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Experience in Cash flow Management for Listed Textile Enterprises in Vietnam

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Abstract

Cash flow management is an important activity that helps maintain all business activities.

Effective cash flow management is an extremely urgent requirement, directly determining the survival of an entire business. A serious cash shortage or an excessive cash surplus in an enterprise both shows weakness in corporate financial management activities. Therefore, it is necessary to have planning to control the movement of cash flows arising during operations to ensure balance and harmony between cash inflows and cash outflows during the operation of the business.

In the current period of fierce competition, cash flow management becomes increasingly necessary, especially for textile and garment enterprises - a key production sector of our country's economy. However, to manage cash flow effectively, Vietnamese textile and garment enterprises need to refer to the experiences of some businesses around the world to draw their own lessons. In this study, the author analyzes cash flow management activities at some typical businesses in the world, thereby creating a foundation for cash flow management activities of textile and garment enterprises listed on the market. Vietnamese securities.

Keywords: Cash Flow, Textile Industry, Businesses

1. Introduction

Cash flow management is a process that includes planning, monitoring, evaluating and adjusting cash flow in an enterprise to optimize available resources, ensure liquidity in business activities, and contribute part of achieving identified business goals.

Cash flow management helps businesses proactively grasp their financial situation, as well as the effectiveness of using their financial resources. That is the basis for businesses to build plans to develop and expand their business scale. It can be said that good cash flow management will help ensure the financial health of businesses, determining the survival of the business.

Cash flow management targets the following main goals:

First, optimize the distribution of cash resources to form necessary resources to meet the operating needs of businesses in each period.

Second, ensure full and timely implementation of the enterprise's payment obligations.

Third, optimize financial costs.

Fourth, establish policies and make correct operational decisions.

2. Theoretical Basis for Cash Flow Management

Cash flow management shows special importance, determining the survival and development of every business and has been researched by many scholars.

Cash flow management determines the short-term and long-term survival of a business (Munusamy, 2010) [3]. Cash flow management is the most important task for businesses because businesses will become insolvent when they fail to meet payment obligations promptly. Proper cash flow management helps prevent bankruptcy, thereby increasing profits and helping businesses develop sustainably (Mbroh, 2012) [2]. Effective cash flow management not only increases a business's chances of survival but also helps attract investors to finance business expansion. Effective cash flow management increases a business's flexibility and competitive advantage in responding to emergency situations or taking advantage of opportunities when they arise (Gyebi & Quain, 2013) [1].

3. Research Methods

The article uses qualitative research methods including two basic methods: data collection, synthesis and analysis and evaluation. Based on the synthesis of data related to cash flow management experiences of businesses around the world, the article offers lessons on cash flow management for listed textile and garment enterprises in Vietnam.

4. Cash Flow Management Experience of some Businesses Around the World and Lessons for Listed Textile and Garment Businesses in Vietnam

4.1 Experience of Businesses Around the World

4.1.1 Experience of American Express

American Express Company is a multinational financial services corporation headquartered in Manhattan Center in New York City, United States. Founded in 1850, American Express is known for providing credit cards, charge cards, and traveler's checks. Amex cards account for approximately 24% of the total dollar volume of credit card transactions in the US.

To achieve the above goal, American Express applies a cash flow management system including revenue and expenditure methods, bank account structure, balance target planning and foreign exchange management. This global system is controlled by establishing a number of instructions and directions from the corporation's treasury office in New York. A regional treasury office in Brighton (UK) that controls currency, funding and foreign exchange transactions in Europe, the Middle East and Africa.

* Methods of collecting and spending money:

The most favorable cash collection and disbursement method for all operating units in each country is established by analyzing the time spent on correspondence operations and the time required to process basic revenue and expenditure operations, including:

- Determine the appropriate payment method used by customers in each country as checks are not necessarily the primary payment method in Europe.
- Measure the time required for correspondence between certain sending and receiving points.
- Identify payment practices and practices from country to country, which vary significantly.
- Determine interest calculation time, processing time for deposits, checks and bank fees for each item.

Using the above data, American Express has changed some revenue and expenditure methods. For example, place intermediate points in Europe to minimize collection times.

Lessons learned from American Express show that: in decisions related to short-term finance, cash flow management is the area that the company pays the most attention to. This company has built an international monetary management system with the expectation of generating monetary profits from promoting disbursement control and bank balance control, reducing banking costs as well as better control of foreign exchange exchange. Instead of collecting money centrally to the parent company, American Express set up additional intermediary points in Europe to minimize collection time. Regarding account management, American Express does not allow each branch to set up a separate bank account because that would increase costs. The company eliminated accounts but ensured funds could freely move between the remaining accounts. This way, cash flow management becomes simpler but at the same time creates surpluses that the company can use for long-term investments.

This is a pretty good cash flow management method because most businesses have to face the cost of paying interest on bank loans and expenses for revenue and expenditure operations, but there are no measures to minimize these costs.

4.1.2 Experience of Nestlé Company

Nestlé is a food and beverage manufacturing corporation with a total asset value of 17 billion USD. Nestlé has its headquarters located in Vevey (Switzerland), with branches in 150 countries around the world. About 98% of the company's sales are made abroad. Nestlé's revenue structure by market is: 32% from Europe, 31% from America (America alone accounts for 26%), 16% from Asia, 21% from the remaining regions.

- Centralized cash flow control:

Nestlé's centralized cash flow control plays a key role in the complex network of cash transfers from branches to the parent company and investment capital flows from the parent company to the group's branches. Profits and idle cash are pooled by the finance department at Vevey, then poured back into subsidiaries in the form of equity and loans. Nestlé believes that this is the best cash flow management solution for the group's operations.

Nestlé's subsidiaries are all decentralized. However, financial matters are concentrated at headquarters. Although the finance department at the headquarters only has 12 people, it is where all the financing decisions, risk management, yield determination, global debt/equity structure calculations and assessments are made. evaluate the operating results of all subsidiaries.

Centralized cash flow control over branches is supported by a policy that requires branch managers to share almost 100% of their profits with the parent company. To ensure you can borrow at the lowest possible cost to maintain leading credit reputation.

Lessons learned from Nestlé: this multinational company has centralized cash flow management in a single place, the parent company, applying strict cash flow management policies to limit risks. The above policy helps Nestlé easily control the implementation of the group's common goals while avoiding the situation where branch managers make self-interested decisions for their branches. Centralized cash flow management from top to bottom helps Nestlé ensure the lowest borrowing costs.

4.1.3 Experience of Turkish Textile Enterprises

Turkey is one of the countries that produces processed garments exported to the EU and US markets under the brands of large companies: Adidas, Tommy Hilfinger, HM, Diesel. Textile and garment is a key industry makes a major contribution to Turkey's economic development, and is also a means to shift the economy towards industrialization. Cost control in large garment enterprises in Turkey is carried out in a process that includes many stages, from estimating production costs and product prices; track, collect and calculate product costs; Check the calculation results and finally report the calculation results.

To control and manage costs effectively, businesses apply many different cost classification criteria, of which the most commonly used criterion is classifying costs according to cost items in product prices. The first job in the production

cost control process is to estimate production costs and product prices. The estimated production cost cannot be completely accurate compared to the actual production cost, however, the maximum difference between these two prices is accepted by businesses at 10-15%.
Businesses cost in product prices. The advantage in estimating in particular and controlling production costs in general at large enterprises in the Turkish Garment industry is the use of specialized software based on PDM (Product Data Management) production data management. Gerber Garment Technology, Lectra, Assyst design.

4.2 Cash Flow Management Lessons for Listed Textile and Garment Enterprises in Vietnam

- First, attach importance to the role of cash flow management.

Businesses that are lax in cash flow management and lack good specialists will easily fall into bankruptcy as many Vietnamese businesses have encountered in recent times.
Cash flow management is essential, thereby helping businesses take appropriate measures to ensure solid financial resources for businesses in the integration trend. Poor cash flow management will lead to limited financial resources to serve business operations. On the contrary, if cash flow management is effective, businesses can soon detect problems related to cash flow and find solutions to improve cash flow.

- Second, build an optimal and centralized cash flow management system.

American Express has built a cash flow management system with the expectation of generating profits from promoting disbursement control and bank balance control, reducing banking costs as well as better control of foreign exchange exchange. This is a valuable lesson because most businesses have to face bank fees and costs for revenue and expenditure operations, but not all businesses realize how to minimize costs.

- Third, use the appropriate payment method.

American Express uses internal payment methods, or in other words, it is a clearing operation controlled by a single office to resolve debt issues between branches and between branches and the parent company. This has significantly reduced payment costs and simplified cash flow management of the entire system. This solution is not too complicated at all and can be used in businesses with open business activities.

- Fourth, there needs to be a specialized department responsible for cash flow management.

Many businesses do not build a cash flow management department, all work related to cash flow management is assigned to the chief accountant and often seek direction from the Director or Deputy Director. Therefore, when planning an investment project or business plan, they fall into a passive position if exchange rate or interest rate risks occur that affect the inflow and outflow of cash. They also do not have measures to minimize capital costs to maximize value for the business.

- Fifth, it is necessary to apply an internal control system.

In an increasingly fierce competitive environment, the internal control system is considered an effective solution in business management. Reality is proven from the experience of well controlling production costs to achieve profit goals of large-scale garment enterprises in Türkiye. In the near future, when the competitive advantage in labor with cheap labor gradually disappears, applying this lesson will have great significance for the survival and development of Vietnamese garment enterprises.

- Sixth, apply information technology in cash flow management.

Cash flow management is one of the important jobs, requiring high security and strict control. Therefore, businesses need to choose to use appropriate cash flow management software because some of its useful uses have been proven:
+ Displays the difference between periods, from which administrators can find the cause to develop a timely corrective strategy while also helping administrators grasp the entire situation of the business's cash flow each time. period.
+ Shorten the calculation process, absolutely limit the problem of data confusion. In addition, the software can set up reporting templates, helping employees report to management. With software, employees can save a lot of time to do other tasks.
+ Supports remote working due to cloud-based data storage. Administrators and employees can easily communicate through the software. Employees can report urgent issues related to cash flow so that administrators can handle them promptly. In addition, software is also one of the factors that increase a business's ability to compete with competitors.

5. Conclusion

The international financial system contains complexity and unpredictable fluctuations, accompanied by a "multinational" element that causes businesses to face many difficulties. Faced with that reality, financial managers are required to combine diversity and anticipate those changes to create the highest overall value. The failures and successes from financial management activities at the above multinational companies will be experiences and lessons for many Vietnamese businesses.
In the process of managing cash flow in a business, controlling and managing cash shortages becomes an important factor in ensuring our success. But skillfulness in financial management not only brings stability but is also the key to sustainable development. By applying the right controls, we can build a solid financial base that facilitates the success and future direction of the business.

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