



Digital transformation for small and medium-sized enterprises in Quang Ngai

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Abstract

In 2011, the Industrial Revolution 4.0 originated in Germany. Up to now, the Industrial Revolution 4.0 has developed strongly and has had a profound impact on the world. In Vietnam, with the outstanding development of science and technology, the Revolution 4.0 is developing strongly. Digital transformation is the application of technology to all business activities to improve business efficiency, management efficiency and create new values for society. Quang Ngai has launched a digital transformation program from 2020 to 2022, with the first results of more than 20% of enterprises. The vision to 2025 shows that Quang Ngai will have 14,000 enterprises and over 70% of them have digital transformation. With digital transformation in enterprises, Quang Ngai is expected to be an industrial province with a national average income by 2030.

Keywords: Digital transformation for businesses in Quang Ngai

Introduction

According to a Cisco & IDC study on small and medium-sized enterprises in the Asia-Pacific region, 3% of enterprises believe that digital transformation is not really important in business operations; 62% of enterprises expect new products and services created by digital transformation; 35% of enterprises find that digital transformation helps them improve competitiveness in a period where competition changes with greater amplitude and frequency. The organization Cisco & IDC published a research on digital transformation on 50 small and medium enterprises in Vietnam in 2020 specifically: Lack of skills and human resources (17%); information technology platform (16.7%); lack of digital thinking (15.7%).

The issue is what is digital transformation and why is it necessary to transform digitally? Digital transformation is the application of digital technology to all areas of a business to fundamentally change the way it operates, does business, and brings customers optimal value or new values. More specifically in Vietnam, digital transformation is applying Big data, Internet of Things (IOT), Cloud computing to change the entire company (leadership, culture, processes, and procedures).

On June 3, 2020, the Prime Minister signed Decision No. 749/QĐ-TTg approving the National Digital Transformation Program to 2025, with a vision to 2030, striving to make Vietnam a digital country. In the national digital transformation program, digital transformation in enterprises plays a very important role. From that reality, enterprises need to look for new tools, transform new and suitable business models to the trends of the times.

In the scope of the paper, authors evaluate the role of digital transformation for small and medium-sized enterprises from the concept of digital transformation; moreover, from the current digital transformation situation of Quang Ngai businesses, authors also give some ideas to promote the faster and more accurate digital transformation process.

Current Situation of Digital Transformation of Small and Medium-Sized Enterprises in Quang Ngai

1. Concept and urgency of digital transformation

1.1. Concept of digital transformation

Around the world, digital transformation will be defined differently in each industry. Digital transformation can be understood as: The application of technical technologies in all areas of enterprises operations fundamentally changes the way enterprises operate, the production and business model, creating new value for customers.

In Vietnam, according to the "Digital transformation guide for businesses in Vietnam" of the Ministry of Planning and Investment in 2021: Digital Transformation in enterprises is defined as the integration and application of digital technology to improve business efficiency, management efficiency of the enterprise and create new values. Digital transformation activities can range from digitizing an enterprise's management and business data, applying digital technology to automate and optimize business processes, management processes, production and business processes, and reporting processes, coordinating-work processes within the enterprise to transforming the entire business model, creating new value for the enterprise.

1.2 The urgency of digital transformation

In 2017, Microsoft published a research on the impact of digital transformation on GDP growth in the Asia-Pacific region: it was about 6% in 2017; it was about 25% in 2019; it was about 60% in 2021. These figures show that the impact of digital transformation on GDP is huge.

Benefits of digital transformation for enterprises:

Monopoly in technology is eliminated. Before digital transformation, large global enterprises often owned the most advanced technologies and almost had a monopoly on those technologies. However, nowadays, digital technology has helped small and medium-sized enterprises possess technology and scientific and technical advances that are equal to those of large companies.

Production automation according to international standards. The secrets of technology and production lines of current large enterprises will very quickly be copied or improved by

the market and small enterprises. Therefore, the most advanced production technology can be applied anywhere. In addition, moving factories from industrialized countries to developing countries also creates conditions for developing countries to apply production automation.

Product costs are reduced and product value brought to customers is enhanced. Customers are the beneficiaries of this benefit. Due to high competition and loss of technological monopoly, enterprises need to improve the value of their products towards practical applications.

Payment is easier. With the advent of PAY applications, cash payments are becoming less and less, and monetary security is enhanced. Current consumers only need to have a smart phone and install a payment application to spend without cash.

From the impacts on GDP, and the benefits of digital transformation above, we can see that enterprises, especially small and medium-sized enterprises, are the biggest beneficiaries. Applying digital transformation for small and medium-sized enterprises is mandatory for development. However, applying digital transformation requires a digital platform that meets the requirements of digital transformation. Small and medium-sized enterprises need to transform digitally immediately and start from completing the digital transformation infrastructure.

2. Current situation of digital transformation of small and medium-sized enterprises in Quang Ngai

2.1. Achievements

In 2020, Quang Ngai launched a digital transformation program by adding awareness to the entire population about digital transformation and the need for digital transformation. In 2021, the Covid 19 pandemic broke out, so digital transformation activities were delayed. In 2022, Quang Ngai had the first data on digital transformation as follows

Total number of enterprises: 10,521 enterprises

Small enterprises: 9,890 enterprises which were equal to 94% of the total number of enterprises in the province.

Medium enterprises: 420 enterprises which were equal to 4% of the total number of enterprises in the province.

Large enterprises: 211 large enterprises which were equal to 2% of the total number of enterprises in the province.

According to digital transformation survey data that Quang Ngai province conducted at the end of 2022: In 2022, there were 2,945 enterprises achieving 28% digital transformation, and at the beginning of 2023, there were 1,050 enterprises reaching 10% committed to digital transformation in 2023. In 2022, enterprises invested about 2% in digital solutions and about 5% in products.

Quang Ngai aims to be an industrial province with an income level reaching the national average by 2030. Therefore, Quang Ngai's economy is developing very vibrantly, especially in small and medium-sized enterprises. Only digital transformation can help small and medium-sized enterprises keep up with the advancement of modern technology. From there, small and medium-sized enterprises can meet new consumer behaviors. The proportion of small enterprises accounts for 94% of the total number of

enterprises, so the digital transformation activities of small enterprises are the most exciting.

There are about 1,000 enterprises using KIOT Viet and SAPO management software to manage sales and customer management. There are thousands of enterprises registered to send their goods on e-commerce platforms such as: Shopee, Sendo, Tiki, Lazada. For micro enterprises, advertising, sales and closing orders directly through facebook, tiktok, youtube.

Currently, small and medium-sized enterprises in Quang Ngai have only approached digital transformation for administrative activities, so there have been no specific data.

2.2. Challenges need to be overcome

The challenge of infrastructure: Digital transformation is basically the application of technology. Therefore, to apply technology, each enterprise needs to have suitable infrastructure for that technology.

The challenge of investment capital: Capital is not strong enough, so small and medium-sized enterprises often choose technologies with low or free investment (Facebook, Youtube) and widely-used applications. As a result, competition is great, and aiming for target customers is also weaker.

The challenge of suitability: There are many different technology applications that serve a certain enterprise innovation. Most applications have similar ways of working and applications, so the biggest problem for enterprise owners is to find and choose which application is suitable for their enterprise operations.

Some Solutions to Promote Digital Transformation for Small and Medium-Sized Enterprises

Digital transformation is not a combat activity but it is a strategic activity. This activity runs throughout the operation and development process of the enterprise. Therefore, digital transformation needs to be intertwined with main business activities. Enterprises must ensure they are always ready for digital transformation.

Technology options

Early stage: Growth is always the top priority for the business activities of small and medium-sized enterprises, so initially enterprises should apply technology with low infrastructure requirements, low costs, on an application platform that many people use such as Facebook, Tiktok, Youtube.

Later stage: In order for products to reach more customers, small and medium-sized enterprises are now looking for e-commerce applications such as Shopee, Red Lotus, Lazada, Tiki. At this stage, customer management technologies such as Gefly, GenCRM, VietCR can be applied, these software will help enterprises in providing the best customer service and management.

Digital transformation of administrative activities: After achieving growth in sales and growth in a number of loyal customers, enterprises need to apply digitalization to human resources and management activities. Digitizing management activities are by reports, action plans, and human resource management.

Conclusion

The Revolution 4.0 is changing the global political economy. The Revolution 4.0 erases economic borders. Borders now only have ethnic and national meaning. Digital transformation is a basic activity of the 4.0 revolution. Digital transformation is applying technology to fundamentally change enterprise activities from sales, production processes and management.

In Vietnam, enterprises systematically apply digital transformation, receive guidance from the Ministry of Planning and Investment so that enterprises have the right direction on digital transformation. In Quang Ngai, digital transformation has been widely deployed by the province since 2020 and has begun implementation since 2021. However, due to the epidemic, it was not until 2022 that the digital transformation of Quang Ngai enterprises had implementation data.

In fact, Quang Ngai's small and medium-sized enterprises account for over 90%, so the digital transformation has not really been fundamentally invested. Small and medium-sized enterprises have sufficient infrastructure and capital to apply technologies as a part of the digital transformation process and use mainly applications to increase sales output. On the basis of receiving the support for digital transformation at all levels of the State, small and medium-sized enterprises in Quang Ngai are implementing digital transformation in the right direction according to the State's orientation.

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