

4th D4SME Roundtable: SME resilience and transformation





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SME resilience and transformation



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 a joint initiative with Business at OECD and promoted by the Centre for Entrepreneurship, SMEs, Regions and Cities of the OECD

■ Summary

- The fourth “Digital for SMEs” Global Initiative (D4SME) High-Level Roundtable was held at the OECD headquarters on November 23, 2022. Focused on **SME resilience and transformation**, it gathered more than **130 participants** (from government, industry, academia and civil society) from **30 countries**, including entrepreneurs and representatives from Small and Medium-sized Enterprises (SMEs).



- **Throughout the Covid-19 pandemic, the uptake of digital tools strongly accelerated among SMEs, to face social distancing measures and adapt to a rapidly changing demand.** Public policy and a strengthened cooperation between public and private actors played an important role, helping SMEs adapt and leverage digital tools to stay afloat. However, despite the gains made in SME digitalisation, many firms were left vulnerable and are still recovering from the economic effects of the pandemic.
- **In 2022, SMEs have been exposed to a “perfect storm”,** with rising inflation and increasing costs of energy and finance, as central banks tighten monetary policies and supply chains are affected by widespread disruptions, a situation exacerbated by Russia’s war of aggression against Ukraine.
- To **keep up the momentum** generated during the Covid-19 pandemic and enable SMEs to fully harness the power of digital tools, including to prepare for the green transition, **policy action needs to shift focus, from short-term recovery of SMEs to their long-term resilience and sustainability.**

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- Digital tools can be instrumental in **strengthening SMEs’ resilience and their contributions to tackling societal and environmental challenges**. Digitalisation can provide SMEs with opportunities not only to survive crises, but also to thrive in a more volatile business environment – e.g., from cutting costs through more efficient processes to tapping into new markets and engaging with sustainable products and greener business practices.
- SME ecosystems can play a key role to overcome persistent difficulties faced by SMEs on their digital journeys, such as **connectivity gaps, knowledge and skill shortages and regulatory constraints**. **Coordination, co-operation and partnerships among a variety of stakeholders**, including national and local governments, business associations, small and large businesses, technology and service providers, is crucial to shape an enabling environment and provide incentives and tools for SMEs’ digital shift.
- The Roundtable provided the opportunity to discuss ideas and insights from D4SME analytical works and “knowledge events” organised in 2022. In particular, insights were shared on the emergence of new business models in response to changing patterns of demand in traditional sectors and on approaches to foster SME skills for the digital transition. The work on **“SMEs in the era of hybrid retail: evidence from an OECD D4SME survey”** provides a deep dive on “the new hybrid normal” for retailers, based on results from a pilot survey developed with the contribution of Amazon and Kakao, D4SME private sector partners. The work on **“Digital upskilling, reskilling and finding talent: the role of HEIs in the SME ecosystems”** discusses how ecosystems and networks can ease SMEs’ access to digital skills and services, and the pivotal role that higher Education Institutions (HEIs) can play in this regard, including through novel approaches to cooperation and knowledge exchange with SMEs.
- **An open access database of stories of SME digitalisation journeys across OECD countries was launched at the Roundtable**. The case studies illustrate inspiring experiences of digital transformation across diverse sectors and ecosystems, with a focus on public and private sector programmes that may have supported entrepreneurs in the transition towards more digitalised business practices. These “real life” stories contribute to give body to the key policy messages identified in the analytical work of the D4SME initiative.



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- Looking ahead, the D4SME initiative plans to pursue the **focus on resilience and sustainability**. This will include further sector focused analytical research, including by **extending the survey on e-commerce and hybrid retail** to more countries and partners. The launch of a **wider survey focusing on “digital skills in SMEs”** will also be considered, leveraging the support of partners, business associations, and chambers of commerce. Other priorities include strengthening cooperation with academia through the **Expert Group** and broadening the **SME databank**, extending its coverage as well as developing thematic focuses, such as, for example, SMEs’ access to and use of government programmes. **Knowledge events and workshops may also be organised in different member countries, with the aim to engage local business communities.**





Key Takeaways

High-level Opening (*listed in order of intervention*)

- **Hon Stuart Nash**, Minister for Economic and Regional Development, Forestry, Small Business and Tourism of New Zealand, and Chair of the D4SME Global Initiative
- **Ms Lamia Kamal-Chaoui**, Director of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities
- **Mr Mathias Cormann**, OECD Secretary-General
- **Mr László György**, Minister of State for Economic Strategy and Regulation at the Ministry for Innovation and Technology of Hungary
- **Ms Javiera Petersen**, Undersecretary of Economy and Small Business of Chile
- **Ms Hanni Rosenbaum**, Executive Director of Business at OECD
- **Mr Cho Joohyun** (video intervention), Vice Minister of SMEs and Startups, Republic of Korea



The increasing relevance of the D4SME initiative was emphasised throughout the opening session. While economies and societies have been under pressure by the COVID-19 pandemic, digital tools allowed entrepreneurs to stay in business. This has contributed to increased acknowledgement about the power of digital tools to address crises and build forward in times of profound economic challenges, and the importance of engaging all relevant stakeholders to discuss trends and policy priorities to foster SME participation to a digital and sustainable economy.

SMEs play a critical role as engines of growth, accounting for 99% of businesses and nearly two third of business sector value added and employment in OECD countries. They are instrumental to ensure that economies adapt to major transformations. In particular, much of the economic resilience of countries will depend on how SMEs respond to the challenges of the digital transformation.

Digital technologies and applications enabled many small businesses to survive the pandemic, innovate and increase efficiencies. Digital tools are helping many SMEs to cut costs through more efficient business practices, access alternative forms of finance, connect with new markets, and pivot supply chains in response to pressures and disruptions stemming from Russia's war of aggression on Ukraine, which also amplified ongoing trends in Global Value Chains reconfiguration. Digital technologies can also help businesses cut emissions and propel economies on a path to net zero. As societies move to more sustainable economic models, SMEs need to rethink their business practices to reduce their CO2 emissions and lower their overall

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environmental impact. This is also crucial to strengthen capacity of supply chains where compliance with environmental standards is increasingly important.

However, the growing digital divide between small and large companies shows that too many SMEs are still missing out on the full benefits of the digital transition, which points to the need to accelerate and to deepen their digital transformation. Interventions pointed to longstanding obstacles,

such as lack of ICT infrastructure – especially in rural areas - or bureaucratic obstacles to access support in a timely manner. Panellists also stressed emerging or growing barriers to SME digitalisation, such as rising costs of energy and inflation, limited access to finance, tighter labour market conditions and harder-to-attract managerial and digital skills, as well as a rising number of cybersecurity threats. Looking forward, and considering the profound transformations required by the digital economy, a key priority is to develop and strengthen an entrepreneurial mindset.

While recognising the several and severe challenges that entrepreneurs face to undertake profound transformations in business models and practices, the interventions stressed that the benefits of an accelerated digitalisation should not be wasted. Governments are urged to address short to mid-term challenges, such as rising energy prices, inflation and disruptions in supply chains, caused or amplified by Russia’s war on Ukraine. However, it is essential not to lose sight of longer-term objectives. Policy should place priority on the structural reforms that are needed to strengthen SMEs resilience and sustainability – making digitalisation work better for SMEs and for the well-being of people that give life to SMEs. This also calls for strengthened cooperation among all stakeholders, to overcome longstanding and emerging barriers and help SMEs go digital.



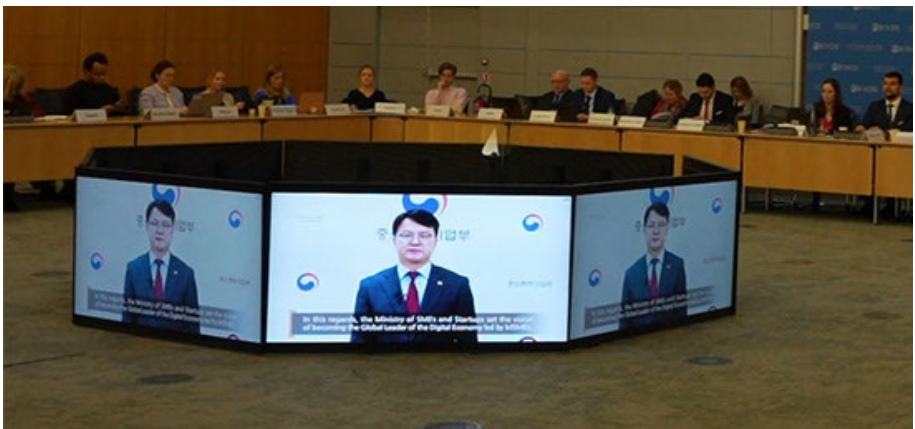
that give life to SMEs. This also calls for strengthened cooperation among all stakeholders, to overcome longstanding and emerging barriers and help SMEs go digital.

In this respect, the D4SME initiative can make an important difference, as a unique a platform that brings government representatives, small business owners and large companies together to identify effective approaches to accelerate the uptake of digital technologies by all types of SMEs, from all kinds of sectors and backgrounds. It is also important as a forum that helps foster international dialogue on how this “twin transition” can materialise. Furthermore, panellists highlighted there is still progress to be made to raise SMEs’ awareness about the advantages of digitalisation. In this regard, the D4SME brings value as a peer learning platform that sparks SMEs’ interest in the benefits of digitalisation, through inspiring digital journeys undertaken by other SMEs, and showcase forward-looking policy strategies.



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Session I:

SME digital transformation to face disruptions

Chaired by **Minister Nash of New Zealand**, the first thematic session focused on how SMEs can use digital solutions to weather the “perfect storm” of disruptions, while fostering longer-term transformation in business models and practices. Opened by the experience of a French SME operating in the food manufacturing industry, which leveraged a public programme to start its process of digital transformation, the session provided the opportunity for representatives of OECD governments, SMEs, large companies, business associations and other relevant stakeholders to share views on key challenges to accelerate digital transformation in the midst of turbulent times, as well as on how ecosystem actors can strengthen collaboration to this aim.



Key takeaways from the discussion include:

- For many SMEs, digital technologies played a crucial role in **building resilience during the pandemic** and represented the **first major push into the data economy**. In response to social distancing measures, many firms introduced basic digital tools, started to digitise their business operations and began changing mindsets and internal processes, in a way that should facilitate further – and more strategic - digitalisation. Entrepreneurs and stakeholders emphasised that **there is no turning back** from the progress and acceleration in digitalisation made by many firms during the pandemic.
- The **need for SMEs to go digital is now more pressing than ever**, as they **face a perfect storm** (COVID-19 fallout, rising inflation and energy prices, supply chain disruptions, tight labour markets and stringent financing conditions), which affects margins and capacity to invest. **Digitalisation can help address these disruptions**, by enabling firms to cut costs, gain efficiency, improve capacity to participate in supply chains, anticipate bottlenecks and changes in global value chains.
- **The discussion on priorities for policy action revealed the urgent need to act beyond the logics of a “stage of survival” towards an “age of maturity”**, incentivising greater inclusion in the use of digital tools but also greater awareness among SMEs about their full potential and the transformational needs in organisation and practices to seize the benefits. Four key areas for priority action emerged from the discussion:
 - **Improving connectivity, in relation to both ICT infrastructure and ecosystem connections.** Beyond functional linkages and relevance of advisory services that support SMEs in identifying and implementing solutions, it was stressed how the concept of community is key for entrepreneurs. Social purpose and impact are thus important dimensions to be considered, as drivers and enablers of transformation.
 - **Skilling up of SME employees, managers, entrepreneurs as well as government officials**, which are also called to embark in large transformations to provide services effectively to businesses, as embodied by the shift to digital government.
 - **Addressing cybersecurity challenges**, which undermine trust and represent a major obstacle to digital uptake among many small businesses that have limited awareness and preparedness. This was amplified over the last years by the surge in cybersecurity threats to businesses.

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- Achieving the “twin transition”, by helping SMEs leverage digital technologies to transition to more sustainable models and practices, while understanding and harnessing the environmental impact of digital tools.
- Progress in digitalisation not only depends on the tools used by individuals but also, and importantly, on skills and motivations. In this regard, participants stressed the need for a **people-centred approach to the digital transition**. They highlighted the importance, especially in times of crisis, of engaging in questions related with mental health and well-being, SMEs’ social purpose and impact, and, more broadly, entrepreneurs’ benefiting from and giving back to their communities.





Session II:

Adapting to a new hybrid world

Mr Martin Godel, Head of SME Policy, State Secretariat for Economic Affairs Switzerland and Chair of the OECD Committee on SMEs and Entrepreneurship, opened the discussion on “adapting to a new hybrid world” by presenting key insights from two D4SME workstreams on Hybrid retail and Digital skills:

- The first work on **“SMEs in the era of hybrid retail: evidence from an OECD D4SME survey”** presents new evidence on how retail SMEs are adapting their business models to hybrid consumption patterns, based on recent trends and preliminary results of a **survey among retail SMEs in 4 large European countries** (Germany, France, Italy and Spain). The survey was developed with the contribution of **Amazon** (D4SME partner) and has further been extended to Korea, in cooperation with **Kakao** (D4SME partner), and Japan, in partnership with **Rakuten**. Key insights from these original data include:
 - Businesses relied mostly on “do-it-yourself” approaches to access the necessary **digital skills** to sell online, with 7 out of 10 respondents assigning existing staff to manage online sales.
 - Key perceived **benefits** of selling online include broadening the customer base within and outside the home country, as well as managing digital payments more easily.
 - **Challenges** include the difficulty in understanding e-commerce laws and regulations, to comply with standards for cross-border trade and obtaining financing.
 - More than a third of **hybrid retail businesses** (selling both online and offline) do more than half of their sales online, and 6 out of 10 saw their offline sales in physical shops increase or remain stable after they started selling online.
 - Looking at **policies**, less than a fifth of surveyed companies were aware of government support programmes for selling online – but of these, almost half enrolled in them, suggesting that more granular and effective information campaigns could go a long way.
- The second work stream focuses on **“Digital upskilling, reskilling and finding talent – the role of Higher Education Institutions (HEIs) in the SME ecosystem”**. It leverages the OECD Entrepreneurship Education, Collaboration and Engagement network – EECOLE – and explores the **role played by Higher Education Institutions (HEIs)** in contributing to the upskilling of SMEs in their local ecosystem, such as through the provision of customized trainings. Lack of skills to master and effectively embed digital technologies in business processes represents a main barrier to adoption by SMEs. These comprise both technical digital skills (from the use of basic e-mail software all the way to advanced coding) and the “soft” skills that are needed to leverage digital tools effectively and adapt to a rapidly changing environment, like the ability to search and evaluate information or communicate and collaborate, as well as managerial skills. The development of digital skills is a life-long process, as continuous learning is essential to keep pace with the evolution of digital tools. For this, the ecosystems or networks in which SMEs are embedded play a key role. The collaboration between HEIs and SMEs can yield impactful results, as the former increasingly turn towards knowledge



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sharing and collaboration, and design programmes in cooperation with the private sector to address the skills gap.



As key discussant, **Ms Kristin Schreiber**, Director of Chemicals, Health, Retail and Agri-food at the European Commission, highlighted the European Commission's approach of developing different pathways to the **green and digital transition from an ecosystem perspective** – focusing specifically on SMEs and the development of skills. Commenting on the survey's finding that businesses largely rely on a *do-it-yourself approach* to gather information (as opposed to hiring external IT competencies), she emphasised the importance to also **focus on the development of soft skills in the retail sector**. Ms Schreiber stressed the relevance of developing digital skills to expand business operations to **hybrid models**, an area specifically important for smaller retailers in city centres, which can benefit from online sales as a second economic leg. She underlined the European Commission's involvement in the field of digital upskilling of small retailers in urban and rural areas, such as with the *revitalising retail initiative* in line with the 2018 Communication "European retail sector fit for the 21st Century" to strengthen the competitiveness of the European retail sector. Further, Ms Schreiber highlighted the relevance to focus on issues, such as changing reporting standards across many areas of SME development, where digitalisation can act as enabler. Key takeaways from the following **open discussion** included:

- While the pandemic has accelerated the **need to go digital for both businesses and consumers**, each digital journey is different.
- Distinctive digitalisation pathways and needs emerge when looking at a variety of SMEs from different sectors, from services to manufacturing. It follows that **policy action to foster digital upskilling needs to take into account the large heterogeneity of SMEs and sectoral differences**.
- The playing field consists of **diverse set of actors from the public and the private sector**. Not one player alone can provide SMEs with all the tools they need. The actors within the ecosystem need to **work together** to develop enabling conditions and deliver targeted support to SMEs demands. Against this background, **industry associations** can play a crucial role in **strengthening public-private cooperation**.
- Priority areas of focus for government action include **lowering barriers to SMEs' access to digital technologies, data and training, and raising awareness about and easing access to government support programmes**.





D4SME INSIGHTS:

Stories of SME digital transformation – Visualisation tool

Introduced by **Minister Nash**, the Secretariat launched the *SME Visualisation tool*, an open access database (embedded on the [D4SME website](#)) that showcases real life SME digital journeys, exemplifying different pathways to digitalisation, illustrating opportunities from the digital transition across sectors and countries, as well as key factors of success and persisting challenges. The tool, which aims to inform policy makers and favour mutual learning among SMEs and the larger public, is an ongoing exercise, whose coverage – in terms of countries, sectors and themes – will be broadened in the future. Some of the SMEs featured in the database shared their inspiring digital experiences at the Roundtable and the Secretariat encouraged participants to further share digitalisation stories of SMEs from their respective countries and propose ideas on additional elements or dimensions to include in future versions of the tool.

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SME Visualisation Tool

The OECD Digital for SMEs Global Initiative (D4SME) aims to promote knowledge sharing and learning on how to enable all SMEs to make the most of the digital shift, placing specific emphasis on the diverse opportunities and needs of the large 'missing middle' of SMEs and entrepreneurs, and on their role for an effective, inclusive and sustainable digital transition.

In this context, **D4SME Conversations with Small Business Owners** provides SMEs with a voice to share their personal stories and experience of digital transformation. D4SME network members, from different industries, OECD countries and levels of technology uptake can use this platform to exemplify different pathways to digitalisation, key factors of success as well as persisting challenges. They also have a space to share on the current role of governments and public policies in their journey and on how policy makers could effectively support them and/or create the right conditions for their digital transition.

The D4SME network wants to highlight cases in which business owners are weathering the turmoil and using digital tools to stay afloat in the context of the current economic crisis. But also to use these cases as a starting point to discuss how this "accelerated" digitalisation can impact SMEs' business models in the longer term.



Session III:

The future of SME digitalisation: data, emerging technologies and the twin transitions

Chaired by **Minister László György**, the third thematic session focused on SMEs' participation in the data economy and adoption of emerging technologies. How SMEs collect, store, protect, analyse and use data is fundamental to ensure their transition to more digitalised business models and to unlock the potential of new technologies. This concerns also the response of SMEs to the sustainability imperative, whereby data and emerging technologies can be leveraged such as to drive resource efficiency, enhance transparency around ecological practices and ease training and learning.



Policies can be instrumental in democratizing best data practices, and governments themselves can leverage digital technologies to improve their services to citizens and businesses. In this regard, Minister György illustrated an innovative Hungarian initiative ([vali.hu](https://www.vali.hu)), a digital one-stop-shop that enables SMEs to access all active government programmes, including those aimed at supporting their uptake of digital technologies, in an efficient and timely manner. The floor was then passed to a UK SME that offers carbon footprint readings who illustrated the role that innovative specialised service providers can play to enable other SMEs to reduce their emissions. It was stressed that engaging SMEs and employees in the net zero transition is crucial to meet climate objectives. Large firms and suppliers in the value chains should be encouraged to share their data. Also policy can play a role to improve SMEs capacity to manage their own data.

Key takeaways from the discussion:

- **SME awareness of the opportunities that digitalisation offers, including in relation with sustainability, remains a key challenge.** While most companies - and other stakeholders - already generate or own a large amount of data and a wide range of digital tools, the vast potentials of these remain unexploited.
- Increased reliance on digital technologies and data driven approaches also exposes companies to **privacy issues** and higher risks, e.g., through cybersecurity threats. In some countries, this continues to represent a major barrier to digital adoption. Thus, to fully harness the potentials of digital technologies, **building trust of SMEs is of paramount importance.**
- **Data governance** is an emerging policy field of great significance. However, across the OECD area, few policy initiatives focus specifically on SMEs, which often lack access to crucial data or do not have the means to properly leverage the data they do have. Many participants emphasised the **need for democratising data use and data sharing across regulations** to scale up digital and sustainable business practices.
- It is critical to better **understand and work on the linkage between the use of data and sustainability.** As **sustainability reporting standards** evolve globally and investors increasingly demand for higher sustainability standards, SMEs face severe challenges to meet these

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requirements. Management of sustainability-related data represents a key issue in this regard. New innovative services can ease SME approach to this, while changes in consumer demand represent a powerful driver towards greater focus on sustainability performance. ,

- It is also crucial **to enhance understanding and raise awareness about the concrete business case that sustainability offers** beyond statements of intentions.
- **Governments** are stepping up efforts to support SMEs leveraging data and emerging technologies on their path to a digital and green transformation. For example, **Mr Fatih Gökyurt**, Vice President of KOSGEB, the Turkish SME Agency, presented its key policies to sustain SMEs' transition to more sustainable and digitalised business models. **Digital transformation centres**, located in different Turkish cities, raise local SMEs' awareness for digitalisation opportunities and provide them with advice on how best to implement digital tools. Further, **energy efficiency centres** showcase SMEs how to reduce energy consumption with digital tools in an experimental way. Both types of centres are established in industrial zones and help SMEs to simultaneously assess their energy efficiency and digital maturity, guiding them in understanding their digital needs and opportunities.





Next steps of the initiative and closing remarks



Ms Celine Kauffmann, Head of the Entrepreneurship, SMEs and Tourism Division at the OECD, provided an overview of the D4SME activities in 2022 and shared the D4SME vision for the years ahead, building on the Programme of Work 2023-24 discussed by the D4SME Steering Group. Work in 2022 focused on “SME digitalisation to build back better”, in line with broad and shared policy objectives to rebuild economies and societies for a post-pandemic world. Activities were articulated along the three pillars of the initiative: *analytical research*, *sharing of SME experiences* and *policy dialogue activities*. On the analytical level, the D4SME produced work on *Hybrid Retail* and on *Digital Skills*. In 2022 the SME Databank has evolved into an open-access database with an interactive map illustrating the digital journeys of SMEs from 35 OECD countries across 12 sectors. With regard to policy dialogue, three technical webinars on SME digitalisation were organised (*Digital upskilling, reskilling & finding talent: the role of HEI in SME ecosystems* in March 2022, *SMEs & Hybrid retail: adapting to the new normal* in June 2022, *SMEs in the data economy: from cloud computing to digital security* in October 2022)

Following priorities highlighted by D4SME partners and Steering Group members, the D4SME plans to extend the analysis on how digital tools and practices can help SMEs **strengthen resilience to shocks** (e.g., rising energy prices, inflation, tighter credit markets), and the role of ecosystems in **strengthening the awareness and skills** needed for the digital transition by both managers and workers in SMEs. Further work aims to focus on **enhancing data management and digital security** as well as **strengthening the link between digitalisation and sustainability**. The initiative will also aim to **expand the community of SMEs engaged** and **enlarge the D4SME open-access online database**. Other activities under the analytical pillar would include **extending the D4SME e-commerce survey to additional countries and partners**. The opportunity to launch a new **survey focusing on “digital skills in SMEs”** will also be explored. To carry on its mission, seek ideas, guidance and feedback, the D4SME will strengthen the dialogue with academia through the **Expert Group**. Finally, policy dialogue activities will continue to include the **organisation of workshops and webinars** as well as the **yearly D4SME High-level Roundtable**.

Mr Yoshiki Takeuchi, OECD Deputy Secretary-General, provided his closing remarks to the Roundtable, highlighting the uniqueness and importance of the D4SME initiative and the pivotal role that digitalisation plays in supporting the transition of SMEs – and of entire economies - to a more sustainable and inclusive growth model. Mr Takeuchi touched upon several urgent issues such as how digitalisation can help strengthen SME resilience in response to the current economic turmoil and prepare SMEs to future shocks. This includes engaging directly with entrepreneurs in dialogue about how new digital tools are helping them strengthen and reshape their businesses, innovate, reduce costs and enhance productivity, and tap into new markets, including across borders. Mr Takeuchi called on continued cooperation between policy makers, large firms and specialised small providers, financial institutions, industry and business associations, to help SMEs weather the storm and prepare for longer-term transformations.



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