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### Overview of Digital Transformation in Businesses: A Study in Vietnam

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#### Abstract

Faced with the impact of the Fourth Industrial Revolution and the impact of the COVID-19 pandemic, Vietnamese businesses face many opportunities and many challenges. Therefore, digital transformation is an inevitable and objective requirement and trend for the business community

to stand firm and develop. The article points out the theoretical basis and importance, analyzes the difficulties that need to be overcome, and then offers some solutions to help businesses carry out effective digital transformation.

**Keywords:** Digital Transformation, Industrial Revolution 4.0, Businesses

#### General overview of digital transformation

Under the impact of the Fourth Industrial Revolution, digital transformation is an inevitable trend and a vital issue for countries, organizations, businesses and consumers around the world, especially in the context of current COVID-19 pandemic situation. The huge changes in labor productivity, needs, psychology, and habits of users and the new production and business models that are being formed show the huge role and impact of digital transformation. To social life and all professions today. Although it appeared in the middle of the 20th century in the world, it was only when the Fourth Industrial Revolution broke out that digital transformation became popular. Digital transformation is changing the way of working and production through the integration of digital technologies into the operations of each unit and enterprise to change the way of operation, business model and bring new benefits. Higher efficiency, newer values. Digital transformation is also a change in the culture of a unit or business, requiring continuous updating of new and modern things and accepting failure alongside the successes brought by innovation.

Digital transformation in businesses can be understood as the process of changing old, traditional models into digital businesses, based on new technology applications, such as: Big data, IoT, cloud computing,... to change operating methods, work processes and labor culture in businesses. The goals that digital transformation businesses often aim for include: Increasing market speed, increasing competitive position, promoting revenue growth, increasing labor productivity, expanding the ability to attract and retain customers. Row.

Vietnam is gradually building and applying a system of policies suitable to the current trend of digital transformation in businesses. Besides, we 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 digital transformation. Strongly implement the national digital transformation strategy to orient digital socio-economic development. On that basis, build digital transformation strategies in each industry, each field, each enterprise,... contributing to promoting industrialization and restructuring the economy, in which the State - enterprises - schools Universities and research institutes play a core role.

Digital transformation brings many benefits to businesses. When applying digital transformation, the information link between departments in the business is connected on the basis of a unified technology system, helping problems that arise in the business to be resolved as soon as they occur. And the operation is not obstructed, causing negative impacts on business operations, such as: delayed customer service, reduced sales volume, etc.

Participating in the digital transformation process, operators will be able to proactively and easily access reports on business activities. All activities of the business, such as: employees recording sales, personnel fluctuations, customer information about products... will be displayed on business management software, helping to manage the business effectively and efficiently. More transparent.

Digital transformation helps businesses maximize the working capacity of their employees. Because the system can automatically perform tasks with low added value at no cost to the business, while also helping employees have more time to improve their expertise and perform tasks. Other important work. Digital transformation also helps managers easily evaluate the quality of each employee's work through timely reporting data.

If you own a digital platform, you will be able to deploy and operate your business effectively, accurately and with quality. Because digital management and operations solutions will increase efficiency and accuracy in business decisions. At the same time, digital transformation helps businesses improve their competitiveness with other businesses by optimizing administration, costs, profits, quick interaction with customers, and customer care and service policies. Row.

Digital transformation impacts all industries and businesses, and in the race towards digitalization, only the businesses that can adapt and be the most proactive can survive and thrive.

### **The importance of digital transformation in businesses**

A business can undertake digital transformation for many reasons, but by far the main reason is: It is a matter of survival. It can be seen that, in the face of the Covid-19 pandemic, an organization's ability to flexibly adapt to difficulties in supply chain disruptions, market pressures, customer expectations, etc. is very important.

The ultimate goal of digital transformation in businesses is survival and future strength, but digital transformation initiatives have brought many other benefits to businesses, including:

#### ***Performance and efficiency increase***

Deploying technologies contributes to reducing errors and speeding up the process of bringing products to market. Meanwhile, business processes are improved thanks to digital technology, thereby helping to increase productivity and business efficiency.

#### ***Provides a large amount of information in detail***

Digital transformation in businesses allows human resources teams to have access to large amounts of data in detail. Accordingly, they can track and measure various metrics, conversion rates, customer value, customer satisfaction.

This not only allows businesses to organize data in an intuitive, clear and accessible way, but also enables decisions to be made based on this data. Thanks to that, managers can make more flexible decisions.

#### ***Maintain business competitiveness***

Digital transformation in the 4.0 revolution has become a matter of survival for most businesses. Now it is no longer a choice, but a sooner or later thing to stay competitive.

Businesses need to choose the right technology to meet the digital transformation process, while satisfying customers both now and in the future.

#### ***Enhance customer experience***

Today's customers have many changes in their expectations and purchasing trends, they demand personalization and this requires digital transformation. Personalization helps improve customer experience, making customers feel special to the business.

Digital transformation helps analyze customer data quickly and in detail. This can enhance customer experience and expectations.

### ***Promote connections between departments***

Digital transformation allows personnel between departments/departments in the business to communicate more easily and flexibly. By using automation management platforms, departments can easily share data and information anywhere, anytime. This helps strengthen the connection between departments.

### ***Improve efficiency and reduce costs for businesses***

Digital transformation is a costly process for businesses. However, when transforming successfully, businesses can maximize operating costs. For example, virtual reality technology visually simulates a business's new products, without having to build and produce them first.

Additionally, data storage is now available in the cloud and can be managed by vendors. This can help employees have time to focus on other tasks, bring more business value, and simplify data storage.

### **Current status of digital transformation at businesses in Vietnam**

To date, digital transformation has become a reality that requires businesses to participate in order to develop and avoid falling behind. This can be seen through the fact that more and more businesses are implementing digital transformation and valuing the value of business data.

According to the survey results "The current state of digital transformation in businesses in the context of the COVID-19 epidemic" conducted by the Vietnam Chamber of Commerce and Industry (VCCI) in 2020, surveying over 400 businesses, shows that, Vietnamese businesses have begun to perceive and apply digital technologies in stages such as internal management, purchasing, logistics, production, marketing, sales and payment. As the COVID-19 pandemic spreads, leading to contact restrictions and the need to implement social distancing measures, forcing businesses to apply more digital technologies in their operations, especially in internal administration, electronic payment, online marketing. In a short period of time, the rate of businesses applying digital technologies has increased rapidly compared to before, specifically in remote personnel management, online conferencing, online learning, internal approvals...

In the field of internal administration, cloud computing is the technical tool used by the most Vietnamese businesses, with 60.6%, an increase of 19.5% compared to the time before the COVID-19 pandemic. Next are online conferencing systems, work and process management systems with approximately 30% of businesses having applied these tools before the COVID-19 pandemic and approximately 19% of businesses. Have started using these tools since the epidemic.

At the same time, the above survey shows the great expectations of the majority of Vietnamese businesses for the digital transformation process. Up to 98% of businesses expect a change in production and business activities when implementing digital transformation, of which the largest is the ability to help reduce costs (accounting for more than 71%), helping businesses industries that limit paperwork (61.4%) add added value to products and improve product and service quality (45.3%).

There is a clear difference between the reality of digital transformation as well as expectations about the effectiveness of digital transformation between large-scale enterprises compared to small and medium-sized

enterprises. Among them, large-scale businesses are converting quickly and have more confidence in digital transformation.

Currently in Vietnam, digital transformation has taken place in almost all types of businesses and at many different levels. In the banking industry, businesses have researched and implemented initial digital transformation strategies with IoT applications that allow customers to access and use banking services and connect with other digital ecosystems on the platform. Internet (VPBank's Timo digital banking service, TPBank's Live Bank, BIDV's E-Zone...), or providing banking services through applications installed right on mobile phones (Mobile Banking...).

In the "big 4" group of Vietnam's largest banks, the digital transformation process also took place strongly in 2020. For example, Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) launched the VCB digital banking application. Digibank, is a new service that stands out with uniformity of experience, ease of operation, and integration of many superior security solutions. Vietnam Bank for Agriculture and Rural Development (Agribank) also pioneered the installation of multi-function ATMs (CDM) in the card market, from there, Agribank expanded to modern digital banking services, such as Autobank automatic banking, online customer identification application (eKYC), cardless withdrawal transactions,... gradually replace ineffective transaction offices.

The rapid development of foreign technology ride-hailing services such as Grab or Uber is the lever that helps to form domestic ride-hailing service providers such as Be or FastGo - businesses with strong reputations. The new operating model is based entirely on technology. VinGroup has also built a unified customer management system with VinID, helping customers integrate and manage information when transacting with VinGroup in many different services such as paying household bills, electricity bills, purchasing shopping or resort services.

### **Difficulties need to be resolved**

For Vietnamese businesses, digital transformation activities face many challenges that need to be resolved for this process to be effective.

*First*, obstacles from technology. Digital transformation is the application of technology to all business activities carried out in the era of technology explosion on the basis of the internet system, therefore, it requires high levels of both technical and like human resources. Meanwhile, Vietnam is still behind the world in terms of technology, having not yet mastered the core technologies of digital transformation and basic platform systems. Therefore, digital transformation in Vietnam currently still basically uses available technologies in the world.

For businesses to successfully carry out digital transformation, they need to have appropriate information technology infrastructure - both hardware and software. Therefore, owning a suitable information technology infrastructure plays a very important role in meeting the increasingly strong needs of Vietnamese businesses in the short term as well as in the long term. Currently, small and medium-sized enterprises in our country still account for 98% of the number of businesses, but are the group that has the most difficulty in digital transformation. Although there has been awareness about the necessity of digital

transformation, due to limited production capacity, the level of automation is not high, there are many difficulties in applying digital transformation.

Digital transformation requires high-quality human resources to be able to master new technology to serve the implementation of digital transformation, and that is also something that small and medium-sized enterprises encounter difficulties. On a national level, each year, Vietnam needs about 90,000 human resources to develop the digital economy and digital society, while domestic information technology training programs still cannot meet the demand.

*Second*, difficulties from investment capital. Investing in digital transformation is investing in change, from awareness, strategy, human resources, infrastructure to technology solutions, so it requires large investment capital. However, having to invest heavily in finance and human resources, while not being completely sure of effectiveness, as well as facing the risk of failure, has created a major barrier for Vietnamese businesses. Because of the lack of capital, many businesses believe that digital transformation is a "game" for large enterprises. Because of lack of capital, small and medium-sized businesses in Vietnam often choose "cloud computing" as the technology to invest the most, because it allows businesses to expand quickly when needed without having to invest. A lot of capital in information technology infrastructure.

Although large businesses are not under much financial pressure for digital transformation activities, the race to digitally transform among large businesses in a do-it-yourself manner will cause great waste. For example, the fact that Vietnamese banks are currently aggressively implementing eKYC solutions can lead to significant costs for all parties, instead of using these resources to support customers by simply opening one account but can use services of many different banks...

*Third*, challenges from business awareness. Digital transformation will impact the entire organization and operations of the business, causing a lot of pressure on administrators right from the issue of awareness of the importance of digital transformation for business development. Finance to create consensus and mobilize the participation of a large number of employees at the enterprise, on the effectiveness of digital transformation... Digital transformation must start with a change in the mindset of leaders, from traditional strategy and thinking to effective digital technology business strategy and thinking.

### **Conclude**

Digital transformation brings many benefits to businesses. Participating in the digital transformation process, operators will be able to proactively and easily access reports on business activities. All business activities will be shown on business management software, helping to manage the business more effectively and transparently. At the same time, digital transformation helps businesses maximize the working capacity of their employees. Besides, digital transformation also helps managers easily evaluate the quality of each employee's work through timely reporting data. Vietnamese businesses in general and businesses in the world in particular need many changes and updates to apply and bring about high efficiency in management.

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