

Current Situation of Digital Transformation for Small and Medium Enterprises in Vietnam

Phan Thi Thuy Trang

Ly Tu Trong College Ho Chi Minh City, Vietnam

Abstract: Digital Transformation is becoming more and more important. Businesses around the world ranging from retail, finance and healthcare, to the public sector, are launching digital transformation projects to improve customer experience and increase operational efficiency. On the basis of statistical data, the article analyzes digital transformation trends and digital transformation practices of small and medium enterprises in Vietnam and other countries in the region.

Keywords: Digital transformation, small and medium enterprises, technology.

I. INTRODUCE

Each business has a different form of organization. It is difficult to come up with a concept that is right for all. In the simplest terms, digital transformation is a form of application of digital technologies that change the fields of business activities, taking advantage of inherent advantages to create distances and dynamics, impact on the business model of the enterprise. Digital transformation is a trend of the whole world, when applying digital transformation in businesses, in addition to affecting the operating system, companies can also change their working mindset, culture, and environment do their job in a positive way. Digital transformation in enterprises is a process in the long-term development orientation and strategy of each company, so it is necessary to have the right and appropriate orientations.

Digital transformation is the use of digital technology or the application of digital technology on the basis of digital data or digitized data to change research, production and business models in order to create many new opportunities and values, improving and enhancing the operational efficiency and competitiveness of organizations, agencies and enterprises (Pham Huy Giao, 2020). Enterprise digital transformation is the integration and application of digital technology to improve business efficiency, management efficiency, enhance capacity and competitiveness of enterprises and create new values.

Difficulties in digital transformation today is the biggest barrier that businesses face when applying digital technology is the high cost in digital technology application. In order to apply digital tools and specialized management software, businesses require a relatively large amount of expenses, especially investment in purchasing new machinery or equipment. modern automation, as well as re-synchronizing the information technology infrastructure in the enterprise. Lack of digital technology infrastructure also becomes a big difficulty for businesses. Outdated and inconsistent information

technology infrastructure will hinder the application and connection of information technology software and solution systems for activities related to employees, partners and employees (Tran Thi Hanh Nguyen et al, 2021).

Through the data reported by the Government of Vietnam and press information, the author collects information about digital transformation to answer the following questions:

- Question 1: What is the trend of digital transformation in the world?
- Question 2: What are the characteristics of the infrastructure and foundation for the development of the digital economy of Vietnam and some countries in Southeast Asia?
- Question 3: What is the current situation of digital transformation for small and medium enterprises in Vietnam?

II. DIGITAL TRANSFORMATION TREND IN THE WORLD

According to the 2020 Cisco & IDC report on the digital maturity of small and medium enterprises (SMEs) in 14 countries in the Asia Pacific region, only about 3% of businesses believe that transformation number is not really important to their operations, much lower than 22% in 2019. Up to 62% of businesses expect digital transformation to help businesses create new products and services. 56% of businesses find the competition is changing and digital transformation helps businesses keep pace. This statistic shows that businesses have a clear awareness of the importance of digital transformation.

Digital transformation progress of businesses around the world: In the same report, Cisco & IDC highlighted that during the year, 31% of enterprises were in the early stages of digital transformation, down 8% compared to 2019; 53% of businesses are in the next stage of "Observer", up 3% compared to 2019; 13% of businesses were in the "Challenge" period and 3% were "Native", up 4% and 1% year-over-year, respectively.

A survey of 900 business leaders in Fujitsu's report on "Global Digital Transformation 2019" shows that up to 40% of businesses participating in the survey have implemented and reaped results from transformation projects. About 40% of projects are still in the implementation stage and only a few, less than 30% of businesses have not yet implemented any digital transformation projects. More specifically, sectors such

as finance, transportation, manufacturing, healthcare and wholesale/retail are the sectors with the highest percentage of enterprises implementing digital transformation projects. In particular, more than 40% of businesses in the banking and transportation sectors have implemented successful projects with remarkable results.

Prioritizing trends for digital transformation projects and markets: According to Gartner, the world's leading information technology research and consulting company, digital transformation projects are a priority for many businesses around the world. market. Specifically, up to 87% of leaders consider process digitization as the number 1 priority, 40% of organizations have been widely implementing activities to digitize business processes, management processes, and business processes. value and up to 91% of business leaders have started digitizing activities in certain areas. Statistics of market research firm Market Research Future show that in 2018, the investment for global digital transformation reached 205.65 billion USD. It is estimated that by 2025, this number will reach about 817.05 billion USD with an average annual investment growth rate of 18.87%.

This impressive growth is many times higher than the growth of world GDP, demonstrating the great interest and investment from businesses and organizations for projects related to digital transformation until 2025.

The trend of prioritizing the deployment of digital technology platforms at the early stages of digital transformation, the choice of most businesses when building business development directions is to choose digital technology platforms first. ("Digital-First"). IDG's Digital Business Survey in 2019 also shows that about 91% of businesses plan to adopt or have already applied the "Digital-First" strategy. small in the "Digital-First" strategy when this figure of small and medium enterprises is 89% and large enterprises is 93%.

Enterprise priorities in digital transformation: According to a survey by BDO in 2019 with more than 300 C-Level leaders for the medium-sized business market in the fields of retail, natural resources in 2019, more than 60% of senior leaders said that their 18-month to 5-year goal when implementing digital transformation is to "enhance the experience customers", "improve operational efficiency" and "create new products and services".

III. INFRASTRUCTURE AND FOUNDATION FOR THE DEVELOPMENT OF THE DIGITAL ECONOMY OF VIETNAM AND SOME COUNTRIES IN SOUTHEAST ASIA

The World Bank's Study on the Digital Economy of Southeast Asian Countries (2019) assessed the progress that countries in the region have made in building the foundation and driving factors for the digital economy. Factors include: Connectivity, Payment Methods, Logistics, Skills, Policies and Current Regulations required for a thriving digital economy. Based on digital indicators, governments can identify the

current state of digital economy development to come up with specific action plans, policies and regulations to promote their digital economy catch up with other countries in the region. Specifically, for the Connectivity index, more than half of Southeast Asia's population has access to the internet online through mobile broadband and the proliferation of phones. However, there are still weaknesses such as limited connection to fixed broadband databases, lagging behind, as well as limited quality and affordability of users.

Payment methods are considered as a driving force of the digital economy as well as one of the areas of digital transformation that are bringing about the most rapid change. It is not difficult to see that the adoption of digital payments in Southeast Asia is lagging behind other regions of the world. To be able to improve this factor, governments can consider strengthening consumer protection to build trust in digital payments, strengthen inter-sectoral coordination in policy making and regulation, facilitating the adoption of digital payments through ID.

Similar to the above factor, Logistics is also an element that needs to be digitally transformed in order to facilitate the development of the broader digital economy. For e-commerce, logistics costs are a challenge for many countries in Southeast Asia, not to mention limited policies and regulations in logistics. Governments need to untangle regulatory issues throughout the e-commerce supply chain, which includes adopting risk-based approaches to customs cargo management rather than full inspection. shipments, including small parcels, lead to unnecessary cost increases. With the popularity of digital technology, digital transformation in business models and governance models requires governments to rethink traditional approaches to teaching and learning.

The rapidly changing needs in the workplace require flexible and adaptable human resources, especially digital skills. It is important to understand that building and matching the right skills for the digital economy is a long-term challenge not only for countries in the region, so governments and businesses play an important role in equipping acquire the necessary digital skills for its citizens and employees. Electronic transaction laws and regulations have been enacted throughout Southeast Asia, however, data policies and regulations have largely remained undeveloped in the region, leading to potential risks to the growth of the digital economy. In order to promote the development of the digital economy, governments need to focus on developing policies and regulations on electronic transactions, cross-border data, network security, data privacy and security.

IV. ACTUAL SITUATION OF DIGITAL TRANSFORMATION FOR SMALL AND MEDIUM ENTERPRISES IN VIETNAM

Barriers in digital transformation for Vietnamese businesses: A survey by VCCI and JETRO with more than 400 businesses in Vietnam shows a modest situation in digital

transformation with key barriers including: Investment costs in digital transformation are still high; Current information technology infrastructure is underdeveloped; Difficulty in accessing solutions on network risks and security; Limited resources for digital transformation; Organization management, business processes, supply chains have not been standardized; Difficulty in accessing information about digital technology.

SWOT analysis for small and medium enterprises in Vietnam in digital transformation According to the analysis and assessment of the project's consulting team on strengths - weaknesses and opportunities - challenges, which can be seen as strengths The current ability of small and medium-sized enterprises in digital transformation lies in their ability to be aware of transformation trends and appreciate the importance of digital transformation. In addition, due to the flexible organizational structure, small and medium enterprises also easily adapt to changes in the market. According to the assessment, the achievements of digital transformation in the market such as marketing, distribution and sales channels are also effectively applied. The ability to apply digital technology to connect information with customers and suppliers or the ability to apply software to basic management activities is met by most small and medium enterprises. However, factors such as internal governance capacity, organizational structure and processes of small and medium-sized enterprises have not yet been completed for a comprehensive digital transformation. The capacity of personnel related to information technology or the ability to integrate new technologies of the information technology system still has many limitations. The importance of data is still not properly recognized when only a few businesses have separate governance policies and apply data analysis in their operations. Issues of risk and network security have not been properly recognized and managed by businesses, although this is one of the most important factors in any information technology system any growing business.

Small and medium enterprises are enjoying enormous advantages from the changes of the surrounding environment along with technological advancements and government support. Consumer behavior is changing rapidly, bringing new opportunities to unlock the market's potential. Globalization also brings supply chain shifts and opens up a lot of opportunities for small and medium enterprises. With the current achievements in science and technology, businesses have a lot of options for solution providers in the market. The government and state are also very interested in and supporting small and medium enterprises to quickly transform digitally, promote growth and compete with other countries in the region. However, besides that, small and medium enterprises also face certain challenges from the lack of support suitable for their needs. Most small and medium-sized enterprises in Vietnam have not yet received funding support commensurate with their investment needs for digital transformation.

Access to experts, documents and supporting information on digital transformation is limited. Digital

technology solutions on the market today are still said to be fragmented and not connected, leading to challenges for many small and medium enterprises in implementing digital transformation strategies. Scientific and technical factors are increasingly developing, along with the increase of potential risks of information safety and network security. These are difficult problems that every small and medium-sized business manager needs to solve in order to come to a common answer in their inevitable digital transformation roadmap. The reality of digital transformation for small and medium-sized enterprises in Vietnam in recent years, Vietnam's economy has become vibrant, especially the private sector and small and medium-sized enterprises, which account for a large proportion of the economy. huge in Vietnam. Digital transformation has actually taken place as a natural need of many businesses, especially digital transformation in business activities to meet the changing consumer behavior of customers. It is easy to see that a large proportion of businesses have applied software and solutions to sales management, online sales, omni-channel, marketing, customer relationship management, and customer relationship management. distribution channel management (for example: Juno, Yody, Shoptretho, GalleWatch, Pavietnam, Bentoni, Kitchen Art, etc.), specifically: About 100,000 stores in Vietnam are using Kiot Viet software for sales management activities at retail and omnichannel stores; same number for Sapo and also thousands of other businesses using Haravan, Nhanh, etc.

Hundreds of thousands of businesses are directly doing business on e-commerce platforms such as Sendo, Tiki, Lazada, Shopee, etc. Although there are no statistics, a large proportion of Vietnamese enterprises (hundreds of thousands of businesses) have used digital marketing as an important marketing method (accounting for more than 20% of the total). advertising spending in Vietnam) in marketing and sales activities; major digital marketing platforms can be said like Facebook, Google, Youtube, Tiktok, Instagram, 24h, admicro, eclick, adtima, etc. For digital transformation in corporate governance, although the transformation is still slow, it is shown by the small number of enterprises applying ERP, HRM, E-Office solutions, time attendance, payroll software, etc., there is a relatively large proportion of enterprises that have transformed their management and internal operations at a basic level, as shown by preliminary statistics: More than 60% of enterprises are using software, of which nearly 200,000 businesses use accounting software Misa; More than 200,000 businesses are using e-invoice software of many different suppliers; Almost all businesses have equipped and used digital signatures; Online tax declaration software, online social insurance declaration are applied at most businesses in Vietnam.

V. CONCLUSION

In the activities of transforming sales, marketing, management and operation models, many businesses see digital transformation as an opportunity to create new products and services, aiming to change the nature of their business. Karma.

This is contributing to the creation of digital health, digital education, digital agriculture, logistics, forwarding, trade, import and export businesses, restaurants, hotels, tourism and manufacturing activities. in new ways, based on the connection of automated technology, data and information processing systems. Although these activities have only just begun, they have already attracted great attention from the business community. It is expected that in the not too distant future, many businesses with breakthrough business models will appear, completely shifting to business model in the digital environment.

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