
Thinking of Cambodia, while looking at Italian's digitalization

*by Riccardo Corrado, PhD
Associate Professor, CamEd Business School*

Digital Transformation

Following a study published by the Organisation for Economic Co-operation and Development (OECD), over half of the Small and Medium Enterprises (SMEs) increased the adoption of digital tools to support their business processes during the pandemic, and more than two-thirds of them expressed their belief that such changes are going to be permanent. Also, in accordance with a study by PwC, one of the well-known accounting firms named Big Four, more than half of the Chief Executive Officers (CEOs) in the Asia Pacific and 39% of the workers of the surveyed organizations expressed their belief that their company will not survive in the incoming decade unless they change their current way of doing things in terms of business processes and integration of digital technologies in them. McKinsey & Company, identified three main capabilities necessary for digital transformation during the pandemic: filling gaps for technology talent, using more advanced technologies, and increasing the speed in experimenting and innovating. It has been shown how the pandemic has accelerated by several years the digitalization of both customer interaction and rate of offerings (products and services) that are digital, with the change expected to continue and even accelerate with the evolution of technological advancement, mostly focused around areas such as generative artificial intelligence (AI), cybersecurity and data privacy, cloud-first applications, and environment, social, and governance (ESG).

Data Analytics and data-driven decision-making usually influence five areas, including research and development, data and data-intensive products, processes, marketing, and the overall management of an organization. A study in the United States, showed a positive correlation between data-driven decision-making and asset utilization, return

on equity (ROE), and market value. A further study in the United Kingdom, found a positive correlation between data analysis adoption in an organization and its profitability measures, such as EBITDA (Earnings Before Interests, Taxes, Depreciation, and Amortization) per employee and ROE. Specifically, in this context, data analysis adoption refers to the integration of data analytics into an organization's operations to streamline processes, and drive overall performance, through the usage of data-driven strategic decision-making, resource allocation optimization, and support to product development, and marketing operations. Also, following a study from the OECD, 14% of the total jobs in the OECD countries will be impacted by automation, and 32% are expected to face significant change in the next twenty years. But, it is also important to understand that digital transformation doesn't mean that jobs will be stolen by machines, rather governments need to be fast in preparing citizens with the right skill set. In the last decade, digital-intensive sectors created 4 out of 10 new jobs. Jobs will not be stolen, rather jobs are evolving and transforming, and the same must happen also with the way education systems prepare future talents.

Cambodia's Case

Regarding Cambodia, a recent study published in a book result of a collaboration between Konrad-Adenauer-Stiftung (KAS) Cambodia, and EuroCham Cambodia, highlighted how organizations in the Kingdom are aware of the importance of leveraging data for reaching operational excellence, yet they also admit to not being ready for doing this. Due to the numerous initiatives of the Royal Government of Cambodia to support the digital transformation of the country, several SMEs are learning how to adapt to this transformation, but many others are still struggling to effectively operate this change. This may be caused by a number of factors such as fear of change, lack of understanding on how to leverage digital

technologies for the business processes, lack of digital talent in Cambodia, and difficulties in finding the funds to invest for the transformation. Cambodia has remarked on its commitment to harnessing the potential of digital innovation to build a more inclusive, prosperous, and resilient country, through a transformative journey towards a digital economy and society, as outlined in the Digital Economy and Society Policy Framework 2021-2035. Essential pillars of this transformative journey include the promotion of digital entrepreneurship and innovation, financial inclusion enhancement, increased efficiency in business processes, bridging the digital divide, and building a skilled digital workforce. With this in mind, what may be possible policies to adopt for the country? One good approach always consists of learning from other realities that may have more experience in digital technology adoption and may offer useful lessons learned by looking at their successes, failures, and general challenges faced.

The Italian Approach

Specifically, looking at the case of Italy, a study was conducted a few years ago as a partnership of several Italian universities and public institutions. As result of the study, four recommendations were offered: reduce inequalities, promote trust in the digital ecosystem, support public and private digital advantage, and foster a digital ready and inclusive society. At the centre of the Italian approach, it is positioned the PNRR (National Recovery and Resilience Plan, in Italian, Piano Nazionale di Ripresa e Resilienza), consisting of 132 investments and 58 reforms, and being supported by 68.9 billion Euro in grants (roughly 74.4 billion USD), and 122.6 billion Euro in loans (roughly 132.3 billion USD), with more than 60% of its total budget intended for the climate and the digital spheres. The 6 pillars of the PNRR have been defined as (1) digitalization, innovation, competitiveness, and culture, (2) green revolution and ecological transition, (3) infrastructure for sustainable mobility, (4) education and research, (5) inclusion and cohesion, and finally (6) health. Examples of projects included in the plan cover aspects of increasing childcare facilities buildings, improving teaching quality, an eco-bonus for improving the energy efficiency of residential buildings, and boosting the connectivity infrastructure, assuring Gigabit connectivity to schools and healthcare facilities.

Specific focus has also been placed on boosting the digital transition of manufacturing, and the internationalization of small and medium enterprises. The Transition 4.0 plan, for instance, provides tax credits for businesses investing in capital goods, research, development, and innovation, but also investing in training activities specifically focused on digitalization. But also Italy introduced grants for high-tech investments, covering the equivalent of 40% of the expenditures dedicated to investments in machinery, plants, and equipment for technologically advanced manufacturing.

Another sector prioritized in the PNRR is the tourism sector, an essential component not only for Italy but also for Cambodia's economy and thus, an essential element to consider for the Kingdom. Italy highlighted the importance of increasing the digital accessibility of tourism and culture, in an effort to boost the attractiveness and value of Italy's heritage. Regarding this last aspect, the goal has been identified in the creation of a Digital Tourism Hub, accessible through a dedicated web platform, fostering the entire tourism ecosystem to enhance, integrate, and promote its attractions.

In terms of challenges instead, a number of PNRR-related projects have faced difficulties due to the bureaucratic mechanisms that the Italian system has inherited from its past. Several examples of project proposals from companies interested in investing in advanced technologies and focused on digitalizing specific processes have encountered complications in getting approved while the evolution of the same technology the project is based on moved faster than the approval process. Thus, keeping the process simple, transparent, and fast emerged as an essential characteristic to make sure that the transformation happens effectively. Discussion on the revision of some aspects of the PNRR, born during the pandemic, has also been requested, to make sure that the guidelines take into consideration the changes in the current European ecosystem, challenged by inflation and energetic crisis.

Yet, even with all the challenges, many positive results have already been achieved in only three years after the activation of the PNRR. The completion of digital telecommunications and IT infrastructure projects, central pillars of the Italian PNRR is actively ongoing with the development of the ultra-broadband network forecasted to be completed by 2026, with most buildings

so far being already connected by optical fiber, and those still not, being under 5G coverage. Similarly, for the data center infrastructure and cloud services for the Italian public administration, the adaptation and migration of applications to the new National Strategic Hub's have already begun with promising signs of progress. In this respect, 280 administrations are expected to be migrated, adapted, or reengineered by 2026. Still, more work needs to be done but in the end, the digitalization journey is a long one.

Recommendations

Digital transformation has been going on in the Kingdom, fostered by numerous initiatives of the Royal Government of Cambodia. The long journey for some organizations has been positively initiated but others are still struggling to embark on their journey due to numerous challenges. To support a holistic transformation in Cambodia, looking to other countries may represent a valuable source of suggestions and examples of successes and failures to guide the drafting of effective policies for boosting the achievement of a Cambodia 4.0. First and foremost, it is important to remark that pathways followed by other countries, like Italy, with a different history, economic situation, and developmental stage, cannot be taken as ready-to-use solutions for Cambodia, but surely, they can be used as useful study cases. With a focus on the Italian approach, analysing the priorities and pillars of the PNRR may represent a good example to consider, and adapt to Cambodia's ecosystem. Increased digital infrastructures must be a pillar of the approach to digitalization. If the infrastructure is not up to the standards, other initiatives will fall short. Furthermore, supporting companies investing in digital transformation and promoting training related to digitalization should be another priority. Facilitations in terms of taxes, grants, and fostering collaboration between private and public institutions on projects leveraging digital technologies, and advanced technology applications should be considered. Furthermore, supporting and facilitating the shift to cloud-based approaches should be appointed as a priority as well. The shift of public administration services to the national data center has been one of the major priorities of the PNRR, and it should be also for Cambodia. Finally, boosting the transformation of the educational and healthcare services, both in terms of connectivity, and

digitally-aligned services, and shifting the tourism sector to a more digitally accessible one, as seen from the PNRR, may represent important inspirations for the Kingdom of Cambodia. This could be also done by boosting possible partnerships with international companies and other governments to support the financial burden of such efforts while enabling the country with the necessary human force to sustain a more technically advanced ecosystem to come while enhancing the outstanding potential of a Cambodian's digital-accessible tourist sector, rooted in the mesmerizing history and culture of the Kingdom of Wonder.