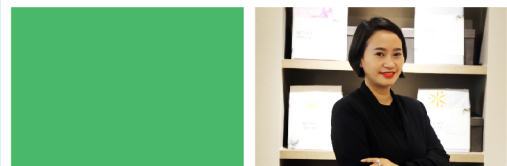


The Path to **Success:**

**How Women-Owned Businesses
Transform in the Era of Digitalization**

Vietnam Case Study



Knowledge Partner:





Disclaimer

Assumptions made in this document are not reflective of any entity other than the authors. Since we are critically-thinking human beings, these views are subject to change, revision, and rethinking at any time.

About Konrad-Adenauer-Stiftung's Regional Economic Programme Asia (SOPAS)

Konrad-Adenauer-Stiftung (KAS) is a German political foundation that holds freedom, justice, and solidarity as the basic principles underlying their work. KAS Regional Economic Programme Asia (SOPAS) is a regional forum that contributes to the debate and reform of economic and governance models in Asia. SOPAS focuses on the following three strategic areas: (1) advancing women in leadership; (2) free trade and multilateralism; and (3) the future of work. Furthermore, it brings together a network of policymakers, economists, political analysts, and thought leaders across Asia to discuss emerging issues, propose policy alternatives and share best practices. These discussions in Asia are also brought to the fore in Europe through expert conferences, seminars, and workshops. Publications on these key topics are regularly released to provide insights and recommendations to national and regional policymakers.

About Woomentum

Woomentum is an independent organization that supports women leaders and women in business. Our mission is to help better the lives of women and their communities by enabling women leaders to grow sustainable and profitable businesses. Woomentum's head office in Singapore runs multiple projects in research, advocacy, and capacity building throughout South-East Asia. Our project activities are in support of women-led SMEs and women-led technology startups. As ecosystem builders, we actively engage with entrepreneurs, investors, donors, and policymakers.

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Foreword by KAS Japan



Rabea Brauer



Cristita Marie Perez

It is an established fact that women in Asia are less present in managerial positions and are hardly found in technological sectors. Accordingly, for the sake of stable societies and sustainable economic growth, we must understand what role women play in the current technological upheavals. Does the COVID-driven digitalization lead to business disadvantages? Are women left even further behind in the STEM sectors? Or does technological progress make way for new independence, more flexible work structures, new financing methods, and new startups?

In 2020, Konrad-Adenauer-Stiftung's Regional Economic Programme Asia (SOPAS) partnered with Woomentum and, after months of research amidst the COVID-19 pandemic, launched the publication, *The path to success: How women-owned businesses transform in the era of digitalization*. The first set of country studies focused on Cambodia, Indonesia, Malaysia, and Myanmar. These comparative case studies revealed how women-owned small and medium-sized enterprises (or WSMEs) use and take advantage of new technologies to grow their businesses. The research results also outlined WSME's challenges with regard to access to financing, mentoring, improving business processes, and COVID-19 mitigation and management.

The present volume is an expansion of the research we started almost two years ago. This time, we focus on three additional countries: Vietnam, South Korea, and Singapore. We continued to find similar themes with more countries included. The general findings can be summarized as follows:

- WSMEs continue to rely on internal funding for various reasons; the most dominant of these reasons are the reluctance to relinquish control and/or meet unsustainable growth targets.
- WSMEs crave and seek mentoring and networking. However, most want long-term mentor-mentee relationships based on shared values and beliefs. While continuous skills learning is prized, at the same time, time and the demands of both businesses and families pose certain limitations.
- Although the pandemic accelerated WSME's digitalization, these processes are adapted *ad hoc*, without a clear digitalization roadmap as a foundational guide. WSMEs have tremendously benefited from digitalization, but most want a systematic set of processes to sustain these gains.

The individual country contexts provide a deeper and more nuanced analysis of these common trends. In this publication, we outline concrete recommendations for action for policymakers in the respective countries on the analyzed difficulties of women, e.g., using financial instruments or using technologies profitably. We separately present recommendations for governments, financial institutions, SME networks, and other relevant institutions.

The message is clear: WSMEs can and want to thrive in the digital age. However, in order to turn this dormant potential into lived reality, support from all sides is necessary.

Rabea Brauer

Director, Regional Economic Programme Asia (SOPAS)
Country Representative, KAS Japan

Cristita Marie Perez

Senior Programme Manager, Regional Economic Programme Asia (SOPAS)
KAS Japan

Foreword by Woomentum



Mouna Aouri



Alice Thet

Despite the countless challenges that we have faced during the COVID-19 crisis, one silver lining of the current pandemic is that it has considerably accelerated the digital transformation of small- and medium-sized enterprises (SMEs) in Asia. While today's digital revolution is a pivotal movement among all businesses, it is particularly important for women-owned SMEs (WSMEs). Here at Woomentum, we believe that digitalization is a key factor that can help women entrepreneurs successfully overcome gender-specific challenges in business.

Aided by digital technologies, women entrepreneurs can further empower their families, communities, and society as a whole.

Since the beginning of our research in 2020, we have conducted in-depth interviews with a stunning total of 146 WSMEs and 60+ experts across seven Asian countries (Cambodia, Indonesia, Malaysia, Myanmar, Singapore, South Korea, and Vietnam). The results of this large-scale endeavor revealed that, while certain challenges to digitalization are universal, some opportunities are country-specific. Yet the biggest reward of our project has been the opportunity to discover and publish—in this report and via other Woomentum channels—the fascinating success stories of dozens of inspiring, resourceful, and courageous female entrepreneurs.

In this second volume, we mapped the digital maturity of participating WSMEs based on a model adapted from the Cisco Digital Maturity Index and sought to better understand the unique challenges at each level of digital maturity. While this report identifies numerous challenges, each of these challenges presents a meaningful opportunity for governments, financial institutions, WSMEs networks, and other relevant institutions to collaboratively ensure that women entrepreneurs are not left behind in today's digital revolution. Along with the valuable support of the Lee Kuan Yew School of Public Policy, we formulated key recommendations specific to government institutions and classified them by the policy cycle stage. It is our hope that this publication will spark dialogue within the community to support the digitalization of WSMEs in Asia, thereby unlocking the true economic potential of women entrepreneurs.

Last but not least, we are extremely grateful to Konrad-Adenauer-Stiftung, all interviewed WSMEs and participating experts, and, most importantly, to all our team members, researchers, writers, editors, and designers. Without your contribution, this much needed research would not have been published. Despite being spread across seven different time zones, our team has been able to seamlessly collaborate, brainstorm, and run events virtually – all thanks to the power of digitalization, so vehemently advocated for in the present volume.

Mouna Aouri

Founder & CEO, Woomentum

Alice Thet

Head of Research, Woomentum

Acknowledgments and Authors' Contribution

This project was conducted as a joint effort between the Konrad-Adenauer-Stiftung (KAS) and Woomentum to shed light on the challenges faced and opportunities provided by digitalization to women-owned small and medium enterprises in Southeast Asia, particularly against the backdrop of the COVID-19 global pandemic.

The case study from Vietnam was co-authored by Lena Bucatariu and Nguyen Phuoc Nam Phuong, with involvement from Huynh Cong Thang and Hoang Thi My Linh. The team would like to thank Mouna Aouri, Lai Yee Soh, Talitha Amalia, and Alice Thet from Woomentum for providing continuous support, advice, and comments throughout the research and report writing process. Additionally, the report was enriched through valuable contributions from all the experts and advisory panelists who shared their expertise, including government officials, entrepreneurs, investors, representatives of business associations and other important stakeholders. Lastly, the team would like to apologize to anyone who may have been unintentionally overlooked in these acknowledgments.

Table of Contents

Foreword by KAS Japan	iv
Foreword by Woomentum	v
Acknowledgments and Authors' Contribution	vi
Table of Contents	vii
List of Figures	ix
Acronyms and Abbreviations	x
Executive Summary	1
Purpose of the Study	1
Key Issues and Findings	1
Pillar 1: Access to Financing	1
Pillar 2: Access to Mentoring, Networking, and Skills	1
Pillar 3: Business Process Management (Digital Transformation)	1
Pillar 4: Crisis Management (COVID-19)	1
Key Policy Recommendations for Government Institutions	2
Key Practical Recommendations for Non-government Institutions	2
1 Country Background	3
Digitalization and Economic Growth	3
Digitalization and Women-Owned SMEs (WSMEs)	3
2 Methodology	6
Research Methods	6
Participant Selection Criteria	7
Data Analysis	8
Limitations	9
3 Interview Findings	10
Pillar 1: Access to Financing	10
Pillar 2: Access to Mentoring, Networking, and Skills	13
Pillar 3: Business Process Management	17
WSME Spotlight I: Nguyen Thi My Lien	20
Pillar 4: Crisis Management (COVID-19)	21
WSME Spotlight II: Pham Thi Hong Van	23

4 The Future of Digital Transformation for WSMEs	24
Findings from Expert Interviews	24
Vietnam Ecosystem Map	28
Advisory Panel Findings and Discussion	29
Key Recommendations	33
5 Conclusions	36
Endnotes	37
Appendices	40
Appendix A Criteria for Selecting SEs and MEs.	40
Appendix B Key Legislation for Vietnamese SMEs	41
Appendix C Profiles of Experts and Advisory Panel Members	41

List of Figures

Figure 1.1 Vietnam SME landscape is dominated by micro-SMEs	4
Figure 1.2 Breakdown of Vietnam MSMEs by gender	4
Figure 1.3 Micro enterprises account for the majority of women-owned SMEs in Vietnam	4
Figure 1.4 Distribution of WSMEs by sector in Vietnam	4
Figure 2.1 Steps in the methodology	6
Figure 2.2 Interview numbers by location	7
Figure 2.3 Breakdown of participating WSMEs' size by location	7
Figure 2.4 Breakdown of WSME participants by business sector and years of operation	7
Figure 2.5 Expert members	8
Figure 2.6 Advisory panel members	8
Figure 2.7 Research pillars	8
Figure 3.1 Financing sources for SE participants	10
Figure 3.2 Financing sources for ME participants	10
Figure 3.3 Challenges faced by WSME participants in accessing bank loans	11
Figure 3.4 Challenges of financial literacy among SE and ME participants	11
Figure 3.5 Mindset challenges related to accessing financing by WSME participants	12
Figure 3.6 Key challenges faced by WSME participants in accessing mentoring, networking, and skills	13
Figure 3.7 List of most commonly used digital technology tools based on WSME interview findings	17
Figure 3.8 Key challenges faced by WSME participants in digitalization of business processes and management	18
Figure 3.9 Digital opportunities adopted by participating WSMEs to cope with the COVID-19 pandemic	22
Figure 4.1 Digitalization journey of WSME participants in business processes and management	27
Figure 4.2 Vietnam ecosystem map	28
Figure 4.3 Advisory panel methodology process with Vietnamese panelists	29
Figure 4.4 Challenges face by WSME participants in the digitalization journey	29
Figure 4.5 Digital transformation program	31
Figure 4.6 Key recommendations for policy and practice	33

Acronyms and Abbreviations

ADB	Asia Development Bank
AED	Agency for Enterprise Development
ASEAN	Association of Southeast Asian Nations
ASMES	Association of Small and Medium Enterprises in Southern Vietnam
B2B	Business-to-Business
B2C	Business-to-Consumer
BIDV	Bank for Investment and Development of Vietnam
BNI	Business Network International
BoA	Board of Advisors
CEO	Chief Executive Officer
COVID-19	Coronavirus Disease 2019
CRM	Customer Relationship Management
CSIE	Center for Social Innovation and Entrepreneurship
ERP	Enterprise Resource Planning
EuroCharm	European Chamber of Commerce
F&B	Food and Beverage
G2B	Government-to-Business
GDP	Gross Domestic Product
GIZ	German Federal Enterprise for International Cooperation
HAWASME	Hanoi Women's Association of Small and Medium Enterprises
HAWEE	Ho Chi Minh City Association for Women Executives and Entrepreneurs
HCMC	Ho Chi Minh City
HNEW	Hanoi Association for Women Entrepreneurs
HR	Human Resources
ICT	Information, Communication, and Technology
IFC	International Finance Corporation
ILO	International Labour Organization
IPO	Initial Public Offering
ISO	International Organization for Standardization
KAS	Konrad-Adenauer-Stiftung
MBA	Master's in Business Administration
MBI	Mekong Business Initiative
MBPS	Mega Bytes per Second
ME	Medium Enterprise

MIC	Ministry of Information and Communications
MOET	Ministry of Education and Training
MPI	Ministry of Planning and Investment
MSME	Micro, Small, and Medium Enterprise
NGO	Non-Governmental Organizations
P&L	Profit & Loss
P2P Lending	Peer-to-peer Lending
R&D	Research and Development
SE	Small Enterprise
SEO	Search Engine Optimization
SIHUB	Saigon innovation Hub
SME	Small and Medium Enterprise
SMEDF	Small and Medium Enterprise Development Fund
SVF	Startup Vietnam Foundation
SWISS EP	Swiss Entrepreneurship Program
SWOF	SEAF: Women's Opportunity Fund
TAC	The Assistance Center for SMEs
UFGE	Umbrella Facility for Gender Equality
UN	United Nations
UN Women	United Nations Women
USAID	United States Agency for International Development
VC	Venture Capital
VCCI	Vietnam Chamber of Commerce and Industry
VND	Vietnam Đồng (Currency)
WAVES	Women Accelerating Vibrant Enterprises in Southeast Asia and the Pacific
We-Fi	Women Entrepreneurs Finance Initiative
WME	Woman-owned Medium Enterprise
WMSME	Women-owned Micro, Small, and Medium Enterprise
WSE	Women-owned Small Enterprise
WSME	Women-owned Small and Medium Enterprise
VAWE	Vietnam Association for Women Entrepreneurs
VWEC	Veteran Women's Enterprise Center

Executive Summary

Purpose of the Study

In this case study, we explore the present and future digitalization opportunities for Vietnamese WSMEs and provide insights to address the challenges of all stakeholders.

Key Issues and Findings

In recent decades, Vietnam has made great advancements in e-commerce and digital penetration, which has enabled the economy to grow faster. Yet, despite the availability of dedicated funding and the narrowing of gender gap in the country, digital adoption remains inconsistent, and the number of Vietnamese women business owners is still low. In order to better understand the key barriers to the digital transformation of Vietnamese WSMEs and provide meaningful recommendations on how to overcome them, we conducted qualitative interviews with WSME in three cities, followed by expert interviews and an advisory panel workshop.

Pillar 1: Access to Financing

Internal financing from savings and personal loans was the most common source for smaller Vietnamese enterprises due to limited financial literacy and high requirements to access bank loans. Although a few participants reported that they were aware of venture capital or share issuance, some feared loss of control or unsustainable growth targets. None of the participants had awareness of the existing government grants and private funding for SMEs or WSMEs. Similarly, none of the interviewees had encountered gender issues when accessing financing.

Pillar 2: Access to Mentoring, Networking, and Skills

Most participating WSME owners learned business and digitalization skills by asking friends in their network, self-learning while on the job or online, or joining training provided by business/women's associations. Interviewees found it difficult to access experienced mentors with shared values, but none had awareness about the possibility to form a board of advisors who are invested in the company's interest without the fear of losing control. There was a belief in women's empowerment initiatives and their willingness to access networking, mentors, and skills.

Pillar 3: Business Processes and Management

Most participating WSMEs did not have a clear understanding and roadmap for digital transformation—instead, they used various fragmented tools, such as social media, digital marketing, e-commerce, payments, and communication tools. Key challenges to accelerated digitalization were the lack of a clear digital roadmap/direction, fixed mindset, high cost of upgrading, and limited skills. In terms of the gender lens, digitalization was seen as an advantage, as it allowed women to meet clients online without compromising their family time.

Pillar 4: Crisis Management (COVID-19)

All businesses were adversely impacted by COVID-19, with the majority of enterprises suffering from decreases in revenue, especially in sectors related to travel and tourism. Amid falling revenues and brick-and-mortar shop closures, all businesses were forced to shift their attention online for sales, communication, and data storage. Some WSMEs streamlined existing tools and invested in new solutions to achieve higher integration between departments. Yet, none of the interviewees was aware of specific COVID-19 funding for SMEs or WSMEs. Also, there was no indication that COVID-19 may have negatively affected them due to gender.

Key Policy Recommendations for Government Institutions

First, create a unified digitalization program (Pillars 2 and 3) with digitalization roadmaps by sector, as well as links to approved tools, suppliers, consultants, and specific funding. Second, build capacity for digitalization (Pillars 2 and 3) by creating a digitalization advisory network with expert advisors who can advise WSMEs about tools and suppliers for their needs. Third, make current financing methods more accessible by lowering the requirements on mortgage/collateral and increasing public relations. Fourth, regulate alternative financing methods, such as P2P lending and crowdfunding. Finally, set up a WSME financing hub (Pillars 1 and 2) that meets all WSMEs' financing needs in one place, including links to all available financing options, a self-assessment tool to choose the right funding, links to consultants, etc.

Key Practical Recommendations for Non-Government Institutions

Customized digitalization training by software suppliers, business/women's associations, and training firms to match the WSME sector/current level of digitalization and address owner/staff mindset. Current funding partners (We-Fi, IFC, partner banks, etc.), in collaboration with business associations and women's associations, should organize financial literacy training. Lenders, financial consultants/trainers, and legal facilitators should seek government approval to become preferred WSME partner, and then proactively promote existing and future funding options.

1 Country Background

Digitalization and Economic Growth

Following other countries in Southeast Asia, Vietnam has been making steady advancements in digitalization, which has also been supported by high digital penetration. In 2020, Vietnam launched the National Digital Transformation Program to boost digital tools and platforms. As of 2021, 70.3% of the population had access to the Internet, of which 96.9% accessed the Internet via smartphone, followed by laptop/desktop (66.1%) and tablet (31.9%).¹ A key destination for Vietnamese Internet users was social media, with 72 million active users (73.7% of the population),² slightly below South Korea (89.3% penetration) and Malaysia (86%).³ An interesting feature in Vietnam's social media landscape is the popularity of the local Zalo social media and messaging app, ranked third owing to its superior messaging features and photo sharing functions.⁴

These digital advancements were enhanced by the COVID-19 pandemic and enabled Vietnam's economy to grow faster. For example, e-commerce was forecasted to grow at 13.8% by 2023, with the fourth fastest download speed in ASEAN at 9.5MBPS.⁵ In the first nine months of 2020, advancements in e-wallets, QR codes, and online banking pushed online transactions up by 75.2%, making Vietnam third in Southeast Asia in terms of visits to online shopping apps.⁶ On the macroeconomic level, gross domestic product (GDP) projections revealed that by 2024, the digitalization of Vietnam's SMEs could contribute USD 24-30 billion to the GDP.⁷

However, despite digital and economic growth, increased financial literacy, and the narrowing gender gap in education and politics, Vietnam still has to tackle some gender imbalances.

With the adoption of the National Financial Inclusion Strategy in 2020,⁸ Vietnam resolved to reach 70% banked adults by 2021 and 80% by 2025. In education, adult literacy reached 94.5% in 2015,⁹ and gender parity was mostly achieved up to secondary level, albeit not beyond that. In politics, women in Vietnam have held increasingly higher positions, including Politburo member (3/17) and deputy minister (11), with the proportion of female deputies amounting to 26.7% of the National Assembly. In employment, the percentage of women in the workforce was almost as high as that of men (72.5% and 82.4%, respectively). However, while constituting 47.7% of the labor force in 2020, women in Vietnam still made up only 26.5% of business owners and CEOs.¹⁰

Digitalization and Women-Owned SMEs (WSMEs)

The most updated definition of SMEs in Vietnam divides enterprises into micro-, small, and medium.¹¹ While micro-SMEs have fewer than 10 employees and a revenue below VND 10 billion (approximately USD 440,000), small-sized enterprises (SE) have 11–100 employees and a revenue of VND 3–50 billion (approximately USD 130,000 to USD 2 million), and medium-sized enterprises (ME) employ 101–200 employees and have a revenue of VND 50–200 billion (approximately USD 2.2 million to USD 8 million) (see Appendix A).

SMEs play a significant role in Vietnam's economy, accounting, as of 2018, for over 97% of Vietnam's 610,637 enterprises. With such a large proportion, SMEs contributed 40% of the GDP and employed 50% of the labor workforce,¹² operating mainly in wholesales & retail trade (39%), services sector (22.3%), manufacturing (15.1%), and construction (13.3%).¹³

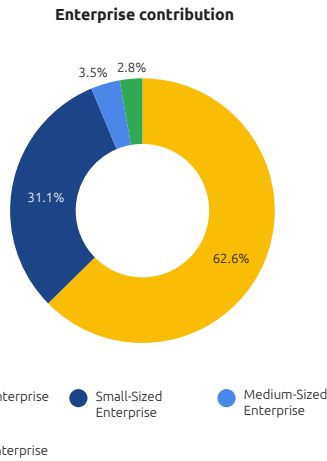


Figure 1.1 The Vietnam SME landscape is dominated by micro-SMEs
Source: General Statistics Office, 2020

Over 590,000 MSMEs in Vietnam in 2018

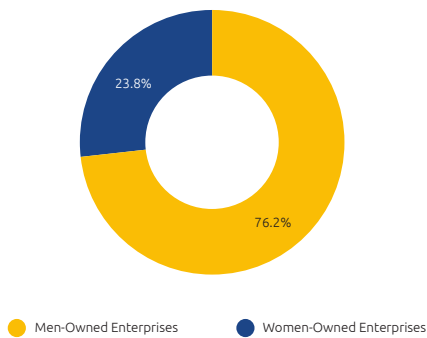


Figure 1.2 Breakdown of Vietnam MSMEs by gender
Source: VCCI (Vietnam Chamber of Commerce and Industry) and USAID, 2018

Additionally, in just a decade from 2006 to 2016, SMEs' contribution in tax and fees to the government budget increased 18.4 times.¹⁴ Among existing SMEs, a growing proportion is owned by women, defined by the government as an SME where one or more women own at least 51 percent of its charter capital.¹⁵ Recently, the number of women-owned micro-, small-, and medium-sized enterprises (WMSME) in Vietnam increased from

21% in 2011 to 23.8% in 2018,¹⁶ which was slightly higher than that of Vietnam's neighbor, Malaysia (20.6%),¹⁷ but lagged behind the average 30–37% percent of all SMEs in the emerging markets.¹⁸

285,689 Women-owned enterprises

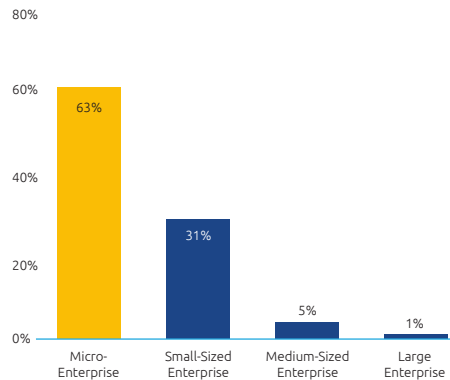


Figure 1.3 Micro enterprises account for the majority of women-owned SMEs in Vietnam
Source: VCCI (Vietnam Chamber of Commerce and Industry) and USAID, 2018

Distribution by sector

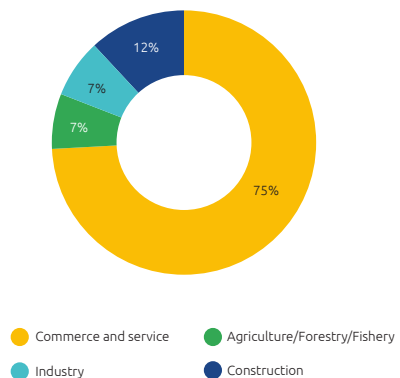


Figure 1.4 Distribution of WMSMEs by sector in Vietnam
Source: VCCI (Vietnam Chamber of Commerce and Industry) and USAID, 2018

Overall, micro-enterprises dominate the Vietnamese WMSME market, with 63%¹⁹ as compared to their small and medium counterparts, possibly because women have a tendency to self-finance and are therefore often starting with less capital (64% as compared to men).²⁰ This trend could be exacerbated by the fact that women are less likely to tap into external financing later (see section 2.2).

Overall, the proportion of WSMEs in Vietnam is growing, with a particular focus on trading and services. In terms of location, most WSMEs were concentrated in the top tier cities of Ho Chi Minh City (28.26%), Hanoi (26.92%), and Danang (25.1%), while the lowest number of WSMEs was observed in Dong Nai (5.12%) and Quang Binh (6.83%).²¹

Additionally, women owners had higher education: 68.6% of female business owners had university degrees and MBAs (Master's in Business Administration), as compared to 71.9% of men, which suggests a narrowing of the education gender gap. While capital was still low, the capital size of women-owned businesses from 2011 to 2018 increased five-fold: from VND 1 billion to VND 5 billion, respectively.

Although available by law (see Appendix B), government support programs such as the SME Development Fund experienced low demand. Among other reasons, this was due to insufficient public relations activities and high mortgage/collateral conditions.²² In addition to government funds, WSME international grants are also available. For example, the Asian Development Bank (ADB) provides a USD 20.2 million fund to help about 5,000 WSMEs to access critical financing and training in Vietnam and the Pacific.²³

During the COVID-19 pandemic, different institutions participated in addressing SMEs' needs in Vietnam. First, the Ministry of Planning and Investment's Small and Medium-sized Enterprises Development Fund (SMEDF) deployed direct lending at 2.16% per year for short-term loans and 4% per year for medium- and long-term loans, which is only about one third of common rates (6–9% and 9–11%, respectively).²⁴ Second, the Asian Development Bank (ADB) signed a USD 5 million grant agreement to support at least 500 Vietnamese WSMEs.²⁵ Third, Google Inc. offers digital and business training and a women-focused program named Womenwill.²⁶

Furthermore, with regard to gender bias, a recent article mentioned that banks in Vietnam perceived women entrepreneurs as less knowledgeable about business, as more risky borrowers due to less collateral ownership, as well as perceived their businesses to be less profitable than men's.²⁷ Notwithstanding, Vietnamese female entrepreneurs brought in an average annual revenue similar to that of men, and VPBank, a local bank partnering with the International Finance Corporation (IFC), successfully lent USD 600 million to about 2,000 women entrepreneurs in 2018.²⁸

To summarize, with advancements in gender equality, e-commerce boom, cut-rate financing for SMEs, and dedicated grants for WSMEs, the Vietnamese women business owners are well-placed to avail of new opportunities and transform their businesses digitally. And yet, what stops them? Answers to this question were obtained in the interviews conducted with WSME owners, experts, and members of the advisory panel to identify the current opportunities and challenges of WSMEs and to provide actionable recommendations for policy and practice.

2 Methodology

The main goal of the research is to shed light on the present and future digitalization opportunities and provide insights to address the set of challenges to all stakeholders. In-depth qualitative interviews with Vietnamese WSMEs helped to identify issues in accessing finance, networking, mentoring, and skills, as well as highlighting digitalization gaps and COVID-19 impact. Expert interviews and the advisory panel provided a deeper perspective on the underlying reasons for WSME challenges, as well as policy and practical recommendations to boost government and ecosystem offerings and enhance WSMEs' digital transformation.

Research Methods

This research had a desk research stage and three main qualitative components (see Figure 2.1):

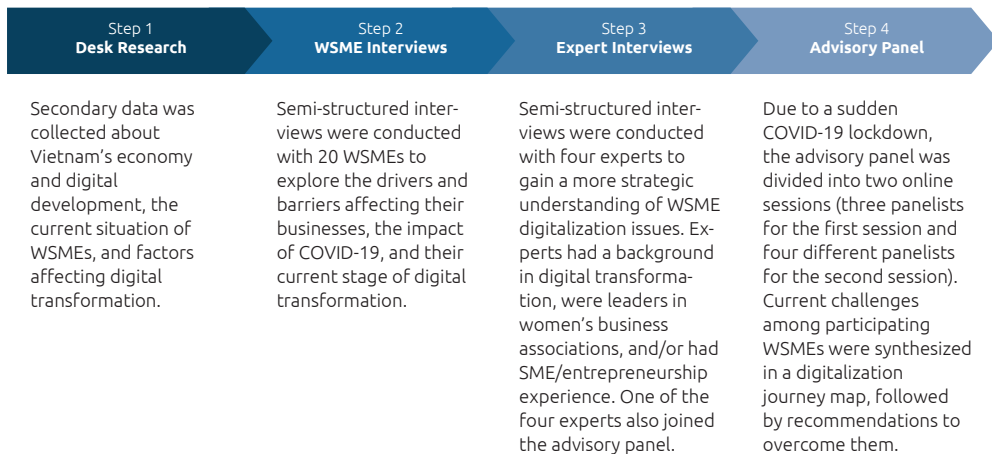


Figure 2.1 Steps in the methodology.

Tangible research findings were collected from in-depth interviews with WSMEs (from May to June 2021) and expert interviews (from May to June 2021), then presented to an advisory panel (late June and early July 2021) to identify gaps in the ecosystem, discuss practical solutions, and generate policy and practical recommendations. All interviews and discussions were conducted in Vietnamese and were digitally recorded. Notes were written during the interviews and discussions were reviewed throughout the analysis.

Participant Selection Criteria

Twenty WSMEs were selected based on size and location, spanning a variety of sectors (see Figures 2.2 and 2.3). Each participating WSME was coded using its country, size, and corresponding number. For example: VN_ME02 means medium enterprise number two from Vietnam, VN_SE01 means small enterprise number one from Vietnam.

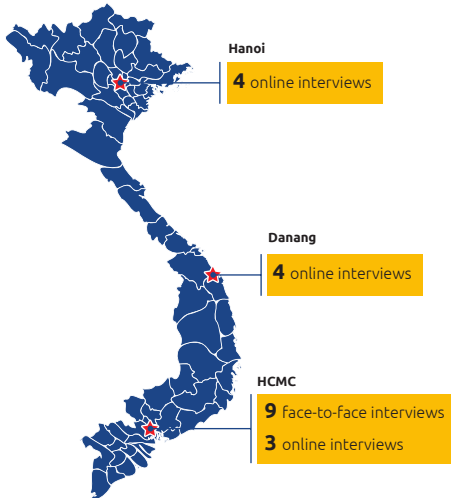


Figure 2.2 Interview numbers by location

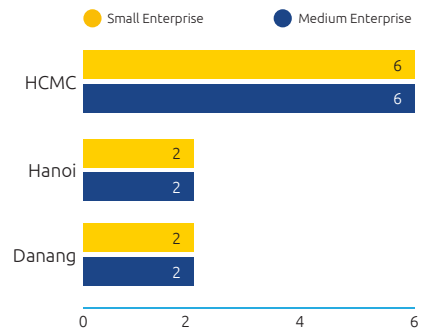


Figure 2.3 Breakdown of participating WSMEs' size by location



Figure 2.4 Breakdown of WSME participants by business sector and years of operation

Expert Interview Selection

Four experts were chosen based on their understanding and experience with women's business associations, digital transformation, and SME/entrepreneurship (see Appendix C).



Figure 2.5 Expert members

Advisory Panel Selection

The panelists were selected for their knowledge and experience with digital transformation, investment, government finance, women's associations, and SMEs (see Figure 2.6 and Appendix C).

Two online advisory panel sessions were conducted due to the COVID-19 outbreak and strict lockdown in Ho Chi Minh City.



Figure 2.6 Advisory panel members

Data Analysis

Data were analyzed using the Airtable²⁹ tool to quantify findings from WSME interviews and was qualitatively coded into themes and sub-themes. More specifically, remarks by respondents were coded into the relevant pillars based on Pillar 1) access to financing, Pillar 2) access to mentoring, networking, and skills, Pillar 3) business processes and management, and Pillar 4) crisis management (COVID-19). Key challenges and opportunities were also identified using the pillars and mapped onto the digital adoption journey. Next, themes from expert interviews were identified based on the relevant pillars to better understand the WSMEs and the digitalization ecosystem. Finally, key findings from previous steps were presented to the advisory panel to generate practical and policy recommendations to policy makers, professional associations, and WSMEs that can be realized in the market.



Figure 2.7 Research pillars

Limitations

The main limitations to the current research include 1) human resources (research participant recruitment), 2) online interviews, 3) having only businesses that survived the pandemic, and 4) homogenous (similar) participants. First, due to the COVID-19 lockdown, there were delays in recruiting the right participants and in bringing all the advisory panel members together. Second, many interviews were conducted online, and the advisory panel was conducted online and in two sessions, which made it difficult to observe nonverbal behavior. Third, as the research was conducted approximately one year into the pandemic, there may be a survivorship bias, as nearly 35,000 businesses withdrew from the market in the first quarter of 2020.³⁰ Fourth, all of the participants were quite homogenous as they were all urban (Ho Chi Minh City, Hanoi, Danang), educated, and did not appear to face major gender-related challenges. The socioeconomic characteristics of women, such as their education, were found to influence female entrepreneurship,³¹ so the lack of diversity in the sample puts a limitation on this research.

To overcome human resources and homogeneity limitations, future research could include WSMEs outside of the main cities and with more diverse backgrounds, e.g., lower education, ethnic minorities, self-reporting discrimination, so that the gender lens can be explored in more depth. To overcome online limitations, future online interviews can be conducted on camera so that the researcher can observe facial expressions, or, if possible, offline interviews can be incorporated with strict health protocols. To avoid survivorship bias, future studies may include some businesses that went bankrupt during the pandemic.

3 Interview Findings

All WSME participants agreed on the importance of digitalization, although the extent of their adoption of digitalization varied. Interestingly, two participating owners of ME had already implemented an ERP system, while a third ME owner was in the process of doing so. It was also found that WSME participants with higher digital adoption were more resilient while navigating the COVID-19 pandemic.

Pillar 1: Access to Financing

Internal Financing

As shown in Figures 3.1 and 3.2, the most common form of financing was internal, which refers to the process of a firm using its profits or assets as a source of capital to fund a new project or investment. Among personal loans, the interviewees mentioned only personal bank loans. This could have been due to the difficulty in accessing business loans, which was reported to be a significant barrier to SME³² growth. Most SE owners used internal financial sources, such as savings, or borrowing from friends or family. To compensate for the limited capital, SE owners focused their efforts on managing cash flow, e.g., by asking suppliers to extend deadlines or paying invoices after collecting from their own clients.

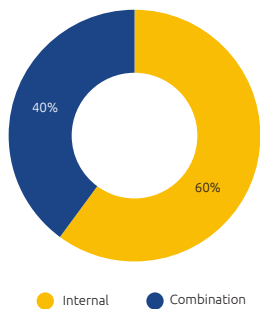


Figure 3.1 Financing sources for SE participants

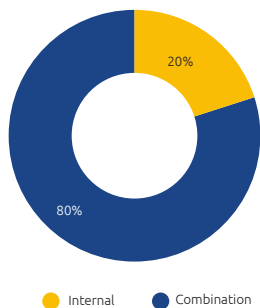


Figure 3.2 Financing sources for ME participants

Furthermore, nine out of 20 participating WSMEs had a co-founder or family member helping them either with only financing on a profit-sharing scheme (not angel investor) or with both financing and management. In several cases, the co-founder or family member participated only in daily management, i.e., without financial involvement.

Consideration Factors for Bank Loans

While five SE participants mentioned having received bank loans, these loans—although invested by SE owners into their businesses—were drawn as a personal loan backed by personal assets/collateral (see Figure 3.1). For SE participants, bank loans were difficult to secure, with five interviewees mentioning that they lacked collateral (not having property under the company registration) or had to use a personal asset as collateral. Other mentioned reasons included that their brand names were not widely known, financial statements were informal or not professional, and/or that they had limited transaction history to show growth and ability to repay interest. In fact, many participating WSME owners (with non-finance background) were not skilled at keeping track of profit and loss (P&L) and other financial statements (only basic bookkeeping of input/output per month), and/or did not have skilled accounting staff to perform these tasks. However, three participating SE owners mentioned that some Vietnamese banks offered unsecured loans (without collateral); however, they found out about these loans too late, when their business no longer needed financing.

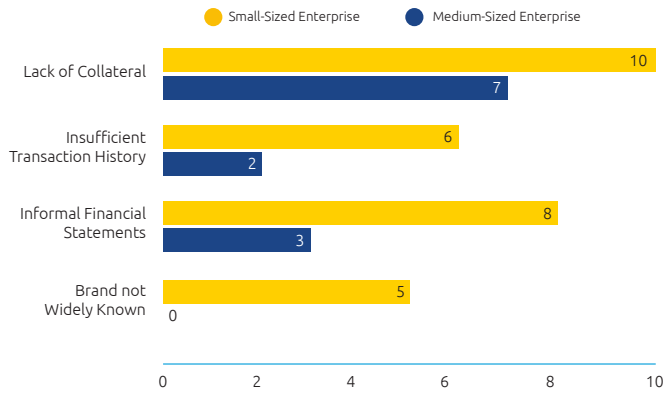


Figure 3.3 Challenges faced by WSME participants in accessing bank loans

In contrast to SE owners, ME owners were more easily qualified for bank loans, which was due to their more formal financial records and evidence of growth. While ME participants still used some internal financing, five of them reported to have clearer P&L and financial statements, with clear evidence of stable growth, and their businesses were mature (above five years) to be deemed trustworthy by the bank. A successful example is an ME participant who received a business loan from VietinBank Danang at a 9.6% lending rate, which is a normal rate.

One major challenge to financing was the SE and ME participants' limited financial literacy (see Figure 3.4). For example, some SE and ME owners had limited understanding of bank processes and unclear future projections. In addition, 16 participants without a finance background found it difficult to understand the financial solutions offered by the banks or how to approach the right type of business capital. Yet, among participants with better financial literacy, two SE and two ME participants understood their current growth stage, had clear projections for future growth, and, therefore, were able to ask for the right loans.

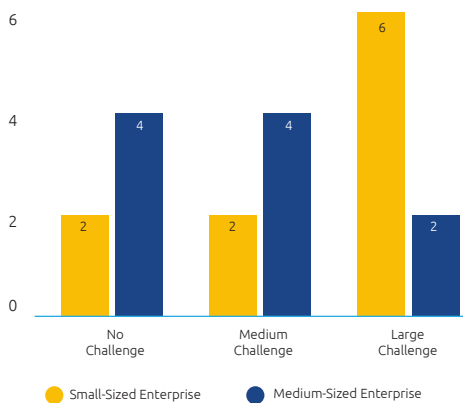


Figure 3.4 Challenges of financial literacy among SE and ME participants

Consideration Factors for Non-Bank Investments

Along with bank loans, other external sources of financing that some participants were aware of included venture capital (VC), crowdfunding, angel investors, and initial public offering (IPO). However, none of the interviewees had secured funding from any of these sources at the time of interview (see Figure 3.5). The five participants who knew about VC reported having some concerns about this source of financing. Specifically, three of these interviewees with finance backgrounds perceived VC as much more stringent in their qualification criteria than banks. This perception was due to strict requirements for documentation about their business license, financial statements, and the owner's skills/experience. Furthermore, four ME participants were

afraid that they would lose control over their company, or that the VC would push for a faster growth or a higher profit margin instead of growing the business slowly and organically. However, the participants believed that VC had the advantage of providing opportunities for companies of all sizes, as long as the enterprise showed potential and promising future growth/earnings.

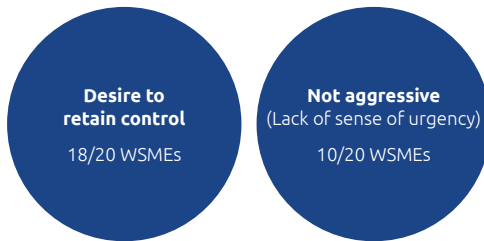


Figure 3.5 Mindset challenges related to accessing financing by WSME participants

Crowdfunding (mentioned by four WSME participants) was seen as the most suitable funding method for startups or new enterprises in the early stages, but was associated with very aggressive growth targets. Three WSME participants who had finance backgrounds/experience mentioned angel investors, but believed that angel investors were mostly interested in startups and industries with high-risk, high-return investments. One education WSME argued that aggressive investors would not be suitable for the education industry.

In her opinion, an education business had to focus on academic quality for its students and teachers and, accordingly, would not be able to meet the expectations of too many stakeholders. Additionally, the aforementioned WSME owner wanted to firmly follow her values and principles in leading her business. Although none of the participants had issued shares yet, at the time of the interview, two ME participants were planning to do an initial public offering (IPO) locally in Vietnam.

However, they delayed these plans until after the COVID-19 crisis, in the hope for a more stable business environment. This can be evaluated as an appropriate decision, as there is evidence showing that IPOs are more suitable when the economy is more stable and stock prices rebound.³³

Among the remaining funding methods, none of the participating WSMEs—even when probed in more detail (see Expert Interviews & Advisory Panel)—reported being aware of any government grants or SME-specific debt-financing solutions from banks or private funds, and P2P lending.

Insufficient Evidence on Gender Issues

In our results, there was no convincing evidence of gender-specific issues in accessing financing, though some perceptions of gender-related problems were articulated by the interviewees. Specifically, while all participants stated that they personally did not encounter any gender hurdles in accessing financing, a couple of the interviewed WSME owners mentioned that they assumed that VCs might discriminate against women, which is why they did not approach VCs themselves. Among the participants who did approach VCs, none experienced gender discrimination.



As my business grew, Mekong Capital approached me to invest, but I failed just at the last step because of a service mistake during a mystery shopping visit from the VC. This showed me that I needed to strengthen quality control and consistency in my business processes.

(VN_ME02)

Pillar 2: Access to Mentoring, Networking, and Skills

The key challenges to accessing mentoring, networking, and skills for the interviewed WSME participants were training availability/lack of an experienced mentor, quality of content, and the digital skill of the staff (see Figure 3.6).

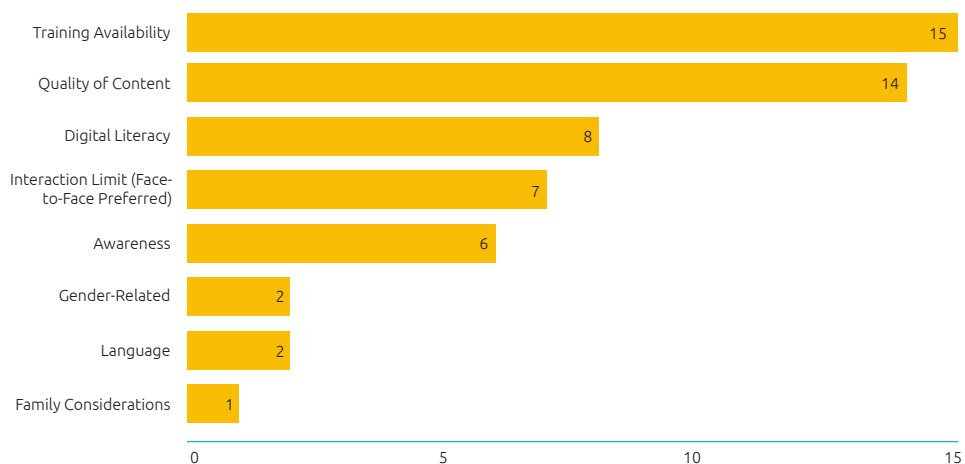


Figure 3.6 Key challenges faced by WSME participants in accessing mentoring, networking, and skills

Mentoring

All participants were aware of the gaps in their knowledge and could use a mentor to help them improve. However, the challenge was to access a mentoring program that could be beneficial given the specific needs of the business. Our respondents were unsure where to find trusted mentors with industry experience, and they were unaware of the concept of a board of advisors (BoA). A BoA is a group of experienced external individuals who can share their industry experience, skills, and network with SME owners without affecting the owner's autonomy or interfering with their control over the business.³⁴ Unaware of this option, yet perceiving the lack of like-minded and committed mentors, the interviewed owners built an informal network or relied on a mentoring community on Facebook.³⁵ Most owners knew that they had limited knowledge about business management, corporate governance, strategy, and HR. Accordingly, they wanted to learn from others—peers in their network, experts, friends, and considered these to be informal mentors (who, unlike an official mentor, would not need to be paid).

The main challenges for the owners in this respect were as follows: 1) it was difficult to find a good mentor; 2) they did not know where to find someone who would be a committed mentor; and 3) it was difficult to find a mentor with similar vision/values.



I wanted to have a mentor, but I haven't found anyone who shares the same mindset and values as me.

(Duong Nhat Linh, Midoli Biotek Co., Ltd.)



I am looking for a mentor who has experience in my industry.

(Le Thi Truc Lan Chi, Idocean Co., Ltd.)

Networking

All of the participants stated that they had tried growing their network as a way to access support and training. All respondents saw that having a strong business network was useful for them, and many believed that joining associations/business communities would help them to expand their network. In fact, a few of our interviewees who were members of Business Network International (BNI), Ho Chi Minh City Association for Women Executives and Entrepreneurs (HAWEE), Vietnam Chamber of Commerce and Industry (VCCI), or Young Business Association reported having joined offline trainings in the Vietnamese language. Others joined offline workshops of very popular local consultants, such as Nguyen Duong (a Ho Chi Minh City - customer experience expert). Some joined government-sponsored workshops through training made available to members of the associations, such as VCCI. At the time of interviews, there was a strong focus on digitalization training from VCCI and other associations; yet, this trend concerned only specific areas, e.g., digitalization for finance, digitalization for marketing, while no comprehensive all-in-one digitalization training.



The association I joined offers many digitalization workshops, but for specific areas such as digitalization for finance, digitalization for marketing, etc. I need a more comprehensive all-in-one digitalization training so that I can have a full view of all aspects.

(Nguyen My Hanh, ASEAN Trading & Transport Service Co., Ltd.)



I hope that the government will offer more training about digitalization to staff of SMEs, not only to owners, because when implementing the software, the staff are the ones using the system every day, not the owner.

(Nguyen Thi My Lien,
Chau Thong Manufacturing
- Trading and Services Co.,
Ltd.)

Skills

The majority of interviewed owners (15 out of 20) used various forms of training to address their skill gap, for instance, through online learning or peer-learning. From their network of friends, they learned about marketing from a friend working in that field. Self-learning started with Google searches in the Vietnamese language; the participants who studied abroad (4/20) were more likely to register for a paid short-course delivered in English or a Master's degree to upskill. It was not common for the participants to join offline workshops from business associations because of limited time; instead, they preferred to spend available time focusing on managing day-to-day operations.

Among soft skills, the respondents stated that their English was suitable for business transactions. Few admitted that their English was not good, but the majority (16/20) were confident in their ability to effectively communicate in English with their suppliers.

Along with online learning, the participants also hired skilled staff—for example, sales and marketing staff, which did not appear to pose a challenge. Particularly among SE participants, most owners without a marketing and sales background acquired these skills on the job shortly after launching their businesses, while the participants who did not learn the skills themselves were still able to find experienced sales and marketing staff available for hire.

Mindset and Gender

Two of our respondents believed that being a woman is an advantage in the education and fashion industries.



Being a woman is an advantage in the education industry—the image of a mother creates more credibility and warmth.

(Uyen Phuong Nguyen, Tomato Children’s Home)



Clothing and fashion are an easy industry for women to start a business in based on the woman’s aesthetic taste.

(Mandy Ngoc Pham, Rechic)

There was evidence to support the case of a strong Vietnamese businesswoman, especially in terms of the owner’s mindset and empowerment. To illustrate, some participants thought that it was not difficult for women entrepreneurs to access relevant information and build a network of connections; the only challenge was themselves. Our interviewees believed that, as long as they were proactive and motivated, many opportunities were available to them. In the past—for example, before 2015—it was much more difficult to find information about capital, skills, networks, etc. while now it is easy if the owners set out to find it.



In my opinion, women can learn and understand everything just like men. We don’t have any limitations. It is just about whether you want to do it or not.

(Duong Nhat Linh, Midoli Biotek Co., Ltd.)

One participating ME believed that being a woman was an advantage in business, as women have an optimization mindset and are more careful in considering and making decisions.

Among the participating WSMEs, unmarried owners, including single mothers, did not perceive any major challenges. By sector, WSME owners of commerce and service businesses did not encounter any issues either. They had a very open and positive mindset, felt empowered to do anything, and showed professionalism in their work. Indeed, the Vietnamese business community counts many high-profile women leaders, such as Nguyen Thi Phuong Thao, CEO of budget airline Vietjet, one of six billionaires in the country, Mai Kieu Lien, CEO of the dairy giant Vinamilk, and Tran Thi Le, CEO of the dairy company NutiFood, who was included in Forbes Vietnam’s list of the country’s 20 most inspirational women.³⁶



In business and in work, I don’t think much about gender. The most important thing is what I can do and how. My business partner respects me because I am very strong and professional. Believe in what you do!

(Nguyen My Hanh, ASEAN Trading & Transport Service Co., Ltd.)

Compared to single business owners, married women who were owners in the manufacturing and distribution sectors were somewhat more affected by several limitations imposed by their family duties, such as having to go home early, the lack of ability to go drinking with clients, or go on long business trips to build business connections. However, they reported finding practical solutions—for example hiring a male assistant to participate on their behalf in social activities that involve drinking and/or getting their husband’s support in raising independent children. Although none of the participating women had small children, they did admitted that running the business was quite difficult when their children were small because they had to spend all their time with the baby.



I could not go drinking late with clients, so I hired a male assistant who can drink and socialize on my behalf.

(VN_SE01)



I can stay up late working until 11 p.m. or go on a business trip for a week because my husband understands and supports me, and my two sons can take care of themselves.

(Nguyen Thi My Lien,
Chau Thong Manufacturing-
Trading and Services Co., Ltd.)

A few respondents expressed concerns about women being more emotional in business and less confident in negotiation. Specifically, a few respondents thought that women owners were more likely to put their personal feelings into business decisions and staff decisions, which could be perceived as a weakness. For example, one participant said she had trouble setting key performance indicators (KPIs) for the male employee on her sales team; she perceived her decision-making as more emotional than her husband’s and felt inferior in her communication skills during negotiations.

A recent study found that, at younger ages, about 50% of male business leaders are confident in their abilities, while women feel much more insecure, with only 32% showing confidence; however, after the age of 40, confidence levels become more equal.³⁷



I think women are more likely to put their personal feelings into making business and staff decisions, so sometimes decisions take too long or are not good for the business.

(VN_SE02)



I think my communication skills are not so good, especially in negotiations.

(VN_SE02)

Pillar 3: Business Processes and Management

All participants felt that digitalization was a must, and a crucial step for their business. However, there were varying levels of understanding of digitalization among the participants, or their knowledge was very vague, particularly among the older generation (40s or older).

Features of Digital Adoption

In the interview data, we observed the pattern that, while most SE participants tended to use stand-alone solutions, usually free digital tools, most ME participants and some advanced SE participants invested in paid solutions and a more integrated approach. Vietnam-based software solutions were preferred for being cheaper, as well as for offering Vietnam-based support and responsive customer service to help with technical issues. Therefore, due to the availability of local options, their adoption might be financially and/or technically easier for SEs.

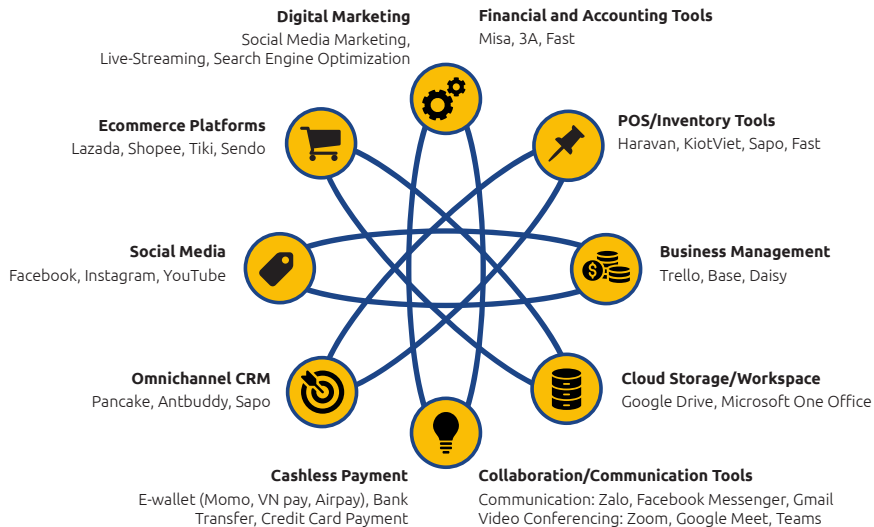


Figure 3.7 List of most commonly used digital technology tools based on WSME interview findings

All respondents used social media and email for communication, mainly Google Drive for storage, and most used Zoom for meetings or Microsoft Teams for internal communications (see Figure 3.7). Facebook and the locally-owned Zalo were commonly used for both internal and external communication. For example, one owner set up different Zalo groups for different departments (internally) and used Zalo (externally) to connect with Vietnamese customers.

Having a website, using e-commerce platforms, and selling on Facebook were quite popular among the interviewees, especially for business-to-consumer (B2C) interactions. Eight participants had an informational website, and 10 participants (mostly in the services and commerce sectors) had a website with a sales function. All B2C businesses had online e-commerce on all three providers—Lazada, Shopee, and Tiki—and all B2C sold through Facebook, though some also sold on Zalo. Interestingly, while SE participants did not have an integrated solution to keep track of all the channels, ME participants and/or inventory-keeping SE businesses were more likely to use back-end integration—for example, when connecting website orders with the warehouse.

For managing the business, the most popular tool was Misa for financing, and Haravan, KiotViet, and Sapo for POS/sales and inventory management. The reasons underlying our respondents' preference for these local solutions were their responsive customer service support, reasonable price or discounts, and usability. Less commonly, several businesses (more typically, ME ones) used either off-the-shelf or custom-built CRM and HR management tools. Only three ME participants had implemented or were in the process of implementing an advanced integrated system, such as enterprise resource planning (ERP)—a finding that confirms previous reports on the limited adoption of ERP among Vietnamese SMEs.³⁸

For payments, SE participants did cash on delivery and accepted Internet banking transfers. A few used local e-wallets (AirPay, VNPAY, MoMo). Compared to their SE peers, ME participants were more likely to use a wider variety of payment methods.

Challenges to Digitalization by WSME Maturity

The interviewed owners of WSMEs reported having faced different challenges, depending on their maturity level (see Figure 3.8). For example, for high maturity MEs (over 10 years in business) that were more financially stable, the main challenges were processes and people, as they had very traditional processes while the staff had fixed mindsets, so the owner needed to force the digitalization and restructure processes to match the new approach. Some participants experienced this push-back when they tried to implement Slack (for communication) and inventory management/financial software.



Figure 3.8 Key challenges faced by WSME participants in digitalization of business processes and management

For all SE and newer ME owners (12 out of 20), financial resources were a significant barrier to digitalization; yet, this challenge had a different impact on their businesses. For example, SE participants had to decide how many tools or software solutions they wanted to use, because each solution added an expense. For ME participants, the issue was more about the cost of upgrading from fragmented tools to an integrated system. Additionally, SE participants were most focused on sales and revenue and did not pay much attention to or invest in digitalization tools. As a result, they always favored free options and open-source software or tried to get a discount (e.g., the Haravan, an inventory management tool, software promotion which can be used for two years). For example, one participant said she wanted to focus on building her business and adding products before investing in digitalization.



Some of my older staff (40s) refused to use the new system so I had to hire new staff.

(VN_ME06)



I focus my resources and money on developing and completing new products and solutions. After that, I will invest in business management software.

(Duong Nhat Linh, Midoli Biotek Co., Ltd.)

Despite finances being a challenge, none of the participants knew about government support or grants/ programs for the digitalization of SMEs, an issue reviewed later in the Expert Findings and Advisory Panel sections. However, one ME participant in Danang applied for the website building program from the Industry & Trading Department in her city, but had not received a response (for over 2 months) at the time of the interview.

Another challenge mentioned by SE participants was cyber security as a trigger to upgrade to custom-made CRM software, which showed an interesting difference in trust levels among our interviewees. Two respondents (SEs) mentioned issues with cyber security (fear of data leakage from the CRM) and wished to have an in-house system built so that they would not have to rely on a third-party server. Others did not worry about security because they had signed a contract with their third-party service provider about confidentiality and data sharing and they trusted the supplier to adhere to it.

One participating ME in Danang managed 300 employees and recorded high earnings for the last 21 years. Despite her success, she felt that she herself was a barrier to accelerating the digitalization process.



This is my weakness: I am not really good at digital and technology. I don't understand it, so I don't know what and how to use it in my company.

(VN_ME02)

In contrast, other owners with an open mindset had not only knowledge of the process, but were implementing digital transformation in their business, so they emphasized the importance of ERP communication and the need for a clear digital roadmap.



It is crucial to communicate with all staff about the importance of adopting digitalization. You have to be smart about all stages of developing the ERP software; the business owner needs a clear plan and roadmap for this.

(Huyen Nguyen, The Nature Book)

WSME Spotlight I: Nguyen Thi My Lien



Photo of Nguyen Thi My Lien, Founder of Chau Thong Trading and Service

Nguyen Thi My Lien founded Chau Thong Trading and Service Ltd., Co. (<https://tramhuongphuclinh.vn/>) in 2013 to manufacture, distribute, and sell agarwood, essential oils, and related products. Since the business started, she has used very basic digital tools, such as an informational website, and has relied on selling offline at airports and in tourist areas. When the pandemic broke out, offline sales were severely affected, so she turned to online channels. To learn more about these new channels, she proactively searched on Google and Facebook about digital marketing and joined an advertising media group. Through this group, Lien Nguyen learned how to effectively advertise on Facebook, YouTube, and e-commerce platforms, which became great sources of much needed revenue.



I joined the advertising media group about five to six months ago, and I was the only one in the group until now. Learning is expensive (about USD 2,000), but I don't regret it, as learning is always worth it.

Currently, all the learning is paying off, and digital tools are of great help in her business. To promote her products, she uses paid advertising and free content on Facebook, Instagram, YouTube, and TikTok. For communication, she uses cloud storage for data, the Zalo app to communicate internally and externally, and email for official documents. For managing her business, she has a tool to process taxes and finance, FAST software to link production (import and export) with the retail system, and she has recently upgraded to KiotViet (for inventory management). Upon moving to the new solution three months ago, there was some resistance. Seeing some of her staff struggle with adapting to the KiotViet system, Lien Nguyen proactively looked for verified and reliable training materials and took it upon herself to train her team through the digital transformation.



Open and optimistic, Lien Nguyen has great confidence in digitalization, as it has helped her increase her revenue five-fold in one year. For example, she used paid advertising on Facebook to acquire more customers and utilized digital platforms, such as YouTube and Instagram, to promote her products. Lien Nguyen is currently learning about search engine optimization (SEO) and how to post attractive content to build more traffic to her website. After this, she plans to watch more tutorials and instructional videos on YouTube to advance her knowledge.

Pillar 4: Crisis Management (COVID-19)

Impact of COVID-19 on Financing (Pillar 1)

Most of the participating businesses were negatively impacted by COVID-19 (7/20), experiencing a 30–50% decrease in revenue. This is especially true for distribution and manufacturing businesses due to their inability to export output or inability to import parts/ingredients from overseas. One participating WSME lost as much as 90% of her revenue due to the lack of tourists buying her tea and coffee products. Only a few businesses in fast-moving consumer goods were less impacted, and this industry recorded only about a 10% revenue decrease. On a positive note, a supermarket benefited due to steady consumption, and demand for a shop's health supplements went up. The majority entered the "survival mode" by delaying new plans (developing new products, opening new stores, expanding overseas, IPO) and downsizing current business operations (closing or reducing the number of physical stores and focusing more on online channels). A few (three) SE participants reduced their number of staff or converted some full-time staff to part-time (or commission-based) to save costs. ME owners maintained most or all staff and their benefits. Most businesses tried to maintain cash flow by cutting unnecessary costs, delaying payments, renegotiating rent/payments, asking for extensions, or using reserve funds to cover the losses. One participant in the education industry highlighted a non-financial impact on staff and processes.



COVID-19 significantly depreciated the business foundation that I have built over the last eight years, especially the high-quality personnel and processes.

(VN_ME01)

While none of the participants were aware of COVID-19 government loans or grants for SMEs, some (five SEs and three MEs) knew about fiscal support, and three SEs applied for it, but the value was quite low.



For some small businesses, the government offers support by reducing tax or delaying tax, but we are too big and not at high risk during COVID-19 so we do not qualify.

(Le Thi Truc Lan Chi, Idocean Co., Ltd.)



There is a tax extension. I need to fill out the application form; I have not filed for it yet.

(VN_SE06)

One supermarket owner in Danang assumed that the COVID-19 support would be only for certain industries, which implies that existing knowledge about financing (e.g., SME Development Fund, ADB initiative) did not reach those who needed financing aid.



I think that government support during COVID-19 is only for enterprises in severely affected industries.

(Phan Nhu Yen, Danavi Mart)

Impact of COVID-19 on Mentoring, Networking, and Skills (Pillar 2) and Digitalization (Pillar 3)

The only notable feature mentioned by respondents for Pillar 2 was the growth in online training courses, consultants, and mentors, although not all were of good quality.

For Pillar 3, the main result of COVID-19 was an increase in sales-oriented digitalization to help boost revenue, as well as a switch to online communication/working tools to minimize disruptions in operations. A few WSMEs were also inspired to make temporary or profound changes to their business direction. To recover some of the offline losses, all businesses shifted their focus towards online efforts (see Figure 3.9)—for example, by rebuilding/upgrading their website or putting more effort into marketing and e-commerce on Lazada, Tiki, and Shopee. All B2C owners upgraded their social media (Facebook) pages for sales and interactions and were able to derive new revenue from it. To cope with social distancing, all participating WSMEs let staff work from home using existing technologies e.g., Google Drive, Excel, email, software tools/databases (particularly utilized by MEs), and conducted meetings online via Zoom/Teams. In terms of changes to the business direction, one bio-agriculture owner changed the job description and tasks of some staff to capture new markets, while two companies started selling/manufacturing hand wash to alleviate COVID-19 financial losses and take advantage of the surge in demand, which shows initiative and resilience in the face of adversity. See WSME Spotlight II for an inspiring story of how digitalization and an open mindset helped Ms. Van Pham, owner of Success Together, to turn her business around after the COVID-19 pandemic.

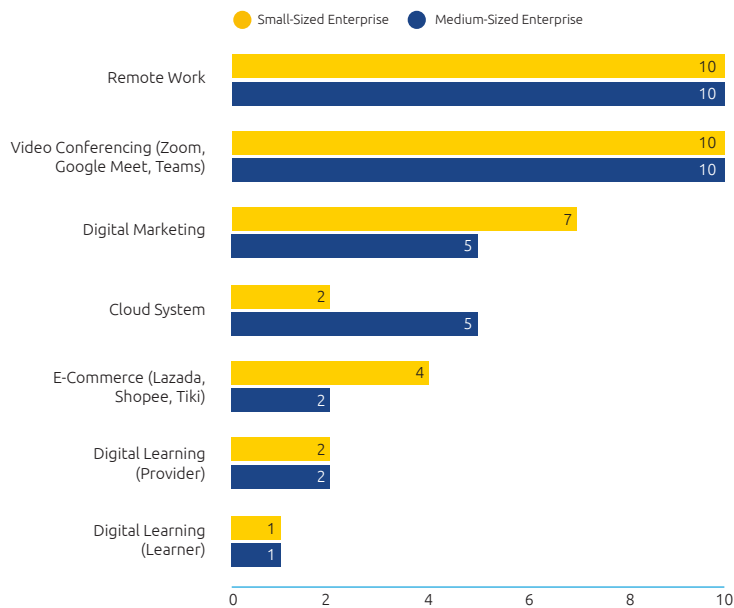


Figure 3.9 Digital opportunities adopted by participating WSMEs to cope with the COVID-19 pandemic

WSME Spotlight II: Pham Thi Hong Van



Photo of Pham Thi Hong Van, Founder of Success Together

Pham Thi Hong Van founded Success Together Co., Ltd. (<https://cellfusion.vn.com/>) in August 2016, specializing in the distribution of Korean skin care products in Vietnam. From the very beginning, she built online channels (website, e-commerce on Shopee) and hired a small digital marketing company to provide consulting services. After three months, she proactively engaged in learning from online digital marketing courses, courses about TikTok, and Facebook sales tutorials. In the past, she used a variety of fragmented software solutions; but in 2020, she reviewed their performance and selected the most effective software to centralize her database on: one tool for CRM and integration of online channels, one custom-built software solution (including human resources management, workspace, order management), Zalo for customer service and internal communication, and Facebook for sales. Key challenges to digitalization in her company were staff digital literacy skills, especially among older staff (45 to 50+), and fixed mindsets (among older staff).



I think the staff in their 40s can still learn about digitalization as long as they understand its benefits. For example, I never used Facebook in the past, but now I need it for my business, so I'm learning how to use it.

Van Pham's solution was to recruit younger staff with a more open mindset towards digitalization. She did not encounter gender biases in networking and business and has a strong belief that women can do anything as long as they have passion for it. However, she did think that there were some differences between men's and women's decision-making styles.



Women are more sensitive, decisive, and very quick to catch opportunities. When women have enough passion, they can pursue what they want and succeed. I think men are more likely to take risks than women, and for women, it may take longer to make the right decision.

As spa and beauty clinics shut down during the COVID-19 pandemic, social media became key to Van Pham's success. By making her own livestreams and viral training videos, she built a wide network of resellers and distributors nationwide and boosted sales by 300% as compared to 2020.



4 The Future of Digital Transformation for WSMEs

Findings from Expert Interviews

We interviewed four experts who had either a background in digital transformation, were leaders in women's business associations, and/or had a background in SMEs/entrepreneurship with a strong support experience for startups and women-led SMEs in digitalization and innovation (see Appendix C). While interviews with WSMEs helped to uncover each participant's unique set of circumstances and challenges, expert interviews were employed to gain a more strategic perspective. Mainly, experts commented on which issues, opportunities, and challenges affected Vietnamese WSMEs as a whole, with more nuanced differences between SEs and MEs, as well as valuable insights into possible causes and solutions.

Pillar 1: Access to Financing

Source of Financing: Internal

In the Vietnamese market, the most common source of financing was internal finance and/or the owner's personal savings, especially for younger owners (aged between 30 and 40 years old). They tended to have support from friends and family and did not face financial barriers, so they rarely dealt with banks. Locally, SEs faced challenges in accessing bank loans and investment due to limited financial management and the owners' skill, and insufficient transactions to promise growth. In contrast, MEs had more formal accounting departments, clearer financial management and growth records, and could more easily access loans, except in the event of scaling up from medium to large enterprises due to the risks of financial governance.

SEs Faced More Challenges to Access Formal Financing

According to the experts, SEs were more likely to experience major issues in accessing formal funding, especially from banks/formal loans. The banking system and the credit funds feared the risk associated with SEs because their owners had limited skills in financial management,

lacked operating experience, and had limited HR competencies (both owners and managers). Some less experienced businesses had a very good product or idea, but were lacking in the skills required to manage marketing/sales and finance, as well as those essential to operating the enterprise, which were the key criteria for investors to see their potential and invest in their business. Banks could not evaluate the SE's capabilities and potential for growth, as SEs did not have much history of transactions with the banks, their P&L was unclear, and there was no collateral. Additionally, the participating experts pointed out that many SEs in Vietnam did not have a clear separation between personal assets and business assets.

MEs Faced More Challenges When Scaling from Medium to Large

The experts also mentioned that MEs had few challenges in accessing loans and investment, as they had an accounting department to keep track of transactions, along with a clear separation between personal and corporate assets. MEs generally faced more challenges in raising funds when transitioning from medium to large, as the considerations of corporate governance and financial control become more important. Speaking about VC, one expert said that the owner would need to have very good knowledge of her own business before approaching a VC, e.g., understand her business stage, and how the business is going. When prompted, the experts mentioned that they were familiar with P2P funding and crowdfunding, but these were not top-of-mind among SMEs, as they were very new. In addition, angel investors were risky for SMEs due to the such investors' focus on fast cash and short-term returns. The experts perceived no gender issues in WSMEs accessing financing.

Pillar 2: Access to Mentoring, Networking, and Skills

Challenges Related to Mindset, Corporate Governance, and Management

The experts believed that there were no gender differences in networking between male and female owners. Networking did not pose challenges: quite to the contrary, it has become easier to get connections and network nowadays as compared to 10–20 years ago. There were many associations and also women-focused associations and women's unions with activities and opportunities. Some challenges were personal/mindset-related, e.g., changing the perception of businesswomen, encouraging them to see associations as an important part of their learning and growth (not just for sales), and emphasizing the owners' lack of knowledge about corporate governance and management in general. Additionally, the experts also highlighted that female business leaders were less likely to clearly know what they really wanted compared to their male counterparts. The experts believed that women tend to take more time before making a decision, are not as decisive, and are not as straightforward as men.



I think Vietnamese women are very smart and very good. [...] Owners should take the initiative and be proactive to build useful connections.

Women Association Expert

The main purpose of associations is to connect enterprises and the government, as well as to provide opportunities for enterprises to approach the government. From the interviews, it seemed that there were no specific programs for SMEs offered by associations, and activities depended mostly on the vision/interest of the current leader of the association. Government training programs were spread through Vietnam Women's Union and Vietnam Association for Women Entrepreneurs, as those associations are active in supporting women's businesses. Associations offered many offline workshops for sharing, but many SE participants were not open to sharing their difficulties, as they were quite shy and felt insecure.

This was because these business owners thought that they were not as good as more experienced managers (gender of managers was not mentioned), or because they wanted to protect proprietary knowledge.

Challenges Related to the Quality of Courses and Mentoring

Many online courses teaching entrepreneurs how to approach banks, improve their business models, and increase customers became available after the COVID-19 pandemic. For skill building, the priority was learning how to manage the businesses overall, and some of these courses were customized to the needs of the enterprises. There were some challenges about the quality of the courses being unequal, as it depended on the organizer and on how the training was conducted. However, experts highlighted the owners' mindset as the key driver in taking advantage of opportunities. For example, whether women owners already saw the importance of joining these programs.

Many mentors were available, but few were perceived to provide real value. Many WSME participants needed high-quality independent consulting that could offer guidance and instructions, but some mentors and consultants gave advice based on their book knowledge instead of actual experience, which was not so useful to our participants. Additionally, it was difficult for business owners to find a responsible mentors passionate about helping others.

Pillar 3: Business Processes and Management

The experts suggested that the number one key driver of digitalization in any SE or ME is the owner's mindset. In the experts' opinion, it was easier for Vietnamese SEs to go through digital transformation, but harder for mature Vietnamese MEs, especially for those that had been in operation for over 20 years. Vietnamese SEs had a smaller organizational chart, and therefore, many separate solutions at low prices were available to match their requirements; however, SEs hesitated due to their limited budget and more pressing business needs. Mature MEs had more barriers to digitalization due to being owned by older leaders with fixed mindsets, their low openness to technology from both the owner and staff, the very high cost of transformation, and the efforts

required to train staff and change processes (paperwork, steps, controls).³⁹

The experts suggested that there were clear differences in awareness and needs between SEs and MEs. MEs were likely to have stronger teams/skills and more budget; however, they needed a clear roadmap and strategy for digitalization due to the complexity of the business.³⁹ In contrast, SEs were more likely to use free, non-integrated tools (e.g., from Google, Facebook) and did not have the knowledge and budget to integrate. There were also differences in awareness between SEs and MEs. For example, MEs better understood the benefits of digitalization because they had clear needs and were growing/becoming more complex, so there was pressure to adapt. However, SEs have a simpler structure with fewer people, which could still be managed in a more traditional way, i.e., without holistic digitalization.

Factors Affecting Digitalization

The most important driver of digitalization among SMEs was the mindset of the owner; the experts saw that all businesses had to start digitalizing, as it was a necessity. However, the application and implementation depended on the mindset of the owner. The owner had to be very clear on their goals, and purpose of digitalization, as well as find the right and qualified person—staff and/or consultants—to implement it. Push and pull triggers for digitalization included the technology push from AI, Big Data, and Blockchain, on the one hand, and online demand pull from customers, on the other hand. Other drivers for SMEs were the impact of the COVID-19 pandemic, higher readiness due to developing infrastructure in Vietnam and the region, as well as the government's vision to enhance awareness of digital transformation among both businesses and citizens.

Among the key challenges to digitalization faced by Vietnamese WSMEs, the experts cited limited understanding of digitalization and a fixed mindset. The experts believed that most people saw digitalization only as applying technology into work processes, failing to see the holistic transformation of the business in which tools play only a supporting role. According to the digitalization expert, there were a number of key barriers to digitalization for SMEs, which were also confirmed by participating WSEs and WMEs. First, cost was the highest barrier among participating SEs, and some cash-strapped MEs also hesitated.

Second, while poor digital technology infrastructure was not directly identified as a key issue, the fear of personal business data leakage was confirmed by some respondents. Third, the lack of internal HR to apply digital technology was very common among the WSME interviewees. This includes, for example, not having enough staff, or existing staff not being sufficiently skilled, or current staff having a closed mindset. Fourth, the lack of information about digital technology was highlighted among the participants, along with the lack of a digital roadmap or clear direction-setting. Fifth, difficulty in changing business practices due to traditional processes and staff work habits were confirmed by participating WMEs that had been operating for over 15 years. Finally, the expert highlighted that the legal framework and regulations were not developed enough to cover digitalization—an issue that was not directly mentioned by the participating WSMEs.

As an example of a clear digitalization roadmap, one expert described the Ernst & Young Roadmap for SME digitalization.⁴⁰ This roadmap consists of a three-step digitalization pathway: Step 1) Doing digital, Step 2) Becoming digital, and Step 3) Being digital. At Step 1, SMEs build digital awareness by moving offline records to online data in different departments, e.g., separate software for accounting, sales and marketing, etc. Step 2 involves having one integrated system for reporting and governance, and connecting all the databases together. Finally, Step 3 is related to ERP implementation, where there is one system with all the processes, which also entails changes to the business model, and updates to the governance model to fit with the digital context.

Positive Effects on Equality

Although some married women who were older (50s) and married women in more mature enterprises (over 10 years) had to face pressures due to family responsibilities, the experts believed that digitalization created more equal opportunities for women. For example, it was easier for women to meet digitally and talk about their businesses online to prove that their products or services were of high quality. For women who were married or had children, online meetings had a positive effect from the gender perspective, as such meetings did not affect family time and could replace the need to socialize with business partners, especially in the evening time.

Pillar 4: Crisis Management (COVID-19)

The experts mentioned that they believed that the SMEs that survived the COVID-19 pandemic did so largely due to their strong foundations. This was the result of building a good business in the past, rather than digitalization alone. The experts suggested that the participants were aware of COVID-19 support from the government and grants; they knew that there were strict requirements for qualification, but did not have deep knowledge about the requirements. One expert mentioned that, due to COVID-19, many online courses and sharing sessions became available, but the quality of these courses depended on the organizer and how the training was conducted. Some courses were customized to the needs of the enterprises.

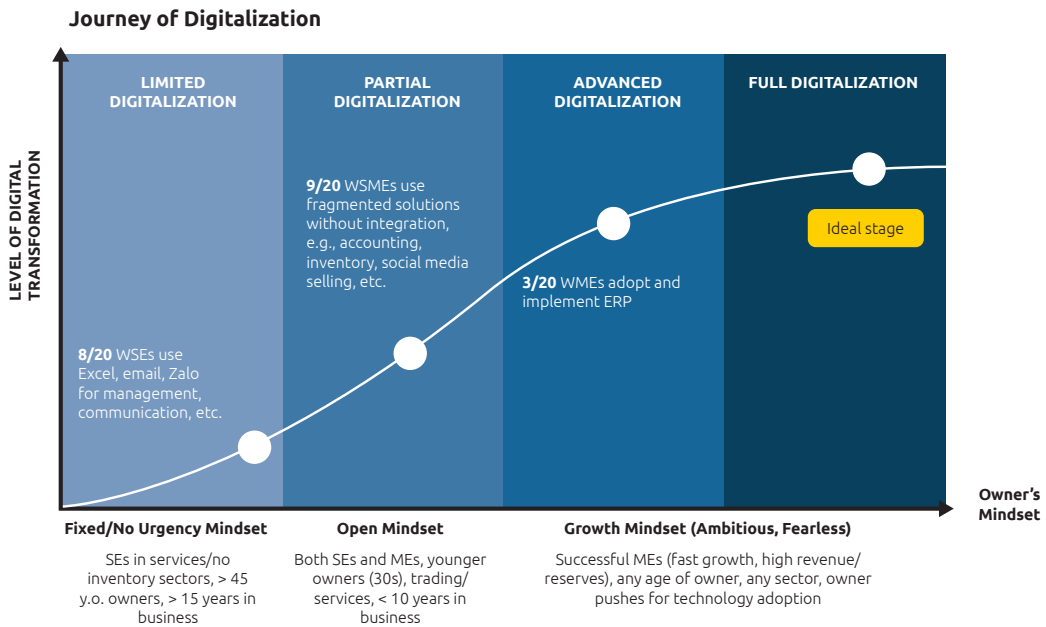


Figure 4.1 Digitalization journey of WSME participants in business processes and management
Source: Adapted and enriched from Ernst & Young Roadmap for SME Digitalization (see Expert Interviews)

The Ernst & Young Roadmap for SME digitalization (see Expert Interview section) was enriched by salient findings from WSME owners and expert interviews, to build a customized roadmap for participating WSMEs. This roadmap, which was named “Digitalization Journey of WSMEs” (see Figure 4.1) describes the typical profiles of participating WSMEs and assigns them to one of four possible levels of digitalization based on the number of digital tools used in business processes and management, how technologically advanced these tools are, and how much integration/transformation is present (see Chapter 1 for a more comprehensive Digital Maturity Index). At the lowest level of the journey, there are eight out of 20 WSMEs (all SEs in the service sector/no inventory, no MEs) that use basic tools for communication and manual processing of data. At the next level, there are nine out of 20 WSMEs (two SEs and seven MEs in trading/services) that use fragmented solutions from different suppliers. At the third stage, there are a few (three) more advanced MEs where all or most business processes were integrated into one system with back-end integration, e.g., ERP. The fourth stage of full digitalization is more aspirational, a level that none of the WSME participants had reached, as it appears to be more the domain of tech startups in Vietnam. A possible example is Ami, a local ME-sized tech startup that aims to digitalize all connections between citizens and managers or service providers within a single platform. This firm was also featured in the prestigious Forbes Magazine.⁴¹

Vietnam Ecosystem Map

Before proceeding to the recommendations, it is important to identify the stakeholders within the WSME Ecosystem of Vietnam (see Figure 4.2). There are five categories of stakeholders: (1) capital providers; (2) government entities; (3) WSME-related NGOs; (4) Network/skill-building association and platforms; and (5) business development services. In Vietnam, WSMEs can receive investment from women-focused capital providers such as BeaconFund. No alternative financing entities are currently utilized by WSME participants. Government entities provide WSME support through ministerial policy and support programs, including a dedicated SME Development Council. Numerous WSME-related NGOs operate in Vietnam, with the scope varying from local to global. For instance, ADB initiated a specific support for Vietnamese women entrepreneurs through the Women Accelerating Vibrant Enterprises in Southeast Asia and the Pacific (WAVES) program. The network/skill-building association and platforms are also abundant, providing options for Vietnamese WSMEs to discover important connections through multiple opportunities. Lastly, this study identifies the role of business development services providers such as InnoLab Asia in helping the growth of WSMEs.



Figure 4.2 Vietnam ecosystem map

*Please refer to the Acronyms and Abbreviations section.

Among the participating WSMEs, lower levels of digitalization were typically more common in SEs and businesses with older owners (aged 45 years old and older), and in the less complex enterprises (trading and services, without inventory) and/or those that had been in operation for a long time (10–15 years or more). In contrast, more advanced digitalization was no longer dependent on the owner’s age or sector, but was almost exclusively based on the owner’s mindset, such as their openness to digitalization and strong ambition for growth (as confirmed by the expert interviews above and the advisory panel below).

Advisory Panel Findings and Discussion

This section draws on the advisory panel’s comments on the current situation of Vietnamese WSMEs, along with the problems identified for each respective pillar. The focus is more on digitalization as the overarching theme of the report, followed by specific recommendations for policy and practice along all pillars to fill the gaps in the local ecosystem and propel Vietnamese WSMEs towards a more advanced digitalization.



Figure 4.3 Advisory panel methodology process with Vietnamese panelists

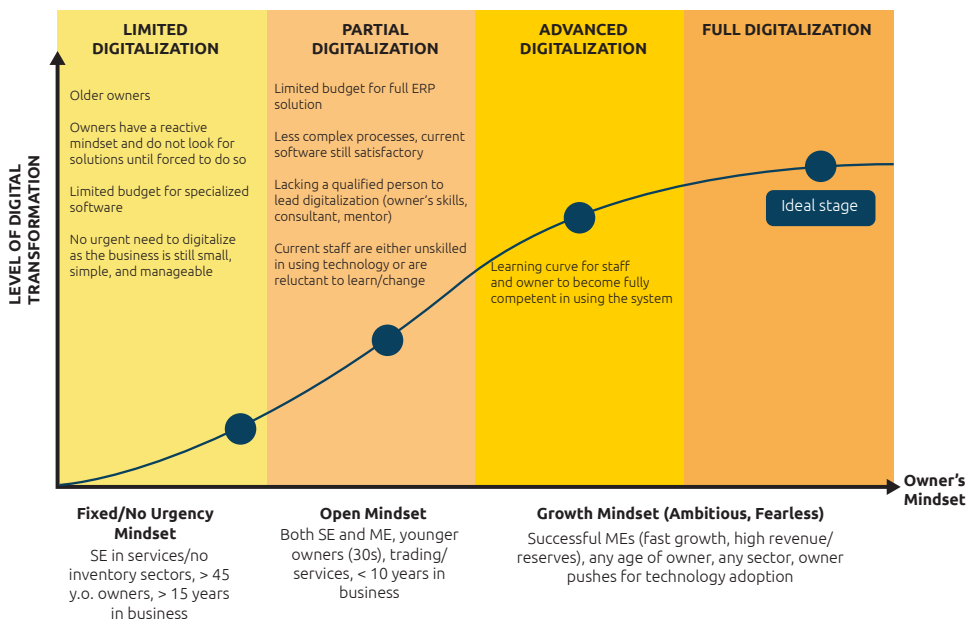


Figure 4.4 Challenges face by WSME participants in the digitalization journey
Source: Original work created for this report

Using the same four-stage model from the Digitalization Journey of WSMEs (see Figure 4.1), a second roadmap was created—namely Challenges to the Digitalization Journey of WSMEs (see Figure 4.4). Figure 4.4 highlights barriers to the transformation of participating WSMEs as they move up to higher levels of digitalization.

When presented with Figure 4.4, all panelists agreed that mindset is indeed a defining trait of the owners' and also the key factor driving the business growth, as well as increased digitalization. This is confirmed by previous cultural research on entrepreneurship, as small business owners often build their companies as a reflection of themselves, i.e., following their vision, ambition, and personality.⁴²

For enterprises at the earliest stage, the panelists believed that a fixed mindset may indeed be the cause of the lack of adoption, but only for some enterprises, while also taking into account other factors, such as the company's business model and operations. For instance, some small businesses may be too simple to require any further digital advancements, and therefore, they do not have a current pressing need to move along the journey. Further up the map, the panelists were quite surprised to see such a high adoption of ERP systems on the top WME level out of a relatively low number of participants in the qualitative study. They considered ERP implementation among three out of 10 participating MEs to be high because, from their experience, ERP in Vietnam was still quite infrequent among MEs (albeit more typical of large enterprises). This is because ERP requires very high budgets and great effort and commitment to implement.

The Need to Standardize the Definition of Digitalization

All panelists agreed that, at present, there is no clear and standardized definition in Vietnam of what digitalization actually means, despite the concept being so popular. This leads to misunderstandings and confusion, as different people have different definitions of the concept, without sufficient knowledge of what digitalization actually entails or any shared understanding of how to digitally transform their businesses.



Digitalization should not be just a trendy fad that is a catchy buzzword; instead it is a must-do, so it should be clear and standardized.

(First advisory panel – advisor from Business Startup Support Center)

When presented with the SMEs Go Digital program in Singapore,⁴³ one advisory panelist commented that a similar initiative would be very welcome, yet difficult to implement in Vietnam due to the higher number of SMEs and the lower level of transparency and infrastructure available in the country. Additionally, some panelists commented that, in different provinces in Vietnam, there are currently similar local projects, but only on the provincial level (e.g., they are more common in Ho Chi Minh City and Hanoi). However, the panelists were not aware of any top-down, national-level initiative yet. They believed that it would be best to have a centralized and comprehensive national-level initiative that would also include financing opportunities (see the Recommendations section).

In terms of using local or foreign technology suppliers/tools, the panelists believed that all tools tended to have similar functionalities. Yet, they encouraged the use of local solutions to provide Vietnamese suppliers with more opportunities to develop local technology, which is consistent with our findings that all participating WSMEs adopted local tools. Ultimately, tools are just tools, and the priority is for the owner to clearly know what she wants and what her current digital needs are for her sector and her current growth stage (see the Recommendations section).

Newly Launched Digitalization Government Initiative

One panelist who oversees the SME digitalization drive in Vietnam mentioned that the Vietnamese government has launched a national digitalization initiative, but it is still at an early stage, and many of its aspects of the initiative are still in progress for further refinement to prepare for the implementation.

As shown in Figure 4.5, the Ministry of Planning and Investment’s initiative in partnership with USAID focuses on bridging the gap between four digitalization pillars (capacity gap of awareness and skills, market gap, finance gap, and infrastructure gap), modeled after the Singapore government’s initiative.⁴³

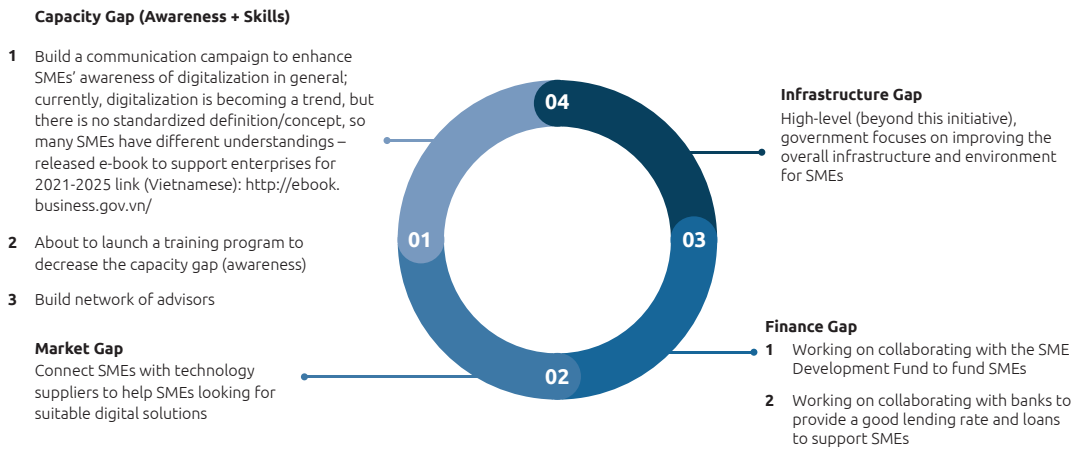


Figure 4.5 Digital transformation program
Source: MPI and USAID, 2021

To standardize the definition and expectations around the concept of digitalization, one panelist noted that the Vietnamese government will soon launch an international standard (ISO) specifically for innovation and digital transformation.

Low Awareness and Usage of Funding Support

Another problem discussed by the panel was the gap between availability of government financial support/private grants for SMEs, WSMEs, and COVID-19-specific resilience funds, on the one hand, and the lack of awareness (or very vague understanding) or adoption of such funds/grants among the participants, on the other hand. Indeed, the panelist who is the CEO of the Business Startup Support Center and a senior member of the Young Business Entrepreneur association said that she herself experienced difficulties in finding information and applying for SME/WSME funding, so she thought it must be even more difficult for other WSME participants to find such information and to apply.

Regulatory Barriers for New Financing Methods

The panelists quoted the example of consumer financing, which is currently growing in Vietnam,⁴⁴ arguing that, in addition to the lack of awareness, new financing methods were not adopted due to the regulatory environment.

In particular, they hoped that P2P lending and crowdfunding methods would become regulated and structured, because, in Vietnam, there are many private individuals with substantial funds who are willing to invest in SMEs.

Limited Capacity of Mentors/Advisors, Limited Integration Between Public and Private Stakeholders

The panelists explained that there was an increasing trend for mentorship recently, but this is mostly informal (e.g., lunch/coffee talk) as there is no standardized body to qualify and approve mentors, and no professional associations of mentors/advisors. Due to the low barriers to entry, there are many mentors in Vietnam, but it is difficult to find a long-term advisor with relevant experience, e.g., in digitalization or in the same industry as the owner. This is also the question of mindset that depends on the owner’s willingness to have a mentor. While having a board of advisors has yet to gain popularity, there is potential to offer training for SMEs to set up a board of advisors, even though there was no indication of where the funding could come from. The ecosystem in Canada was referred to as the best example of a close integration between the public and private sectors, that is yet to be achieved in Vietnam.

Gender Lens

With regard to gender issues, most panelists believed that Vietnamese women are strong and skilled. Based on their experience, most panelists did not encounter gender barriers in Vietnam, nor did they perceive that being emotional was a problem or that it was related to gender. From an investor's perspective, two panelists specifically highlighted that they could immediately recognize financial statements submitted by women-owned SMEs, as they tend to be neater and better organized as compared to financial statements submitted by men-owned SMEs.

One panelist mentioned from personal experience that, as the only female high-level executive in her organization, she had experienced being underestimated at work; in contrast, the other female panelists did not perceive or experience any gender barriers. One panelist stated that she had only consulted WSMEs in Ho Chi Minh City (Vietnam's major economic hub), so she was unable to comment about the gender lens in other areas.



I only consulted Ho Chi Minh City WSMEs, and I did not find any gender issues. I assume that, if you talk to more suburban WSMEs, you may see gender issues more clearly.

(Advisor from SME Business Association)

Key Recommendations

After distilling the problems highlighted above, recommendations were developed based on direct input from the panelists, combined with some insights from expert interviews and supplemented by desk research as needed. These recommendations are separated into policy and practice, where each is directed to be implemented by different stakeholder groups (see Figure 4.2 for a list Vietnamese stakeholders).

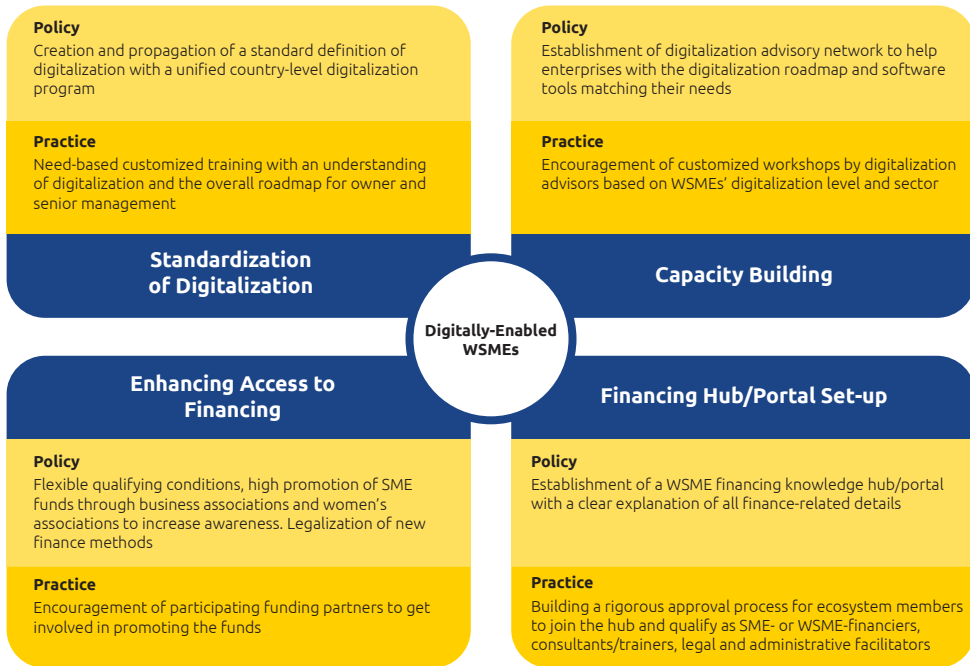


Figure 4.6 Key recommendations for policy and practice

Creating a Standard Definition and Unified Digitalization Program (Pillars 2 and 3)

Policy

The government should create and promote a standard definition of digitalization with a unified country-level digitalization program that clarifies what digitalization is and that includes a clear roadmap, matched with tools, suppliers, consultants/advisors, and funding. The government should build the digitalization program based on the type of need and stage of digitalization, as well as customize the program by industry/sector, because different sectors have different digitalization needs. As a foundation, the government should support the infrastructure for digitalization and add regulations for the software and technology suppliers. With regard to the financial aspect, funding for digitalization should be given not

only to financing partners (banks, etc.) and WSMEs, but also to technological suppliers so that they can create better solutions for WSMEs. In terms of training and skill-building, the government should set a clear roadmap for the training not only for the SME owners, but also for senior management, as the latter will be in charge of implementing any digitalization and influence staff to adopt digitalization.

Practice

Software suppliers, business associations (BNI, etc.), women's associations (HAWEE, etc.), training firms, and consultants should jointly offer training on the basics of digitalization and the overall roadmap. Such training should be tailored to the needs of each business and include the owner and senior management as implementation champions. To address the issue of the owner's mindset in digital transformation,

training should highlight the financial benefits of digital transformation, such as long-term cost savings and revenue increases for WSMEs.

Building Capacity for Digitalization Driven by Policy (Pillars 2 and 3)

Policy

The government should build a digitalization advisory network to assist enterprises in developing a digitalization roadmap and choosing suitable software tools for their needs. Advisors need to be segmented to match the advisors' skills with the needs of WSMEs, e.g., advisors for beginner WSMEs, advisors for more advanced WSMEs needs, etc. Training for staff should focus on improving mindsets and basic/fundamental knowledge about digitalization to better prepare employees for adoption. For example, in the public ecosystem (see Figure 4.2), the Ministry of Labor should educate the nationwide workforce on digital literacy skills.

Practice

Business associations (BNI, etc.) and women's associations (HAWEE, etc.) should directly contact advisors from the digitalization advisory network and invite them to deliver themed workshops based on WSMEs' digitalization level and sector, e.g., workshops for beginner/advanced WSMEs, WSMEs in manufacturing sector, etc.

Increasing Availability of Current Financing Options and Regulating New Financing Methods (Pillar 1)

Policy

To tackle the underutilization of existing financing opportunities, the government needs to address primary issues of high qualifying conditions and low awareness about funding.⁴⁵ For example, mortgage and collateral requirements can be lowered, replaced, or waived in some situations (e.g., for WSMEs in the service sector), and the funds can be promoted in mass media, SME-oriented media, or by directly contacting business associations and women's associations.

For WSMEs that do not qualify for the existing formal loans, the government should legalize new financing methods, such as P2P lending, which, at the time of writing, did not have specific

provisions⁴⁶ and crowdfunding to allow wealthy Vietnamese individuals to invest in cash-strapped WSMEs throughout the pandemic period and beyond.

Practice

Participating funding partners (e.g., We-Fi, ADB, and related banks) should directly contact business associations (BNI, etc.) and women's associations (HAWEE, etc.) and send representatives/consultants/trainers to conduct workshops for WSMEs. As the first step, WSMEs should be trained on how to do a self-assessment of their current financing needs and be informed about the different types of financing available. Next, training can focus on how to choose the most appropriate financing, how to approach banks/investors, and how to qualify for funding. For WSMEs with a low digital literacy level and that are not part of any associations, NGOs and other development organizations should provide free assistance with basic tasks, such as filling out forms.

Setting Up a WSME Financing Hub/Portal (Pillars 1 and 2)

Policy

The government should create a WSME financing knowledge hub/portal with a clear explanation of all finance-related details. First, such hub/portal should include all financing options available in Vietnam and guidelines on how to approach each of them (e.g., prerequisites and paperwork needed to qualify for bank loan, for VC, etc.). Second, it should explain which financing options are suitable at each step in the development of a business (e.g., for start-up capital, for building a new factory, to finance long-term assets, etc.). Third, it should have a self-assessment tool for WSMEs to identify their own financing needs at the current stage and links to all funding opportunities/grants and the corresponding application process. Fourth, it should provide links to approved financing suppliers for SMEs (banks, investors, insurance agencies, etc.) and links and profiles of approved consultants and training firms to deliver financing literacy advice and training. To support this initiative,

the government needs to allocate funds for setting up and operating the hub, as well as promoting the hub to potential lenders, consultants, and legal facilitators to be included in the hub's offerings. This can be achieved by using the existing funds or with financial assistance from international organizations (We-Fi, IFC, etc.).

Practice

Ecosystem members should apply and go through a rigorous approval process to join the hub and qualify as SME- or WSME-financiers, consultants/trainers, legal and paperwork facilitators, etc. Upon joining the hub, qualified hub members should actively promote it to create awareness and interest among other SMEs and WSMEs in their network and recruit them for funding.

5 Conclusions

At present, Vietnam is making great progress in information and communication technology, which is affecting the local economic environment and, accordingly, Vietnamese WSMEs. While all participating WSMEs reported being aware of digitalization and employing digital technology to some degree, several notable barriers stifled adoption. The key barriers to further digital transformation included limited digital skills, resources, and awareness of existing support programs.

Among existing technologies, WSMEs were widely using social media, communication technologies, and online marketplaces in their businesses. While some enterprises made use of business management tools (for POS, inventory, finance/payments), and a few more advanced enterprises had ERP systems. However, we found no evidence of the participants taking advantage of digitalization to access advisors, tap into existing external funding, or reach out for government support.

After presenting the panelists with a summary of findings from participating WSMEs and challenges mentioned in the expert interviews, the advisory panelists identified a few key issues affecting Vietnamese WSMEs. First, there is a need for a standardized definition of digitalization and clear roadmap to apply it; second, there is currently insufficient capacity of mentors and advisors; third, WSMEs have limited awareness and usage of funding for digitalization and COVID-19 relief, which was partly due to limited financial literacy; and fourth, the Vietnamese ecosystem had limited integration between public and private stakeholders.

To overcome digitalization challenges among Vietnamese WSMEs, the experts and advisory panelists made several recommendations to be implemented by relevant stakeholder groups. On the national scale, the government should create and promote a standard definition of digitalization with a unified country-level digitalization program. To enhance the integration between public and private ecosystem members, the government

should set up a digitalization advisory network with pre-approved consultants and trainers to serve WSMEs. With the aim of enhancing digital literacy, training for WSMEs should be customized by industry/sector and stage in the digital transformation and delivered by pre-approved digital advisors, software suppliers, and consultants either through business associations/women's associations or directly to WSMEs. To promote more WSMEs taking advantage of available financing in the short term, the government should promote existing funding opportunities more widely in mass media. If feasible for the long term, the government can also consider regulating new financing methods—for example, P2P lending and crowdfunding for WSMEs that cannot qualify for formal loans. To enhance financial literacy while at the same time strengthening the ties between public and private entities, the government should set up a WSME financing knowledge hub that would list all available financing options, qualifying criteria, and links to approved suppliers. Financial consultants and trainers that were pre-approved on the hub can reach out to business/women's associations or directly to WSMEs to deliver workshops about choosing the right type of financing, customized by sector, current needs, and growth projections.

As the recommendations above suggest, there is a great opportunity for WSMEs to benefit from new government initiatives in standardizing digitalization, increasing access to financing, and boosting financial and digital literacy. However, if systemic issues affecting WSMEs are to be effectively tackled despite the ongoing COVID-19 crisis, it is crucial to strengthen the integration between all stakeholder groups in the ecosystem.

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Appendices

Appendix A Criteria for selecting SEs and MEs.

Sector	Item	Micro	Small	Medium
Agriculture, forestry and fishery	Number of employees (with insurance)	< 10	11–100	101–200
	Total revenue (VND)	< 3 billion	> 3–50 billion	> 50–200 billion
	Total capital (VND)	< 3 billion	> 3–20 billion	> 20–100 billion
Industry and construction	Number of employees (with insurance)	< 10	11–100	101–200
	Total revenue (VND)	< 3 billion	> 3–50 billion	> 50–200 billion
	Total capital (VND)	< 3 billion	> 3–20 billion	> 20–100 billion
Commerce and services	Number of employees (with insurance)	< 10	11–50	51–100
	Total revenue (VND)	< 10 billion	> 10–100 billion	> 100–300 billion
	Total capital (VND)	< 3 billion	> 3–50 billion	> 50–100 billion

Source: Decree No. 39/2018/ND-CP, 2018

Appendix B Key Legislation for Vietnamese SMEs

Legislation	Contents
Law No. 04/2017/QH14	This law took effect on January 1, 2018. It offers assistance with accessing credit and funding, assists with fiscal and business processes, including but not limited to production, technological, advisory, consultancy, human resource and legal assistance.
Decree No 37/2020/ND-CP	This decree allows small and medium-sized businesses to access investment incentives.
Circular No 05/2019/TT/BKHDT	Women-owned SMEs also had access to consulting services and subsidies within the consulting network.

Source: Vietnam Government, 2018–2020.

Appendix C Profiles of Experts and Advisory Panel Members

Name & Role	Profile Details
<p>Ms. Nguyễn Thị Hương Liên</p> <p>Vice chairwoman of Vietnam Association of Science and Technology Enterprises and Technology Enterprises (Expert interviewee)</p>	<p>Vice chairwoman of Vietnam Association of Science and Technology Enterprises and vice president of Sao Thai Duong Joint Stock Company.</p>
<p>Ms. Từ Thu Hiền</p> <p>Founder and CEO of WISE (Expert interviewee)</p>	<p>Ms. Hien is the CEO of WISE (Women's Initiative for Startups and Entrepreneurship). Launched in 2017, WISE is an initiative connecting and supporting women-led SMEs and startups. WISE now has a community of 5000 women in Vietnam and aims to expand connection with the women's business networks of Laos, Cambodia, and Myanmar. WISE provides and connects women with opportunities and resources they need to start and do business.</p>
<p>Ms. Nguyễn Thị Lệ Quyên</p> <p>Ministry of Planning and Investment (Expert interviewee and panelist)</p>	<p>Ms. Lê Quyên is currently an official at the Agency for Enterprise Development, Ministry of Planning and Investment, Vietnam. She has experience in policy making, especially policy to simplify regulation on the establishment and operation of VCs in Vietnam, connecting stakeholders in the ecosystem, and attracting foreign VCs into Vietnam (successfully attracted \$50M in funding).</p>
<p>Ms. Đỗ Thu Ngân</p> <p>Director at PriceWaterhouseCoopers (Panelist)</p>	<p>Ms. Đỗ Thu Ngân is an investment, finance and business management executive with a wide range of experience in investment, banking, corporate finance, business management, auditing, and accounting industries, as well as in corporate governance and board leadership.</p>
<p>Mr. Quang Phạm</p> <p>Crescent Group Capital Management (Panelist)</p>	<p>A private equity investor with 15+ years of working experience; covering the Vietnam market for Crescent Group Capital Management, a B2B PE Fund headquartered in Singapore and Shanghai with offices in Ho Chi Minh City, Jakarta, and Manila. He co-founded VIGroup, a \$500M++ Vietnam-focused private investment firm.</p>
<p>Ms. Trương Lý Hoàng Phi</p> <p>President & CEO IBP (Panelist)</p>	<p>Ms. Phi has been a prominent influencer and key player in the Vietnam startup ecosystem. Ms. Phi Truong founded BSSC – Business Startup Support Center, the very first startup incubator in 2010. She has consulted and mentored more than 7,000 startups and SMEs in Vietnam, some of which also got her as their angel investor. In the venture world, she's also well-known as Shark Phi since her appearance on Shark Tank Vietnam, season 1. She has also been very active in shaping startup policies at a national and provincial level. She's one of the key members behind several foundational startup programs in Vietnam, especially in HCMC, including HCMC's Innovation Fund, Vietnam's ventures investment regulations, Vietnam's SMEs law.</p>
<p>Ms. Nguyễn Thị Diệu Hằng</p> <p>CEO of BSSC Vice President of YBA (Panelist)</p>	<p>Ms. Diệu Hằng has been working in senior management positions for large companies with charter capital greater than VND 80 billion since she was young. She has extensive experience in business, executive management, human resources, and information technology. Ms. Dieu Hang has a great passion for technology and finance. In addition to being an alumnus of the first formal MBA course at the National Academy of Public Administration of HCM City, she has rich knowledge and experience in the field of human resource management. Her comprehensive knowledge and experience in many fields give her the opportunity to share and participate in supporting startup activities.</p>

Profiles of Experts and Advisory Panel Members

Name & Role	Profile Details
<p>Ms. Linh Huỳnh Executive Director, WTC Binh Duong Co., Ltd. (Panelist)</p>	<p>Ms. Linh Huỳnh is in charge of trade promotion and venue operation at the WTC Binh Duong New City complex. Connecting suppliers and distributors is a critical role of the organization. Ms. Linh Huỳnh has been overseeing the operations for two years, with 15 years of experience in trade promotion in Southeast Asia. She was the director of the Praxis partnership project (2012–2018) funded by DAAD – Germany, supporting 1000 SMEs during her career to enhance innovation management capacity as well as develop an internationalization strategy.</p>
<p>Mr. Thành Lê Partner at Lotus Impact (Panelist)</p>	<p>Mr. Thanh is a business advisor and investor in small businesses. He worked with Lotus Impact from 2013 until 2019 as investment officer and acceleration program manager with a focus on social impact businesses. Thành has founded two educational businesses and is in charge of the operations and financial management of these new ventures. Lotus Impact, founded by James Bui in 2013, is an impact investing advisory firm with a focus on Southeast Asia and Pacific Islands. The company had been selected to implement multiple impact projects in Vietnam and the Pacific Islands to help women entrepreneurs and impact business owners to scale their impact, especially smallholders' farmers.</p>

Source: Vietnam Government, 2018–2020.



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