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Small but mighty: How SMEs can thrive in the cognitive economy

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- Within the cognitive economy fuelled by Artificial Intelligence (AI), small and medium-sized enterprises (SMEs) face challenges in harnessing the full value of modern data to grow and expand globally.
- To bridge the digital readiness gap, a newly-dedicated SME consulting class could help smaller businesses unlock the value of data.
- This consulting class could provide a new approach through cross-leveraging expertise, capital and data across a network of non-competing SMEs.

With the prevalence of data and artificial intelligence (AI), society is entering the cognitive economy. This period of transformation is defined by increased efficiency, enhanced decision-making capabilities and a symbiotic relationship between humans and machines.

While this era presents an unprecedented opportunity for small and medium-sized enterprises (SMEs), it also poses unique challenges to them. The transition requires substantial advanced digital know-how that goes beyond IT

SMEs play a key role in the global economy, representing over [90% of all businesses](#) in many countries and accounting for [about 70%](#) of global gross domestic product (GDP). For smaller businesses to fully leverage their potential within the cognitive transformation, the opportunity exists for a new archetype of consulting, specifically dedicated to SMEs.

What challenges do SMEs face within the cognitive economy?

Often deeply rooted in their communities, SMEs are vital for the technological upgrading and sustainable, responsible renewal of societies. But these enterprises face specific challenges that often inhibit them from fully leveraging the opportunities of the [Fourth Industrial Revolution](#).

These challenges include:

- Scaling up and going global in fragmented global data markets and digital platform economies as SMEs try to navigate an evolving system of data regulation, for example, in terms of privacy and security compliance.
- Mitigating [higher risks of hacking and cyber exploitation](#), given the discernible lack of preparedness and the fact that cyber-attacks increasingly hit upstream in value chains.
- Accessing, aggregating, cleaning, structuring and de-biasing data lakes and warehouses that enable SMEs to “punch above their weight”, compared to large multinationals and especially hyperscaler data platforms.
- Investing in and resourcing smart, adaptive global operations or supply chain solutions resources.
- Dedicating personnel to addressing the challenges of the digital transformation, including key roles such as chief data officer, chief information security officer, chief technology officer and chief sustainability officer. Even hiring expensive AI developers and data scientists can be a tall order for smaller businesses, and outsourcing this task is not always a suitable path either, as SMEs may then be limited in their ability to create unique and competitively differentiated solutions.

Symbiosis and purposeful work for humans.

- Pre-emptively redefining business models, changing organizational designs and positioning the firm in the face of severe disruption to existing models and markets.

As a result, especially with the advent of emerging technologies such as generative AI, **SMEs are falling behind** as they are unable to fully leverage their potential, unlike their larger counterparts.

A potential paradigm shift in consulting services for SMEs

Though many consulting firms can give fair guidance on navigating these challenges within the digital transformation, SMEs often lack the resources, structures and processes to afford and dedicate scarce attention and time to intervention programmes from (larger) experienced consultancy firms.

To bridge this gap and achieve the cognitive resiliency, readiness, and prosperity that societies need SMEs to demonstrate, considerable potential exists for a newly-dedicated class of SME consulting solutions, supported by both government and private sector.

This new class of consulting offerings could provide agile, flexible and innovative approaches tailored to the specific needs of SMEs. Cross-collaboration among stakeholders from larger consulting firms, entrepreneurs, academia and the public sector provides opportunities for SMEs by combining limited available resources.





Strategic partnerships could also be forged with investors and financial institutions to leverage consulting advice for implementation. Additionally, partnerships with technology providers and educational institutions could inject valuable and cost-effective tools and capability building.

In this way, a self-reinforcing ecosystem could be created in which SMEs continue to amplify economic growth and innovation.

Last but not least, governments could be centred on providing financial support and incentives, facilitating regulatory approval, and promoting and advocating this SME consulting class.

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as-a-service model.

When considering the funding model of such a consultancy class, it is important to keep in mind the limited resources available within SMEs and consider new, creative and cost-effective ways to provide more “bite-size” agile and tailored consulting for these smaller businesses that don’t have the luxury of overhead budget, staff or internal change managers.

Benefits of SME empowerment

The benefits of this “in situ” approach to creating cognitive capacity in and for SMEs would create immediate pay-offs because smaller businesses and their entrepreneurial executives are generally agile and hence fast to pivot.

So, enhancing decision nodes inside SMEs with cutting-edge AI-driven and data-supported tools would likely yield significant short-term results. Due to the smaller scale and lower organizational complexity of SMEs, this new consulting class would likely also create organizational change more rapidly.

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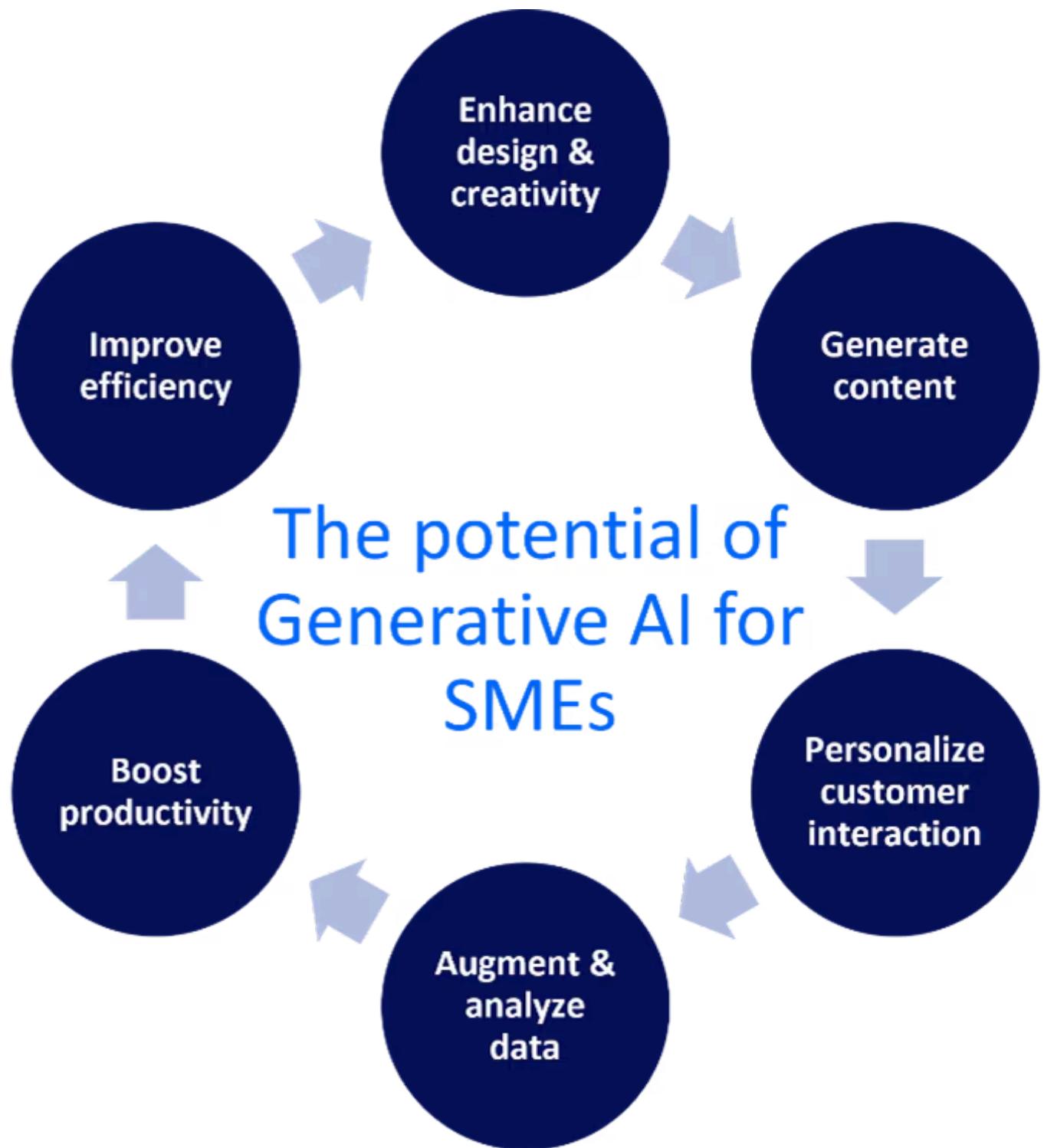
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This new cognitive consulting model for SMEs by SMEs would not merely benefit small and medium-sized enterprises. This SME consulting design could also be offered to smaller civil society organizations, including non-profits and academic institutions, as these entities face similar challenges.



technologies that are integrating computing with neuroscience, for instance, enables small businesses to fully leverage the potential of the data that they have access to – thus ensuring that SMEs can optimally benefit from this critical era of data and AI transformation.



Generative AI provides a myriad of possibilities for SMEs. Image: Authors

efficiency and reduce costs and enhance supply chain transparency while at the same time reducing the environmental impact of SMEs, thus benefitting society at large.

By recognizing the critical role of SMEs and providing them with the necessary tailored support and resources while covering part of the financial and attention cost, a powerful force that drives the cognitive economy's growth, resilience and continuous advancement can be unlocked.

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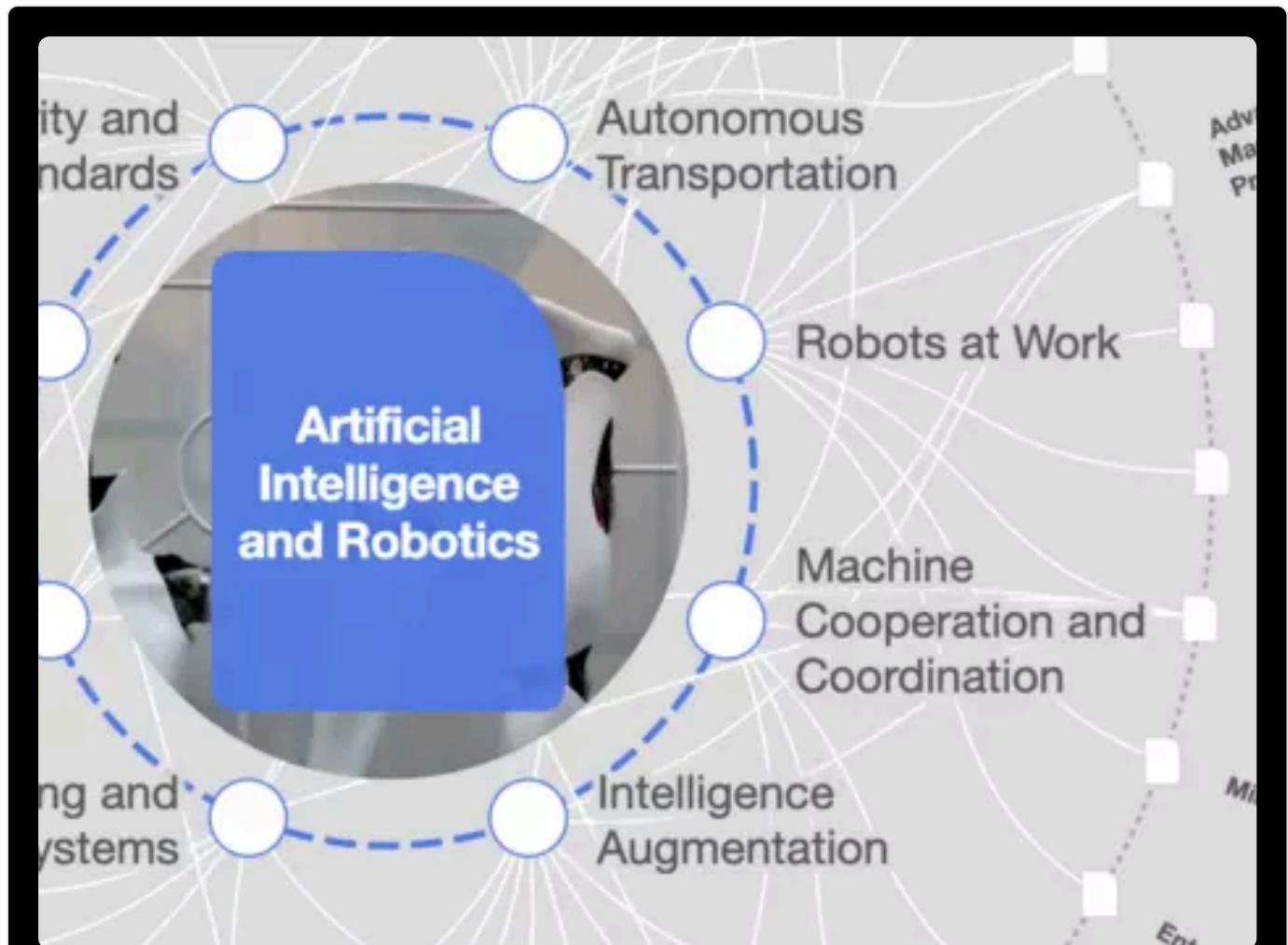
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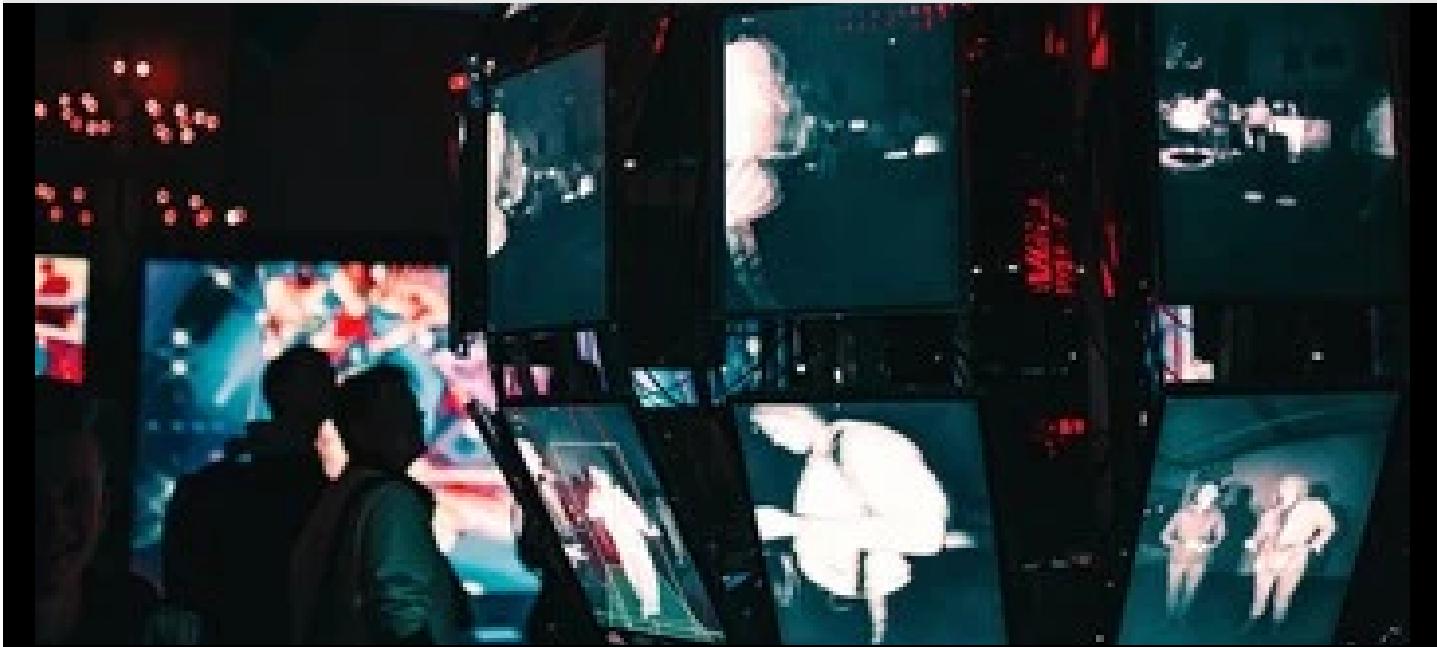
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