

Media title: Accelerating digital transformation in Vietnam

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MACRO-ECONOMY

Accelerating Digital Transformation in Vietnam



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In conjunction with the spreading of Industry 4.0, digital transformation is now no longer a choice; it is an inevitable development trend for businesses, consumers and society.

Digital transformation is changing the game for Vietnam

At the recent APEC CEO Summit in Da Nang, PwC launched the results of its annual APEC CEO Survey conducted with business leaders from all 21 APEC economies – including Australia, China, the United States and Vietnam. The survey showed that of the 1,400 respondents, more than half are already taking steps to catch up with the move towards a digital economy.

Vietnam is no exception in this regard. The government is steadfast to its pro-business agenda, urging businesses to press ahead with reforms by boosting their innovation and competitiveness. With Vietnam continuing to roll out the red carpet for foreign investors, the foreign direct investment (FDI) sector has generated millions of jobs and contributed greatly to innovation and modernisation, boosting the economy's growth. The country is currently focusing on improving the business environment and increasing

competitiveness, supported by the government's commitment to innovation.

The public and private sectors are joining forces to come up with initiatives to promote Vietnamese start-ups, entrepreneurship, and innovation. Foreign investors are also looking at Vietnam's start-up scene. They are very upbeat about its future and looking to see where they can leverage successful models overseas into Vietnam. The country has also received support from various parties, including foreign governments and international venture capital firms.

By now, Industry 4.0 is no longer a new term. Certainly, there is a lot of hype about this digitisation of value chains, that will also revolutionise products by applying new materials and composites that are not in use today, and services, leading to the implementation of new, often disruptive business models.

Business, Experience & Technology

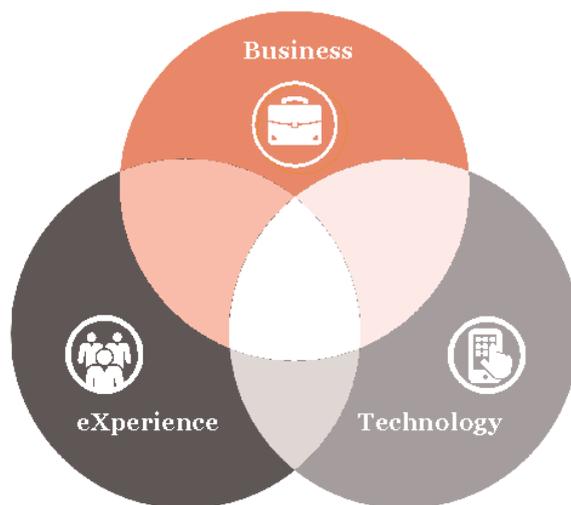
Digital transformation begins and ends with customer experience, which is why businesses research, test, and guide the experiences of their customers, employees, and other end-users. The 'customer experience' is getting more universal, with no boundaries across industries. Thus, the need

of achieving customer satisfaction drives the transformation into new ways of working within organisations.

At PwC, the BXT methodology is used to assess and drive digital transformation from three critical and interrelated dimensions: B-Business Strategy, X- User Experience and T-Emerging Technology. At the heart of the BXT methodology is the fact that effective digital transformation does not happen in silos. So PwC makes it a mission to help and encourage organisations to view their digital transformation challenge holistically from these three lenses. The BXT philosophy helps companies find their competitive edge and can be scalable for growing businesses and SMEs.

The Vietnamese market has very specific needs and requirements and this varies for companies depending on the set-up of the business and its management's growth ambitions. Digital transformation brings many advantages but is also riddled with challenges. Perhaps one of the biggest concerns is whether Vietnam will lose its advantage in manufacturing and labour force. This is because automation is enabling other economies to accomplish once labour-intensive tasks at much higher speed and lower costs. So what should local companies do to brave the change?

BXT: Business, eXperience, Technology



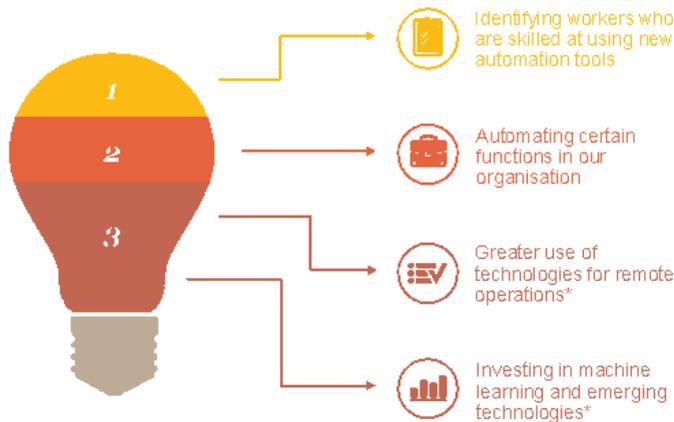
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Top digital workforce strategies over the next three years



Note: * indicates joint ranking
Base: Met Nam CEOs 87, Don't know 2%, None of the above 2% (note: Showing rank based on Index analysis, excludes 'don't know' and 'other' responses)
Source: PwC's APEC CEO Survey, 2017

Building from the people up

Digital transformation is not just about technology. It is first and foremost about the people.

With the IT boom in Vietnam and its growing reputation as a fierce competitor to regional neighbours like Thailand, the Philippines, Indonesia and India in high technology investments, the time is ripe for Vietnam to up-skill its workforce in digital know-how. The challenge facing not only Vietnam businesses but also those across the region is developing a skilled workforce with the right mindset to embrace digital transformation and

become digital first when designing new products or ways to communicate with customers.

There has been some headway made in transforming the workforce in this region. According to PwC's APEC CEO Survey, a third of business leaders surveyed across APEC are laying the groundwork for the future by investing in the development of a data-driven and analytical workforce.

But regional businesses appear to still tread cautiously in this area. Their current focus is to prioritise automation as the key building block in their digital workforce

strategy. This could be why the percentage of ASEAN business leaders investing in the wholesale training of their workforce on data use still trails behind the APEC average.

Instead of investing in automation on its own, companies should also accelerate the process of bringing their workforce up to speed to harness the benefits of data, given the growing demand for data to drive business efficiency. In addition, businesses and government need to look at innovative ways to use data in smart ways to better understand customers' preferences and become proactive to changes.

Most importantly, any case for change needs to be driven by management themselves. Before they invest in training their workforce on how to appreciate and use data, leaders must themselves demonstrate a genuine desire to go digital, and an understanding of what that means. They must build a digital and analytics culture throughout the organisation. Involving employees in coming up with ideas on how to make digitisation work, either internally or for better and new customer services and products will be crucial in getting their buy-in. ■



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The age of digital banking

In the regional context, several ASEAN governments are striving to enable

innovation to embrace transformation. Digital banking is indeed part and parcel of building business competitiveness in a region with a cumulative population of nearly 630 million. Singapore, for example, is capitalising on its status as an established financial centre at the forefront of FinTech development.

In the PwC's 2017 APEC CEO Survey, Vietnam CEOs have identified the importance of innovation for future business growth. According to the survey, over half of the business leaders stated that they are already automating functions in their organisations.

We are currently seeing several young commercial banks automating their retail

banking services, introducing features like biometric fingerprint security on phones. Where technology is not readily available, some banks are looking at collaborations or partnerships with other companies to access these technologies. Earlier in 2017, a local insurance company entered into a partnership with the owner of a digital banking platform to expand its distribution channels in Vietnam.

Building digital trust will be key as risk management implications increase with the adoption of new technologies in the highly regulated banking sector. With the adoption of Basel II, banks will need to take a hard look at their current data governance processes and adopt proper strategies and controls to enhance their risk resilience in this digital age.