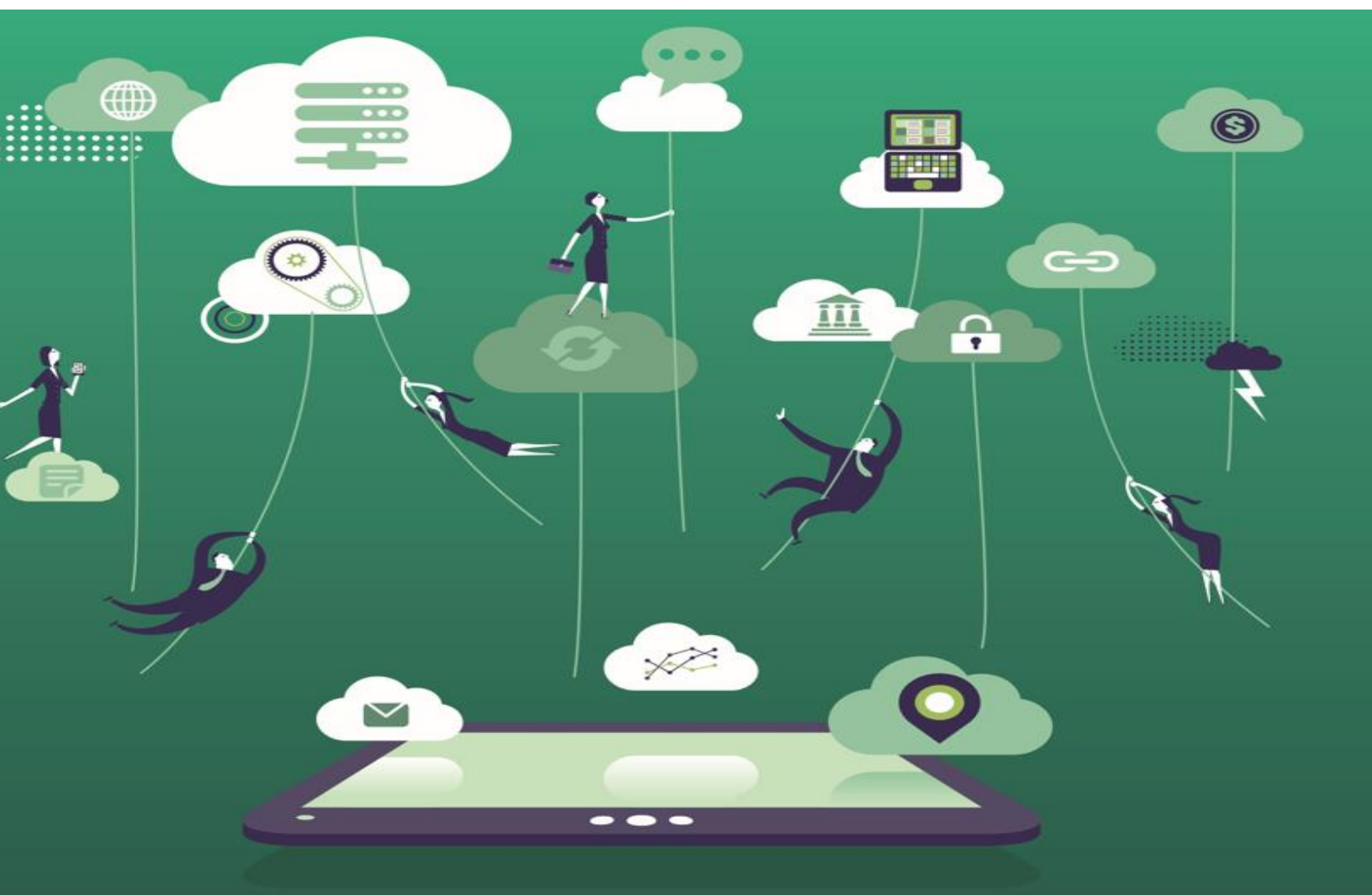


# ***SMEs in the data economy: from cloud computing to digital security***

4 October 2022

*A “Digital for SMEs” (D4SME) knowledge event*

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## The D4SME Initiative

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 coordinated by the **OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)** in cooperation with **Business at OECD**.

For more information on the D4SME initiative, please visit: <https://www.oecd.org/digital/sme/>

## Background

- **How SMEs gather, manage, protect, and analyse their data is key to ensuring the successful integration of SMEs in the digital economy.**
- **SMEs still tend to lag in their adoption of cloud computing across OECD countries**, despite the flexibility and affordability of most solutions, which makes them particularly suited for use by SMEs. The share of small firms using cloud computing services is on average 30% less than the share of large firms.
- **A large share of SMEs lack awareness, resources and/or expertise** to assess their digital risk exposure and to implement appropriate prevention and remediation measures in the event of a cyber-attack.
- **Governments, large firms, specialised training providers, professionals and technology practitioners all have a role to play in closing the SME gap in the access to and effective use of data.** However, SME-targeted data governance policies remain rare, despite the clear use case and strategic value of data for SMEs.

## Key Takeaways

- **Increasingly, data represents a strategic asset for businesses, across all types of firms and sectors.** Ms Lora Pissareva, OECD Policy Analyst, kick-started the discussion by presenting the key findings and insights from the recently published OECD report *Financing Growth and Turning Data into Business: Helping SMEs Scale Up*, carried out in cooperation with the European Commission. Ms Pissareva explained that, as businesses digitize, they generate and manage growing volumes of data across business operations. These intangible assets are of increasing value to firms, sometimes even the central component of their business model.. Efficient decision making by SMEs depends on the availability, management and protection of the data they access. If appropriately leveraged, the opportunities in terms of efficiency gains and capacity building are wide-ranging for SMEs. For example, businesses in the service sector use data to carry out consumption analytics or pricing strategies, while SMEs in the manufacturing sector can use data for predictive maintenance of their machinery or to reduce energy costs. With the aim to improve

understanding about how governments create the incentives and conditions for enhanced SME data governance, the OECD undertook a mapping of national policy approaches. Based on a cross-country analysis of 487 policies and 209 institutions across the OECD, the report provides an overview of the policy mixes that governments have put in place to enhance SME access to, protection and exploitation of data, as well as on the institutional and governance arrangements behind.

- ① **Policy efforts across the OECD area remain focused on broader governance considerations related to data and shaping the policy system at large, suggesting that *SME data governance* remains an emerging policy field with only 29% of data governance policies being SME-targeted.** Ms Pissareva emphasised how the policy landscape is currently largely dominated by national strategies or action plans focusing on Artificial Intelligence (AI) or Industry, 4.0 for instance. Therefore, **less than one third of data policy measures are SME-targeted**, with some data elements often weaved into broader SME digitalisation initiatives.
- ② SME data governance policy can be linked to specific topics such as cybersecurity and Artificial Intelligence (AI), but also to broader issues such as innovation or business development. At a more granular level, **existing policies pertaining to SME data governance tend to focus on the internal exploitation and protection of SMEs' data as well as on developing a data culture and relevant skills.** Less attention is comparatively paid to building appropriate data infrastructures for SMEs or ensuring interoperability as well as data access and sharing.
- ③ **There is a need to mainstream an “SME focus” and promote coordination across institutions.** The cross-cutting character of SME data governance policies results in a multitude of institutions with different core mandates who are overseeing policy implementation, with **less than 26% of such institutions having a core mandate on SMEs and entrepreneurship.** This calls for sound coordination across the board and for a further mainstreaming of SME considerations in this policy area to better address the specific challenges faced by small firms. At the same time, the discussion, highlighted how the heterogeneity of SMEs represents an important challenge for policymakers when it comes to developing SME targeted policies, broadly and in relation to data management in particular.
- ④ **Both demand and supply side solutions can be implemented in order to support SME adoption of digital and data-driven solutions.** Policies can be aimed both at the demand-side, encouraging the adoption of digital technologies (such as cloud computing), and at the supply-side, helping to fill the gaps in the offer of digital services to SMEs. Mr Yossi Haddas from the Small and Medium Business Agency of Israel, explained how in Israel raising awareness about technologies that could improve the productivity of traditional SMEs is key to bridge the productivity gap between the IT sector and the sectors in which traditional SMEs operate. For example, to address awareness issues, the Israeli government introduced Business Development Centres across the country offering digital consulting services to SMEs. He also mentioned two finance-oriented programs that target respectively the demand side, by providing access to



finance to SMEs seeking to implement software solutions; and the supply side, by either offering loans to entrepreneurs providing services and innovative solutions for SMEs to enhance their efficiency, or grants financing up to 50% of initiatives aimed at increasing SME productivity.

- **Appropriate supply side incentives are key to the creation of an innovation-driven digital ecosystem.** It emerged from the discussion that supply side solutions, as the one presented by Mr. Haddas, can play an important role to overcome market-size related issues and encourage SMEs operating in the ICT sector to address demand at the domestic level, as they also venture into larger foreign markets.
- **There is a need to keep the digitalisation momentum.** The COVID-19 pandemic accelerated the digitalisation process of many businesses, but SMEs now need to evolve and achieve sustainable growth in an increasingly fast changing digital environment. Mr. Gabriel Lopez Serrano, Government Affairs Director for Microsoft Spain, emphasized the need for governments to foster the creation of data sharing ecosystems through the adoption of appropriate data governance policies. It also emerged from the discussion that, in order to do so, the adoption of principles such as openness, cooperation, security, respect of privacy and interoperability are key. Mr Lopez Serrano reminded the enabling character of digital technologies, which endow SMEs and other organisations with the potential to achieve long lasting change. To illustrate, he mentioned the experience of the 9-employee Spanish NGO “Foundation 29”, which uses AI systems in order to detect rare diseases. The free application Dx29 helps patients and professionals identify symptoms and predict accurate diagnoses. They also developed “HealthData 29” initiative which includes a guide to good practices in the sharing and processing of medical data, awarded by the Spanish Agency of Data Protection and the personal health data container “Ratio”. Mr Lopez Serrano emphasized in this way the need for public and private actors to support the adoption of these technologies by SMEs.
- **Large companies can help SMEs leverage the tools at their disposal more effectively.** Mr Lopez Serrano stressed that large firms need to understand the extent to which they bring value to governments and the larger digital ecosystems, as they also have a role to play in closing the gap for SMEs. In this regard, he commented on the enabling role of the Microsoft partners network, which aims to improve SME access to and leverage cost-effective products and technologies to help them achieve their business goals.
- **Privacy enhancing technologies can help overcome concerns and barriers to data sharing.** Mr Giorgos Verdi, Policy Analyst at the European DIGITAL SME Alliance, highlighted how SMEs are becoming increasingly concerned with data privacy, an observation shared by several panellists, who acknowledged the relevant barriers related to data sharing. In relation with this, Mr Lopez Serrano stressed that privacy enhancing technologies, like encryption or differential privacy, can help to mitigate these risks.
- **SMEs can also be providers of data management and digital security services.** Mr Verdi highlighted that the implementation of digital solutions for SMEs proposed by other SMEs operating in the ICT sector can accelerate cloud computing uptake and enhance digital security. It is important to flip the narrative and frame SMEs not only as users but also as providers of these technologies and services. Innovative small

businesses themselves can create more appropriate and tailor-made products to answer SME needs. By building on their Business to Business (B2B) relationships SMEs themselves can contribute to the development of an innovation-driven ecosystem.

- **There is a need for government support in the field of digital security.** SMEs often lack the necessary knowledge to appropriately assess cybersecurity risks and timely address them. Mr Verdi highlighted the relevance of policy support as a single weak link can have disastrous consequences if exploited by hackers. Mr Marco Bianchini, Project Manager of the OECD D4SME Global Initiative, stressed that SMEs often delegate digital security to the third parties that provide them software solutions, assuming that their competence is all that is needed. This does not consider that good digital security practices by employees and managers of SMEs are key to keep data safe throughout the process of collection, storage and analysis (e.g. password management). Further, Mr. Verdi highlighted that governments should help SMEs navigate complex regulations related to cybersecurity and data privacy, as small businesses often lack the appropriate internal capabilities to effectively deal with these.
- **Digital skills are key at all levels of digital intensity.** In order to respond to an ever-changing digital environment, SMEs and larger businesses need to continuously adapt by reskilling their workforce. Mr. Lopez Serrano reminded how the accelerated digitalisation of many small businesses during the Covid-19 pandemic revealed their lacking digital skills as a major stress point. Mr Verdi asserted that digital skills are a key solution at all levels of digital intensity: simple tasks, such as the way in which SMEs manage their emails and internet connection, are often the largest sources of risk. Improvements in the hard and soft digital skills of SME staff can significantly downscale this risk. He added that, at higher levels of digital intensity, training ICT experts is just as crucial. Panellists agreed that skills development is essential for SMEs to navigate the digital economy and understand how data can best serve their objectives.



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## The panelists

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**Ms Lora Pissareva**  
Policy Analyst  
Entrepreneurship, SMEs &  
Tourism Division,  
Centre for Entrepreneurship,  
SMEs, Regions and Cities  
*OECD*

**Lora Pissareva** is a Policy Analyst working at the SME and Entrepreneurship Performance, Policies and Mainstreaming unit at the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE). She coordinates analytical work on the scaling up of SMEs and start-ups, with a focus on building an inventory of policies in support of scalars across multiple dimensions, including SME data governance, access to scale up finance, networks and internationalisation, and innovation. In 2014-15, she successfully completed the Mercator Fellowship on International Affairs, which included placements with the International Crisis Group in Lebanon and the German Development Agency (GIZ) in Afghanistan. Prior to the fellowship, she gained work experience as a management consultant at Roland Berger Strategy Consultants in Germany and Iraq, focusing on business environment reform and private sector development.

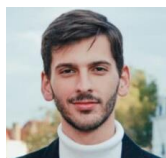
She holds a double diploma in Public Administration and European Studies at the University of Münster and Twente (Netherlands) and a Master's degree in International Affairs from Sciences Po Paris.



**Mr Yossi Haddas**  
Head of Finance Department  
*Small and Medium Business*  
Agency of Israel

**Yossi Haddas** is the Head of the Finance Department at the Small and Medium Business Agency of Israel (SMBA). He has over 10 years of experience in making policies, introducing and implementing programs, setting up economic models, and planning budgets for the public and private sectors.

In his role at SMBA, he focuses on solutions and tools to increase the access of SMEs to finance through traditional and advanced tools, and to increase the adoption of digital tools for SMEs. He is also in charge of developing partnerships and collaborations with relevant stakeholders - government, private sector, and philanthropy.



**Mr Giorgos Verdi**  
Policy Officer  
*Digital SME Alliance*

**Giorgos Verdi** joined the European Digital SME Alliance policy team in 2022. He provides in-depth analysis on key policy issues such as artificial intelligence, data governance and privacy, big tech antitrust, and digital trade.

Previously, Giorgos interned for the Greek Ministry of Foreign Affairs, the Cold War History Research Center in Budapest, and the Hellenic Foundation for European and Foreign Policy. He has received scholarships from the Council of Europe and the Schwarzkopf Foundation Young Europe to travel to Estonia and France and research digital technologies. Giorgos holds a master's degree in EU international relations from the College of Europe in Bruges, as well as a bachelor's degree in international relations from the University of Piraeus.



**Mr Gabriel Lopez Serrano**  
Government Affairs Director  
for Spain  
*Microsoft*

**Gabriel López Serrano** is a Government Affairs Director for Microsoft. His career spans academia, start-ups and top tech companies and as the Government Affairs Director for Microsoft in Spain he collaborates with several private, public, and academic institutions. He is a member of the academic council of FIDE (Fundación para la Investigación sobre el Derecho y la Empresa) and participates at the Real Instituto Elcano as an expert on digital economy. He is the President of the Digital Policy Commission at Ametic and a member of the board of directors of Ametic and Adigital.

He specializes in the design of national and international public policies and regulation for the responsible use of technology and the development of the data economy. He has authored several articles focused on Artificial Intelligence, cybersecurity, transparency,

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sovereignty, accessibility, and sustainability. He is also a guest professor at the Madrid Bar Association and the University of Granada.

Gabriel is a licensed attorney in Mexico and Spain, holds a bachelor's degree and a Master's in law from the Mexican Institute of Technology, has postgraduate studies at University of Stanford, University College of Dublin, Instituto de Empresa, European Academy of Law, Georgetown University and the Mexican Institute of Technology.



**Ms Lucia Cusmano**  
Deputy-Head  
Entrepreneurship, SMEs &  
Tourism Division,  
Centre for Entrepreneurship,  
SMEs, Regions and Cities  
*OECD*

**Lucia Cusmano** is Senior Economist and Deputy Head of the Entrepreneurship, SME and Tourism Division at the OECD Centre for Entrepreneurship, Small and Medium-sized Enterprises, Regions and Cities (CFE). She leads OECD work on SME and Entrepreneurship Transformations and has authored OECD reports on SME financing, innovation and sustainability, and benchmarking of SME and entrepreneurship policy,

Ms Cusmano has a PhD in Economics from the University of Pavia and has completed a Master of Science in Economics at Warwick University (UK). She has published in international journals on SMEs, entrepreneurship, innovation, structural change and economic development.



## For further reading



**"Turning data into business", in Financing Growth and Turning Data into Business: Helping SMEs Scale Up** (<https://doi.org/10.1787/f5fcd71-en>)

Data have become a key asset for increasing productivity and innovation capacity, and enabling SMEs to scale up. Yet SMEs are less aware of the potential and need for them to implement better data governance. This chapter, produced as part of a larger report on SME scale up, aims to understand how governments create the incentives and conditions for improving SME data governance. It first presents the rationale and scope for policy intervention and proposes an analytical framework for mapping relevant national policies and institutions in this area. Based on cross-country analysis of 487 policies and 209 institutions across the OECD, the report provides an overview of the policy mixes governments have put in place to enhance SME access to, protection and exploitation of data, as well as on the institutional and governance arrangements behind.



**SME Digitalisation to Build Back Better (D4SME Policy Paper)** (<https://doi.org/10.1787/f493861e-en>)

This policy paper aims to improve understanding on how SMEs responded to the COVID-19 crisis and adapted to the new environment, and how different players in their ecosystems are contributing to their digital transition. The paper focuses on some of the main trends emerging from - or being strongly accelerated by - the COVID-19 crisis, including access to digital infrastructure, e-commerce and teleworking. International practices in SME digitalisation policies and original evidence from the “rescue” and “recovery” packages launched by OECD governments to face the crisis are presented; as well as case studies and qualitative evidence from private-sector programme provided by partners of the Digital for SMEs Global Initiative (D4SME).



**The Digital Transformation of SMEs** (<https://doi.org/10.1787/20780990>)

Despite potentially tremendous benefits, small and medium-sized enterprises (SMEs) lag in the digital transformation. This report looks at recent trends in SME digital uptake, including in the context of the COVID-19 crisis. It focuses on issues related to digital security, online platforms, block chain ecosystems, and artificial intelligence. It identifies opportunities, risks of not going digital; barriers to adoption and policy actions to speed up SME transformation.



**Enhancing SME Resilience Through Digitalisation – The case of Korea** (<https://doi.org/10.1787/23bd7a26-en>)

The report investigates the role of government programmes in strengthening SMEs’ resilience to external shocks, by focusing on SME digitalisation policies implemented in Korea during the COVID-19 outbreak. The report examines how digital tools and services contributed to enhancing SME resilience during the pandemic and how policy programmes facilitated the strong acceleration in SME uptake of digital technologies.





## Contact:

OECD  
Centre for Entrepreneurship, SMEs, Regions and Cities

**Lucia CUSMANO**, *Deputy Head, Entrepreneurship, SMEs and Tourism (EST) Division*

[lucia.cusmano@oecd.org](mailto:lucia.cusmano@oecd.org)

**Marco BIANCHINI**, *Economist and Coordinator of the D4SME Initiative, EST Division*

[marco.bianchini@oecd.org](mailto:marco.bianchini@oecd.org)

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