



Key change

Spotlight on Vietnam



Introduction

The Vietnamese economy is going through a period of profound change. It recently saw its fastest rate of growth in 25 years, growing by more than 8% in 2022.¹ But it also faces significant headwinds, including weakening global demand for exports.²

The Vietnamese government has identified digitalisation as a major opportunity for new economic growth. The country's digital economy could see compound annual growth of 8.9% between now and 2026 in the wake of accelerating connectivity and device penetration, which would make it the fastest-growing of all the markets included in the FT-Omdia Digital Economies Index.³ This trend is supported by the country's relatively young population and high rate of literacy, which promise growing demand for digital solutions.⁴

But what does Vietnam's flourishing digital economy mean for its businesses? How are they approaching the challenges and opportunities of transformation? New research by DBS, which surveyed 75 senior executives in the country, sheds light on their digital ambitions, successes and concerns.

1 <https://www.reuters.com/markets/asia/vietnam-2022-gdp-growth-quickens-802-vs-258-expansion-2021-2022-12-29/>

2 <https://vir.com.vn/vietnams-economy-steadfast-amid-the-headwinds-99389.html>

3 <https://omdia.tech.informa.com/OM021617/FT-Omdia-Digital-Economies-Index-202226>

4 <https://www.ft.com/content/eeb2cf2e-cf3f-4c04-8645-e80878da8b10>

Priorities for transformation

For decades, Vietnam has relied on its exporting power and robust manufacturing and agricultural base, but is now shifting to a service-based economy. This transition has been catalysed by growth in domestic consumption following the Covid-19 pandemic that coincided with slowing external demand.⁵

Macro developments like these quickly filter through to the strategic priorities of forward-thinking businesses, according to Joo Young Park, Head of Institutional Banking Group, DBS Vietnam.

"The macro ambitions for Vietnam will drive the strategy of Vietnamese companies, which must then set well-defined goals for their digital transformation to capitalise on favourable long-term market prospects and stay competitive," he says. "Advancing on digital transformation will also give companies the agility to embrace new businesses and operating models and will be critical to help them adapt to changes in external demand."

"Building a strong internal data infrastructure, developing robust data governance policies and investing in enabling technology such as cloud and advanced analytic tools will help the developing digital leaders in Vietnam to realise their potential, and cement the country's place as a leader in digital transformation."

Goals: Efficiency is the top objective for transformation



Corporate culture: A shared strategic vision supports digital success



⁵ <https://openknowledge.worldbank.org/bitstream/handle/10986/37834/IDU095369e8107d0204a380a7620a5aa99d93856.pdf?sequence=1&isAllowed=y>

Transformation leaders in Vietnam

DBS’s research identifies a select group of ‘transformation leaders’ that consistently outperform the global average when it comes to digitalising their customer engagement. These companies are not just pursuing strategic or radical transformation plans – they are also doing it extremely well.

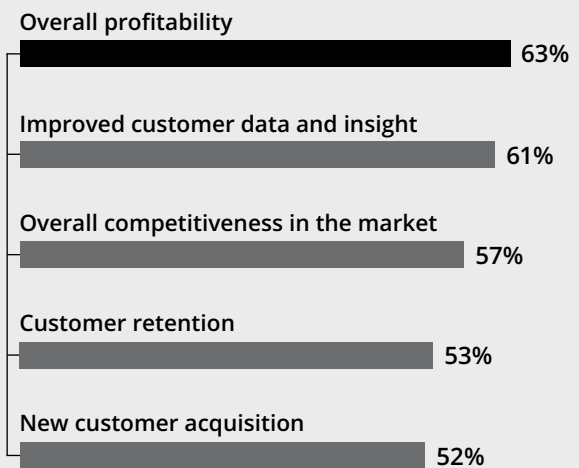
We also identify a ‘developing leaders’ category of businesses that are currently excluded from the leader group but show potential for high performance down the line. At the other end of the scale, the transformation laggards are approaching the necessary improvements in an unmethodical and inefficient fashion.

In Vietnam, 12% of respondents are in the transformation leader group. A further 35% of respondents are classed as ‘developing leaders’, which suggests that the country’s overall proportion of transformation leaders may expand in the years

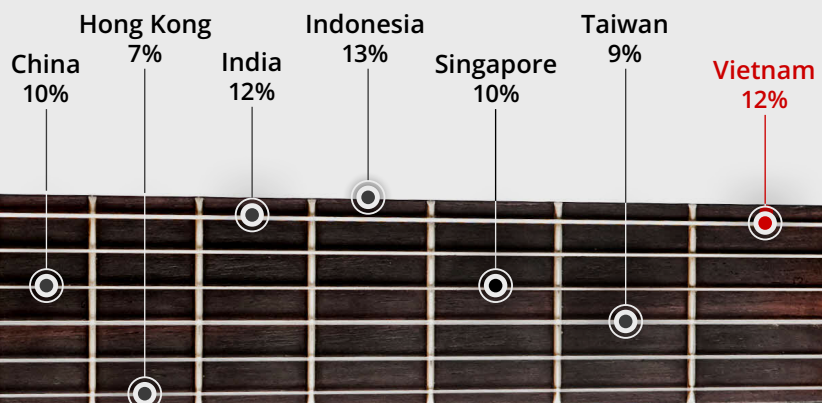
to come. These figures are cause for optimism and reflect Vietnam’s appetite for digital, which is supported by initiatives such as the government’s Economic Recovery Support Program.⁶ Nine percent of respondents in Vietnam are in the ‘laggards’ category.

⁶ <https://openknowledge.worldbank.org/bitstream/handle/10986/37834/IDU095369e8107d0204a380a7620a5aa99d93856.pdf?sequence=1&isAllowed=y>

Successes: Digital has boosted profitability



In Vietnam, 12% of respondents are transformation leaders



Strategic challenges to overcome

Asked about the principal challenges that their businesses face, respondents to the DBS survey identify gaps in talent and data extraction challenges as the main obstacles to digital transformation.

Vietnam has an excellent general education programme that makes it a leader among lower-middle-income economies, but the World Bank says there is room for improvement in the country's tertiary education system.⁷ Low enrolment levels translate into a lower proportion of the workforce with the technical skills required to facilitate digital transformation.

Structural unemployment is another explanation for Vietnam's data challenges, because it limits businesses' extraction capabilities and analytic effectiveness. Vietnamese respondents see this as a much larger challenge than respondents on average (44% compared with 30%), which suggests a countrywide data infrastructure that is too underdeveloped to match the ambition of the country's digital leaders.⁸

Change barriers: Gaps in talent are an obstacle to transformation



Collaboration challenges: Data is difficult to access



7 <https://openknowledge.worldbank.org/bitstream/handle/10986/37834/IDU095369e8107d0204a380a7620a5aa99d93856.pdf?sequence=1&isAllowed=y>

8 <https://www.vietnam-briefing.com/news/why-vietnams-infrastructure-crucial-for-economic-growth.html/>

Harmony in the back office

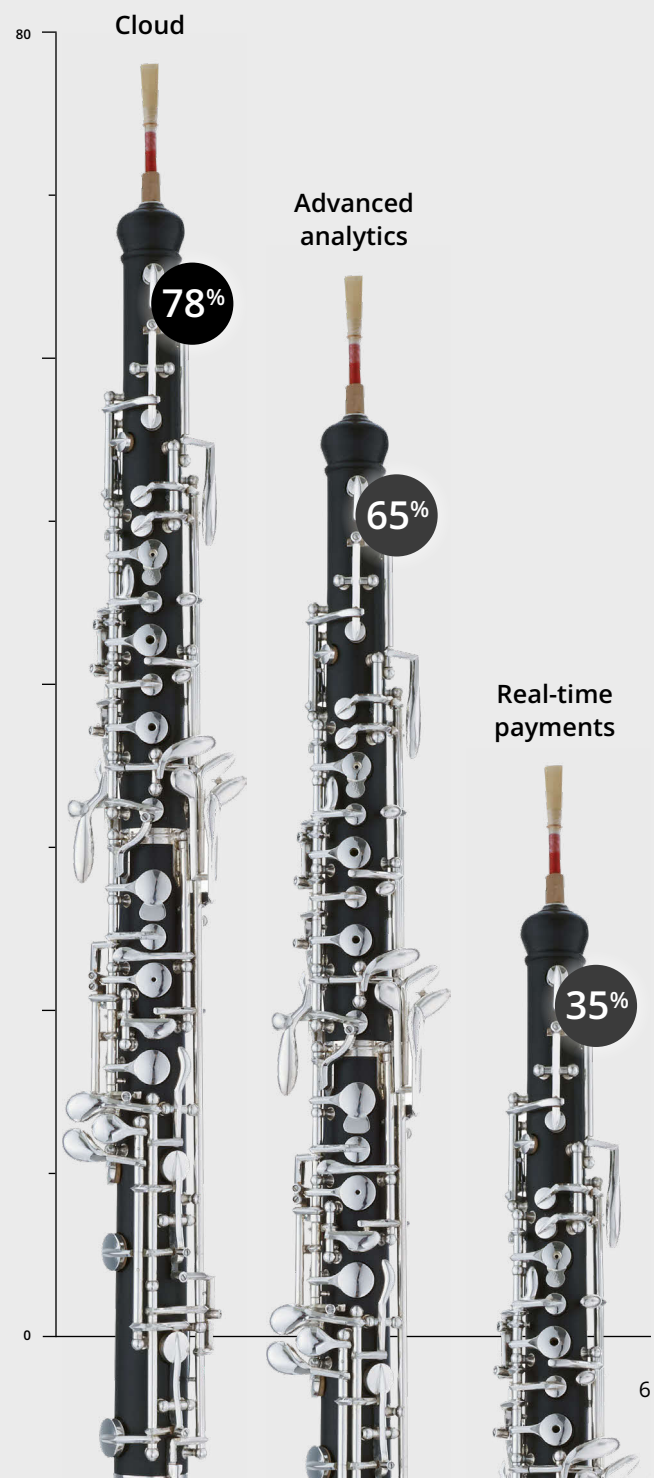
DBS's research explores the growing role that treasury and finance are playing in enabling change and innovation. In this section, we detail some of the transformation and technology trends we see among Vietnam's finance and treasury teams.

Cloud technology is seen as the most important tool for transforming these two business functions: it is identified as a priority by 78% of respondents (compared with 67% of respondents overall). Respondents rank advanced analytics second, and this is also well above the global average (65% compared with 46%).

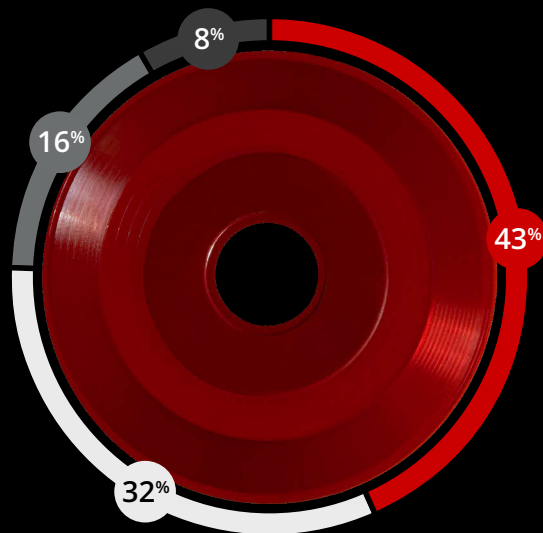
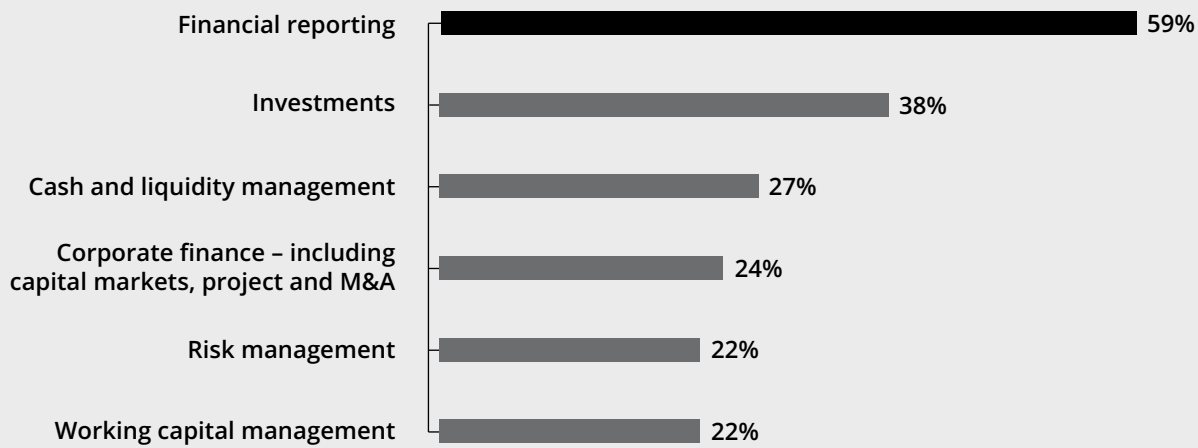
These findings illustrate the strategic decision-making that is happening among Vietnamese business leaders. Aware of the limitations of the country's data infrastructure, they are prioritising tools that will allow them to maximise the effectiveness and useability of their data.

Financial reporting is by far their most prioritised activity for digital transformation within the treasury function. Again, this aligns with an overall goal of increased efficiency and automation, and also increases their attractiveness to foreign investors by improving visibility and engagement for stakeholders.

Technology: Cloud is the most important tool for treasury and finance



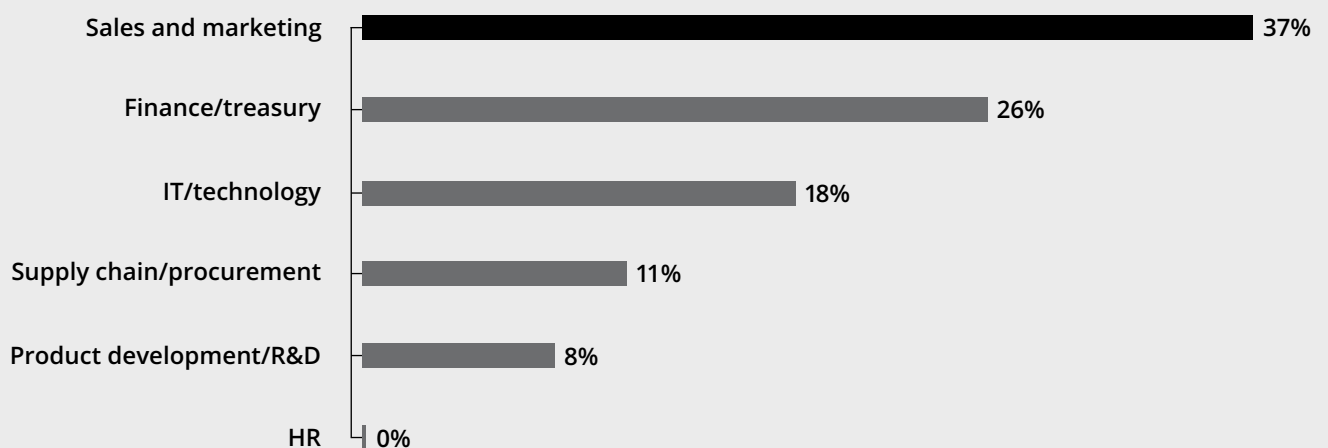
Treasury transformation: Digitising financial reporting is the priority



Vietnamese treasurers prefer working with banks on treasury transformation

- Partnering with banks
- Partnering with consultants
- Partnering with fintechs
- Partnering with a combination of the above

Commercial priorities: Commercial teams want to see digitalisation of sales and marketing



Immediate actions

Our findings present a snapshot of digital transformation trends in Vietnam. At a high level, we recommend that businesses in Vietnam take these immediate actions:

Help shape the talent pipeline

The primary challenge that businesses in Vietnam face as they pursue digital transformation is a lack of talent. As the government improves the quality of and access to higher education through its socio-economic development strategy, businesses could build stronger links with higher education programmes to increase training in relevant areas and create a clear path for students.

Prioritise efficiency and agility

To stay competitive as the economy becomes more services-oriented, Vietnamese businesses should explore how to implement a lean and agile business model. Maximising efficiency and cost-effectiveness is crucial to attracting foreign direct investment and demonstrating the attractiveness of Vietnam as a destination, despite the global slowdown.

Strengthen internal infrastructure

Our survey shows that Vietnam has the highest percentage of developing digital leaders in its region (35%). By building strong internal data infrastructures, developing robust data governance policies and investing in enabling technology such as cloud and advanced analytics tools, these developing leaders will realise their potential – and cement Vietnam's place as a leader in digital transformation.



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