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### Impact of Digital Transformation on the Performance of Accounting Service Enterprises

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#### Abstract

The rapid explosion of globalization and technology has affected most of the enterprises' research and production activities. The trend of digital transformation has penetrated almost every enterprise, helping to enhance competitiveness, improve business efficiency and support compliance with international accounting standards. Advanced technologies such as modern accounting software, artificial intelligence, ERP, blockchain have improved data transparency, reduced time, optimized costs, and increased the accuracy of operations. However, the challenges in resource management and the burden of investment in technology, data privacy, customer attraction, regulatory compliance,

and competition are constantly increasing. Therefore, this study has evaluated existing documents to propose a research model suitable for the research context. It emphasizes two main influencing environments, including the external environment such as regulatory compliance, global accounting standards, and internal factors such as technology, size, or resources of the enterprise. The research results provide meaningful implications for businesses in policy making as well as employees in accounting firms to make more appropriate decisions to improve service quality and sustainable development.

**Keywords:** Digital Transformation, Accounting Service Industry, Regulatory compliance, Cloud-Based Accounting, Firm Size

#### 1. Introduction

Technology has profoundly impacted all aspects of society, life, business, research, and development. The application of technology to business activities has become a key solution for helping businesses develop rapidly, achieve significant growth, and differentiate themselves. Governments worldwide are advocating for "digital transformation" (DT) across various sectors. Aligning with this trend, accounting service enterprises are also undergoing changes to adapt and thrive in the new environment.

The accounting service industry has long supported businesses by enabling transparent and accurate financial and accounting activities. With the growth of the global economy, the number of small and medium-sized accounting service enterprises is increasing, primarily in large urban areas. As a result, competition within the sector is becoming increasingly intense. Multinational and long-established accounting firms with large market shares and diverse services pose significant challenges for small and medium-sized enterprises. These smaller firms often face difficulties in finding clients, recruiting, training, and managing staff. Additionally, compliance with international accounting standards is becoming a growing concern for governments. This has encouraged cross-border cooperation among accounting service firms to meet global standards, improve service quality, attract new clients, and gain competitive advantages.

Moreover, the demands of businesses hiring accounting services have become more diverse. They seek to produce accurate financial reports while optimizing taxes and managing risks. In this context, digital transformation is regarded as one of the most effective solutions for the current challenges, driving improvements in business operations.

Digital transformation is not only creating numerous opportunities and challenges but is also reshaping the accounting profession. While small and medium-sized enterprises (SMEs) benefit from cost efficiencies, larger enterprises leverage digital transformation to execute globalization strategies and foster innovation. One of the core principles of accounting is ensuring financial transparency and compliance. The application of technologies such as AI, accounting software, automation, and

cloud-based ERP systems has been increasingly adopted by accounting firms (Gonçalves *et al.*, 2022) <sup>[1]</sup>. These technologies impact the processes, tools, and skills required to uphold accounting principles, thereby enabling businesses to maintain competitiveness and achieve sustainable development (Sabuncu, 2021) <sup>[2]</sup>. They also allow businesses to respond more quickly and flexibly (Nguyen *et al.*, 2024) <sup>[3]</sup>, reduce operating costs, and streamline processes (To, 2024) <sup>[4]</sup>.

The adoption of technology can help reduce time spent on routine operations, enhance fraud detection in financial transactions, improve data analysis capabilities, predict cash flow challenges, access financial data in real time, and identify investment opportunities. However, the integration of digital technology brings challenges, particularly related to human resources, such as foreign language proficiency and expertise in international accounting standards. Additional challenges include ensuring compliance with data privacy regulations, managing integration costs, and navigating legal frameworks when implementing technologies like blockchain.

In essence, digital transformation in accounting service businesses is intricately linked to the quality of accounting information, risk control, and increasing investor attention (Mu, 2023) <sup>[8]</sup>. Furthermore, factors such as employee awareness, organizational culture, leadership support, competitive pressures, technological platforms, and strategic business relationships significantly influence the digital transformation process in small and medium-sized enterprises (Nguyen *et al.*, 2024) <sup>[3]</sup>.

To gain deeper insights into the impact of digital transformation on accounting firms, this study reviews relevant prior research. It aims to provide practical insights and implications to offer businesses a comprehensive understanding of this critical issue.

## 2. Literature Review

### “Technology Advancement Influence in Accounting and Information System Fields” – Shannon Gordon (2018) <sup>[5]</sup>

In this study, the author highlighted the role of modern technology in enhancing the effectiveness of accounting work. Specifically, the research affirmed the importance of computers, software, accounting information systems, automated systems, and cloud computing. These technologies have contributed to transforming accounting activities, improving accuracy, managing finances, and enhancing decision-making abilities.

The study also identified challenges that accounting service businesses may face, such as financial data risks and the costs and resources required for integration. Consequently, it explored the relationships between technological advancement, efficiency, and accuracy. Based on its findings, the study proposed several fundamental solutions. First, it suggested that businesses should collaborate with universities to develop highly applicable training programs that align with service readiness, thereby reducing retraining costs. Additionally, the study emphasized the necessity of implementing firewall systems to protect against cyber threats. It also encouraged the use of blockchain technology to enhance data security and accuracy.

### “Accounting Information and Digital Transformation: The Case of Service Organizations” – Nikolaos Kartalis, Ioannis Veletzas, Georgia Broni, Emmanouil Ginoglou (2021) <sup>[6]</sup>

This study focused on 45 companies to assess the factors influencing digital transformation within these organizations. It proposed and evaluated the relationships between the legal environment, digital skills, data security concerns, customization, and organizational culture with the application of digital transformation in these businesses.

The results revealed that organizational culture and the legal environment positively impact the digital transformation process. Conversely, customization challenges and data security concerns act as barriers to digital transformation. Based on these findings, the study suggested that providing funding for technology could facilitate the transformation process. Furthermore, successful adoption relies on organizational culture, which must be supported and promoted by leadership. The study emphasized that creating a robust information technology environment can help improve digital management skills and minimize risks during digital transformation.

### “Impact of Digital Transformation on Accounting Information Systems – Evidence from Algerian Firms” – Oualid Meraghni, Latifa Bekkouche, Zakaria Demdoun (2021) <sup>[7]</sup>

This study, conducted in Algeria in 2021, surveyed 237 clients from over 120 enterprises. The results indicated that the awareness of digital transformation among decision-makers and efforts to adapt to its requirements in adjusting accounting information systems remain low. Consequently, the survey results revealed a limited impact of digital transformation on the development of accounting information systems, which are not fully adjusted to meet new demands.

Additional factors, such as limited technical skills, inadequate training, and a lack of readiness, also hindered the digital transformation process. Based on these findings, the authors provided several recommendations. These included offering digital skills and tools training for staff and organizing workshops at universities to address the benefits and challenges of digital transformation in accounting.

### Does Enterprise Digital Transformation Affect the Quality of Accounting Information? – Junyang Mu (2023) <sup>[8]</sup>

Research conducted in China reveals that digital transformation has significantly improved the quality of accounting information, particularly by enhancing internal controls.

This study found that digital transformation increases the quality of financial reporting and operational efficiency. Businesses have achieved these improvements by implementing automated processes, adopting digital technologies, and upskilling employees to enhance their digital competencies. Additionally, organizational cultures have been adjusted to align with digital tools while adhering

to accounting standards and regulations in a rapidly evolving business environment.

The study tested hypotheses about the relationships among accounting information quality, internal audit quality, and digital transformation, demonstrating consistent reliability. Based on its findings, the study provides implications for various stakeholders:

- **For businesses:** Digital transformation enhances the reliability and transparency of financial statements.
- **For investors:** It facilitates the monitoring of a company's potential and financial reliability.
- **For policymakers:** It emphasizes the need to assess variations across businesses and propose suitable digital transformation policies.

In summary, the study highlights the potential of digital transformation to create opportunities for businesses by ensuring transparency and standardization of information, reducing earnings management, improving corporate governance, and enhancing the reliability of financial reports.

An intriguing insight from the study is the variation in digital transformation outcomes across companies. Factors such as management ownership ratio, R&D budgets, and the intensity of competition contribute to differences in digital transformation indices and earnings management practices.

#### **Advancement of Cloud-Based Accounting Effectiveness, Decision-Making Quality, and Firm Performance Through Digital Transformation and Digital Leadership – Bui Quang Hung (2023) [9]**

Research conducted in Vietnam explores the impact of digital transformation and digital leadership on cloud-based accounting systems, decision-making quality, and overall firm performance.

This study introduces the relatively new concept of digital leadership, which integrates with digital transformation via cloud platforms to enhance accounting efficiency, improve decision-making quality, and, ultimately, increase company performance. In particular, it highlights how digital leadership amplifies the effects of digital transformation on cloud-based accounting efficiency.

#### **Enterprise Digital Transformation and Accounting Information Transparency – Zexi Wang (2023) [10]**

This study focuses on non-state-owned enterprises and confirms the high effectiveness of digital transformation in improving accounting information transparency. In today's complex and diverse business environment, the transparency of accounting information is significantly enhanced through the application of digital transformation.

The study compares the impact of digital transformation on accounting information transparency between state-owned enterprises and non-state-owned enterprises, revealing a stronger positive effect on the latter.

**Digital Transformation in Accounting Firms in Poland – Januszewski (2023) [11].** This study, conducted among accounting firms in Poland, examines the impact of process automation using robotic process automation (RPA) software. The findings indicate that digital transformation through process automation has yielded positive results in accounting firms.

#### **Accounting and Accountability for the Digital Transformation of Public Services – Agostino (2021) [12].**

This study assesses the impact of digital technology on transparency, accountability, performance management, and decision-making within public services. The findings emphasize that raw data transformation is influenced by both human and non-human factors. Key recommendations include:

- Combining digital technology with ethics, behavior, and context.
- Enhancing user engagement and accountability in the use of digital tools.
- Clarifying the balance between physical and digital operations in digital data management.

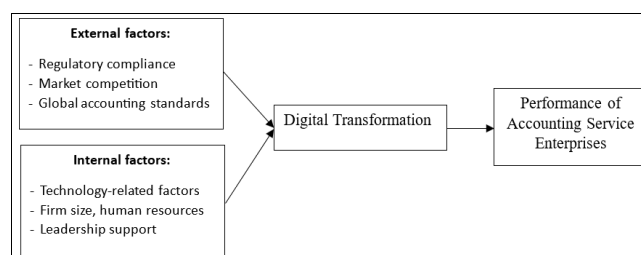
**From RPA Advancement to AI Intelligent Automation Development: The Accounting Service Industry in Taiwan – Liu *et al.* (2023) [13].** This study highlights the importance of automation, audit sharing, big data, and cloud computing integration as essential digital applications for increasing competitive advantages in Taiwan's accounting service industry.

#### **Gimmick or Revolution: Can Corporate Digital Transformation Improve Accounting Information Quality? – Wanyi Chen (2022) [14].**

This study investigates the relationship between corporate digital transformation and accounting information quality. It identifies that CDT has a more positive effect on accounting information quality in companies that:

- Are less frequently reported in the media.
- Are not subject to cyberattacks.
- Face less competition.

The findings emphasize the role of digital transformation in addressing the agency problem and improving accounting practices in specific business contexts. From the above studies, a research model is proposed to assess the impact of factors on the digital transformation process at Vietnamese accounting enterprises.



**Fig 1:** The proposed framework

### **3. Conclusions and recommendations**

#### **Conclusions**

Integrating digital tools into business operations has created numerous opportunities for businesses. These include cost-effective ways to market their services through digital marketing and the ability to reduce routine tasks. Digital platforms have also transformed consumer behavior and preferences while providing more equitable competition opportunities in the marketplace.

However, the performance of businesses in a competitive

digital environment is influenced by various factors. Based on previous studies and the current economic context, factors such as business size, human resources, technology, infrastructure, government support, relationships with financial institutions, and demographic trends play a significant role in the process and effectiveness of digital transformation, particularly for accounting service businesses.

Notably, many studies highlight the significant impact of business size on the success of digital transformation. Larger businesses tend to have access to advanced technological resources, strong financial capabilities, and highly skilled human resources. These advantages also contribute to the quality of accounting information systems, enhancing decision-making accuracy and overall performance.

In response, some accounting firms have invested in training their staff in digital skills to adapt quickly to technological advancements. They have also implemented courses on digital marketing to improve customer relationship management. These efforts strengthen their position in the accounting services market, increasing their competitiveness in a complex and dynamic environment.

Specifically, the adoption of digital technologies such as automation, AI, blockchain, and cloud computing has been widely recognized for its benefits:

These tools streamline operations and improve decision-making capabilities.

Digital technologies increase the reliability of financial reporting, which improves governance and attracts customers and investors.

Digital leaders play a crucial role in maximizing the benefits of digital transformation through strategic initiatives and support.

### Recommendations

Based on the studies of the authors Gonçalves *et al.* (2022)<sup>[1]</sup>, Sabuncu, O. (2021)<sup>[2]</sup>, To (2024)<sup>[4]</sup>, Mu (2023)<sup>[8]</sup>, this study synthesizes and proposes as follows. Lifelong learning is a crucial issue in practice and has been highlighted in numerous studies. Given the rapid pace of technological change, accountants must cultivate a spirit of lifelong learning to stay updated with advancements in digital tools and access online resources effectively. Training institutions should align their programs with current professional and technological demands. Over the long term, institutions should develop programs aimed at upgrading career prospects, encouraging accountants to diversify their expertise. This will enable traditional accountants to provide businesses with enhanced support and advisory services on transparency principles and risk management. A culture of adaptation, innovation, and continuous learning should be promoted.

Businesses should collaborate with professional organizations to keep abreast of updates in professional knowledge and technological advancements.

Businesses must invest in platform technologies to sustain their competitive edge. Studies recommend implementing web-based software integrated with customer data, AI-driven tools for real-time reporting and analysis, and blockchain applications to mitigate risks and enhance governance. Strengthening security measures, such as encryption protocols and firewalls, is also essential to safeguard digital operations.

Policymakers must provide support through legal frameworks and funding to help overcome barriers to digital transformation. Ethical responsibility and business ethics should also be emphasized to ensure sustainable practices in the digital business environment.

### Limitations

While this study provides valuable insights, certain limitations should be acknowledged:

This research reviewed a limited number of studies in specific areas. Future research should be conducted on a broader scale to better generalize the opportunities and challenges associated with digital transformation in accounting service businesses.

The study relied on qualitative research methods, which have not been tested for reliability or generalizability. Future studies should include quantitative approaches to examine the factors affecting digital transformation in the accounting service industry.

The rapid evolution of technology and the increasing complexity of the business environment necessitate continuous research on this topic to ensure its relevance and applicability in the future.

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