

OECD Digital for SMEs Global Initiative



About the OECD Centre for Entrepreneurship, SMEs, Regions and Cities

The OECD Centre for Entrepreneurship, SMEs, Regions and Cities provides comparative statistics, analysis and capacity building for local and national actors to work together to unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation, and support sound tourism policies.



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The OECD Digital for SMEs Global Initiative

We are in the midst of the transition towards a digital economy and society, which has the potential to spur innovation, enhance productivity and improve well-being. Many Small and Medium-sized Enterprises (SMEs) stand to benefit dramatically from acquiring and using digital technologies, which offer new opportunities for SMEs to participate in the global economy, innovate and grow. However, many SMEs are lagging behind in the digital transition. Most of them ignore the potential benefits in productivity and competitiveness deriving from the adoption of digital technologies, cannot clearly identify their needs, or do not have enough capabilities or financial resources to access and effectively use digital instruments. Across OECD countries, in 2015 only 20% of SMEs engaged in sales through e-commerce, against 40% of large firms.

The SME digital gap slows productivity growth and widens inequalities among people, firms and locations. Ultimately, being that SMEs are the bulk of many national economies, a massive adoption of digital technologies by them will generate a historical shift of aggregate productivity and well-being in countries, regions and communities. However, to enable SMEs to catch up, investments in skills, organisational change, process innovation, new systems and business models are needed

At the OECD SME Ministerial Meeting on Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth, which took place in Mexico City on 22-23 February 2018, Ministers and high level representatives from 55 OECD Member and Non-Member countries, the European Union and 12 international organisations and associations stressed the importance of enabling SMEs “to make the most of the digital transition by fostering conditions for SME adoption and diffusion of innovative and digital technologies, investment in complementary knowledge-based assets and digital security”. They asked the OECD to strengthen multi-stakeholder dialogue to inform policies that shape conducive framework conditions and remove obstacle to SME digitalisation.



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A multi-stakeholder dialogue on SME digitalisation

In this context, the OECD put in place the OECD Digital for SMEs Global Initiative (**D4SME**) which intends to promote knowledge sharing and learning on how different types of SMEs can seize the benefits of digitalisation, and on the role of governments, regulators, business sectors and other institutions in supporting SME digitalisation.

It will do so by promoting dialogue on key thematic areas of relevance for SME digitalisation, including ① enabling framework conditions, ② firm-level triggers, new digital technologies and applications, and ③ digitally-driven transformations in supply chains and business models.

① Enablers

➔ *Infrastructures, regulatory environment and market conditions*

Digital infrastructures, global platforms and e-commerce are dramatically increasing SMEs' reach in sourcing and selling, including through Global Value Chains, and facilitating access to distant market, including by born-global enterprises.

- ◆ Which digital infrastructures are needed to enable SMEs to access and use effectively productivity-enhancing digital instruments?
- ◆ What are the implications for SMEs of digital trade restrictions, data localisation and privacy regulations?
- ◆ How are winner-take-all dynamics in the digital economy affecting start-ups' and SMEs' opportunities?

② Firm drivers

➔ *Innovation assets*

Digitalisation is transforming business

models and business-to-business practices. SMEs face specific barriers in managing innovation assets, such as data, intellectual property right and networks, which might offer considerable advantages.

- ◆ Which conditions could lead SMEs to break business models and move to new ones?
- ◆ What are the drivers and barriers to SME data protection? How is digitalisation expected to change practices and instruments?
- ◆ Are there examples of good B2B data sharing arrangements?

➔ *Finance requirements and availability*

Cloud-based services for data generation, collection, storage and processing enable SMEs and entrepreneurs to leverage the latest technologies with no requirement, in most cases, for large fixed investments. However, capital is still needed to access complementary knowledge-based assets, such as patents, human resources, and process innovations.

- ◆ How are SME financing needs and gaps evolving in the digital economy?
- ◆ How can traditional and new financing instruments spur SMEs' use of digital tools?
- ◆ How can governments help SMEs address financing constraints related to digital investments?

➔ *Skills and digital awareness*

Digitalisation is changing the nature and set of skills required to perform in data-driven and digital-enhanced markets. SMEs and entrepreneurs are heterogeneous and their understanding of the productivity enhancing opportunities offered by digital technologies, and the risks connected, is uneven.

- How can government effectively foster knowledge, learning and awareness by different groups of entrepreneurs?
- What is the role of business associations, chambers of commerce and other institutions?

3 Technologies

➔ Digital platforms and cloud computing

Digital platforms often perform the function of “gatekeepers” for SMEs willing to “go digital”. They may be crucial for small businesses to set up a digital presence. They also increase significantly the network capacity of the firm and the number of suppliers and clients at reach. In addition, some of the services provided online can make it simpler and cheaper to implement digital business processes and to collect and manage data. This is the case of cloud computing services.

- ◆ How did digital platforms facilitate the digitalisation of SMEs and what will be their role in the future?
- ◆ What are the main barriers for SMEs to integrate flexible digital solutions in their business models in order to increase efficiency?
- ◆ What role for policy makers in ensuring SMEs can participate in and benefit from the platform economy? What risks to mitigate?

➔ Big Data and A.I.

On-demand access to services that allow the gathering, storage and analysis of data through cloud computing is enabling SMEs’ to introduce big data and data analytics in their decision-making processes and management practices. This trend is coupled with the A.I.-based solutions increasingly introduced in the market by major technological companies, which could open interesting opportunities for SMEs in both industry and service sectors.

- ◆ How does the “data revolution” affect business models and management practices in SMEs?

- ◆ How does innovation in management processes reflect in SME productivity and competitiveness?
- ◆ How can governments and regulators ease SMEs transition to data-driven decision making while addressing cybersecurity, privacy and confidentiality issues?

➔ The potential of blockchain for SMEs and entrepreneurs

Blockchain and Distributed Ledger Technologies (DLTs) open a range of new opportunities for SMEs and entrepreneurs in as diverse areas as supply chain management, energy efficiency, public procurement and access to alternative sources of finance.

- ◆ What are the most promising applications of the blockchain technology for SMEs and entrepreneurs?
- ◆ How are DLTs expected to affect SMEs’ business model, business linkages, competitiveness and performance in local and global markets?
- ◆ What should governments do to enhance the understanding and application of the blockchain technology by SMEs and entrepreneurs?

➔ The evolving Fintech offer for SMEs and entrepreneurs

Financial inclusion and traditional SME lending are deeply impacted by digital practices such as mobile banking, crowdfunding and by the many evolutions in Fintech.

- ◆ How is digitalisation changing financial services and products for SMEs and entrepreneurs?
- ◆ Which emerging technologies are likely to produce a major impact on SME financing?
- ◆ What should governments and regulators do to ensure transparency, consumer protection and KYC practices are respected in the area of digital lending for SMEs?



About the D4SME initiative

Participants

The D4SME Initiative will engage policy makers and regulators from OECD countries and several non-OECD economies, creating a space for discussion with entrepreneurs and executives from large and small firms, representatives from business associations, international organisations, chambers of commerce, trade unions, NGOs, academia and experts.

The outcomes of the D4SME Initiative will feed into the agenda and activity of the OECD Working Party on SMEs and Entrepreneurship (WPSMEE), the global OECD policy forum on SME and entrepreneurship policies, contributing to the identification of effective policies to enhance SME adoption and productivity-enhancing use of digital technologies across OECD economies and worldwide.

Outcomes

The OECD will organise one meeting of the D4SME Initiative per year at the OECD Headquarters in Paris. In addition, workshops and roundtables focused on specific areas of interests could be organised in locations proposed by partner

governments and institutions, on a case-by-case basis. Interested business partners may offer to sponsor activities or events related to the D4SME Initiative.

The D4SME Initiative will be a horizontal platform in which all participants play an active role. Different formats will be adopted to facilitate exchange among participants, including roundtables, presentations of research findings and discussion of case-studies and policy experiences, hackathons and idea laboratories. Finally, meetings will display successful practices implemented by the public and the private sector, and might also be sided by digital fairs showcasing successful digital solutions and practices proposed by public and private stakeholders.

Conference Proceedings will be produced after each meeting, including a repository of good policy practices for knowledge sharing. Key insights will feed into a final report by the OECD on Enabling SMEs to benefit from digitalisation and in the OECD-wide Going Digital project. Discussions will contribute to inform the design and implementation of policies and regulations in OECD Member and Non-Member countries.



Thematic areas for a dialogue on SME Digitalisation



