Digital for SMEs (D4SME) Knowledge event

26 April 2023 | Virtual Webinar

# Generative AI for SMEs

## Separating the Chit and the ChatGPT

OECD

# Key Highlights

- **Labour shortages represent one of the key motivators for SMEs to adopt AI** technologies, as generative AI allows for **automation of cognitive tasks** previously only doable by humans.
- SMEs across diverse industries are applying Generative AI, experiencing significant **productivity gains** related to cost reductions in processing significant amount of both qualitative and quantitative information, as well as improved marketing and customer service.
- Generative AI tools have the potential to **empower individuals within small businesses**, acting as catalysts for growth and fostering a sense of connection, also thanks to design choices that prioritise "approachability" and "humanisation" facilitating engagement with AI-generated outputs.
- At the same time, the rise of Generative AI introduces **new risks (e.g. data privacy, security, job market impact)** and raises concerns about **deepening the current digital divides among large companies and SMEs**
- To address the risks and challenges associated with Generative AI, panellists emphasized the importance of adopting **a human-centred policy approach to AI**.
- **Policymakers should offer support and guidance to SMEs** in effectively adopting and leveraging Generative AI technologies, while also streamlining public services for them…
- …but also strive **to strike a balance between regulation and innovation in the AI regulatory environment** to support SMEs.

# AGENDA

Moderated by:

- **Marco Bianchini**, Economist and Coordinator of the D4SME Global Initiative, OECD

**16:00-16:05** *Introductory remarks:*

- **Rashad Abelson,** Policy Analyst, OECD AI Policy Observatory

**16:05-16:50** *Panel discussion:*

- **Laura Jones,** Senior Vice-President, Canadian Federation of Independent Businesses - CFIB (*Canada*)
- **Jeremy Rollison**, Senior Director, EU Government Affairs, Microsoft *(United States)*
- **Patrick Slavenberg,** Founder, Smartified *(the Netherlands)*
- **Heather Yang,** Assistant Professor of Management and Technology, Bocconi University (*Italy*)
- **Philipp Hacker,** Professor and Chair for Law and Ethics of the Digital Society, University of Viadrina (*Germany*)

**16:50-17:25** *Moderated discussion* - Q&A

**17:25-17:30** *Closing remarks*

- **Lucia Cusmano,** Deputy Head of Entrepreneurship, SMEs, and Tourism Division, OECD

# What's the issue?

- **As ChatGPT and other large AI-based "generative language models" are made available to the general public, users and observers are excited about the vast array of potential applications, but also concerned about rising risks.** Use cases are already emerging that illustrate the potential of generative AI to help small businesses increase efficiency, reduce costs, and improve their marketing and customer service efforts. However, concerns exist on data privacy, security, and how this new technology might impact the job market.

- **Stakeholders in the ecosystem (e.g. government, business associations, universities, large firms) can help SMEs leverage this new tool while managing the risks it entails.** Existing divides between large and smaller firms, such as the digital skills gap, and the lack of access to finance and digital infrastructure, might impact SME adoption of this new technology. Even when successfully deployed within firms, there are broader risks to manage for policy makers, including its potential impacts on the world of work.

# Ideas from the panellists

- **Generative AI is being applied by businesses across various industries, extending beyond the ICT sector, with significant productivity gains.** **Mr Rashad Abelson, Policy Analyst AI Unit Directorate for Science, Technology and Innovation, OECD** highlighted that the *OECD AI Principles* were adopted in 2019 by OECD member countries in an effort to steer governments in the development of a digital ecosystem for trustworthy AI. He reiterated how the principles still hold true now that Generative AI models are becoming widespread and are profoundly changing the industry. He specifically referred to the many uses that SMEs are giving to "Generative AI" (e.g., ChatGPT, Midjourney) across different sectors, allowing for the automation of both repetitive and non-repetitive tasks, processing significant amounts of data and facilitating rapid decision-making. This might unlock important productivity gains for SMEs, especially given the increased accessibility of open-source models for Generative AI. **Mr Patrick Slavenburg, Founder, Smartified (Dutch SME)**, underscored that the widespread usability of Generative AI tools and the immediate productivity improvements suggest that 2023 marks a turning point with a new wave of AI innovation emerging – that this time is indeed "different".

- **However, the emergence of Generative AI brings forth new risks and raises concerns about the amplification of pre-existing challenges for SMEs, which should be taken into account in new regulations.** Despite the potential benefits that SMEs can derive from generative AI technologies, panellist were unanimous in recognising the unique challenges faced by SMEs and the need to design regulations that are suitable for businesses of all sizes. Generative AI implementation can involve significant fixed costs, particularly related to acquiring specialized technical expertise. SMEs face greater barriers in accessing finance and the widening digital skills gap between SMEs and larger firms makes it harder for the former to keep up with technology advancements. Data localisation requirements can further pose difficulties for SMEs in accessing necessary data for cross-border business operations. Intellectual property

repercussions, as well as added legislative complexity, such as varying audit compliance requirements across jurisdictions, also need to be considered.

- **To address these challenges, panellists recognised the importance for policy makers to provide support and guidance for SMEs to effectively adopt and leverage generative AI technologies, as well as to streamline public services for SMEs.** SMEs require concrete and timely instructions to navigate the regulatory landscape associated with Generative AI. Implementing specific support structures tailored to SMEs' needs, such as targeted subsidies, can help them overcome potential barriers in adopting Generative AI technologies and fostering a competitive ecosystem. , helping them **Professor Philipp Hacker, Chair for Law and Ethics of the Digital Society, European New School of Digital Studies (ENS), European University Viadrina Frankfurt (Oder)** illustrated this by referring to the EU Digital Markets Act (DMA) designed to protect smaller players and ensure fair competition in the market. **Ms Laura Jones, Chief Strategic Officer and Executive Vice President, Canadian Federation of Independent Business** highlighted that generative AI tools can support SMEs in automating processes, but it can also help public administration at local and national level to streamline permitting activities, and reduce administrative requirements, helping them address the higher compliances costs they may encounter and embrace change.

- **Labour shortages were identified by several panellists as a driving factor for SMEs to adopt AI technologies.** Beyond short term productivity gains of generative AI, **Mr Slavenburg** elaborated on the long-term productivity benefits of utilising these "intelligent" applications, including the possibility this tool could help bridge the knowledge gap for newcomers in a business by speeding up the acquisition of working knowledge, advantages that are all the more relevant in a context of secular scarcity of labour. **Ms Jones** agreed that current labour shortages will push businesses into adopting AI, explaining that currently, one in two businesses in Canada were experiencing them, and that SMEs are actively seeking strategies to address this issue. To support this, she referenced a a study on the success rate of different strategies to address labour shortages in Canadian businesses, which reveals that one in three businesses are focusing on increased automation, with an 88% success rate across sectors, the highest strategy success rate.

- **Generative AI tools have the potential to empower individuals within small businesses, serving as catalysts for growth and fostering a sense of connection. Professor Heather Yang, Assistant Professor, Department of Management and Technology Bocconi**

**University**, pointed out that by prioritizing accessibility and design choices, AI tools can become more approachable and help alleviate common concerns associated with the adoption of new technologies (e.g., job displacement and loss caused by insufficient digital skills). For instance, the human-like feel to responses when using ChatGPT and the deliberate pacing, (e.g., with words appearing one by one instead of in bulk), all contribute to making it more approachable, facilitating meaningful engagement with AI-generated outputs, a point that was backed by **Mr Slavenburg**. **Prof. Yang** emphasised that as we explore the potential of new technologies, it is crucial to consider not only the concerns but also the opportunities, arguing that by encouraging experimentation and adaptation, we can harness their full potential for the benefit of small businesses. For this purpose, emphasis should be placed on upskilling and reskilling SMEs to enable the effective implementation of these new technologies in their business models (e.g., teaching employees how to effectively design prompts for ChatGPT). Finally, the discussion highlighted that personal interactions and relationships with customers remain key strengths for SMEs. **Ms Jones** emphasised that small business' knowledge of their client base and their ability to connect authentically with customers will become even more important advantage as the use of Generative AI becomes more widespread.

- **To address the risks and challenges, associated with generative AI, panellists further highlighted the importance of ensuring a human centred policy approach to AI**. Large enterprises have developed their own guidelines for an ethical use of AI to ensure these technologies are developed and used in ways that are transparent, fair, secure, and respectful of user privacy and human rights, as highlighted by **Mr Jeremy Rollison, Senior Policy Director, EU Government Affairs, Microsoft**. Acknowledging that the adoption of any new technology involves disruptive effects that can have negative impacts, including financial and skills constraints that may disproportionately affect smaller business, **Mr Rollison** emphasised that the increasingly affordable and accessible aspects of Generative AI technologies have the potential to increasingly generate productivity gains for SMEs with minimal levels of investment in some cases. Accordingly, **Mr Rollison** conveyed the crucial role to be played by developers and marketers of these technologies, adding that one of the main objectives of Microsoft's AI approach is to develop tools that are accessible to individual users and businesses of all sizes across all sectors.

- **Finally, the discussion also emphasised the importance for SMEs that policy makers are able to strike a balance between regulation and innovation in the AI regulatory**

**environment.** **Prof. Hacker** and **Mr Rollison** both pointed out the need to implement appropriate guardrails to mitigate the risks associated with generative AI, particularly disinformation and the diffusion of hate news and speech. Bearing in mind that, contrary to the spread of misinformation in other platforms, in the case of Generative AI it could be the system itself, rather than the user, producing such content. However, **Prof. Hacker** also highlighted the need to strike a balance between regulation and innovation in the AI regulatory environment to prevent hindrance to the development and adoption of AI technologies, also by leveraging regulatory sandboxes. To illustrate this, he took the example of the EU AI Act, suggesting that the EU may be missing out on innovation by taking a broad approach to regulating generative AI, labelled in its entirety as a "high risk AI system", meaning that its many uses and applications are subject to the same set of regulatory requirements and obligations despite having very different risk levels. Striking a regulatory balance was also identified as a key measure to address the challenges faced by SMEs without stifling innovation or burdening them with excessive compliance costs.

# The panellists (alphabetical order)

**Mr Rashad Abelson**
Policy Analyst

AI Unit
Directorate for Science, Technology and Innovation
OECD

**Mr Rashad Abelson** is the Technology Sector Lead in the OECD Centre for Responsible Business Conduct and also a member of AI Unit in the OECD Directorate for Science, Technology and Innovation.

His work focuses on supporting and monitoring government implementation of OECD standards on responsible business conduct. Rashad is an American and Lebanese national and has been with the OECD for 7 years.

**Mr Marco Bianchini**
Economist and Coordinator of the "Digital for SMEs" Global Initiative

Centre for Entrepreneurship, SMEs, Regions and Cities
OECD

**Mr Marco Bianchini** is an Economist of the Centre for Entrepreneurship, SMEs, Regions and Cities of the OECD and the Coordinator of the "Digital for SMEs" Global Initiative. Mr Bianchini has worked on finance, regulation and innovation policies with a focus on Small and Medium Enterprises. He has published research papers and reports on firms' uptake of digital technologies (including emerging technologies as blockchain and artificial intelligence) and has directly supported governments across the globe (i.e. Western and Eastern Europe, Middle-East, South-East Asia, Central Asia, and South America).

He coordinates the OECD "Digital for SMEs" (D4SME) Global Initiative since its launch in 2019. The D4SME is a multi-stakeholder dialogue among OECD governments, large and small enterprises, business associations, academia and NGOs that aims to promote knowledge sharing and learning on how to enable all SMEs to make the most of the digital transition. The initiative places a specific emphasis on the diverse opportunities and needs for the large "missing middle" of "traditional" SMEs and entrepreneurs (beyond the ICT sector) that are not yet digitalised and on their role for an effective, inclusive, and sustainable digital transition of the whole economy.

**Ms Lucia Cusmano**
Deputy-Head of the Entrepreneurship, SMEs & Tourism Division

Centre for Entrepreneurship, SMEs, Regions and Cities
OECD

**Ms 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

**Prof. Philipp Hacker**
Chair for Law and Ethics of the Digital Society

European New School of Digital Studies (ENS)
European University Viadrina Frankfurt (Oder)

**Professor Philipp Hacker**, LL.M. (Yale), holds the Chair for Law and Ethics of the Digital Society at the European New School of Digital Studies (ENS), at European University Viadrina Frankfurt (Oder). In 2021, he was a Research Fellow at Weizenbaum Institute for the Connected Society Berlin. Prior to joining ENS, he served as an AXA Postdoctoral Fellow at the Faculty of Law of Humboldt University of Berlin; a Max Weber Fellow at the European University Institute, and an A.SK Fellow at WZB Berlin Social Science Center.

His research focuses on the intersection of law and technology. In particular, he analyzes the impact of tracking technologies, Artificial Intelligence, and the Internet of Things on consumer, privacy, anti-discrimination, and general regulatory law. He often cooperates with computer scientists and mathematicians, especially on questions of explainable AI and algorithmic fairness. He regularly advises national and EU legislators and regulatory agencies.

**Ms Laura Jones**
Chief Strategic Officer and Executive Vice President

Canadian Federation of Independent Business

**Ms Laura Jones** is Chief Strategic Officer and Executive Vice-President of the Canadian Federation of Independent Business (CFIB). Ms. Jones received her B.A. in Economics from Mount Holyoke College in Massachusetts, and her M.A. in Economics from Simon Fraser University.

Since joining CFIB in 2003, Ms. Jones has spearheaded several high-profile campaigns on behalf of small businesses, including creating CFIB's annual Red Tape Awareness WeekTM and Small Business Every Day Campaign. She has authored a number of studies on regulation, including papers for the Organisation of Economic Co-operation and Development (OECD), the Mercatus Centre, and CFIB. Currently, Ms Jones serves as Chair of the federal External Advisory Committee on Regulatory Competitiveness. She is currently on the board of the Macdonald-Laurier Institute and CFIB.

**Mr Jeremy Rollison**
Senior Director, Head of EU Policy

EU Government Affairs, within Microsoft's Corporate, External & Legal Affairs (CELA) group

**Mr Jeremy Rollison** is Senior Director, Head of EU Policy, European Government Affairs, within Microsoft's Corporate, External & Legal Affairs (CELA) group. Based in Brussels, his work focuses on policy related to EU regulatory frameworks for digital, cloud, and increasingly AI, take-up for Microsoft's customers in Europe.. His background includes particular experience and emphasis on data issues and corresponding public policy covering AI, privacy, cybersecurity, cloud and intellectual property and copyright.

Prior to joining Microsoft, he worked in the Government Relations team at Nokia in the company's EU representative office and was previously Director of the online services association Dot.Europe in Brussels. He has over 15 years of experience in Brussels at the company, association, and consultancy levels, focusing and engaging with EU stakeholders and regulators on issues related to the development and delivery of digital technologies in the Internal Market and corresponding EU regulatory policy

**Mr Patrick Slavenburg**
Founder

Smartified (Dutch SME)

Inspired by Star Trek, **Mr Patrick Slavenburg** graduated in laser- and theoretical physics. He has an "immutable" belief in technology's potential as well as humanity's. But current challenges in business and society can only be met by a diverse and holistic approach to technology and its impact on society.

Patrick co-founded one of the early luxury platforms with regular mention in US media. Their hybrid (symbolic and data) approach to AI landed in Stanford's textbook for Continued Education: "AIX: Designing Artificial Intelligence" by Sudha Jamthe, Stanford, 2020. His newest startup venture focuses on climate challenges. They were one of the winners of the 2022 European Space Agency Incubator rounds.

Patrick is passionate about helping SMEs and mid-market companies. He focuses on Digital Experiences including the use of AI. Within the DigitalSME and EU Commission working group, he provides business feedback to EU policy makers.

**Prof. Heather Yang**
Assistant Professor

Department of Management and Technology
Bocconi University

**Professor Heather Yang** is an organizational psychologist and an Assistant Professor of Management & Technology at Bocconi University in Milan, Italy.

Professor Yang received her PhD in 2021 from MIT's Sloan School of Management, where she was recognized as a Presidential Fellow. Her research focuses on how social information embedded in novel technologies (such as artificial intelligence) influences their use and how technology shapes us and our social worlds in return.

# 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/

# For further reading


### SME Digitalisation to Build Back Better (D4SME Policy Paper)

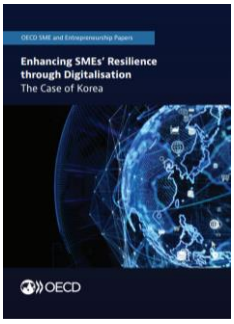
https://doi.org/10.1787/f493861e-en

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 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 info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