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DIGITAL RESPONSIBILITY FOR SMEs

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(Incl. Entrepreneurship); Digital Skills and Competences

WEBSITE:









Summary

Objectives

The general objective is to address the digital innovation of the Small and medium-size enterprises towards a long-term social responsibility.

The specific objectives are:

To boost the awareness and responsiveness of SMEs about their responsibility in implementing their digital transformation having as goal not only the profitability but also the social well-being and a global sustainability.

To cover the lack of knowledges, skill and resources in DRP emerged in SMEs

Activities

Research activity to collect good practices in DRP and define the guidelines for a training addressed to SMEs

Local training activity with selected SMEs Virtual international mainstreaming meeting Implementation of a DRP model Implementation of a self-assessment too

Impact:

- improvement of knowledges skills and capability in Digital Responsibility
- Improvement of valuable training opportunities and tools on DR policy topic
- Improvement of synergies among SMEs and stakeholders
- boosting SMEs competitiveness and reputation
- improving the community well-being
- improving a sustainable and ethical digital transition



DIGITAL RESPONSIBILITY FOR SMES

GOOD PRACTICES







RECOMMENDATIONS

The digital gap experienced by SMEs arises from a variety of factors and barriers, including limited information and awareness, skill gaps, inadequate capital, and the absence of complementary assets such as organisational practices or digital technology itself. Smaller businesses often encounter greater challenges in adapting to evolving regulatory frameworks, addressing digital security and privacy concerns, and accessing reliable digital infrastructure.

OECD countries are placing significant emphasis on expediting the diffusion of digital innovation among SMEs and ensuring their alignment with the ongoing digital transformation. However, policy approaches differ, and varying perspectives exist regarding how to address the considerable heterogeneity of the SME population and the diversity of their business ecosystems. While some countries aim to integrate SME policy considerations into broader policy agendas, others specifically target SMEs with tailored instruments, often in conjunction with place-based or sector-specific policy combinations.

Encouraging digital uptake by SMEs

Small business owners frequently lack awareness of the potential benefits that new digital tools can offer in improving their enterprises. Additionally, they may perceive the upfront costs associated with upgrading to more advanced digital technologies as prohibitively high. In response, policymakers have taken proactive measures to provide targeted financial support and technical assistance to SMEs. These initiatives aim to diagnose challenges, implement digital business solutions, and often take the form of small-scale and location-specific programs.



In certain cases, financial and technical support is complemented with training and guidance to equip SMEs with the necessary skills and facilitate organizational changes that support technological advancements. Government-funded technology extension programs have emerged to promote the adoption and adaptation of existing technologies, such as equipment and managerial skills, within firms. These programs also aim to enhance firms' absorptive capacity to effectively integrate and utilize technological innovations. Although this type of support is not new, the use of technology extension programs specifically tailored for SMEs has grown significantly in recent decades.

SMEs training and upskills

Small and medium-sized enterprises (SMEs) commonly face greater challenges in attracting and retaining skilled employees compared to larger firms. This is primarily due to their limited capacity and networks to identify and access talented individuals, as well as their tendency to offer less appealing remuneration and working conditions. Furthermore, SMEs typically provide fewer opportunities for training and development. This is often a result of their internal limitations in organising training programs and lower levels of management skills to anticipate skill needs.

SMEs encounter higher financial costs when providing tailored training. This is because they have limited flexibility to allocate employees away from revenue-generating activities for training purposes, and their fixed costs per employee are comparatively higher. Additionally, SMEs often face higher job turnover rates, which reduces their willingness to invest in skills development. There is a risk that an upskilled employee may leave shortly after receiving training, which discourages SMEs from making substantial investments in skill enhancement.



Policy initiatives aimed at supporting the development of workforce skills in SMEs, primarily concentrate on reducing training costs for firms and promoting the advantages of workplace training. Many OECD countries offer tax incentives that enable firms to deduct training costs from their annual corporate profits, either partially or in full, through tax exemptions. Some of these schemes specifically target smaller firms by providing enhanced deductions. Also, direct training subsidy programs often focus on smaller firms. Training vouchers, for instance, assist SMEs in purchasing training hours from accredited individuals or institutions.

Countries strive to raise awareness about the significance of training and skills development in SMEs through various channels, including public institutions and stakeholder organizations. Employer networks and associations play a role in promoting skills upgrading in the workplace and cultivating trust-based relationships among firms, facilitating knowledge-sharing and pooled investments in training. Collaborations among firms can also encourage the diffusion of innovation within regional supply chains, potentially integrating firms into global value chains while reducing regional vulnerability to automation.

To alleviate the burden on individual employers, countries are increasingly investing in "brokers" or intermediator bodies, such as group or collective training offices, which organize training for groups of SMEs. These organisations often establish apprenticeship contracts with the government and provide support and practical assistance to individual apprentices. They are particularly beneficial for SMEs that would otherwise struggle to meet the national minimum standards for apprenticeship training quality. Regulation can also play a role in promoting skills development.



Strengthening management skills in SMEs

Governments possess various tools to foster the development of management skills in SMEs. These tools encompass specific training diagnostic workshops, digital tools for identifying programs, management deficiencies, and more intensive approaches such as management coaching. The majority of these initiatives cover a wide range of topics, including business strategy, operating models, process management, performance management, leadership, governance, agility, and innovation. Financial planning and management also play a vital role in management skills, encompassing risk planning and the provision of relevant financial information for business plans and investment projects.

However, one of the significant challenges faced by governments is generating demand for existing support services, as many programs have low participation rates. Several factors contribute to this, including limited awareness of available programs, concerns regarding the legitimacy of public support operators, doubts about the usefulness of the advice provided, and limited aspirations for business development and growth. Overcoming these barriers and effectively promoting the uptake of support services remains a crucial task for governments.

Improving SMEs capacity to manage and protect their data and intellectual property rights

SMEs commonly prioritize trade secrecy as their primary method of safeguarding data. Previous surveys have indicated that small firms consider trade secrecy as a crucial means of protecting their innovations. Trade secrecy provides SMEs with the advantage of lead time, which is a significant mechanism for appropriating intellectual property in certain industries. It also serves to safeguard intricate product designs, discouraging competitors from engaging in counterfeiting.



However, the protection of trade secrets is becoming increasingly challenging. The rise of digitalization and advancements in data codification, storage, and exchange (such as cloud computing, emails, and USB drives) have significantly contributed to an increase in trade secret infringements. The growing value placed on intellectual property (IP) has also led to a rise in misappropriation. Factors such as staff mobility, evolving work culture and relationships (including temporary contracts, outplacement, and teleworking), and the fragmentation of global value chains with involvement from various foreign parties within diverse legal frameworks and varying enforcement conditions further contribute to heightened exposure and the risk of disclosure.

Efforts are underway to strengthen SME data protection and promote harmonization of regulations across jurisdictions to assist smaller firms in navigating diverse regulatory frameworks. Trade secrets have gained increased attention in both domestic and international policy discussions, leading to the enhancement of trade secrecy laws in Europe and the United States.

The European Union (EU) is also implementing reforms to intellectual property rights as part of its initiatives to establish a Digital Single Market. The Copyright Reform focuses on enabling cross-border access to online content, expanding opportunities for using copyrighted materials in education, research, and cultural heritage, and enhancing the functionality of the copyright marketplace. The planned introduction of the Unitary Patent aims to provide consistent protection across 26 EU member states, offering patent holders an alternative route to the existing European and national patent systems. This centralized procedure, to be conducted at the European Patent Office (EPO), will be accompanied by a uniform litigation system known as the Unified Patent Court. These developments are anticipated to increase legal certainty and reduce costs for patent holders.



As SMEs accumulate and manage larger volumes of data, they face increasing regulatory scrutiny, particularly regarding data protection and confidentiality. Concerns about data privacy are likely to pose new challenges for smaller firms that have limited internal capacity to navigate a complex regulatory landscape. The implementation of the General Data Protection Regulation (GDPR) by the European Union in May 2018 aims to standardize data privacy laws across Europe, with the explicit objective of safeguarding and empowering the data privacy of EU citizens while influencing organizations' approaches to the issue.

Governments actively encourage SMEs to utilize intellectual property rights by disseminating information, providing financial support, and offering technical assistance. These efforts are intended to support SMEs in understanding and leveraging intellectual property protection to their advantage.

Raising SMEs digital security profile

SMEs often lack the necessary resources and expertise to effectively assess cyber risks and implement appropriate prevention and management measures (OECD, 2019[2]). The increasing level of hyperconnectivity makes digital infrastructure more vulnerable, introducing complexity, volatility, and dependence into existing systems (OECD, 2017[33]). The sophistication, frequency, and magnitude of digital security threats are on the rise, and unintentional breaches can occur due to the misuse of personal data, such as through employee negligence or accidental data loss.



Although SMEs may be perceived as smaller targets for cyber-attacks, the risk of security incidents is expected to increase with the wider adoption of the Internet of Things (IoT), the growth of e-commerce, the proliferation of big data, and the use of data analytics. On a positive note, SMEs that can demonstrate robust digital security and privacy practices may gain a competitive advantage in forming business partnerships, particularly with larger corporations. Therefore, SMEs' ability to incorporate digital security risk management into their operational protocols is becoming increasingly important for their integration into the global economy.

Governments are increasingly prioritizing the promotion of digital security among SMEs. According to a 2017 OECD survey, 82% of the countries surveyed considered raising digital security risk awareness among SMEs as a specific objective. However, only 46% of these countries have implemented specific incentives, such as rewards or sanctions, to encourage digital security risk management. For instance, Japan and Korea provide tax incentives for companies that invest in digital security products.



DIGITAL TRANSFORMATION ON SMEs

SMEs can unlock immense potential by embracing the path of digital transformation, a journey that holds significant value, especially when the goal is to stay ahead in the competitive landscape. Within traditional industries, this holds even truer for SMEs as they strive to rival well-established and larger counterparts. Nevertheless, to secure success on this transformative quest, businesses must navigate away from common pitfalls that may hinder their digital evolution.

Businesses that procrastinate in adopting innovative technology and digital strategies are prone to experiencing slower growth compared to their tech-savvy counterparts. In an era where the digital landscape advances swiftly, the opportune moment for organizations to embrace digital transformation initiatives and harvest the rewards is upon us. The dynamic digital marketplace waits for no one, urging businesses to seize the day and embark on their transformative journey.

Embarking on the path of digital transformation is undoubtedly a formidable task. Small and medium enterprises (SMEs) endeavoring to implement digital transformation throughout their organizations encounter an array of challenges that necessitate careful preparation. In order to empower SMEs to navigate these hurdles and unlock the benefits that await, we shall endeavor to shed light on crucial digital transformation challenges and mistakes. By offering valuable insights into avoiding these pitfalls, we aim to equip SMEs with the necessary knowledge to triumph on their transformative journey.



Critical Digital Transformation Challenges

Navigating the treacherous waters of digital transformation presents a significant hurdle for businesses, with not all ventures culminating in success. Numerous renowned enterprises have stumbled in their quest for digital transformation, each facing a distinct set of reasons for their downfall. However, amidst this landscape, there are common challenges that many small and medium-sized enterprises encounter on their transformative expedition.

Outlined below are some of the digital transformation challenges that SMEs are likely to encounter:

Fighting legacy systems

Marked as the foremost challenge for established organizations embarking on their digital odyssey, the battle against legacy systems looms large. This obstacle often begets integration complexities, acting as a formidable barrier that can decelerate the pace of transformation.

Lack of proper oversight

One critical aspect of digital transformation often overlooked is the lack of proper oversight, which can lead to significant difficulties capable of crippling the entire transformation initiative. Without effective oversight, organizations may encounter challenges such as misaligned objectives, inadequate resource allocation, and a lack of accountability.

To address this, it is essential to establish clear leadership for your digital endeavor. Strong leadership ensures that roles and responsibilities are clearly defined, goals and objectives are aligned, and resources are allocated appropriately. With a dedicated and capable leader at the helm, the organization can navigate through the complexities of digital transformation more effectively, enhancing the chances of success.



Regulatory compliance

In the realm of digital transformation, regulatory compliance emerges as a dual force, acting as both the impetus for digital modernization and a significant challenge for organizations. Compliance with regulations becomes a crucial factor that shapes the journey of organisations venturing into digital realms.

Organisations must grant due consideration to regulatory compliance. This encompasses various aspects, including data collection, storage, and processing infrastructure. Compliance regulations, such as data protection laws or industry-specific mandates, dictate how organisations handle sensitive information, ensure privacy, and maintain data security. By doing so, organisations can navigate the intricacies of regulatory landscapes effectively. This approach not only mitigates legal risks but also builds trust with customers, stakeholders, and regulatory bodies.

Corporate culture

Corporate culture plays a vital role in the success of digital transformation initiatives within organisations. The resistance exhibited by employees towards change and their unwillingness to adapt to new business processes can significantly impede the transformative journey.



When implementing digital transformation, organizations must recognize the potential challenges arising from employee resistance. Resistance often stems from fear of the unknown, concerns about job security, or a lack of understanding about the benefits that digital transformation can bring. Overcoming this resistance requires a proactive approach to address employee concerns, foster a culture of openness to change, and provide adequate training and support.

In order to foster a culture that embraces digital transformation, organisations can establish clear communication channels, offer training programs, and create a supportive environment that encourages innovation and continuous learning. Engaging employees in the transformation process and addressing their fears and concerns can help alleviate resistance and cultivate a culture that values adaptability and embraces change. Thus, organisations can overcome resistance and unlock the full potential of their transformative initiatives.

Lack of organisational support

The absence of adequate organisational support can pose a significant obstacle to successful digital transformation. Without obtaining the necessary buy-in from decision-makers and influencers within the organization, justifying the costs associated with digital transformation or requesting additional resources can become an uphill battle.



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To navigate this challenge, it is essential to secure support from key stakeholders who hold decision-making power and influence within the organisation. These stakeholders need to be convinced of the value and potential benefits that digital transformation can bring. This requires developing a compelling business case that highlights the advantages of digital transformation, such as improved operational efficiency, enhanced customer experiences, and increased competitive advantage.

Another essential point is to build strong relationships and open lines of communication with decision-makers. Demonstrating how digital transformation aligns with the organisations strategic goals and long-term vision can help garner support. Additionally, showcasing successful case studies from similar organizations or industries can provide evidence of the positive impact of digital transformation.

This way, organisations can overcome the challenges associated with justifying costs and acquiring the necessary resources. This support is instrumental in fostering a collaborative environment that enables successful digital transformation and positions the organisation for sustainable growth and success in the digital age.



SMEs possible mistakes to be avoid

1. Neglecting Focus and Prioritisation

The advantages of digital transformation for SMEs are undeniable, encompassing enhanced competitiveness, improved customer experiences, cost reduction, and optimized business performance. While most businesses grasp the "why" behind digital transformation, many struggle with determining the "what" and "how" factors. That is, what specific changes need to be made within their organisations to reap these benefits, and how to effectively execute them.

To ensure a successful digital transformation, it is crucial to establish a clear roadmap right from the beginning. Follow our recommended steps for a seamless digital transformation journey, which include defining your business objectives, identifying the most relevant solutions, and determining the most effective implementation methods. By doing so, you can steer your organisation towards achieving its transformation goals.

2. Insufficient Funding and Unrealistic Timelines

Insufficient funding and unrealistic deadlines have been recurring challenges in the realm of digital transformation. It's important to recognise that digital transformation is an ongoing process rather than a one-time project. With the constant emergence of new technologies and evolving customer expectations, businesses may never reach a state of 100% completion in their transformation efforts. Therefore, SMEs must embrace the reality that digital transformation is a continuous initiative.



To address this challenge, SMEs need to adopt a long-term perspective and plan and finance their digital transformation program accordingly. Recognise that digital transformation doesn't come with a fixed price tag. Instead, it requires an understanding of the evolving nature of technology and the need to allocate resources over multiple years. If they embrace this mind-set, SMEs can position themselves for long-term success in their digital transformation journey.

Accurately estimating financial spend for digital transformation initiatives several years into the future can be challenging for organizations. However, implementing a phased approach by introducing stages can provide better estimation and control over expenditure.

This planning approach offers several advantages. Firstly, if the project encounters unforeseen challenges and costs begin to escalate, having defined stages allows you to halt the initiative without incurring further expenses. Secondly, it enables you to measure the progress and track the realization of benefits at each stage. Lastly, breaking down the project into manageable stages prevents your team from feeling overwhelmed by its sheer scope, allowing for better management of deliverables and a clearer understanding of the project's pace.

To avoid depleting funds prematurely, prioritize implementing safe and practical solutions. By focusing on consumer-facing improvements that deliver an early return on investment (ROI), you can leverage the benefits to sustain and fund your ongoing digital transformation efforts. Thus, SMEs can navigate the financial challenges associated with digital transformation and ensure a sustainable and successful journey.



3. Moving too slowly

For SMEs, the primary drivers behind digital transformation are often growth and competitiveness. Small and medium businesses strive to maintain their market share in the face of increasing competition and harness the advantages of digital transformation as early as possible. Consequently, any delays in the transformation process can be detrimental.

SMEs should focus on streamlining processes and automating time-consuming tasks. Embracing methodologies like test-driven development can optimize engineering efforts and facilitate faster progress. Additionally, SMEs aiming to expedite their digital transformation can make bold decisions such as replacing outdated legacy systems with cloud-based alternatives, enabling a swift transition to digital services.

However, it is crucial to exercise caution and not unnecessarily jeopardize your business. To make informed and confident decisions, organizations should rely on reliable data obtained from industry conferences, symposiums, and vendors. By staying informed about the latest trends, best practices, and insights from trusted sources, SMEs can navigate their digital transformation journey more efficiently and effectively.

In the fast-paced digital landscape, SMEs must strike a balance between swift progress and informed decision-making to ensure timely transformation without compromising the stability and long-term success of their business.



4. Underestimation of the Importance of Professional Expertise

It is understandable that organisations may prefer to handle critical initiatives like digital transformation internally, but the complexities of finding, managing, and coordinating external partners, suppliers, and providers can pose significant challenges. SMEs may believe that by keeping digital initiatives in-house, they can mitigate risks associated with these challenges. However, it's important to recognise that digital transformation requires specific skills and expertise that may not be readily available within the organisation.

While in-house IT teams may excel at tasks like migrating IT systems to building customer-facing mobile apps, cloud or transformation encompasses broader demands a scope that specialized knowledge and experience. The existing tech team, while capable, may lack the necessary expertise or bandwidth to effectively undertake digital initiatives.

SMEs embarking on digital transformation should consider leveraging the expertise of dedicated teams available through trusted providers rather than solely relying on internal resources or attempting to build expertise in-house, which can be both costly and time-consuming. In doing so, businesses can access the guidance and support needed to navigate all stages of the transformation process while mitigating risks along the way.

Partnering with professionals who possess the requisite experience and understanding of digital transformation can significantly enhance the chances of success. These experts can bring valuable insights, strategies, and best practices, enabling SMEs to navigate the complexities of digital transformation more effectively and achieve their desired outcomes.



Good practices

Digital transformation encompasses more than just adopting new technologies. It involves preparing your organization for shifts in customer expectations, dynamic social trends, and industry disruptions. When executed properly, digital transformation enables small and medium businesses to establish efficient workflows that empower them to respond effectively to these changes. As a result, SMEs can become more customer-focused, innovative, agile, adaptive, and efficient, thus enhancing their competitive edge in the market.

Recognise and understand the problem you are aiming to solve

Once you have outlined your business objectives and identified a prioritized list of pressing issues, take a moment to contemplate how digital transformation can effectively tackle these challenges and bring notable benefits to your organisation.

As you narrow your focus on a specific issue and identify a potential solution, broaden your perspective and consider its applicability to other areas. Can this same solution be leveraged to address additional issues?

For instance, implementing cloud-based video conferencing to enable remote working not only enhances collaboration and communication but also moving files to the cloud promotes seamless collaboration and facilitates remote operations. Once you do so, you may discover that a single solution can effectively address multiple challenges, resulting in significant cost savings for your business.



Focus on customer experience

Digital transformation thrives on customer experiences, so it's crucial to channel your efforts towards understanding and catering to your customers using the knowledge, data, and information accessible within your organization.

Consider, for instance, the expectations of website visitors who anticipate relevant content tailored to their activities, accessible anytime, anywhere, and on any device. Their journey becomes the guiding force behind your strategic approach.

A concrete illustration of this principle lies in providing comprehensive support across various channels for your customers. An effective strategy to explore is the customer service ecosystem, which now encompasses social media platforms, review sites, forums, and communities.

Stakeholder communication and collaboration

Incorporating collaboration and effective communication with all stakeholders stands as a critical best practice for SMEs undertaking digital transformation. By fostering transparent dialogue and engagement, you can encourage stakeholder buy-in and facilitate the embrace of necessary changes. This encompasses vital decision-makers, users, partners (such as systems integrators and suppliers), and customers.



To further advance this endeavor, consider the following steps:

- Highlight the value of your digital transformation initiative by emphasising the features your organisation will gain, the associated benefits, the underlying costs, and the anticipated return on investment.
- Engage in open communication with employees and users to gain insights into their concerns, enabling you to prioritize the features that genuinely address their needs. This valuable input will help narrow down solutions that enhance core components and improve productivity.
- Involve and interact with customers to identify their pain points and expectations. For instance, customers might appreciate your customer service but face difficulties when shopping online. In such cases, establishing a new online sales channel should become a priority for the SME. Additionally, consider future investments in customer service chatbots to enhance the overall customer experience.

If SMEs engage stakeholders, understand their perspectives, and address their needs, they can make informed decisions and shape their digital transformation initiatives in a manner that aligns with organisational goals and enhances overall success.

Start Small and be pragmatic

Embracing a digitally-driven strategy can be overwhelming for SMEs, often leading to various challenges before gaining substantial traction, particularly in the absence of a well-defined structure.



Instead of diving headfirst into the unknown, consider starting small and gradually building more comprehensive strategies after each successful milestone. This approach allows to address challenges and implement mitigation strategies effectively. Focus your efforts on improving one area at a time, and delegate specific tasks to employees or colleagues who possess the necessary understanding or enthusiasm to embrace digital advancements.

Take the opportunity to thoroughly understand every aspect of your business and how the introduction of digital solutions can bring benefits. Throughout this process, it is valuable to document any obstacles or hurdles encountered, ensuring a comprehensive record of potential roadblocks to be addressed and overcome.

Adapt new technologies

To gain a comprehensive understanding of emerging technologies and their potential to drive business transformation is vital and crucial. The strategies employed may vary depending on the size and stage of a company's digital journey.

For new companies, implementing smaller-scale strategies and leveraging simpler software solutions can yield significant benefits. These initial steps allow for gradual familiarization and integration into the digital landscape.

On the other hand, larger companies that have already embarked on their digital transformation journey can consider more advanced initiatives, such as exploring the realms of AI (artificial intelligence) and ML (machine learning). Investing resources in these cutting-edge technologies can unlock powerful capabilities and insights.



Lastly, determining which elements are most important for your company depends on its current stage of digital transformation. If you carefully assess the progress made and align strategies with specific needs and objectives, businesses can make informed decisions and propel their digital evolution forward.

Conclusion

To finish with, the identification of crucial elements for your company relies on its present level of digital transformation. Through meticulous evaluation of the advancements achieved and aligning strategies with precise needs and objectives, businesses can confidently make well-informed choices, propelling their digital evolution towards greater heights.



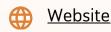
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