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Vietnamese Businesses Aim for Sustainable Development through Digital Transformation

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Abstract

In a fiercely competitive environment, sustainable development is the goal of many Vietnamese businesses. There are many factors inside and outside a business that affect the sustainable development results of a business. In particular, it is impossible not to mention the process of businesses implementing digital transformation. Digital transformation helps significantly improve operational efficiency, productivity, product quality, inventory management, asset utilization, time-to-market, agility, workplace safety and environmental sustainability. Digital

transformation has great significance for the sustainable development of businesses. Digital transformation empowers business owners to better control and understand every aspect of their operations and allows them to leverage real-time data to increase productivity, improve processes and drive growth. Based on digital transformation awareness and the relationship with the enterprise's sustainable development strategy, there should be measures to implement digital transformation to achieve the best results.

Keywords: Digital Transformation, Sustainable Development, Enterprise

1. Introduction

The concept of sustainable development has been discussed by the United Nations and its members, especially developed countries, since half a century ago. It is a harmonious economic, social and environmental development that meets current requirements without harming future development. Sustainable development and green growth are important keywords for 2023 as well as many following years for Vietnamese businesses. Up to now, sustainable development with the goal of Vietnamese businesses needs to be considered a unique opportunity that all types of businesses, including small and medium enterprises, can grasp to succeed. Facing the requirements of green development and sustainable development, the business community needs to redefine its success. Success now lies not only in financial numbers, but businesses need to link their long-term success and growth with the sustainable benefits of the community, society and the environment. Standards of revenue, profit, shareholder benefits or financial numbers are no longer the only measure of business success, which has now expanded its ability to adapt, withstand and recover from unprecedented challenges. There are many factors inside and outside businesses that contribute to creating conditions for businesses to achieve sustainable development. Among these factors, it is impossible not to mention the impact of the digital transformation process. The fourth industrial revolution marks huge changes in business activities. These changes incorporate the use of the internet and other disruptive technologies in all walks of life. Businesses as well as industries are undergoing comprehensive transformation, leading to digitalized business operations. Digital transformation poses major challenges for businesses, as connected products, services and operations transform businesses, launching new strategies to adopt these changes necessary. Digitalization is pushing businesses to create completely new strategies and forcing all business activities from management to operations to be digitalized. To survive in the digital transformation revolution, businesses need to strengthen their digital capabilities and balance economic, environmental and social impacts. Therefore, it is necessary to clearly understand the great benefits of digital transformation with the sustainable development strategy of businesses. From there, there are solutions to enhance digital transformation in Vietnamese businesses today.

2. The Relationship between Digital Transformation and Sustainable Development

Digital transformation can be defined as “the most profound and rapid transformation of operations, processes, capabilities and business models to take advantage of the changes in digital technology and the impact them in a prioritized and strategic way” (Hamidi *et al.*, 2018) [4]. The main goals of digital transformation can be described as customer-centric processes, increased operational flexibility, and reduced costs (Junge, 2019) [7]. The enablers of digital transformation are cloud computing, mobile computing, fog computing, big data, data science, business analytics, social computing, Internet of Things, systems virtual reality. At the heart of digital transformation are changes within and between organizations and their transformations at different levels including governance, strategy, people, leadership, culture and technology (Heilig *et al.*, 2017) [5].

This 21st century model has brought a new way of thinking about innovation in businesses. Digital transformation connects with digital innovation, in which information technology plays a key role and engages different stakeholders, and in which transformation, knowledge management and demand-driven supply chains are leading characteristics (Bernardi and Exworthy, 2019) [1]. Heinzelmann (2019) emphasized that digitalization refers to the digital transformation of business operations. The transformation is not only driven by the application of efficient technologies in the organization's work processes (digitizing paper-based work processes, invoices) but also by the use of new technologies. New breakthroughs in existing business models (Uber, booking.com).

Digital transformation can be seen as re-engineering the business as a mechanism to capture the potential of information technology, as a profound transformation of organizational operations or the use of digital advances. When undertaking digital transformation, there are several common aspects that businesses must consider: Operational processes, customer experience, and business models that allow for reprogramming and homogenization of data as well as such as decentralization and autonomy of processes (Junge, 2019) [7]. Considering these components and characteristics can serve as a tool to achieve sustainability in business development. Sustainable business development is based on three basic components: economic, social and environmental and represents a model of business economic growth, in which the use of resources aims to meet the needs of businesses while ensuring a stable balance of economic-environmental-social systems.

Artificial intelligence, robotics, Internet of Things and cloud computing are together key elements and characteristics of digital transformation technologies that have the potential to enhance business efficiency and sustainability (Bucci *et al.*, 2019) [2]. Although the adoption of these technologies faces various obstacles related to cultural barriers, business size, and difficulties in comparing the benefits and financial costs incurred, there is a positive relationship between digital transformation, business sustainability and financial performance of businesses. Here, business sustainability plays a moderating role in the relationship between digital transformation and financial performance (Ukko *et al.*, 2019) [9]. Hsu *et al.*, (2018) [6] argue that businesses are motivated to increase adoption of new service applications to maintain competitive advantage due to technological transformation. This transition also includes considering

sustainability as a key feature of a business's strategic plan. In addition, the digital transformation process not only concerns the manufacturer but also the entire supply chain. Kayikci (2018) [3] believes that digitalization of the supply chain creates transparency, facilitating decentralization and connection. It also enables real-time monitoring and positively impacts sustainability in the industry. Ananyin *et al.*, (2018) researched changes in digital transformation management, pointing out the interrelationship between digital transformation and changes in organizational culture and the impact of digital transformation on stability and sustainability of the enterprise. In the same vein, Broadbent and Cara (2018) argue that the transition to a sustainability strategy is part of a broader digital transformation scenario, creating opportunities for cultural change. This is related to sustainability strategies, digital transformation and financial performance of businesses.

Many researchers argue that digital transformation impacts sustainability at the corporate level, because digital transformation is facilitated by information technology developments, leading to organizational changes to find sustainability in production and business activities. Big data and business ecosystems emerge as drivers to achieve digital transformation and create corporate sustainability (Pappas *et al.*, 2018) [8].

Digital transformation can support more energy- and resource-efficient processes to help mitigate climate change. Furthermore, digital transformation advocates the redefinition of democracy, labor, economics and humanity as it will transform key components of society and corporate sustainability. Regarding the performance impact of digital transformation, dynamic and up-to-date managers can exploit the potential of new technologies and encourage their introduction, this serves as a prerequisite for the business strategy. When superior management capabilities facilitate successful strategic changes, then digital transformation, is considered to improve business performance.

Digitally transforming, businesses gain comprehensive information about the sustainability of their business operations and use that information to reshape strategy. Corporate sustainability management can influence the productivity and efficiency of processes, support the development of more sustainable products and services, and lead to improved financial performance, such as higher profits, reduced costs or increase in stock price.

3. Vietnamese Businesses Aim for Sustainable Development through Digital Transformation

Digitalization is so pervasive that 'no aspect of business today is unaffected by digital technology.' (Bhimani & Willcocks, 2014). Korchagina, Kalinina, Burova, and Ostrovskaya (2020) suggest, when digitally transforming, at least four changes are needed in a business enterprise: first, changes in the context in which the business operates; second, change the business's relationship with key stakeholders (customers, suppliers, contractors, employees); third, changes in business processes; and fourth, the sophistication added to the products manufactured or services provided. Digital transformation is making it easier for businesses to collaborate and share data between customers, manufacturers, suppliers and other parties in the supply chain. It improves productivity and competitiveness, enables the transition to a digital economy and provides

opportunities to achieve economic growth. In an environment of digital transformation, all parties in the supply chain share data from their manufacturing sites, vehicles, warehouses, and databases in real time. Thus, digital transformation brings businesses many benefits, such as: Increasing productivity and revenue, optimizing production processes, developing accelerated technology, and better customer service.

Digital transformation in the recent decade has been taken to a whole new level with the help of connectivity through the internet of things, real-time data and the introduction of cyber-physical systems. Digital transformation provides a more interconnected and comprehensive approach to manufacturing. It connects the physical with the digital and enables better collaboration and access across departments, partners, suppliers, products and people. Digital transformation empowers business owners to better control and understand every aspect of their operations and allows them to leverage real-time data to increase productivity, improve processes and drive growth.

Vietnamese businesses have been actively participating in digital transformation and more specifically, the Government issued Decision No. 505/QĐ-TTg to set October 10 as "National Digital Transformation Day". Many studies show that Vietnamese businesses are beginning to realize the importance of digital transformation and have applied digital technologies in various stages, such as: internal management, purchasing, logistics, production, marketing, etc. sales and payments. In the field of internal management, cloud computing is the technical tool most used by many Vietnamese businesses. Next is the online conference system, work and process management system that is also widely used by businesses. Digital transformation brings many benefits to Vietnamese businesses towards sustainable development. Firstly, digital transformation changes the institutional framework, creating a favorable legal corridor for businesses to develop sustainably in the context of the 4.0 industrial revolution. E-government and online platforms are creating favorable conditions for businesses when they need to consult and provide public services. All business relationships with public agencies can be carried out on a digital platform, helping businesses save time, take advantage of business opportunities and increase the efficiency of resource use. Digital applications have been spreading in many areas of social life, such as: business development services; Services of transferring the right to use industrial property objects (also known as licensing) are recognized and guaranteed by law. This helps businesses proactively determine appropriate business strategies for the situation. Along with that, big data technology allows the Government to adjust public services in a better direction, promptly serving the needs of businesses. Second, digital transformation helps businesses access strategic resources, creating a premise for immediate and long-term development. Of these, the most obvious is digital transformation creating many financial services that allow businesses to easily access, to supplement capital shortages. Digital financial services such as: electronic money, mobile financial services, online financial services, i-teller and digital banking are implemented through banking and non-banking institutions allowing Vietnamese businesses to easily access, compare online and determine the most optimal incentives that best suit their needs. In addition, digital transformation helps businesses perform

well in labor recruitment, attract human resources of appropriate quality or connect with domestic and foreign partners. Third, new technologies such as big data analysis, artificial intelligence (AI), blockchain and 3D printing, allow Vietnamese businesses to improve work productivity, improve product and service quality; thereby maximizing profits in production and business. Unlike the traditional business model, with support from technology, workers in businesses will minimize manual labor, consuming a lot of time and effort. Besides, employees can work for businesses anytime, anywhere, flexibly handle situations that arise at work with only devices connected to the internet. Therefore, the productivity of workers is significantly increased. Along with that, digital transformation helps businesses unleash their creativity, offer products and services with high quality and knowledge content, and fully satisfy consumer needs.

4. Conclusion

Digital transformation is an inevitable trend and an important solution to help businesses in general and Vietnamese businesses in particular develop quickly and sustainably in the context of the current situation. This explains why there is a need for businesses to enhance their digital capabilities and consider their economic, environmental and social impacts to survive the digital revolution, meeting expectations of the market and building a smart and comprehensive society. Based on the awareness of digital transformation and the relationship with the sustainable development strategy of businesses, the Government, ministries, branches, localities and businesses need to jointly deploy synchronous solutions to speed up the process digital transformation in businesses. Directly deployed business development will focus on in-depth training to improve digital transformation capacity for businesses through training leaders, heads of business management departments, training workers and industrial engineers digital technology, team of consulting experts. Along with that, consult on a roadmap to deploy digital transformation consulting support according to the Law on Support for Small and Medium Enterprises, expand consulting on building a digital transformation roadmap for businesses, and connect businesses to the network of digital transformation consultants. Enhance support for digital transformation solutions, popular support, and application of mini ERP open source solutions for businesses. At the same time, support digital technology businesses to access the market, complete digital transformation solutions for businesses, ensure technical standards, network security, and data security. In the early period of 2021-2023, the Department of Enterprise Development has mobilized funding resources from the United States Agency for International Development (USAID), through the USAID LinkSME project; from the German Government through the Vietnam Digital Transformation Center (DTC-VN)-GIZ project and has coordinated with ministries, branches, associations and industries to implement the Program to support businesses in transforming period 2021-2025, focusing on raising awareness, building databases, tools, documents, and platforms to transform awareness for businesses, developing an ecosystem to support businesses in transforming change number.

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