

DIGITAL TRANSFORMATION of SMEs: key findings



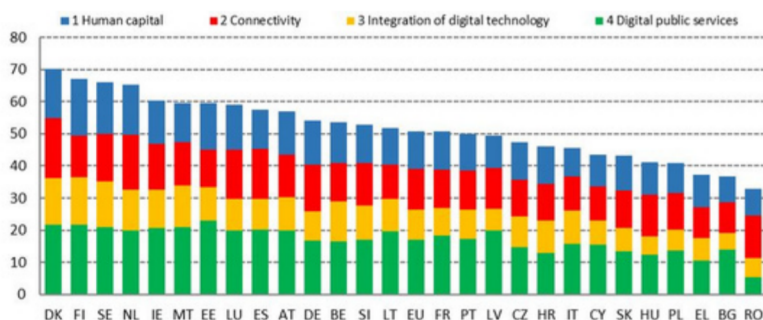
The League for Digital Boost is a Central European initiative founded and led by the Slovak Alliance for Innovation Economy (SAPIE). The initiative aims to mobilize key players in the field of digitalization of SMEs in the CEE countries to highlight the critical challenges of this topic and propose solutions for policymakers and businesses in the region in order to increase the digital transformation of SMEs. The main ambition of the League is to connect public, private and non-governmental actors, to raise awareness about the importance of SME digitalization, to link business needs with policy-making in the region, and to encourage and facilitate the sharing of good practices.

SMEs are generally considered to be the backbone of the European economy. According to the official statistics published by the European Commission, they employ two thirds of people in private companies, account for more than half of Europe's GDP, therefore, they play an indispensable role and add value in every sector of the economy. SMEs are also often known for bringing innovative solutions within the regions in the European countries.

The region of CEE has managed to become a champion of market openness, in catching up with Western Europe after the transformation of economies in particular CEE countries. While the early boom was driven by the industrial sectors, nowadays, the era of digital transformation opens new opportunities. The inspiring example of mostly Nordic countries demonstrates that digitalization is the way for further economic growth and for increasing the competitiveness of companies, SMEs in particular.

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)



THE SMALLER YOUR BUSINESS, THE MORE YOU CAN TAKE FROM THE DIGITAL PULSE THAT PUSHES YOU FORWARD AND ONLY FORWARD.

During the last two pandemic years, we have witnessed that SMEs which used advanced mechanisms have been able to adjust their business models and therefore to 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.

WHAT WOULD SMEs SECURE BY DIGITALIZATION?

1. SURVIVAL
2. SUSTAINABILITY
3. GROWTH

WHAT IS THE FIRST STEP?

If we want to ensure SMEs fully benefit from digitalization, we need to help them understand why it is important to digitalize, what value it brings, or what tools and resources could guide them on this journey.

THE KEY OBSTACLES TO CREATE SUPPORTIVE MINDSET ARE:

- FEAR OF LEAVING THEIR COMFORT ZONE;
- FEAR OF THE NEW;
- AND THE RISK AND DISCOMFORT OF BEING THE FIRST MOVER.

Although digitalization brings many significant benefits to SMEs we still see a lack of investment into it. Most frequently, it is connected with low awareness of the opportunities offered by digital tools; small or no capacities to devote enough time to change the strategies and adopt digital tools; or even a lack of knowledge where to start. Moreover, companies fear data leakage, overall costs involved, or the complexity of technologies and software. Additional difficulties result from deficiencies in internet infrastructure, or limited access to human resources.

DIGITALIZATION CANNOT BE VIEWED IN ISOLATION FROM OTHER ASPECTS OF BUSINESS LIFE.

Being digital could help SMEs integrate into global markets, facilitating access to resources, including finances, talents or tools. The development of infrastructure such as cloud services or data analysis centers could attract the attention of new businesses and motivate them to come to the countries and to create new products which would help integrate the digital tools faster. It also goes hand in hand with supporting the innovations and the whole innovative ecosystem of the country.



„Small and Medium-size enterprises need both tangible and intangible assets, meaning investments and connectivity. Still, skills are also crucial to progress“,
Ms Josianne Cutajar, MEP



„The role of the state is to create a motivating ecosystem and purposefully support digitization, e.g. in the form of supercomputing or digital vouchers.“
Rastislav Brenčič, CEO 26 House

Digital transformation is one of the key drivers of productivity growth, therefore the increase of digitally advanced SMEs should be one of the key priorities for governments. The key challenge in the relationship between state and business sectors is the lack of communication, insufficient communication and heavy bureaucratic procedures. The role of state authorities should be to educate the public about the benefits of digitalization. The need for digitalization should be actively discussed and encouraged and the communication between state authorities and SMEs should be driven through electronic tools that enable users to collaborate or interact digitally. Another recommendation is to educate 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.

Digital tools are meaningless without the desire of entrepreneurs to use them. It means that the deployment of the latest technologies itself is not enough for the company. It is advised to start by digitizing processes that can show practical benefits to companies. The management should identify the vision and strategy, set up realistic goals, evolve and gradually gain experience, while also identifying the skills needed to operate efficiently. Once a skills gap is identified, the next step is to allocate financial resources to fill it. However, the lack of digitally skilled employers is an ongoing challenge in various sectors and companies. The lack of talent is also connected to the unavailability of foreign talent and the legislation burdens for the employers.

ACCORDING TO OUR RESEARCH, BIG COMPANIES AS WELL AS START-UPS PLAY A KEY ROLE IN BRINGING NEW SOLUTIONS TO THE MARKET FOR SMEs TO USE, WHILE THE GOVERNMENT PROVIDES EDUCATION AND REGULATION. THEREFORE, A HANDBOOK WHICH CONNECTS ALL OF THAT AND GATHERS ALL THE INFORMATION ABOUT EXISTING SOLUTIONS ON THE MARKET IS MUCH NEEDED.

The problem of financing digitalization poses another set of challenges for SMEs. There is a huge amount of information about possibilities of getting funding which could cover the implementation of digital processes, however, the information is often fractured or incomprehensible and SMEs do not know who to approach. Obtaining the finances to cover the costs of implementing new technologies, the lack of transparency in redistributing public resources, as well as heavy bureaucracy of the processes are also a significant problem.

Digital marketing and digital product strategies are undoubtedly the key for SMEs. The growth of the digital economy means the dependence of companies and customers on the online environment is constantly increasing. There is a number of specialized public agencies which could help utilize all the benefits of digital marketing of SMEs such as the online content, advertisement, social media and many others.



"We need to understand that companies are not only in big cities but also in the countryside. There are different levels of digitalization. And we need to ensure that each SME can access digital solutions if they wish."

Horst Heitz, SME Europe Secretary-General and Chair of the Steering Committee of SME Connect.



"Legislators, researchers, academia and employers must join forces in the digital transformation of the economy."

Ivan Štefanec, MEP

Different actors, meaning governments, big companies, NGOs, or academia play different roles within the ecosystem. They serve as pillars at various stages when SMEs go digital. It is necessary that all their activities are complementary to each other in order to ensure the digital growth of SMEs. The role of universities and NGOs in the ecosystem of digitalization is inevitable. While NGOs connect various stakeholders, create knowledge sharing platforms and make information more accessible, universities can contribute to generating innovation mindsets.

What's next?



Addressing specific policy recommendations to governments



Preparation of digital handbook for SMEs



Connecting key stakeholders



Raising awareness through different set of activities

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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

Under the Auspices of:



Partners:

