



## **Programme of work – Biennium 2023-24**

# **“SME digitalisation for resilience and sustainability”**

**The uptake of digital tools will be key for SMEs to weather the perfect storm, strengthen resilience and transition towards more sustainable business models.**

**In a large number of countries, SMEs are facing a perfect storm of disruptions in supply chains and trade, reduced energy supply, price increases, shortages across value chains and tighter credit conditions.** All this while the COVID-19 pandemic and its detrimental effects still impact the economy, with the spectre of stagflation (combination of low growth and high inflation) looming over many OECD economies. Some of these challenges might be only pressing in the short term, but some others might become structural, exacerbating vulnerabilities of SMEs, in particular of those with non-digital business models.

**Digital tools can help SMEs and entrepreneurs weather the storm in the short term and strengthen resilience to shocks in the longer-term.** Digital applications can offer immediate solutions to increasing cost pressures (e.g. energy bills), but also help SMEs strengthen their business model in the longer term; for example by providing real-time data and addressing bottlenecks in supply chains, easing credit conditions through better credit risk assessment and enabling improvements in energy efficiency of both manufacturing and service companies. Integration of new software solutions into the business model should be carefully assessed though, with due considerations of possible drawbacks in the present context (e.g. rising cost of cloud computing services, increased exposure to more fragile international supply chains). Moreover, as digitalisation affects deeply the established patterns of business and human activity, attention is needed on policy and tools to sustain mental health and well-being of entrepreneurs and employees in SMEs that embark in profound and long term digital transformations.

**However, the digital transformation of SMEs cannot happen overnight, as, despite the recent acceleration, long-standing barriers remain.** The lack of digital skills and of reliable internet connection continues to hinder or limit the digital transition of SMEs across many OECD countries and regions. Skills shortages weigh on SME recovery, on their capacity to adapt to a volatile business environment and embrace long term transformations. Rapidly changing digital technologies require continuous upskilling and re-skilling among both managers and employees in SMEs, as well as effective ways to find talent in the job market and tap into expertise, knowledge and skills which develop in their ecosystem. Such needs are amplified by the increasing relevance of data and data-driven business models, and the mounting challenges in the data environment. Proper data management and digital security require a level of awareness and understanding that is certainly not a given in most SMEs. Furthermore, uneven connectivity continues to affect the playing field. While access to mobile and/or fixed broadband infrastructure at low download speed (>2 Mbit/s download speed) is almost ubiquitous in OECD countries, access to fast broadband (>20 Mbit/s), which can allow for a more efficient use of digital technologies and unlock the potential of most advanced ones, is still patchy. Important differences still exist between urban, rural and remote areas.

**Furthermore the digital transition has the potential to facilitate SME sustainability, but trade-offs must be taken into account.** The transition towards more sustainable economies and societies has become an ever more important objective for most OECD governments. SMEs play an important part in this transition, given the relatively large share of CO<sub>2</sub> emissions they are responsible for but also their potential to develop and implement eco-innovations and greener business practices. Digital tools can support SMEs in their journey towards more sustainable practices and models, by for example helping to increase their energy efficiency, better managing their waste disposal,



as well as by providing them with real time information on the “greening” practices (or lack thereof) within their supply chain. However, there are trade-offs to be considered attentively, such as the potential impact of “digital waste” or high energy consumption of data centres.

**Governments, small and large private sector companies, business associations, scholars, and civil society can work together to facilitate the digital transition of SMEs and bridge the digital divide between large and small companies.** During the COVID-19 pandemic, many governments have strengthened existing programmes or launched new ones to support the digitalisation of small businesses, often in cooperation with large digital service providers and leveraging the offer of services and solutions from innovative SMEs and start-ups. As OECD countries have passed the apex of the pandemic emergency, keeping the momentum of the accelerated digitalisation, and adapting support schemes to emerging opportunities and new threats are a priority for governments.

**The past Programmes of Work of the D4SME Global Initiative focused on “SME Digitalisation in response to the COVID-19 crisis”, in 2020, and, in 2021-22, on “SME Digitalisation to Build Back Better”, to help governments navigate throughout the COVID-19 crisis and its immediate aftermath.** In particular, over 2022, the D4SME Global Initiative has produced empirical research to assess the use of online and offline channels by retail SMEs, discussed the role of higher education institutions in supporting the uptake of digital skills by SMEs, showcased experiences of SMEs undergoing digital transition across the OECD through its recently launched visualization tool, and promoted knowledge exchange on increasingly important themes like data management and digital security.

**The 2023-24 Programme of Work will expand and strengthen these activities to provide policy makers with evidence and knowledge sharing to tackle the current crisis and help SMEs get on a long term digital transformation path.** The activities will contribute to the Programme of Work of the OECD Committee on SMEs and Entrepreneurship (CSMEE), which identifies digitalisation as one of its key priority areas – including in the framework of the I CSMEE meeting at Ministerial level, which will take place in June 2023. Analytical research, Sharing SME experiences, and Network and Policy Dialogue activities will remain the three pillars on which the Initiative delivers for its stakeholders. The work will aim to draw lessons for policy makers and enable them to accompany the digital transition of diverse SMEs towards more resilient and sustainable business models.



## PILLAR 1 – ANALYTICAL RESEARCH

- **Inform OECD governments and the OECD research agenda on SME Digitalisation** through exchanges with D4SME partners and gathering the industry perspective on key issues to help the identification, design and implementation of effective policies. In 2023-24, the work will focus on how digital tools and practices can help SMEs adapt to rapidly changing market conditions and strengthen resilience to shocks (e.g. energy prices, inflation, tighter credit market) while preparing for the future, and how public policies can be effective in supporting the transition (e.g. design, awareness). The activity could focus on the role of framework conditions (including regulatory and competition environment), public policies and the SMEs ecosystems (e.g. large companies, other SMEs, Higher Education Institutions, business associations)in:
  - strengthening the awareness and skills needed for the digital transition of both managers and employees in SMEs (possibly specifying different skills needs across industries and developing benchmarks),
  - enhancing access to data, data usage and management and digital security in small businesses (including how they share data across organisations),
  - facilitating the emergence of new business models
  - affecting mental health and well-being of entrepreneurs and workers in SMEs in the digital transition,
  - strengthening the link between digitalisation and sustainability for SMEs across sectors/ecosystems (e.g. retail, agri-food).
- **Produce analysis in cooperation with partners, building on recent experience.** Cooperation with private sector partners of the initiative will be strengthened, following the first successful pilot of a “D4SME survey” focusing on e-commerce and hybrid models for retail launched in 2022, which will be extended to more countries. Other topics of focus may include: *access to high quality infrastructure for high-speed mobile and/or fixed broadband by SMEs; SMEs use of online payments tools and digital access to finance; the role of international standards in promoting digitalisation among SMEs; cloud computing solutions for SMEs and how standardisation across platforms can increase SMEs’ uptake by optimising their use (possibly including access to state-of-the-art technology like machine learning); hybrid work environment/SMEs’ use of teleworking tools.*
- **Build upon the expertise of the “Expert Group”.** The D4SME established an “Expert Group” (EG) composed of scholars from Universities across the OECD to support its analytical work. In 2023-24 the EG will support discussion on key macro trends and firm-level determinants of SMEs’ digitalisation, feed ideas into D4SME activities reflecting latest academic knowledge insights.

## PILLAR 2 – SHARING SME EXPERIENCES

- **Expand the community of SMEs working with the D4SME Initiative.** Identifying interesting case studies across sectors, size, and geographies to back up evidence-based findings with concrete experiences. Engage entrepreneurs directly in the activities of the initiative, also at local level.
- **Showcase SME stories via the D4SME open-access online database, to enable mutual learning among SMEs and share inspiring experiences with the public and with other SMEs to enable peer-learning.** This will build upon the *open access database* and *visualization tool* launched at the 2022



Roundtable. The database integrating dedicated web-pages for SME cases will be expanded to include more SME experiences and specific features (e.g. video-interviews, blogs, etc) for every profile. SMEs' stories will be expanded with details on use of government support programmes (both at national and local level), as well as insights on experiences of cooperation with large companies, associations, and higher education institutions.

### PILLAR 3 – NETWORK AND POLICY DIALOGUE

- **Organise (virtual or physical) workshops and webinars throughout the year.** Workshops might be hosted by OECD countries, to increase the visibility of the initiative across the OECD, promote work focusing on specific regions/areas, and engage local communities. Discussions in the thematic workshops will be leveraged to provide input for D4SME policy papers and further dissemination activities.
- **Organise a yearly D4SME High level Policy Roundtable.** Organise a yearly physical high-level event bringing together all D4SME stakeholders, to deepen understanding on key policy topics for SME digitalisation, share knowledge and perspectives from diverse communities, and bring visibility to the multi-stakeholder dialogue.



## **Stocktaking of 2021-22 activities**

Three pillars underpin the development of the Initiative: Analytical Research, Sharing SME experiences, and Network and policy dialogue activities. In 2021-22, the main outcomes of the initiative were the following:

### **PILLAR 1 – ANALYTICAL RESEARCH**

In 2021, the first OECD D4SME Policy Paper on “*SME Digitalisation to build back better*”<sup>1</sup> was published, under the authority of the OECD Committee on SMEs and Entrepreneurship (CSMEE). The paper aimed at improving the understanding of 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. It includes an overview of key trends in SME uptake of digital technologies across OECD countries, to then focus on three main trends being accelerated by the COVID pandemic – access to digital infrastructure, e-commerce and teleworking. It also presents original evidence on the weight of policies focusing on SME digitalisation in “rescue” and “recovery” packages launched by OECD governments during the crisis, as well as case studies and qualitative evidence from private-sector programme provided by partners of the Digital for SMEs Global Initiative (D4SME).

In 2022, two draft analytical papers have been developed, building upon two of the 2022 D4SME thematic webinars. The first paper 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 the “era of hybrid retail”, integrating physical and online sales channels. The paper looks at the role of digital tools in shaping key trends in SMEs and consumer behaviour before, during and after the COVID-19 pandemic. It presents original data on this topic from a pilot survey among SMEs, conducted in cooperation with private sector partners of the D4SME, in Germany, France, Italy, Japan, Korea, and Spain. It also comments on policies supporting SMEs’ selling online, with examples from the four OECD countries included in the sample. The second in-progress paper focuses on “*Digital upskilling, reskilling and finding talent – the role of Higher Education Institutions in the SME ecosystem*”, and is being developed in cooperation with the OECD EECOLE network, with contributions from D4SME partners and Universities in OECD countries including in the D4SME Expert Group.

### **PILLAR 2 – SHARING SME EXPERIENCES**

The SME databank has been growing in 2021, as a collection of case studies of SMEs sharing their digitalisation journey. The database currently includes more than 100 SME cases, across more than 25 OECD countries and 12 sectors.

In 2022, the D4SME initiative has launched an *open access data base*, integrating an *interactive map*, that will be freely accessible on the D4SME website. This tool includes SME dedicated webpages. By showcasing inspiring stories, the initiative provides individual SMEs the opportunity to illustrate their pathways to digitalisation, discuss key factors of success as well as persisting challenges, share views on the role of

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<sup>1</sup> <https://doi.org/10.1787/f493861e-en>



governments, large firms and other players in their journey and on what should different actors do, or improve, to enhance conditions for their digital transition.

### PILLAR 3 – NETWORK AND POLICY DIALOGUE

Title	Type of activity	Date	Link to key highlights
SME digitalisation and sustainability: the Twin Transition	Webinar	May 2021	<a href="#">Key Highlights</a>
Frontiers of digital learning: bridging the digital skills gap for SME&E	Webinar	June 2021	<a href="#">Key Highlights</a>
D4SME-CSMEE Policy Dialogue on SME Digitalisation	Joint session with CSMEE - virtual	October 2021	
SME Digitalisation to Build Back Better	3 <sup>rd</sup> High-level Roundtable - virtual	December 2021	<a href="#">Key Highlights</a>
Digital upskilling, reskilling & finding talent: the role of HEI in SME ecosystems	Webinar	March 2022	<a href="#">Key Highlights</a>
SMEs & Hybrid retail: adapting to the new normal	Webinar	June 2022	<a href="#">Key Highlights</a>
SMEs in the data economy: from cloud computing to digital security	Webinar	October 2022	<a href="#">Key Highlights</a>
SME resilience and digital transformation	4 <sup>th</sup> High-level Roundtable – in person, OECD Headquarters in Paris	November 2022	Key Highlights