DigitaliseSME

Enabling the Digital Transformation of European SMEs

How did it work, Results and Success Stories

www.digitalisesme.eu

Opening Words

Mario Ohoven
President of European Entrepreneurs CEA-PME
and of the German Mittelstand/BVMW e.V.

When we started to work on the project DigitaliseSME, our confederation European Entrepreneurs CEA-PME promised to deliver on a demand of the European Parliament: to design and put into practice a mobility scheme for digitalisation experts visiting small and medium-sized companies all over Europe and potentially pave them the way towards the digital Economy. We were convinced from the very beginning that such a scheme would open new commercial opportunities for SME across Europe, offering them the chance to import know-how and experiences from the "digital enablers" based in other European countries.

Digitalisation represents an enormous challenge for the European Mittelstand: if you don't do it now, in 2-3 years, 5 at most, you are most probably out of the market. But if you do it wrongly, you risk spending a huge amount of money, which might even cause troubles for your formerly well-functioning company and even create a mismatch with your business model. Particularly companies that are not in the supply and value chains of bigger (industrial) companies – that tend to transmit their technological improvements to their partners – have the biggest difficulties. Therefore, the first steps – having a clear idea where you want to go, choosing the right technology for it and doing the right steps one after the other - are the most important and riskiest ones at the same time. If this step also costs a lot, then 9 out of 10 companies will wait and see... and maybe fail later on.

I am very happy to say that, thanks to the engagement of our project partners – 5 Digital Innovation Hubs in Germany, Romania, the Netherlands, Czech Republic and Spain – and of our confederation, DigitaliseSME fully corresponded to our companies' needs: a learning and co-designing exchange that equally benefited companies that received the expertise as well as the digitalisation experts matched from other European countries. We have set up a pilot scheme with which European SMEs can confidently move towards the future, meeting their economic goals as well as the political ones of the European Union: a smarter, more sustainable and more competitive European economy.

Based on the results of DigitaliseSME we invite the European Parliament and the Commission to convince the Member States to finance and allow a similar measure in the upcoming Digital Europe programme. It would be a political move that could bring the added value of Europe into thousands of our SMEs' offices, shops and factories. Where it belongs.

Project Partners

European Entrepreneurs CEA-PME
Confédération Européenne Des Associations De Petites et Moyennes Entreprises

European Entrepreneurs CEA-PME is a Brussels-based business federation which currently counts 24 European associations of small and medium enterprises (SME) among its members. CEA-PME represents the interests of its members towards the institutions of the European Union and offers services in the field of public procurement and public relations.

The confederate associates of European Entrepreneurs CEA-PME represent in total approx. 2.1 Million SMEs and around 15 million of employees in Europe and Turkey, in practically all economic sectors, excl. agriculture.

http://www.cea-pme.com

BVMW
Bundesverband mittelständische Wirtschaft, Unternehmerverband Deutschlands E.V.

The BVMW is a politically independent association which caters for all commercial branches and professions and represents the interests of small and medium-sized businesses in politics, with administrative authorities, with trade unions and with major companies. As leader of the "German Alliance of SME confederations" it represents over 900.000 German members.

BVMW is the Coordinator of the Mittelstand 4.0 Competence Center Berlin, a Digital Innovation Hub funded by the Federal Ministry of Economy and Energy focussing on hands-on solutions for small and medium-sized companies in all sectors.

http://www.bvmw.de

ICEBERG⁺

Iceberg has grown into an ecosystem of multi-disciplinary experts providing strategy, consulting, digital and technology services across Eastern Europe. We are growing rapidly and continuously developing our portfolio of services, technologies and clients.
We are at the core of the Cluster for Innovation and Technology – ALT BRASOV – one of 3 Digital Innovation Hubs in Romania – and driving the digital transformation of SMEs and mid-caps in fields such as industry 4.0, smart cities, mobility and e-health through our I4T – Technology Transfer Center.

https://www.iceberg.ro

PHOTONDELTA
Integrated Photonics Ecosystem

PhotonDelta is building one of Europe's leading Digital Innovation Hubs, actively linking best-in-class research and development to best business practice. PhotonDelta realizes that a fragmented approach to building the multi-billion Photonics business in Europe is never going to scale. Disruptive innovation comes when these young companies get access to the knowledge already gained by high-tech enterprises and applied research institutes.

https://www.photondelta.eu

CZECHINNO
Podporujeme inovace

CzechInno (CzechInno, Association of Legal Persons) is Czech non-governmental non-profit and apolitical organisation founded in 2011 to support innovations in the Czech companies.
Among its members, CzechInno groups altogether 28 associations, individual enterprises, academic and research institutions, that altogether represent more than 84 000 subjects active in the field of innovations.

Apart from realisation of its other projects, CzechInno was also the founder of Central European Platform for Digital Innovations (CEEInno) that groups, among the other relevant players, all the currently existing Czech Digital Innovation Hubs.

http://czechinno.cz

FUNDECYT-PCTEX
Foundation FUNDECYT Science and Technology Park of Extremadura

The Foundation FUNDECYT Science and Technology Park of Extremadura is governed by public law and based in the region of Extremadura (Spain). Its main aim is to contribute to the social and economic exploitation of science and technology in the region and a better use of research and innovation outcomes.

FUNDECYT-PCTEX houses more than 90 companies and innovative entities (1.200 workers) in its facilities in Cáceres and Badajoz, providing the infrastructure and the necessary technological equipment to ensure the solid development of its activity.

http://www.fundecyt-pctex.es

Project Description

When it comes to the uptake of digital innovations, Europe's high-tech industry is amongst the world's leaders in integrating technology into its products and processes. However this is unfortunately not the case for the large majority of our industry and in particular for SMEs, mid-caps and traditional sectors like construction or agro-food. Less than 2% of SMEs use advanced digital technologies to innovate products, services or processes. A large disparity exists also between EU Member States and regions which is creating a new "digitisation divide" that may ultimately cripple all our economies.

This "digitisation divide" across companies of different sizes and across different industries is due to two aspects: first, smaller companies shy away from investments in new technologies if it is not clear whether these technologies turn out to be profitable. Second, they often lack the technical knowledge which is necessary to use them to optimise their processes and develop new products based on new technologies.

The project DigitaliseSME (Digital Enablers in SMEs: Support for Digitalisation to Enhance SMEs' Capacity to Go International and Innovate) was an EU-funded project that supported the digital transformation of small and medium-sized companies as well as of mid-caps in Europe. It connected companies to digital experts, referred to as "Digital Enablers".

The initiative made the collaboration of SMEs with Digital Enablers possible and easy by having the latter support a company in another European country, whose needs for digitalisation match their expertise, with two weeks of desk work plus a visit

of two weeks to the company's offices. During this period, the Digital Enabler helped the company to set up and initiate a project that will lead to its digitalisation and respond to its necessities.

DigitaliseSME is a "Preparatory Action" that has been requested by the European Parliament – that means the results of the project could provide the basis to develop a broader EU program.

DigitaliseSME developed through three main phases:

· **June – September 2018:** A design phase aimed to set the criteria and requirements for participating to the programme matching SMEs and digital enablers.

· **September 2018 – February 2019:** A pilot phase of five months that allowed to test the way in which companies and Digital Enablers could be matched in the most benefitting fashion for both parties

· **March 2019 – January 2020:** An execution phase that, based upon the findings of the pilot phase, matched Digital Enablers and companies on a larger base.

The project successfully delivered 68 matches that greatly benefitted both companies and Digital Enablers, showing how helping companies to connect with digital experts across Europe can be a steppingstone to overcome the "digitalisation divide". We believe it is now time to see what lessons can be drawn from our project and its success stories. They can then be used to draw a new program that helps companies across the continent digitalise and stay competitive.

Success Stories

A Greek Digital Enabler Supports the Digital Planning of a Power Sector Company in Northern Ireland

The Northern-Irish company 3TPower specialises in power generation and power sales. To improve their efficiency and their customer relations, they needed to automate several processes based on digital technologies. The Greek Digital Enabler Dimitrios Nteves helped them by putting together a plan for digital growth that helped built their vision.

Dimitrios Nteves (on the left-hand side) with David McElrea , Director at 3T Power, at the company's HQ in Northern Ireland

Both parties were very satisfied with the experience. Alex Bookless, managing the project for the company said: *"Our experience is matching our expectations 100%. We are definitely getting what we wanted. That plan and the strategy we are hoping for, with enough details to act upon, looks like it is well on its way".*

Mr Nteves was also very happy with the benefits of joining a match as an expert: *"I am happy with this experience. It is giving me a real insight in the power sector, which I really wanted to learn more about. it created the potential for new business and, more broadly, it is a great experience both personally and professionally".*

German Jewellery Family Business Grew More Competitive with the Help of Spanish Digital Enabler

Zinnhannes is a German family-owned business with 18 employees that produces medals and jewellery since 1969, with a specialisation in products for the German carnival. As its business grew, so did the need for a digital solution supporting efficient production and reliable communication: orders often contain the individual wishes of customers and the metal products have to be tailor-made.

Horacio Lupi (on the left-hand side) with Wolf Schneider

The advice that DigitaliseSME brought the company through the match with Spanish Digital Enabler Horacio Lupi was invaluable in fulfilling these goals. "With the strategy we worked out, Zinnhannes can grow sustainably and free resources which then can be dedicated to more valuable tasks. In the coming months this will be visible both in the satisfaction of

employees and in revenue growth" he commented at the ned of his match.

Wolf Schneider, the company's CEO, was also very satisfied: "We had a very good project start and Horacio identified our challenges very quickly. From my side, I can only thank DigitaliseSME for the great support. I am sure the results will help our company arrive in the digital age and stay competitive globally in the future".

Romanian Digital Enabler Paves the Way to Smoother Management for Hungarian Textile Company

PI-ER Technical is a Hungarian company seated in Komló. It is a successful producer in the field of clothing industry since 1995, whose main market is the development and manufacturing of life jackets and technical garment.

By joining DigitaliseSME, PI-ER Technical was looking to consolidate its processes in one single, well-tailored digital system. They needed an expert capable of looking at the existing processes and suggest a solution for running the company in a modern way, based on advanced digital technologies, and data collection and processing.

They have found the help they needed through the Romanian Digital Enabler Janos Török – a digital expert with more than 20 years' experience in the digitalisation of the manufacturing industry. He helped the company find the right approach to its

Janos Török (on the left-hand side) with István Pidl

issue and led them to see what next steps will be needed to make it a reality.

The owner and manager of PI-ER Technical, István Pidl, was extremely satisfied with the results of the projects and with the recommendations of the Digital Enabler.

Bulgarian Event Company Optimises Its Resources Thanks to Romanian Digital Enabler

The Bulgarian event company Kinetobal needed to streamline its production processes and design a personalized custom web application helping to keep track of all resources, facilitate scheduling and provide a dashboard for the company's status.

The Romanian Digital Enabler George Serban helped them to decide which are the best digital solutions. He helped them achieve a thorough understanding of the right software would work, of its benefits, and of the workflow changes that the company needs to implement so that it will have a long-term impact on the company's growth.

Boyka Balan, the company's CEO, was enthusiastic about the result of the match: "Our issues are not that uncommon, but it is great to ss that they can sorted out by using the proper tools". Mr Serban was also very happy with the lessons learned from

George Serban with Boyka Balan

the project: "This project was particularly instructive. I have learned to listen and deliver my advices in a strategical manner so that I can present many concepts in a short period of time. I was also impressed with how some companies manage to be successful because of the passion the people put in it, something that goes beyond using standards and procedures".

Portuguese Company Selling Agricultural Products Renewed Its Business Management with the Advice of Spanish Digital Enabler

NUTRIPRADO Lda is a Portuguese SME whose main activity is the wholesale trade of agricultural raw materials. Existing over 30 years, it now needs to digitalise its business process: its archives are scattered in different rooms, costing a huge amount of time to perform administrative tasks. The company needs to introduce central hosting services.

With the support of DigitaliseSME, the company owner Vasco Abreu worked with Spanish Digital Enabler Miguel Ángel Ortiz Mira, specialised in analysis of information systems. They worked together for one month during summer 2019 setting up a strategy to respond to the challenges that impact NUTRIPRADO's business model: value proposition, products in catalogue, segmentation

Vasco Abreu (on the left-hand side) with Miguel Ángel Ortiz Mira

of channels, resources and activities, and reinforcement of the revenue plan.

In this month, they built the vision and digital strategy for the company, also integrating them into the business strategyThis new approach allows the company to offer a competitive diversity of traditional and connected digital channels that open up new business opportunities possibilities.

German Digital Enablers Help Dutch Company Streamline Its Research and Production Processes of Technical Documents for Vehicles

Hestocon is a Dutch company that develops vehicle registrations and certification documents as a service for different manufacturers. The process is very complex due to the many technical requirements and inter-operability of different vehicles and parts.

This complexity was made worse by the fact that each case required restarting the work from scratch, due to the lack of a digital solution that streamlines all the databases the company must check every time. This soon will be a matter of the past as Hestocon is now implementing a digital solution that was planned during the match with German Digital Enabler Edgar Reh.

Edgar Reh (on the left-hand side) with Mark van Nispen

The digital expert, together with Hestocon's CEO Mark van Nispen, analyzed the previous business processes and their weak points and develop a new digital concept which is going to make the company a lot more efficient.

Evaluation

Overall this project was, according to its scale and objectives, very successful. Both companies and Digital Enablers were very enthusiastic about it. 96% of our participants express satisfaction with the exchange program and would recommend it to others.

The feedback of our participants also lets us look at the various aspect of the project to evaluate its impact and helped us conduct a full evaluation of the 68 exchanges that the project has supported. Through this process, we have tried to understand the need for digitalisation and its potential constraints.

According to our pre-matching survey, 62% of the participating companies understood that they needed to go digital by comparing themselves either with other SMEs operating in the same commercial area or with larger corporations operating in the same field.

In other words, in order to remain competitive in their respective markets, companies clearly realised that they need to match the digitalisation efforts of their competitors; another 16% became aware of their digitalisation needs when they were introduced to DigitaliseSME.

The major constraints that did not allow companies to go digital on their own were grouped as following: a) 56% stated financial reasons, b) 34% a lack of knowledge among management and employees and c) 31% stated the impossibility to reach and rely on experts.

Furthermore, 22% of companies said that they were not aware of how or to what extent digitalisation could have improved their business,

and 13% of companies, which remarked to have enough funds to execute further digitalisation, stated that so far it has not been their financial and/or strategic priority.
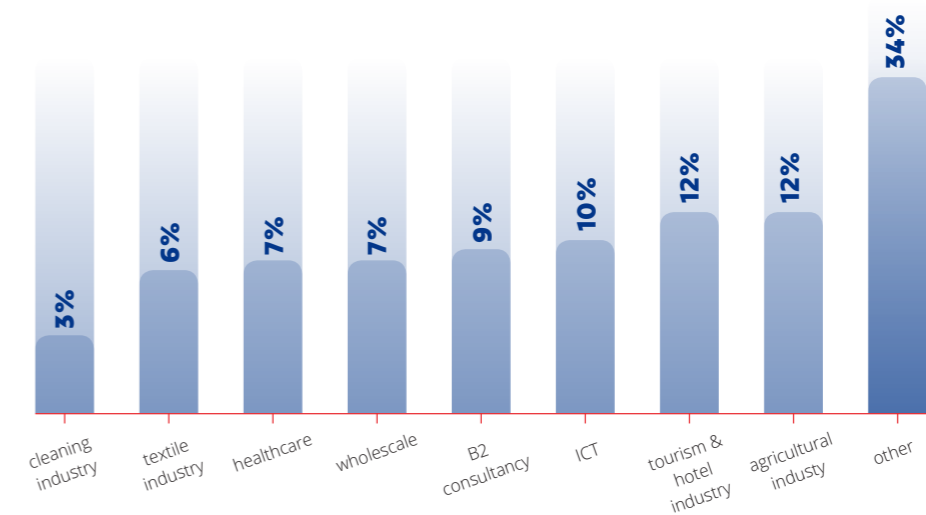
Although SMEs that took part in the project were at least roughly aware of their digitalisation needs and of the opportunities that digital transformation brings, we may assume that quite a high number of SMEs is lacking this digitalisation awareness. That is an opportunity for the policy-makers to intervene and implement policies that would on one hand (i) raise their awareness about the potential benefits of digitalisation and, on the other hand, (ii) create favourable conditions for SMEs to go digital. One of such pre-conditions of digitalisation is sufficient financial resources allocated for this purpose.

From the service provider point of view (lead partner and regional partners), as the most challenging phase in the project implementation was the match-making process, we have often communicated with Digital Enablers to better understand how to make a matching process more effective.

Few of them suggested that introducing some sort of "technical assessment" would perhaps help identify the specific digital need of individual companies, and therefore, it would potentially make matching process more effective. In any potential scale up phase, this would be one of the priorities. Although the overall results of the post evaluation survey have not been affected by this shortcoming, this would just potentially make a matching process itself more efficient and faster and therefore consequently increase the number of matches.
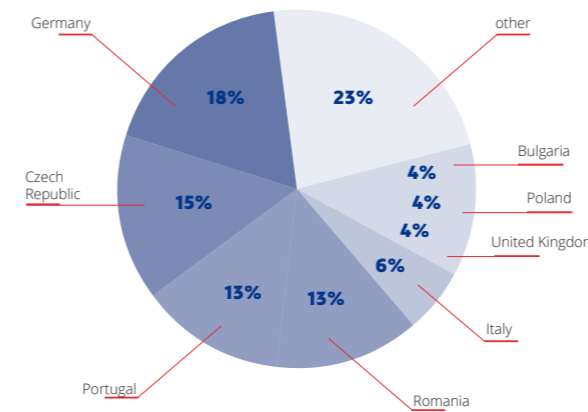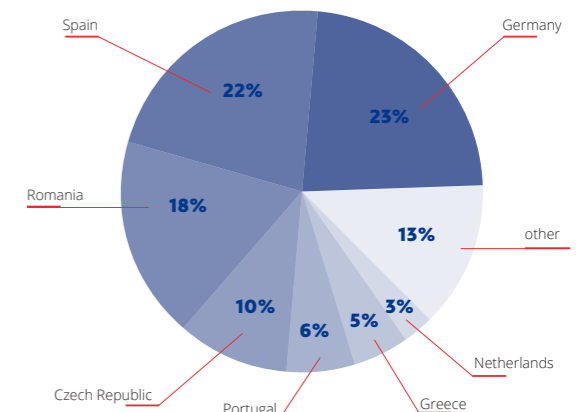
Graph I

SMEs according to their Industries
N=68

Industry	%
cleaning industry	3%
textile industry	6%
healthcare	7%
wholescale	7%
B2 consultancy	9%
ICT	10%
tourism & hotel industry	12%
agricultural industy	12%
other	34%

Graph II

SMEs according to their location
N=68

Germany 18%, other 23%, Bulgaria 4%, Poland 4%, United Kingdom 4%, Italy 6%, Romania 13%, Portugal 13%, Czech Republic 15%

Graph III

Digital enablers: countries

Spain 22%, Germany 23%, other 13%, Netherlands 3%, Greece 5%, Portugal 6%, Czech Republic 10%, Romania 18%

Graph IV

Matching process satisfaction

- The digital enabler that was assigned to my company mached the company's profile and digitalisation needs
- The matching process was sufficient to determine a proper coupling of the company with digital enabler
- The criteria of the matching process were clear and transparent to me

Agree: 97%, 92%, 85%
Neither Agree / Disagree: 0%, 3%, 9%
Disagree: 3%, 3%, 6%
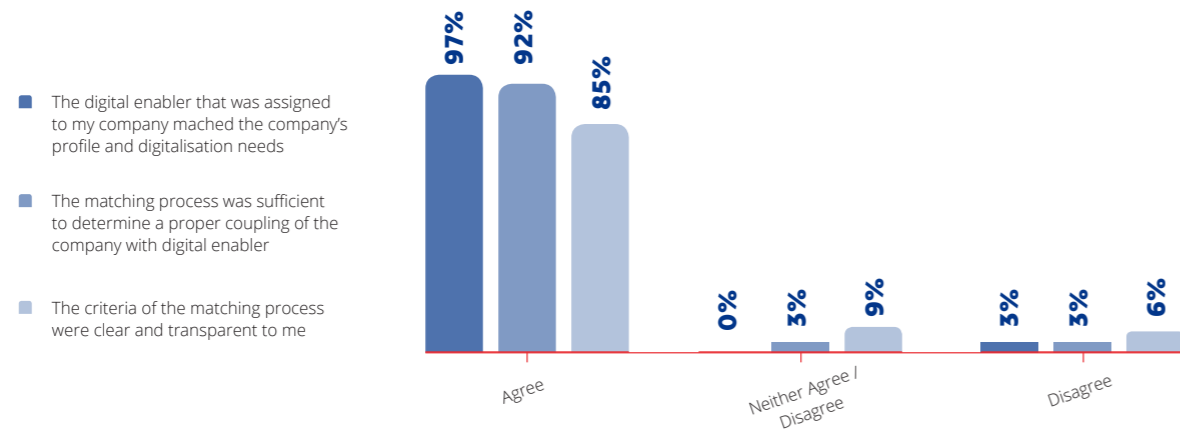
Graph V

Digital needs identified during the exchange

General marketing	Change of business model	Invoice Management	Contract Management	Outreach to Existing Customers	Acquiring New Customers	Internal Project Management	Better data management for internal and external...	Integration of new technology into the existing	More efficient internal processes
16%	22%	25%	25%	29%	38%	57%	71%	74%	78%

Graph VI

Do you on behalf of your company consider proposed solutions as feasible for the implementation? N=68

- Absolutely — 55%
- Most likely — 37%
- Neither likely, nor unlikely — 4%
- Unlikely — 2%
- Absolutely unlikely — 2%

Graph VII

Matching process satisfaction

- Overall, I was satisfied with this exchange program
- I would recommend this program to other companies

Strongly agree: 71%, 69%
Agree: 25%, 27%
Neither agree, nor disagree: 2%, 3%
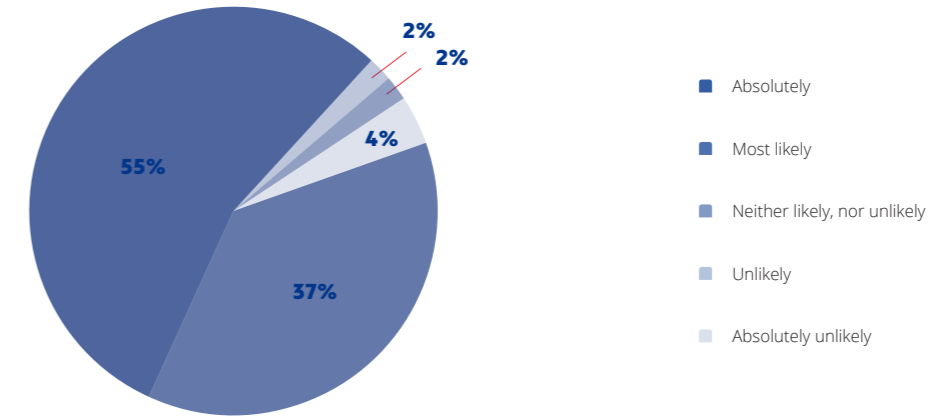Disagree: 2%, 2%
Strongly disagree: 2%, 0%

Concerning the broader impact of our program, our matching scheme helped 42% of the participated companies to fully or largely implement the digital solution during or shortly after the collaboration with Digital Enablers. The rest of the participating companies have estimated additional six months up to one year to fully finalise their digitalisation (depending on a complexity of the project).

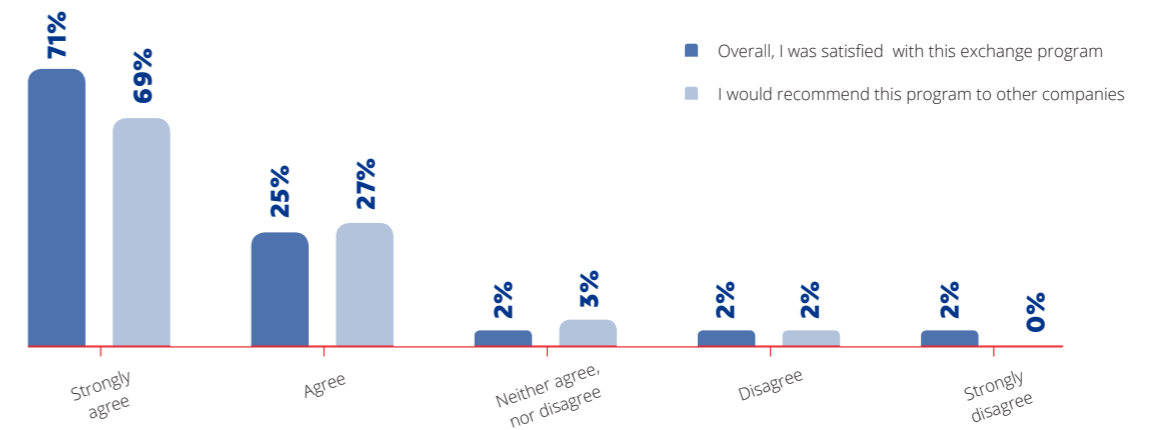Therefore, after six months from the end of the DigitaliseSME Program, dated February 2020, a potential follow up is recommended in order to understand whether the solutions provided by digital enablers are long-lasting.

Besides that, the exchanges have been executed in an adequate manner and that both companies and Digital Enablers expressed high levels of satisfaction with the program. As a follow-up to this preparatory action, we suggest to (i) continue and broaden the scale of the project, (ii) implement policies raising the awareness about digital transformation particularly with respective public authorities in the EU member states and (iii) collaborate with public and private bodies (such as banks and credit institutions) in developing financial products or grants that would address the lack of financial resources for digitalisation that SMEs often face.

Implications for Innovation and Digitalisation Support to SME in EU Programmes

Stefan Moritz
Managing Director of
European Entrepreneurs
CEA-PME

The new programmes 2021-2027 for direct support by the European Commission to SMEs in technological Innovation are basically two: the measures under the European Innovation Council (in Horizon Europe) and the Digital Europe Programme. Other well-known measures disappear or are substantially modified, like the SME-Instrument under Horizon 2020, or the Eurostars and Eureka programmes, which are likely not to be renewed.

Looking at the DigitaliseSME experience, our confederation of SME associations European Entrepreneurs CEA-PME, sees three major needs: customised expert support for a high number of companies to catch up with the introduction of existing technologies, training of advanced digital skills for entrepreneurs and SME employees, and having enough time to innovate.

Compared to this, Digital Europe promises very well, but it must focus clearly on the proposed operative objective "Support the uptake of advanced digital and related technologies by the industry, notably small and medium-sized enterprises", clearly including also the services and agricultural sectors. A tool to achieve this objective could be a DigitaliseSME-style measure that reaches not only 68 pilot enterprises, but min. 5.000 companies. Following our calculations this would cost approx. 65-70 Million Euro, comprehensive of the management costs of the Commission (programme preparation, tendering, supervision, monitoring, impact evaluation). 5.000 companies plus 5.000 digital enablers are, with their clients, suppliers, families and employees potentially 100.000 individuals all over Europe.

If these 5.000 companies would increase their average turnover thanks to a DigitaliseSME-style measure only by 5% in the 3 years after it, this would mean an increase

of approx. 750 Million Euro at least, more than 11 times the funds invested. Statistics regarding the high-growth potential of technologically advanced companies show that there is space for even a much better economic performance. This not counting the emulation effect, which is one driver to technological innovation among competitors, confirmed by our project's survey. A great potential added value, that many publicly funded schemes can't even dare to announce. And a very good publicity for the European Union.

Unfortunately, the European Innovation Council that substitutes – and cancels, for our understanding – the SME Instrument does not offer such a promising outreach to thousands of companies. The topics chosen for Pathfinder, the former Phase 1, the so-called "Future and Emerging Technologies", are instead technologically and economically totally out of reach for SMEs. Without thorough support by Universities and Research Centres, the real target group of the follow-up of the SME Instrument, small and medium-sized companies cannot even dream of running for a grant. Pathfinder is planned to spend 155 Million Euro and will most probably benefit only a very limited number and very special kinds of companies, and much more Research Centres and Universities.

The advantage of the SME-Instrument was buying time to develop an innovative idea. This will not be possible anymore. The new "Phase 2" called Accelerator will finance only the last stages of development of an innovation project proposed by an SME, not the design phase. This is the reason why we advocate a new approach to innovation policies for SMEs: we need time for entrepreneurs to invent, develop and risk a new process, product or service, which represents an innovation and is concretely based on their everyday work experiences. Time equals money that buys more time and expertise.

In short, it would be better to support 10.000 garages than to create one European Unicorn in the laboratory with taxpayers' money. Which maybe will end up being bought by bigger companies, probably from outside of Europe, which will then make the big profit. This cannot be the sense of European programmes for small and medium-sized companies.

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