stage 1: Planning and preparation (Jan - Feb/2025)		
BOD & Strategy Corporate	• Strategic analysis and planning • Developing a company-wide ESG transformation plan • Assigning tasks and set KPIs for each department	• Land preparation: 3 million USD • Legal, surveying, and design: 0.5 million USD • Deposit for construction contractor: 1 million USD
ESG Division	• Establish the ESG Management Division & develop plan for the entire company • Ensure construction site meets ESG standards • Environmental Impact Assessment of the Project	
Legal & Compliance Division	• Conduct internal legal reviews and standardization • Obtain government construction permits	

Finance & Accounting Division	• Financial forecasting and budgeting (estimated at $30 million). • Negotiate additional loans if needed, ensuring uninterrupted cash flow • Develop and procure the latest solar and wastewater treatment technologies	
R&D Division	• Research industry knowledge, case studies, domestic export policies, and ESG-related apparel importing countries	
Risk Management Division	• Identify potential project-related risks (with legal, R&D, finance, and HR) • Develop risk mitigation strategies • Implement robust risk management practices to protect the company and its customers	
HR Departments	• Plan, recruit and workforce training	
Business Development	• Build strategic partnerships, plan to achieve 50% early bookings, provide partner training on product packages	
Stage 2: Construction and installation of infrastructure (Mar – Sep/2025)		
Construction	• Factory construction: Complete main items including factory, office, warehouse, textile support area. • Install renewable energy systems (rooftop solar power). • Build wastewater and exhaust gas treatment systems that meet international standards.	• Infrastructure construction: 10 million USD (paid by progress) • Green system installation: 7.4 million USD
ESG Division	• Organize weekly construction progress and quality checks. • Ensure ESG standards are applied during construction.	
L&D Division	• Recruit and training (about 1,000 workers). • Organize training courses on equipment operation and ESG standards.	
Stage 3: Purchase and installation of production equipment (Oct – Dec/2025)		
Purchasing Department	• Order and install 50 sewing lines. • Equip smart production management system (ERP, MES).	• Equipment procurement: 7 million USD • Employee training: 0.1 million USD
L&D Division	• Recruit and train a team of personnel capable of proficiently operating the green factory (about 2,000 workers). • Training courses: equipment operation and ESG standards.	
R&D Division	• Test production lines to check quality and performance (with Operations & Production Division)	
Stage 4: Official operation and evaluation (Onwards)		
Operations & Production Division	• Produce first trial batch to check quality and process. • Evaluate line performance and improve if necessary.	• Trial operation of the factory (50% capacity): 0.5 million USD • Ensure compliance with ESG standards : 0.5 million USD
ESG Division	• Measure energy, water and emissions consumption indicators. • Report results to stakeholders (partners, customers) • Register for important green certifications	
Customer Care	• Receive feedback on quality, processes and customer suggestions	

Table 8. KPIs for Divisions, ESG Factories, MSH

Department In Charge	**KPIs**
BOD & Strategy Corporate Development Division	• Complete ESG transformation strategy plan within 2 months • Periodically update the factory's operating status
ESG Division	• Set up ESG Management within 2 months • Achieve high-level ESG certification (LEED, BREEAM) within 12 months

Legal & Compliance Division	• Complete 100% of legal procedures and construction permits within 6 months • No violations or compliance issues during construction
Finance & Accounting Division	Complete financial projections and budget plans within 3 months
R&D Division	• Complete 100% of customer policy and commitment studies within 6 months • Achieve at least 90% efficiency in production trials • Deploy 100% of the latest solar energy and wastewater treatment technology solutions within 12 months
Risk Management Division	• Identify and assess 100% of potential risks within 3 months • Implement 100% of risk mitigation strategies within 6 months
HR Departments L&D Department	Complete the training and human resource development plan within 6 months
IT Division	Complete 100% of digitalization plan within 12 months
Business Development	Ensure customers fill 50% of factory capacity

4.5. Projected Financial Statement

Table 9. Projected Financial Statement, ESG Factories, MSH

(Millions Dollar)	**Option 1: Without the Strategy**				**Option 2: With the Strategy**			
	2024	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**	**2027**
Revenues	$214	$223	$245	$270	$214	$223	$267	$334
COGS	$189	$192	$203	$221	$189	$192	$225	$267
Gross Profit	$26	$31	$42	$49	$26	$31	$43	$67
Operating Expenses	$16	$18	$19	$21	$16	$18	$24	$30
EBIT	$9	$13	$22	$28	$9	$13	$19	$37
Interest Expense	($10)	($13)	($14)	($14)	($10)	($11)	($9)	($9)
EBT	$19	$26	$32	$35	$19	$24	$27	$46
Tax	$3	$5	$6	$7	$3	$5	$5	$9
Non-Recurring Events	$0	$0	$0	$0	$0	$0	$0	$0
Net Income	$16	$22	$26	$27	$16	$19	$23	$36

Financial assessment:

• Expected revenue from the new plant: 50 - 70 million USD/year in the first 2 years, increasing revenue by 24% after the project is operational

• Profit after project implementation increases by 36% compared to without the project, by saving on raw material costs when increasing scale, reducing operating costs and saving energy

4.6. Contingency Plan

The biggest obstacle to this strategy is to train a workforce to use the factory proficiently in the shortest possible time for the recovery of the textile market from 2025 onwards. Nam Dinh is the cradle of the textile industry, however, the application of additional technology and the use of new standards in production requires flexibility of workers. If workers cannot use machines proficiently and quickly, the factory's operation will, on the contrary, waste resources, the system will quickly deteriorate, environmental protection factors will not be completed and the products will not meet export standards. MSH can consider the following actions to overcome the above barriers: (1) Organize continuous training to improve the skills and adaptability of employees (2) Continuously check and monitor the quantity and quality of products by production team every week (3) Create a friendly working environment and encourage creativity; (4) Develop attractive compensation policies to attract and retain talent, avoiding workers quitting after training.

5. CONCLUSION

ESG (Environmental, Social, and Governance) was first introduced in 2004 with the launch of the United Nations Principles for Responsible Investment (UNPRI). In just over two decades, the significance and influence of ESG have far exceeded our initial expectations. Today, all major fashion brands globally recognize ESG as an essential component of their long-term development strategies. It has evolved from being a mere option to an obligation for anyone wishing to enter this market.

This shift has resulted in a growing number of consumers willing to pay a premium for products from companies that demonstrate a strong commitment to ESG principles. According to a Nielsen survey on "Customer Priorities for Products and Services from Companies with Strong ESG Commitments," approximately 66% of consumers expressed a preference for purchasing from brands dedicated to environmental and social responsibility. Furthermore, around 70% indicated they would choose a brand with robust ESG commitments over one without.

For Song Hong Garment, while the company's investment in ESG may not yet be as prominent as that of other industry players, it has maintained a perfect record in environmental compliance since its inception. The company consistently prioritizes the welfare of its employees and customers. Song Hong Garment aims to demonstrate its core values through action rather than mere rhetoric. The initiative to establish a high-tech green factory at Song Hong Garment is not just about self-improvement; it's also about ensuring the long-term sustainable development of its workforce and contributing to a genuine green transition for both Vietnam and our planet.

This study concludes that MSH's strategic investment in sustainable manufacturing aligns with industry trends and market expectations. By adopting green production techniques, diversifying its export markets, and leveraging technological advancements, MSH can achieve sustainable growth and maintain its competitive edge. Future research should explore the long-term impact of ESG initiatives on financial performance and market expansion.

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