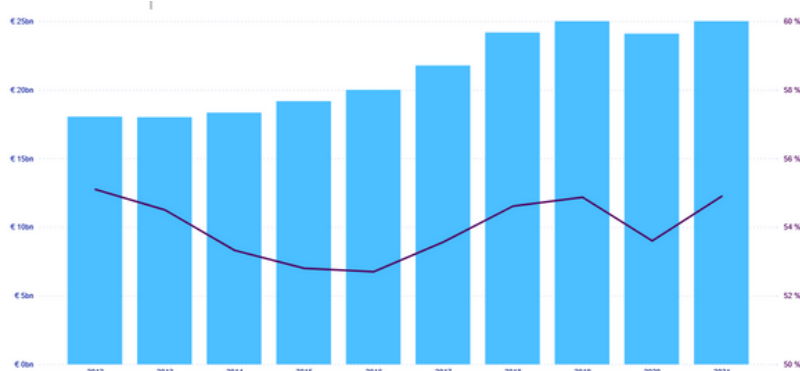


COUNTRY FINDINGS: SLOVAKIA

The whole society is currently facing the negative impacts resulting from the Covid-19 pandemic, the war in Ukraine, or the rising inflation. The upcoming period is a huge challenge, especially for SMEs. SMEs in the Slovak Republic play an indispensable role in the country's economy as they account for more than 50% of GDP and employ almost 75% of the active workforce.¹ And as we can see in Graph 1, the added value of SMEs has been increasing constantly, with the exception of the year 2020, when the pandemic hit SMEs severely, which means that providing help to these businesses should be among the government's top priorities.

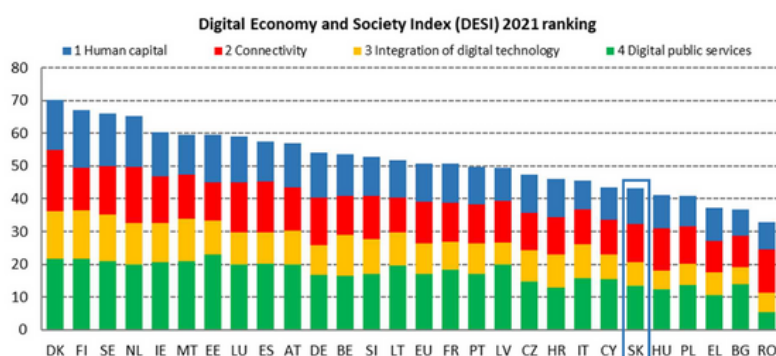


GRAPH 1. VALUE ADDED OF SMES - DEVELOPMENT OVER TIME
SOURCE: [HTTP://MONITORINGMSP.SK/2022/05/02/PRIDANA-HODNOTA-MSP/](http://monitoringmsp.sk/2022/05/02/PRIDANA-HODNOTA-MSP/)

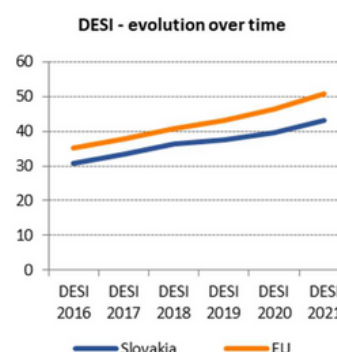
The adoption of digital technologies brings new opportunities and many benefits for the whole society, and SMEs in particular. Digitalization is closely linked to a company's growth and productivity, impacting its sustainability or profitability. As digital transformation is one of the key drivers of productivity growth, the common goal should be to enable SMEs a fast, efficient and transparent process of digitalization. The government, SMEs and big companies, academia or NGOs each have a role to play in this process.

This paper maps SMEs in the Slovak Republic with a focus on the level of implementation of digital technologies in their businesses and connected areas. With reference to the discussions and working groups organized under the umbrella of the League for Digital Boost, we bring a summary of the main challenges of Slovak SMEs and the ecosystem and we also introduce key policy recommendations and success stories as an inspiration.

As displayed in Graph 2, the Slovak Republic ranks 22nd of 27 EU Member States in the Digital Economy and Society Index 2021 or DESI, with a score of 43.2. In comparison, the score of the EU is 50.7.² The positive aspect is that when we look at the evolution of the DESI ranking over time, the absolute value of the country is constantly increasing. However, the country is still not able to catch up with the EU average, as the achieved improvements are in line with the growth of the EU average. The level of the increase is displayed in Graph 3. One of the causes is that despite implementing digital tools and technologies in the processes, the scale of the digitalization is still on a basic or modest level, therefore SMEs are unable to fully use the potential and benefits digitalization offers. The use of digital technologies in businesses is also visible in Graph 4.



GRAPH 2. DIGITAL ECONOMY AND SOCIETY INDEX 2021
SOURCE: [HTTPS://DIGITAL-STRATEGY.EC.EUROPA.EU/EN/POLICIES/DESI](https://digital-strategy.ec.europa.eu/en/policies/desi)



GRAPH 3. DESI - EVOLUTION OVER TIME
SOURCE: [HTTPS://DIGITAL-STRATEGY.EC.EUROPA.EU/EN/POLICIES/DESI](https://digital-strategy.ec.europa.eu/en/policies/desi)

¹ <http://monitoringmsp.sk/2022/06/02/vlada-prijala-mimoriadne-opatrenie-na-zmiernenie-dopadov-na-msp/>

² <https://digital-strategy.ec.europa.eu/en/policies/desi-slovakia>

The Slovak Republic is known for its strong industrial base which can be attributed to the long-term presence of specific industrial sectors. In recent years, the country has begun to focus more on the innovative and Information and Communications Technology (ICT) sector with several significant successful projects established such as ESET, Pixel Federation, WebSupport, Slido and many others.

Strengths:

Among the country's other strengths we could mention a strong connection to the technological leaders of the EU through export, a strong position in terms of the development of digitally advanced industries such as banking or telecommunication sector, a relatively stable level of investments of larger companies or a quite good broadband coverage, which leads to an added incentive for SMEs to digitalize.

Threats:

When we look into the sector division, we see a huge dependence on the automotive industry which brings a potential risk in the form of future changes in consumer trends, trade or business patterns. The country also faces a strong need to change the skill level of the population - meaning reskilling of the employers and employees and also educating the new generation starting from primary schools and providing life-long learning.

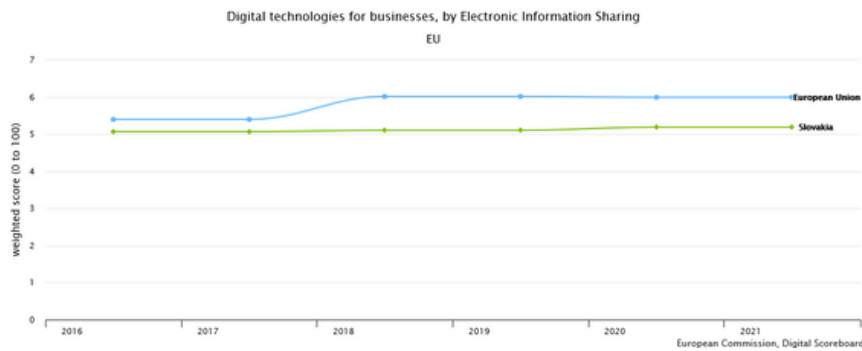
Weaknesses:

The main obstacles and challenges for the country's SMEs include low awareness of SMEs about the needs and benefits of digitalization, lack of knowledge, capital and skilled workforce, lack of information regarding the possibilities of financing the implementation of digital technologies, huge administrative and bureaucratic burdens or over-administration of processes, low understanding of the potential cyber risks, insufficient capital strengths of SMEs due to weak financial reserves and absent progressive financing through capital markets or venture capital, an unhealthy dependence of the Slovak business environment on the presence of multinational companies as Slovak SMEs are often only their subcontractors, and also barriers caused by differences in infrastructure between the regions.

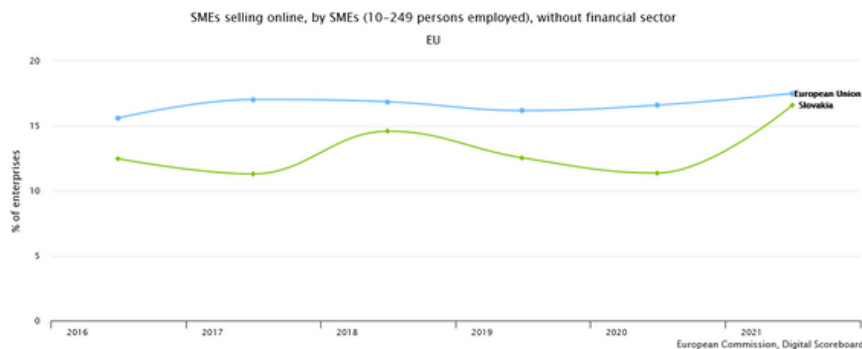
Opportunities:

The Slovak Recovery and Resilience Plan brings a number of opportunities. The plan is structured around five key political priorities. These are the green economy (€ 2.301 billion; 35%), education (€ 0.892 billion; 14%), research, development and innovation (€ 0.739 billion; 11%), health (€ 1.533 billion; 23%) and public administration / digitization (€ 1.11 billion; 17%).³ It includes measures to support green investment, in particular in renewables, transport and buildings, health, education and the digitization of public administration. Overall, the Commission's assessment states that Slovakia's plan allocates up to 21% of the total to measures that support digital transformation. This includes investment in eGovernment, the digital transformation of education and healthcare, together with support for improving the digital technologies available to businesses, especially SMEs.

When we compare DESI characteristics for the country and put them in context, they confirm several from our previously discussed findings. During the last two years when the pandemic hit us, we have witnessed that SMEs which used advanced mechanisms have been able to adjust their business models and therefore survive. To the contrary, companies which were not digitalized and demonstrated no willingness to adapt and enter the online world, were severely affected or closed. When we take a closer look at one of the DESI indicators displayed in Graph 5, Slovak SMEs which are selling online, we see an increase of about 5% between 2020 and 2021, which translates into almost reaching the EU average. This is a very nice example which shows us the mindset of the SMEs and their willingness to adapt if they want to survive on the market and we should now look into how to support the constant increase of this indicator.



GRAPH 4. DESI 2021 COMPARE COUNTRIES PROGRESS: DIGITAL TECHNOLOGIES FOR BUSINESS
SOURCE: [HTTPS://DIGITAL-AGENDA-DATA.EU/DATASETS/DESI/VISUALIZATIONS](https://digital-agenda-data.eu/datasets/desi/visualizations)

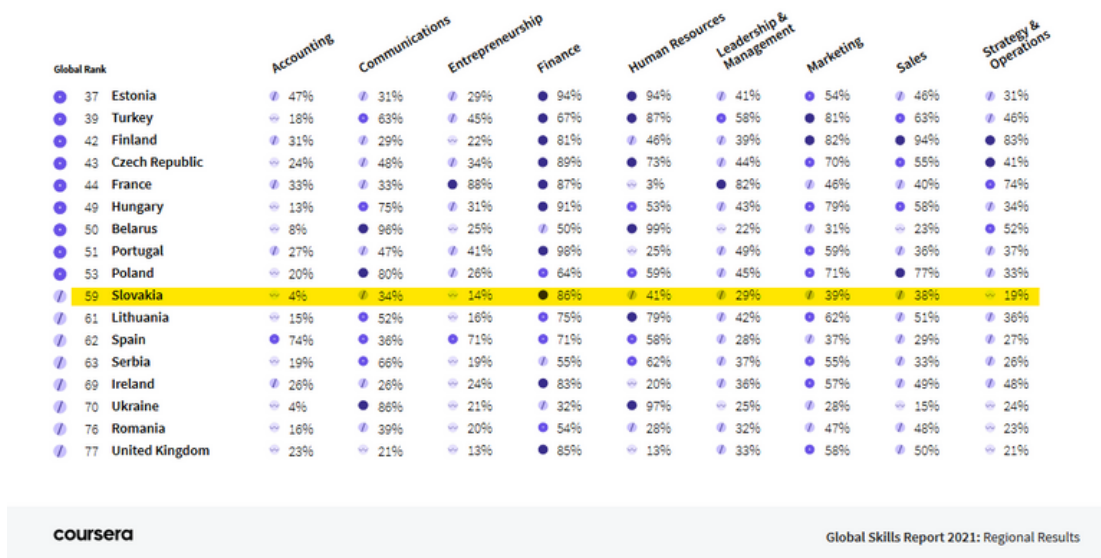


GRAPH 5. DESI 2021 COMPARE COUNTRIES PROGRESS: SMES SELLING ONLINE
SOURCE: [HTTPS://DIGITAL-AGENDA-DATA.EU/DATASETS/DESI/VISUALIZATIONS](https://digital-agenda-data.eu/datasets/desi/visualizations)

³ <https://www.planobnovy.sk/>



The mindset of the CEOs is not enough, though. Bearing in mind the existence of some funding possibilities, structures and schemes, the lack of digitally skilled employers and employees becomes one of the key challenges for SMEs. A world-known online platform for online learning, courses and certificates, Coursera, publishes a Global Skills Index and the Global Skills Report⁴ each year, based on the platform data and research. When we look into Graph 6, we see that outside the traditional strengths in the domain of Finance, the Slovak Republic exhibits insufficient performance in other Business skills, ranking 59th overall in Business skills. The country has several skills identified as emerging, namely communications, HR, leadership and management, marketing or sales. Skills like strategy and operations, entrepreneurship or accounting with only 4% are being categorized at the lagging skills level. Looking into these statistics, we should consider reskilling activities and platforms and life-long learning in general to be one of the areas supported by the management of companies or the government.



GRAPH 6. GLOBAL SKILLS REPORT 2021:EUROPE BUSINESS SKILLS

Among our key recommendations, we bring the following:

The starting point for SMEs is to know what digitalization is, how it could help them and why they should deal with it. Based on inspiration from Finland and Estonia, we recommend creating an online platform that would navigate SMEs through all aspects of the digital transformation process. In both above mentioned countries, the Federation of Finnish Enterprises (FFE) or Enterprise Estonia (EE) provide support in several categories: raising awareness about the opportunities digital tools and technologies can bring, partnering with organizations from public and private sector, producing a series of events, case studies, peer-to-peer learning opportunities for SMEs owners; organizing webinars on how to use digital tools; publishing online manuals and tutorials which are freely accessible and understandable. In this regard, the League for Digital Boost aims to become an active player and in cooperation with Slovak ministries, businesses, academia and the third sector, we plan to prepare a structure for such a portal and lead it further.



We also see a big opportunity in the education of the state apparatus in digital topics for a better understanding of the context and problems of the market, as well as the transfer of experience and best practices from abroad. This could help speed up the processes considerably.

In order to increase the awareness about the topic in general, we would also recommend strengthening the collaboration between platforms and organizations which visit SMEs in person in their regions and discuss their needs and problems with them.

The communication between state authorities and SMEs should be driven through electronic tools that enable users to collaborate or interact digitally and save time. The most effective and least bureaucratic procedure would be to be able to communicate with every authority online, including the Tax Office, Social or Health Insurance authorities, and others. We recommend establishing a single system in which SMEs would register and provide information once and it would be automatically distributed to all other institutions. This would limit the personal contact of SMEs with the state and authorities, increase the effectiveness of the whole process and also set up an effective system of data sharing between the respective state authorities and agencies, as well as strengthen cross-departmental cooperation between ministries.

The key challenge of the whole ecosystem is the lack of communication from the government to SMEs, heavy administrative procedure, or the lack of trust among ecosystem stakeholders. The government, SMEs, big companies, academia, as well as the society in general need to cooperate in order to achieve better conditions for a smoother digitalization of SMEs. Effective collaboration between these stakeholders is a huge enabler and could speed all these processes, as we've witnessed in the Nordic countries.

⁴ To develop the Report, Coursera uses the data collected on their platform, including more than 77 million learners, 4000 campuses, 2000 businesses, more than 100 governments, workers, graduates and individuals.
https://pages.coursera-for-business.org/rs/748-MIV-116/images/coursera-global-skills-report-2021.pdf?mkt_tok=NzQ4LU1JVi0xMTYAAAGDB-NfKn_gxICDnsuCef2zv5cIN-FlnXEqch-KicjlvV0Nw30b7gMz0-7tqXiwU-uvPYOj9I5wQxF7gb3NMFGR17WB27CtMtYZh_lskJgsrUmlhQ

The European Digital Innovation Hubs (EDIH) could serve as one-stop shops and help SMEs expand their use of digital technologies to improve their businesses in general. A part of the EDIHs should be devoted to help SMEs with the implementation of digital technologies, e.g. in the form of establishing a network of devoted SMEs Digital Advisors.

Many opportunities to finance digital transformation exist, but, unluckily, the related information is often very fractured. A single system listing all the opportunities of financing, including national, regional or European, would ease the processes and also increase the willingness to apply for financing.



We have also identified more recommendations, among them:

- to support well established organizations and platforms which already help SMEs with reskilling, digital marketing, and other aspects of becoming more digital (e.g. Aj Ty v IT, MiniTech MBA); and to communicate information about these platforms through the governmental communication channels (e.g. newsletters, websites, agencies, etc.)
- to bring more quality to the processes of preparing grant schemes (e.g. include SMEs in the processes) and also to their evaluation (e.g. include non-Slovak jury)
- to support initiatives focused on bringing new solutions, like hackathons
- to support the education of SMEs owners and managers about the benefits of digitalization and the opportunities it brings
- to launch a governmental campaign about digitalization
- to support the employment of skilled workforce outside of the EU, which goes in hand with a better regulation framework

We believe that all actors of the ecosystem have their key role to play in order to boost the level of digital transformation of SMEs and that we will succeed only if we work together. The government provides education and regulation. Big companies, together with startups, scaleups and smaller businesses, bring new solutions to the market. NGOs connect various stakeholders and create knowledge sharing platforms, while universities contribute to generating innovative mindsets. After all, that is what the success stories of countries with a highly digitalized economy teach us. We have to realize that by helping SMEs to digitalize, we will help not only the businesses, but the society, organizations, or individuals. All the investments into digitalization will produce returns across the economy.

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Contact us:



www.sapie.sk/ldb



lucia@sapie.sk

The vision of the League is to create a broad coalition of the key actors in the field of digital economy and to launch and drive a sustainable format of a long-term cooperation in the implementation of digital transformation in SMEs.



Lucia Colníková
The League for Digital Boost Lead

Next steps:



Addressing specific policy recommendations to governments



Preparation of a digital handbook for SMEs



Connecting key stakeholders



Raising awareness through different set of activities

Under the Auspices of:

Founded & Led by:

Partners:

