Policy Paper

Digital transformation in SMEs

Key messages

- SMEs are a heterogeneous group. In digitalisation, there are “front-runners” developing new technologies and those which “follow” and have to adapt to new technologies. Moreover, SMEs are not homogenous either in terms of internal capacity and resources, ranging from microenterprises to medium sized companies. Therefore, challenges are different and SMEs need different support measures according to the level of digitalisation and size.
- Many initiatives exist at European level concerning digitalisation. It is easy for SMEs to get lost and miss the potential of these instruments. Therefore, UEAPME advocates for a holistic approach among all the Commission’s measures and services.
- To face digitalisation, SMEs needs an enabling legal framework which must be flexible enough, neutral and future-proof. Additionally, it needs to ensure fairness, transparency and a level-playing field for all companies.
- In order to create a facilitating environment, UEAPME proposes non-legislative measures in five different domains: skills development, financial support, capacity building, appropriate infrastructure and standardisation. The creation of a “Digital Knowledge Centre” should support the holistic approach.

Importance of digital transformation for SMEs

SMEs are a heterogeneous group. When it comes to digitalisation, there are front-runners developing new technologies and those which follows and have to adapt to new technologies. Front-runners are those who contribute to the digital transformation and need a flexible environment to work and continue developing new products and services. The “followers” are those enterprises that are used to the more traditional system and might struggle to keep up with the transformation.

Moreover, SMEs are not homogenous either in terms of internal capacity and resources. It is important to recall that 99.8% of all European enterprises are SMEs and that within this number 93% are microenterprises with less than 10 employees. The average number of employees in Europe is four, which means the entrepreneur works every day in close contact with his / her workers to ensure quality products and services and in the evening, when staff goes home, needs to make sure to comply with all the legal requirements and cope with administrative duties. Understanding the correct proportion is essential to build efficient measures.

Therefore, challenges are different and SMEs need different support measures according to the level of digitalisation and size. On the one hand we must create the right environment and incentives for fast-paced SMEs in order not to hamper the development of new technology, while on the other hand we have to promote the digital transformation to ensure that the “followers” remain competitive and provide the right support. Digitalisation should not be seen as an imposition or an end in itself, but instead as a tool to help the daily work and boost productivity.
At European level, many initiatives have already been launched, both in terms of legislative initiatives and non-legislative actions. Firstly, the European Commission has launched the Digital Single Market Strategy and legislation under this big umbrella. Moreover, it published a Digital Skills Agenda and promoted the “Digital Skills and Jobs Coalition”. Additionally the European Commission is working on standardisation in ICT, supports digital initiatives for cities and regions and engaged in a “Big Data Public-Private Partnership”. Portals as the “Digital Transformation Monitor” have been created and the “Watify” awareness raising campaign has been launched. A Member States Board on Digital Entrepreneurship exists to assist the Commission in shaping the EU’s vision. All of these actions add on what has been done also at national level by single governments.

Consequently, it is easy for SMEs to get lost in all these initiatives and difficult to make the first steps towards digitalisation. To support SMEs in their transition, UEAPME’s members have already engaged in different activities to help SMEs in digitalisation and also guide them with the different instruments available. UEAPME has collected some of the Members’ best practices in a dedicated brochure.

Given this framework, UEAPME strongly advocates for a comprehensive and coherent approach among all the initiatives and also Commission’s services. Moreover, it is necessary to fine-tune all these actions so that they can really reach and help SMEs.

UEAPME would like to insist on the following actions to be taken at European level, both at legislative level and in terms of support non-legal measures.

**ENABLING LEGAL FRAMEWORK**

In the digital era, we need a smart and technology neutral legislation. It is important to have a long-term vision and be future-proof, to keep up with all technological developments. Moreover, legislation must not be too rigid and not add new burdens to SMEs, taking into account the Think Small First principle.

Furthermore, it is essential that the legal system ensures fairness, transparency, a level playing field for SMEs and equal access and market balance. Fairness and ensuring a level playing field is essential for the competitiveness of SMEs in the digital single market.

In this regard, access to data will become more and more important for SMEs. The use of digital products and services constantly produces data. Mobile phones, televisions, cars, agricultural machines, payment transactions, etc. constantly generate new data. Increasingly, this data is the basis for developing new innovative services, smart processes and product innovation. However, in most cases there is no consensus on ownership of data. We believe that in many cases more emphasis should be put on access and usage of data rather than on ownership. Whenever data is generates, all actors of the value chain should have access to them. This is particularly important in some sectors, such as repair and maintenance in the car independent after-sale market. In data distribution, SMEs risks to be the weak part in the contractual agreement when it comes to negotiate terms and conditions with regard to the access, use and distribution of data.

In the framework of the Digital Single Market strategy, one legislative initiative that should certainly improve fairness, is the expected regulation addressing the B2B relations with “online intermediation services”, in other words platform. This regulation has long been awaited by SMEs, which currently need to cope with unfair contract terms and conditions when offering their products and services through some online platforms.
UEAPME does not put into question the benefits that these platforms bring to both consumers and businesses, however we strongly ask the Commission to tackle any unfair practice with the upcoming proposal. For example, contracts with intermediaries should not restrict traders to use other marketing and selling channels. Moreover, we expect the Commission to address parity clauses, non-transparent fees and exclusivity clauses. Platforms should not be allowed to unilaterally modify the contractual terms and conditions without proper notification or without allowing the trader to terminate the contract. Finally, it is important that platforms provide the right and objective information about the providers to the consumers, without favouring anyone.

Digitalisation has a disruptive impact on the labour market. New forms of work, such as platform work, appear as a consequence and this raises questions on the status and social protection of these 'non-standard' workers. Addressing possible negative side-effects, need to be tackled first of all by addressing rigidity of labour markets. In particular, the labour costs need to be reduced and flexibility improved in order to decrease the cost difference between self-employed and workers.

Moreover, to ensure adequate social protection for people regardless of their status, a push is needed in Member States to offer social protection for self-employed at a reasonable cost, without creating obstacles for them to subscribe to higher levels of protection. Transferability of entitlements needs to be improved, to facilitate transitions on the labour market between different employment statuses. Aside from that, self-employed working with platforms need clarity on their rights and obligations.

**FACILITATING ENVIRONMENT**

Concerning non-legislative measures, UEAPME would like to propose actions on five aspects:

- **Skills development**

  Artificial intelligence, automation, robotisation, blockchain, datamining are rapidly changing skills needs, whereas SMEs already face skills shortages and mismatches. **Education and training systems need to adapt to respond better to labour market needs.** Curricula need to be updated with basic and advanced digital skills. Moreover, schools need to favour transversal skills such as adaptability and readiness to develop new skills through the course of the working life.

  In addition, support is needed to upskill entrepreneurs to become 'digital proof'. Entrepreneurs need support in exchanging experiences on opportunities of digitalisation and trainings to develop the necessary skills to capitalise on these opportunities, e.g. through building a website, learning of digital tools, social media for branding and recruiting, etc. **Entrepreneurship education** should comprise dedicated modules on all facets of digitalisation.

- **Financial support**

  Accessing finance for **investments in digitalisation** is even more difficult for SMEs than finding finance for traditional investments. This is especially true for intangible investments, like software and investments in innovative solutions. Therefore, SMEs will need **support in form of financial instruments**, which are able to cover these specific risks. Hence, UEAPME asks to include the support for digitalisation as priority objective in future financial programs, like the successor of COSME and Horizon 2020.

  The majority of small companies are looking for **support at regional and national level**. Currently, the European Commission supports SMEs, innovation and energy efficiency as specific objectives within ESIF. In order to
strengthen the support for the up-take of digitalisation, UEAPME asks to include digitalisation as additional objective in the regulation for the next generation of decentralised managed European Funds.

- **Capacity building/ access to digital knowhow**

A unified portal containing all relevant information, initiatives and resources could help both SMEs and SMEs organisation in tackling the digital transformation. UEAPME proposes the creation of a “Digital Knowledge Centre”. Such a centre / platform should bring together digital experts, SME organisations which are close to SMEs and small and medium-sized companies from different regions and sectors across the European Union.

This platform should be an open and collaborative space to share knowledge and expertise on digitalisation. It can coordinate the exchange of best practices, the organisation of specific seminars, webinars and workshops, the development of toolkits and learning material and the planning of awareness raising campaigns.

With such a platform, SMEs organisations could receive support in capacity building and access to up-to-date information, specific training materials and count on a European network. On the other hand, SMEs could have access to the latest information on digitalisation, new initiatives, self-assessment tools, access to knowledge and support programmes.

- **Ensure the appropriate infrastructure**

All regions within the European Union should be equipped with the digital infrastructure required to optimise administration, services and production. Interconnectivity needs to be urgently tackled as well as a guaranteed and unrestricted access to superfast reliable telecommunication networks, e-government solutions and an open internet. The necessary capacity should be guaranteed by the telecom providers so that business users can use automatically 4G / 5G in case the business lines do not work. Apart from the highest possible level of cybersecurity, rescue plans should be promoted and developed at European, national, local and company level in case of black-out or disasters.

- **Standardisation in ICT**

Standardisation can help SMEs develop new technology, digitalise and also comply with legislation in the Digital Single Market. SMEs and start-ups that develop innovative technologies and become standards makers can have an open door to global markets and have access to millions of standards users in the EU internal market as well as internationally. UEAPME is involved in standardisation through its sister organisation SBS – Small Business Standards – which works to ensure SMEs presence and involvement in the standard making process at European (CEN, CENELEC, ETSI) and international level (ISO, IEC) and to enhance the development of SME-friendly standards. SBS has a special sectorial approach on standardisation in ICT. Therefore, UEAPME asks the European Commission to continue its support towards SBS in order to ensure that more and more SMEs have the chance to get involved in standardisation.

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