



Enhancing digital transformation capacity in small and medium (SMEs) enterprises in Vietnam today

Phan Thi Thuy Trang

Ly Tu Trong College Ho Chi Minh City, Vietnam

* Corresponding Author: **Phan Thi Thuy Trang**

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Abstract

The program to support businesses in digital transformation for the 2021-2025 period of the Ministry of Planning and Investment (MPI) realizes the important goal of raising awareness and knowledge about digital transformation for 100% of businesses worldwide country. The government has identified digital transformation as an inevitable trend and an important solution for businesses to improve production and business efficiency, expand markets, cut costs, and adapt to the new context of the economy digital economy. From January 2021, the Ministry of Planning and Investment has issued and implemented the Program to support businesses in digital transformation for the period of 2021-2025. Accordingly, in the first phase, the Department of Business Development (the unit assigned to act as the focal point for implementation) coordinated with the United States Agency for International Development (USAID) through the project "Promoting reform" and improve the connectivity capacity of small and medium enterprises (USAID Link SME).

Keywords: government, digital, transformation, SMEs, Vietnam

1. Introduction

In the Program to support businesses in digital transformation for the 2021-2025 period of the Ministry of Planning and Investment, an important goal is to raise awareness and knowledge about digital transformation for 100% of businesses nationwide. To achieve this goal, the Project on Promoting Reform and Improving the Connectivity of Local Small and Medium Enterprises has coordinated with associations to organize a series of face-to-face training sessions for the business community in Vietnam. 40 provinces and cities across the country such as Hanoi, Ho Chi Minh City, Da Nang, Hai Phong, Thua Thien Hue, Quang Tri, Quang Ngai, Binh Thuan, Gia Lai, Vinh Long. The training chain in the provinces has attracted the interest and participation of business owners and managers of departments in the business. Key topics include changing leadership thinking in digital transformation, process redesign, digital transformation of business models, application of digital technology to expand markets, digital transformation in the agricultural value chain industry, logistics, etc. Thereby, businesses are provided with background and in-depth knowledge, specifically practiced with experienced instructors that the Program carefully screened. Not only helping businesses understand the benefits of applying digital transformation in business and production models, the training courses helped connect organizations, associations, and state agencies with a team of experts and local businesses, to help businesses in the process of applying and implementing digital transformation and grasping new information and trends.

2. Research content and results

2.1. The concept of digital transformation and digital transformation operations

According to Siebel, from the perspective of a company or business, digital transformation is also defined as the use of digital technology and advanced analytical methods to improve business operations in terms of business value criteria. economy, flexibility and speed.

The authors of the University of Groningen present the concepts of data digitization and process digitization versus digital transformation.

These concepts have partly represented the 3 stages of digital transformation in terms of building an organization's digital f "Digital transformation" is often understood to mean the process of changing from a traditional business model to a digital one by applying new technologies such as big data (Big Data), Internet of Things (IoT), cloud computing (Cloud)... to change the operating method, leadership, working process, company culture.

Not only does digital transformation play an important role in businesses, but digital transformation also plays an important role in other areas of society such as government, mass media, medicine, science..."Digital Transformation" can easily be confused with the concept of "Digitalizing". To distinguish these two concepts, it can be understood that "Digitalization" is the process of modernizing and converting conventional systems to digital systems (such as switching from paper documents to soft files on the Internet), computers, digitizing television to switch from analog broadcasting to digital broadcasting...); meanwhile, "Digital Transformation" is about exploiting the data obtained from the digitization process, and then applying technologies to analyze, transform that data and create new values. "Digitalization" can be viewed as part of the "Digital Transformation" process. oundation.

According to the Vietnam Digital Transformation Forum 2021, as of December 2020, Vietnam has more than 811,000 enterprises, of which SMEs account for 98.1%, contributing up to 45% of GDP. This shows that SMEs account for a large proportion, play an important role in the economy and are a spearhead in digital transformation towards building a digital economy.

According to the results of the SME survey conducted by the Walkins research group, the goal of SMEs in Vietnam when implementing digital transformation focuses on: improving customer experience in order to maintain business cash flow (accounting for 54%). ; increased product features (45%); optimized workflow (39%).

To successfully implement digital transformation, SMEs need to define a clear roadmap including the following specific steps:

Step 1. Determine the current state of the business

This step is to help businesses identify the following contents: purpose, motivation for digital transformation; how to operate and manage enterprises; business model of the enterprise... In which, the central part that decides the entire digital transformation activities of the enterprise includes:

- Enterprise value chain: shaping the stages that bring the greatest value of the enterprise, thereby focusing resources on core values, increasing the efficiency and quality of digital transformation.
- Levels of digital transformation (strategy, business model, governance model): review the overall operation of the business from core business activities, cash flow, cost structure, customer relationship Key customers and partners, resources, etc. From there, businesses identify the angles that need to be prioritized for digital transformation such as business orientation to increase profit cash flow or management orientation to optimize costs and administrative performance.

Step 2. Set digital transformation goals and find the right direction

Based on the results of the assessment of the current situation

in Step 1, enterprises determine the goals of digital transformation for their business activities and should be divided into several goals according to the time frame, including: short-term goals (less than 01 year), medium-term goals (01-03 years), long-term goals (over 03 years). The division of goals by time frame makes it easy to assess the quality of digital transformation, as well as motivates businesses to continue to perform, avoiding discouragement and giving up halfway.

Step 3. Design, select solutions and build implementation roadmap

Enterprises need to base on the goals and directions in Step 2 to design and choose appropriate solutions, in which it is necessary to pay attention to the allocation of resources in accordance with the characteristics and capabilities of the enterprise. These solutions can be to build the software yourself, hire an outside consulting company or use an existing shared platform and many other ways. The key point to pay attention is to implement each short-term goal to create motivation, but it must still be synchronized according to the principle that short-term goals support the completion of medium-term goals, medium-term goals support long-term goals.

According to the 2022 Enterprise Digital Transformation Report, only 2.2% of SMEs in Vietnam are in stage 2 and 48.8% have used digital solutions but no longer use them. The reason is that businesses have not identified the right digital transformation goals and strategies, lack of human resources and resources, especially in the context of the current volatile economy. Therefore, government policies play an important role in supporting the digital transformation of SMEs.

The Vietnamese government has recognized the role and importance of SMEs in the national digital transformation strategy, especially the digital economic pillar. In the spirit of the Law on Supporting Small and Medium Enterprises in 2017 and Decision No. 749/QĐ-TTg, a series of legal documents have been issued with a focus on SMEs, namely: Decision No. 12 /QĐ-BKHĐT of the Ministry of Planning and Investment in 2021 on approving the Program to support businesses in digital transformation for the period 2021-2025; Decision No. 377/QĐ-BTTTT of the Ministry of Information and Communications dated March 26, 2021 approving the Program to support small and medium enterprises in digital transformation; Decision No. 411/QĐ-TTg dated March 31, 2022 of the Prime Minister approving the National Strategy for development of the digital economy and digital society to 2025, with orientation to 2030.

The above documents have created a legal corridor and mobilized government resources to support the digital transformation activities of SMEs (including cooperatives and households) and also show the asymmetry in the importance of digital transformation. digital transformation point of the Vietnamese Government with the theory, research and implementation of digital education in the world.

2.2. The current situation of digital transformation in businesses

According to the rankings of the International Telecommunication Union (ITU), currently, Vietnam is in the group of 25 leading countries in the index of network safety and security. To strive to be in the group of 20, the top

10 countries, Deputy Minister of Information and Communications Nguyen Huy Dung shared, Vietnam needs to focus on digital transformation solutions, the most important of which is creating trust digital information for users. This is a very meaningful job in the context of the complicated development of the COVID-19 epidemic. As we move activities to cyberspace, increasing trust in information security will contribute to increasing digital trust, increasing digital trust will contribute to promoting digital transformation, and at the same time, helping to build digital data source, an important tool for implementing technological measures, effectively helping to prevent and combat the COVID-19 epidemic.

Currently, in the digital environment, the risk of information leakage makes many people worried. Many websites and applications in online transactions operating illegally have tried to deceive users in many forms such as: sending messages, attaching links (links) to fraudulent websites, impersonating; send emails with solicitation information to steal personal information. According to the Ministry of Information and Communications, from the beginning of 2021 until now, more than 97,000 user accounts have been exposed, including about 2,000 accounts in the banking and finance sector. In the first six months of 2021 alone, there were more than 3,000 phishing domains, three times higher than the same period in 2020.

Over the past time, the National Cyber Security Monitoring Center, the Department of Information Security (Ministry of Information and Communications) have come up with solutions to proactively handle thousands of fraudulent websites, impersonating banks., network financial unit. At the same time, building a network trust ecosystem to help users actively check websites and links sent to them when working online. Director of the National Cybersecurity Monitoring Center Tran Quang Hung said that when accessing or detecting a fraudulent website, people can immediately send an alert through the network's trust ecosystem (<https://tinnhiemmang.vn>) for state management agencies and a team of technology experts to handle.

According to a United Nations report, in 2020, Vietnam's e-Government development rank has increased two places, to 86th out of 193 countries and territories. However, in Southeast Asia, Vietnam still holds the 6th position in the ranking of e-Government development. This makes Vietnam's competitive advantage in attracting investment and developing the country not really breakthrough.

Currently, 38/63 provinces and centrally-run cities have been implementing smart urban projects. Vietnam has proactively approached and oriented smart city development quite early, catching up with other countries in the world; actively implemented digital transformation; Information infrastructure has basically been covered by 4G; access to information technology services and the rate of using mobile devices are quite high compared to the world. Vietnam's e-commerce in 2020 has increased by 16% and reached a scale of more than 14 billion USD. The average growth rate in the period 2020-2025 is predicted to be 29% and by 2025 the scale of e-commerce is estimated at 52 billion USD. In that general trend, promoting digital transformation of areas of strength will help us create a national competitive advantage. In the coming period, in order to improve competitiveness in the region, Vietnam needs to make more efforts in digital transformation.

Vietnam is ranked 56th in the world in terms of digital

infrastructure. Vietnam's digital infrastructure is quite modern, covering all provinces and cities. However, according to Deputy Head of the Central Economic Commission Do Ngoc An, the telecommunications and information technology infrastructure system is still slow in speed, unable to meet the requirements of developing the internet of things (IoT) smart cities, automated vehicles, smart production... At the same time, access to broadband services in rural and mountainous areas is still limited.

Digital infrastructure is the basic foundation to ensure the sustainable development of the national digital economy. The Ministry of Information and Communications is developing and submitting to the Prime Minister for promulgation a digital infrastructure strategy to 2025 and orientation to 2030. The draft strategy has defined the vision and goals of developing digital infrastructure ready meet the needs of digital transformation of industries and become a driving force for economic development, bringing the digital economy to account for 20% of GDP by 2025 and 30% of GDP by 2030. The draft aims to strive to bring the digital economy to 2025. Vietnam is in the group of 30 leading countries in the world in terms of digital infrastructure, ensuring that all people have access to and use advanced digital services with high quality and reasonable prices; which will cover fixed and mobile broadband to all villages; 5G coverage by 2022; In particular, smartphones will be universalized to 100% of the adult population and each household has a fiber optic line.

To achieve the set target, the Ministry of Information and Communications is expected to amend the Law on Telecommunications, the Law on Radio Frequency and the Law on Digital Technology Industry; formulating mechanisms and policies to develop the internet of things; infrastructures on digital identity, data centers, cloud computing, big data and artificial intelligence meet international standards, meeting the needs of national digital transformation.

On May 18, 2016, the Prime Minister approved the National Eco-Innovation Support Scheme to 2025; On June 3, 2020, the Prime Minister signed Decision No. 749/QĐ-TTg approving the National Digital Transformation Program to 2025, with orientation to 2030, striving for Vietnam to become a digital country., in which digital transformation for businesses plays an extremely important role. Accordingly, Vietnamese businesses need to create their own development resilience, with the core being the digitization of businesses in all aspects. Up to now, digital transformation has become a familiar concept for many businesses, especially in the context of the COVID-19 pandemic, digital transformation is a need and a survival solution to maintain and develop businesses, including small and medium enterprises.

The element of digital transformation is the digital platform. The digital platform is a breakthrough solution to popularize digital technology into a service and turn digital technology into an input factor in production such as electricity, water, etc. Then, we will convert digital into because digital technology has "pervaded" all production and business activities. To support small and medium enterprises in digital transformation, in 2022, the Ministry of Information and Communications and localities will implement the Program to support small and medium enterprises in digital transformation (SMEdx) 2022; along with that is to form a network of digital economic consulting and organize a network of community digital technology groups to the

commune level to have a focal point to support people to implement. The new feature of SMEdx in 2022 is the toolkit to assess the level of business digital transformation (DBI). This toolkit will be applied to evaluate 03 groups of enterprises, including small and medium enterprises, large enterprises; corporations and corporations. This index has 6 pillars, including digital customer experience, strategy, digital infrastructure and technology, operations, digital transformation of corporate culture, data and information assets. Within each pillar there are sub-indices and in each sub-index there are criteria. This is considered a set of tools, a measure to assess the readiness and level of digital transformation of enterprises, production and business establishments across the country. Enterprises can proactively rely on the status quo and compare them with the criteria in this set of indicators, thereby determining the internal digital transformation situation.

As planned, in 2022, the Ministry of Information and Communications will also evaluate the digital transformation level of 100,000 businesses nationwide based on this toolkit. The assessment results will be the basis for perfecting specific action programs, promoting businesses to digital transformation and development of the digital economy. Also in 2022, businesses will receive financial support for digital transformation from the budget. Specifically, according to the Government's Decree No. 80/2021/ND-CP dated August 26, 2021 detailing and guiding the implementation of a number of articles of the Law on Supporting Small and Medium Enterprises, businesses will be 50% subsidy if renting or buying digital transformation platforms and solutions, certified and announced by the Ministry of Information and Communications.

In April 2020, Cisco announced the report "Digital Development Index of Small and Medium Enterprises in Asia - Pacific" covering 1,340 enterprises in the region in general and 50 enterprises in Vietnam. South in particular. In Vietnam, small and medium-sized enterprises are facing barriers in the digital transformation process such as lack of digital skills and human resources (17%), lack of a strong enough IT platform to enable digital transformation (16.7%), lack of digital thinking or digital culture challenges in businesses (15.7%)... However, the report also shows that businesses Vietnamese small and medium enterprises are initially investing in Cloud Computing technology (18%), network security (12.7%), upgrading software and hardware for digital transformation (10.7%).

SMEdx in 2022 has selected 23 excellent "made in Vietnam" digital platforms to announce and introduce to businesses via Smedx.vn website. With a variety of approaches, in 2021, more than 16,000 small and medium businesses have chosen to use the platform in the program. According to the Ministry of Information and Communications, financial services are the most used services by businesses in 2021, of which the most used platform by businesses is the MISA ASP digital service accounting platform with 4,965 support for small and medium enterprises. This is a tool for service accountants and tax agents to use as a work management and customer data management tool businesses will use this accounting software as an accounting tool. In particular, for businesses that do not have an accountant but must hire an accountant, they can use this platform to immediately view accounting data and tax settlement data. This is a utility for small and medium enterprises. In the year 2021 and the first 6 months of 2022, nearly 400,000 businesses have had access to digital

transformation manuals, more than 600 businesses have been assessed for readiness, and 100 businesses have received in-depth advice and support on digital transformation digital conversion.

2.3. Solutions to improve the quality of digital transformation in small and medium enterprises

In order to support small and medium-sized enterprises in digital transformation successfully in the near future, it is necessary to implement the following solutions:

Firstly, on the side of competent state agencies: Review and perfect the legal framework to support small and medium enterprises in digital transformation; propagating, disseminating and raising awareness about digital transformation in enterprises; organize the implementation of training courses on digital transformation for small and medium enterprises; consulting and supporting small and medium enterprises to implement digital transformation; propagandize about successful digital transformation models of businesses to make lessons learned, spread in the business community.

Secondly, on the side of small and medium enterprises: It is urgent for enterprises to innovate their business models on the basis of gradually shifting traditional production and business activities to methods based on digital platforms. . When participating in this process, businesses also face many challenges. How receptive, how aware to identify and solve the challenges faced when implementing digital transformation will be the problem of every business. To do this, small and medium enterprises need to learn, learn, and grasp the core issues of digital transformation. From there, businesses will determine for themselves what stage they are in in the digital transformation process to have a basis for building an appropriate digital transformation roadmap, plan, and solution, creating a foundation for the development long-term and sustainable.

Third, digital transformation leadership is rooted in technology knowledge and thinking

If you want to lead digital transformation, you must first understand the technological potential and current advancements of the solution market. "Grassing" here is not simply having a little knowledge of online marketing tools, chatbot that answer customers automatically...

Understanding here is a deeper understanding of their core technologies (Big Data systems, blockchain, AI or cloud), why can they perform the above functions. Maybe you don't need to understand algorithms and technology as deeply as programming experts, but try to 'touch the essence' of them! Once we understand how it works, the operating principles behind each solution, it will be easier to assess their potential and feasibility when solving different problems. Doing this, we will not be passive and manipulated by technology, but actively select and use technology for the right purpose. The choice of applications and tools on the market is also more diverse. Even businesses can invest in developing their own applications according to their characteristics instead of being limited by instant solutions on the market.

Fourth, Strategic vision – the capacity to determine the achievements of digital transformation projects.

Digital transformation is not just about applying technology to solve an immediate problem of a business. A digital transformation campaign can change business models, adapt, adapt, create new ways of operating or even improve products for businesses. To do this, the leader in the

business's digital transformation process must be able to draw up a methodical, long-term and coherent strategy. Lacking a strategic vision, the digital transformation of enterprises only stops at a few stages and a few applications to solve some immediate needs. This makes businesses go into the "midway digital transformation" rut, leading to an "outcome" that is not very different from before the transformation.

Fifth, Leadership ability to manage digital transformation projects – a vital factor.

The application of digital transformation requires businesses to conduct a large campaign. Each campaign is a different digital transformation project in each department. Therefore, leaders need project management skills and continuous testing to ensure success. Since then, the new transfer process has been implemented synchronously, smoothly and always closely linked with each other.

Moreover, the strategic nature of the digital transformation project is always expected to have a very high level of success. It can “make or break” (make or break) the reputation of business leaders. It can also make a positive change to the company's operations or seriously affect the team's trust in leadership and other technology projects.

Not to mention, when businesses implement digitalization projects, the participants are mostly internal people, with large-scale internal capital. One wrong step also causes a great loss of resources. As a result, the project management challenge for leaders is thus multiplied! Leaders need to understand how to start, where to get resources, how to allocate work, and manage quality more closely than ever before.

3. Conclusion

Digital transformation in enterprises can be understood as the process of changing old and traditional models into digital businesses, based on new technology applications, such as Big data, IoT, cloud computing, etc. to change the operating method, working process and labor culture in the enterprise. The goals that digital transformation businesses often aim for include: Speeding up the market, increasing competitive position, boosting revenue growth, increasing labor productivity, expanding the ability to attract and retain customer row. Vietnam is gradually building and applying a system of policies in line with the current trend of digital transformation in businesses. Besides, also encourage industries and businesses to apply digital transformation, especially digital transformation in the fields of banking, education, communication, etc. At the same time, Vietnam is in the process of building and promoting strongly implement the national digital transformation strategy to orient the digital socio-economic development. On that basis, develop digital transformation strategies in each industry, each field, each enterprise, etc., contributing to promoting industrialization and economic restructuring, in which the State - enterprises - universities. Universities and research institutes play a pivotal role.

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