The “Digital for SMEs” Global Initiative (D4SME) is a multi-stakeholder dialogue engaging governments, large and small businesses, industry experts and associations on how to enable all SMEs to seize the benefits of digitalisation. This initiative is promoted by the Centre for Entrepreneurship, SMEs, Regions and Cities of the OECD.

Summary

- The third D4SME Roundtable of the “Digital for SMEs” Global Initiative (D4SME) was held virtually on the 2 and 3 December 2021. It gathered more than 170 participants (from government, industry, academia, civil society) from 40 countries, including many representatives from Small and Medium-sized Enterprises (SMEs).

- The Roundtable was an opportunity for the D4SME community to discuss SME digitalisation to build back better after the covid-19 pandemic. In 2020-21, OECD governments launched important public programmes and ‘rescue packages’ to help SMEs adapt to a socially distanced economy, as well as ‘recovery packages’ and structural reforms to support the adoption of digital tools over the longer term.

- Business associations and private sector companies also played an important role in this transition, by developing new business solutions and providing advice, training and support to SMEs.

- At the Roundtable, the first D4SME Policy Paper “SME Digitalisation to Build Back Better” was launched. The policy paper builds upon OECD analysis and the knowledge sharing and networking activities conducted within the initiative since its debut. The paper illustrates recent trends in the digital transformation of SMEs, discusses main aspects of SME digitalisation in response to the COVID-19 crisis, describes SME digitalisation priorities and measures in recovery packages, and provides examples of selected private sector initiatives to foster SME digital uptake.

- Looking ahead, the D4SME initiative plans to extend the analysis of public-private sector cooperation initiatives to support the digitalisation of SMEs; expand the work on digital skills, looking at both entrepreneurs and SME employees, and at hard and soft skills; undertake some “deep-dives” on specific industries or sectors to target policy messages; look closely at key technological developments and implications for SMEs, as in relation to artificial intelligence, cloud computing and digital security.
Key Takeaways

High-level Opening

Minister Stuart Nash, Minister for Small Business of New Zealand and Chair of the D4SME Global Initiative, emphasised how the D4SME initiative is more timely now than ever before, as the COVID-19 pandemic continues to challenge our economies and societies, and as OECD governments launch important ‘recovery packages’ and structural reforms to support SMEs increase resilience and transition to the more digitalised economy of the future. As governments strive to optimize the strength and quality of a climate adapted recovery, Minister Nash highlighted that making digitalisation work better for SMEs is a priority and that New Zealand decided to make it a priority also of the APEC SME Ministerial Meeting which he chaired in 2021.

Mr Yoshiki Takeuchi, OECD Deputy Secretary-General, stressed the role of SMEs in the recovery and the importance of sustaining their digital transition to ensure strength and quality of such recovery. SMEs have been at the epicentre of the Covid-19 crisis, but for many the accelerated digital transformation of many of them can be viewed as a silver lining. Governments must ensure that momentum is not lost and that persistent or widening gaps are addressed. Mr Takeuchi shared how pre-existing digital maturity and access to digital tools during the pandemic made a strong difference to the resilience of SMEs. Mr Takeuchi assured the Roundtable that the OECD will continue supporting governments to improve SME policy towards digitalisation through initiatives such as the D4SME.

Minister Robert Troy, Minister of State for Trade Promotion, Digital and Company Regulation of Ireland, and co-chair of the D4SME Global Initiative, highlighted that the space for knowledge exchange and policy dialogue offered by the D4SME initiative is of even greater importance in this time of crisis. Minister Troy stressed that, as governments move from “crisis management” to recovery strategy, it is very timely to discuss how OECD governments and the private sector can build on the momentum of the accelerated digitalisation of SMEs triggered by the pandemic, and turn this into a structural challenge. Drawing on the experience of Ireland’s covid-19 recovery, Minister Troy emphasised the importance of international cooperation and engaging with the business community, including the role the private sector can play in shaping policy responses. Minister Troy shared features of the Irish recovery package such as the Digital Transition Fund to enable firms to embrace digital technologies, the establishment of European Digital Innovation Hubs across regions of Ireland and the National SME and Entrepreneurship Growth Plan which focuses on access to digital infrastructure, digital skill development and access to global markets.

Vice-Minister Kang of Korea, Ministry of SMEs and Start-ups, highlighted the important role SMEs will have for an effective and sustainable recovery and shared the experience of Korea’s ‘New Deal’ which aims to transition Korea to be a digital economy, the Korean post-pandemic recovery plan which intends to enable SMEs to respond to changing economic environments by adopting smart technologies and strengthen their digital competitiveness. The Vice-Minister emphasised Korean priorities such as the digitalisation of traditional manufacturing SMEs and widespread introduction
of smart factories, SME use of data analytics and AI, educational programmes for entrepreneurs, accessible financial support for SMEs and the drive towards carbon neutrality and a green transition of firms.

In a panel chaired by Minister Nash, representatives from the business sector (Mr Sebastiano Toffaletti, Secretary General, European DIGITAL SME Alliance; Ms Anna Curzon, Convenor of the MSME Digitalisation Task Force, APEC Business Advisory Council (ABAC) and Chief Product Officer at Xero, New Zealand; Mr Andrew Wilson, Head of Policy Department, International Chamber of Commerce (ICC); Mr Alban Maggiar, President, SMEUnited; Ms Hanni Rosenbaum, Executive Director, Business at OECD) discussed how SME digitalisation can help ensure a sustainable and resilient post-pandemic recovery for all SMEs.

The panellists emphasised that for SMEs digitalisation is a ‘journey’, and the digitisation of business models a long-term process. Panellists highlighted that SMEs that had already started such journey before the crisis, or successfully pivoted to digital business models as the crisis erupted, proved to be the most resilient throughout the pandemic. They also called for increased attention on how digitalisation can sustain a more sustainable, environmentally friendly and inclusive recovery.

Panellists highlighted what they consider as policy priorities to achieve these goals, and what governments across the OECD need to be doing to accelerate SME digitalisation, build on the momentum, and strengthen SME resilience in a post-Covid economy. These priorities include: strengthening digital skills and the re-skilling of SMEs; developing ecosystems for SMEs, ensuring a coordinated policy approach across countries; putting in place regulatory frameworks that ensure technologies remain open and markets competitive; strengthening digital infrastructure, particularly in rural areas; developing targeted programmes for specific sectors; and enhancing the digitalisation of public services.

Session I: How can SMEs up-skill for the data economy?

Chaired by Minister Nash of New Zealand, the first thematic session opened with two “spotlight” speakers from government and industry: a representative from a Finnish public innovation fund leading a programme that focusses on how Finnish SMEs can develop new business models based on better use of and sharing of data, and a Dutch SME that created advanced data managing and analytics tools available for other SMEs (member of the European Digital SME Alliance). Key takeaways from the discussion include:

- The **smart use of data** (i.e. advanced analytics, accounting, digital security) can boost SME productivity and competitiveness; it also has the potential to enable a transition towards more sustainable, circular business models.
- SMEs face particular challenges in reaping the benefits of increasingly data-driven economies, often struggling to turn data into economic value and capitalise on internal and external data to grow their business.
- The use of data demands **awareness on data value and how to extract this**, **a clear strategy, management capabilities and upskilling of workforce**. Skills development is especially important to navigate effectively the overflow of data and information and understand how data can best serve the SME objectives.
• Lack of knowledge, motivation and time are often main barriers to SME upskilling. It is essential to raise awareness among traditional SMEs about benefits of a data-driven business and how to address the associated risks, according to SMEs’ needs and ambitions.

• Standard training models do not work as effectively in the data economy. Digital learning models are emerging that, through customisation and use of new technologies, aim to serve and incentivise timely constrained entrepreneurs (e.g. short video/text bits, “gamification” of learning).

• Policy priorities include easing SME access to accurate, timely data; strengthening their data analytics capabilities and improving their digital security practices. Governments are placing increasing attention on these areas. Notable approaches in recent programmes include promoting connections with advisory services and mentoring that is fit for the data economy.

Session II: Accelerating SME participation in the Industry 4.0 revolution

Chaired by Minister Troy of Ireland, the second thematic session opened with two “spotlight” speakers: a representative from the Ministry of Economic Development Italy sharing their recently launched programme to make Italian manufacturing more competitive in the digital era and a Norwegian SME active that develops software for the manufacturing industry, from Oil&Gas to Aerospace. Key takeaways from the discussion included:

• The Industry 4.0 revolution offers large opportunities to SMEs, as they can use these technologies to increase flexibility, productivity and competitiveness. However, such a transition implies significant changes at the firm-level, in processes, relations along the supply chain, organisational structure, value proposition and business model.

• The Industry 4.0 revolution demands large upfront investment in technology and skills development, but also a strong commitment by entrepreneurs and managers and a willingness to enter an innovation journey. It requires new approaches to data sharing and data security, as the boundaries of the firm expand or blur.

• For policy makers, a shift in mind-set is required, as a systemic, supply-chain, cross-sectoral approach perspective becomes compelling. Fiscal incentives, innovation hubs and competence centres can support such shift, including by helping SMEs “test before invest.” Infrastructure is also crucial for a long-term shift.

• Data access and interoperability are essential. Entrepreneurs made a strong call for open, publicly available international standards.

• The complexity and interconnectivity underlying the transformation demands very close cooperation among all actors, including consultation of SMEs, to design effective policies.

Session III: Realising the potential of e-commerce for SMEs: online payments, digital accounting and Fintech solutions

Chaired by Minister Nash of New Zealand, the third thematic session opened with two “spotlight” speakers from government and industry: a representative from the Australian Small and Family Business Branch
within the Australian Treasury and an Israeli swimwear brand whose main retail channel changed to be online in response to the pandemic. The floor was then open for discussion. Key takeaways:

- As a result of Covid-19 and social distancing measures, digital models and e-commerce are no longer considered “innovative” or an add-on, they are an integral part of many business models.
- E-commerce can contribute to a level playing field among SMEs, between rural and urban businesses and also across different sectors – almost all businesses can incorporate an online element, and there are many hybrid models combining physical and online elements.
- It has never been more accessible or affordable for firms to go online, different technologies and social media have enabled many SMEs to easily access the internet; however competition is fierce and scaling is a key challenge, along with skills needed for e-commerce, navigating e-payments and simultaneously managing physical and online stores.
- Governments have an important role to play in providing a conducive regulatory framework, keeping markets open and facilitating trade, but also providing information and building SME digital skills and fostering e-solutions.
- Fintech and platforms are also offering important solutions and can help bridge SMEs leapfrog to the digital realm.

Launch of the D4SME Policy Paper “SME Digitalisation to Build Back Better”

Minister Nash chaired the session and Mr Martin Gödel, Head of SME Policy, State Secretariat for Economic Affairs Switzerland and Chair of the OECD Committee on SMEs and Entrepreneurship (CSMEE), presented the first D4SME Paper, published as part of the OECD “SME and Entrepreneurship Policy Paper” series. The paper builds upon recent OECD reports, including the 2021 OECD SME and Entrepreneurship Outlook and the report on “The Digital Transformation of SMEs,” and integrates reference to the “knowledge exchange” events organised over the last years in the context of the initiative.

Mr Gödel stressed the contribution of the policy paper to the CSMEE agenda to build evidence and improve understanding about how to foster SME digitalisation, which is instrumental to a sustainable and inclusive recovery. Mr Gödel highlighted the value of inputs from governments as well as from private sector partners and the SMEs themselves, through the databank of SME cases, which has been developing as part of the D4SME initiative.

- The D4SME Policy Paper highlights how the rapid digitalisation of economies makes it crucial for “traditional” firms across all sectors to adapt, but also that there are serious barriers to this transition. The lack of skills and of digital security practices, the limited access to digital infrastructure, and to adequate financial resources are all elements that affect the pace of SME digitalisation, contributing to widening the gaps in digital maturity vis a vis larger enterprises.
The pandemic has created a new environment that has accelerated the digitalisation of many small businesses. Across the OECD, surveys suggest that 30 to 60% of SMEs have started using new digital tools during the pandemic.

However, while above 40% of SMEs believe the changes are poised to last, there is a size-related issue: 1 out of 3 micro firms do not think that the change in use of digital technologies will last after the crisis – against 1 out of 5 small firms and 1 out of 7 medium firms.

Governments have a role to play. Evidence about “rescue” and “recovery” packages across more than 90 countries shows that the budget dedicated to SME digitalisation totalled around USD 8 billion (23% of the total on digitalisation) in “rescue” packages (i.e. short-term initiatives). In “recovery” packages (i.e. medium-long term initiatives), the total pledged investment increased in absolute terms to USD 49 billion but, given the much larger size of the “recovery” packages, the percentage out of the total investments on digitalisation policies dropped to about 8%.

Private sector associations, small and large companies play an important role in supporting the transition too. During the pandemic, industry and SME associations have stepped up activities to promote digitalisation among their networks, and specialised SMEs and start-ups broadened their offer to support SMEs design and implement their digital strategy. Large technology companies launched or updated programmes for SMEs.

The paper presents 22 experiences from D4SME private sector partners that have put in place programmes to support SMEs, often in cooperation with national and local governments, ranging from online training to business development services, from e-commerce toolkits to digital access to finance, among others. Often these programmes have been launched during the pandemic but are projected to last well after it.

These experiences and recent trends point to the importance of strengthening the ecosystems on which SMEs can rely to access tools, knowledge and expertise. Taking into account that such ecosystems are often anchored in local settings, which calls for effective governance across policy levels.

Closing session and vision for the year ahead

Celine Kauffmann, Head of the Entrepreneurship, SMEs and Tourism Division at the OECD, provided an overview of the D4SME activities in 2021 and shared the D4SME vision for the year ahead. Alongside the first D4SME Policy Paper, the SME Databank grew to include over 100 SMEs from 12 sectors and 20 countries. This databank has been leveraged throughout the initiative in different ways including for communication and dissemination activities (e.g. videos, interviews) and for contributing with case-based evidence to analytical work and events, including the D4SME policy discussions on “SME Digitalisation and sustainability: the Twin Transition” and on “The frontiers of Digital Learning: Bridging the digital skills gap for SMEs.”

Following priorities highlighted by D4SME partners during the Steering Group in October 2021, the D4SME initiative plans to extend the analysis of public-private sector cooperation initiatives to
support the digitalisation of SMEs; expand the work on digital skills looking at both entrepreneurs and SME employees, and at hard and soft skills; undertake some “deep-dives” on specific industries or sectors to target policy messages; look closely at key technological developments and implications for SMEs, as in relation to artificial intelligence, cloud computing and digital security. The initiative will also aim at expanding the SME Databank to increase its reach in terms of sectors, size and geographical location of businesses, also leveraging contribution from the network of the D4SME partners.

For comments or questions, you can reach us at D4SME@oecd.org