

Digital transformation for SMEs: Key lessons from the pandemic

Industry leaders and academics explore the opportunities, challenges and benefits digitalisation presents for SMEs – providing a European perspective on the impact of COVID-19.

Foreword

Digitalisation of SMEs is key for a competitive and green Europe

“Small and medium-sized enterprises (SMEs) bring innovative solutions to current challenges in business management and sustainable development.”

Small and medium-sized enterprises (SMEs) are the backbone of Europe's economy.

According to the European Commission report, *an SME Strategy for a sustainable and digital Europe*, published in March 2020, SMEs represent 50 per cent of Europe's GDP and employ two out of every three employees, being essential to Europe's competitiveness and prosperity.

However, only 17 per cent of European SMEs have successfully integrated digital technologies, compared to 54 per cent of large organisations.

The pandemic prompted European SMEs to rethink and transform their business models and operational systems in ways to adapt and respond more effectively to the current global environment.

As we start to recover from the pandemic, businesses must secure the opportunities emerging in the post pandemic context.

Technology is part of the solution, but humans need to be placed at the centre and empowered by technology. It's imperative that we train people and prepare them for new types of work in the future.

SMEs bring innovative solutions to current challenges in business management and sustainable development.

RMIT University recently partnered with the City of Melbourne and the Victorian State Government to support small businesses with the digital transformation necessary to mitigate the impacts of COVID-19, applying new approaches to start their economic recovery.

The program is focused on business recovery and innovation to support and accelerate the recovery of small businesses and could be easily adapted and applied in the European context.

In Europe, the Next Generation EU fund, a recovery package worth €750 billion, will drive the green transition and digital transformation of EU member states prioritising the digitalisation of SMEs and the public sector, and the reskilling and upskilling of the workforce in digital technologies.

Upskilling and reskilling is critical for a successful digital transition.

According to a report by the World Economic Forum, *Future of Jobs 2020*, before 2025, 85 million jobs may be displaced while 97 million new roles may emerge. There is an urgent need to bridge the gap between people's current skills and the skills required for the jobs of the future.

Companies of all sizes need to adapt to a digitalised world of work, and especially SMEs as they struggle with the transition to highly digitalised work environments. One of the main barriers preventing their digital transformation is the lack of digital skills.

Upskilling and reskilling the next generation as well as the existing workforce is fundamental for a successful economic and digital transition – an urgency emphasised by the pandemic.

Active collaboration between policymakers, educational institutions and business will be key to upskill the workforce at a global scale.

Educational institutions must respond to this context and adapt the design and delivery methods of their programs to support citizens in their pathway of lifelong learning.



Dr Andrey Molotnikov
Associate Professor Additive Manufacturing
RMIT University



In focus: A Roadmap to Recovery – a digital skills program designed to support small businesses reactivate after COVID-19

The program being delivered by RMIT Activator in partnership with the City of Melbourne aims to help reinvigorate and reactivate small businesses affected by the pandemic.

Matt Salier, Director of RMIT Activator, said that the three-month program provides small business owners with the innovative, entrepreneurial and agile skills needed to develop new market opportunities and re-engage their customer base.

“Small businesses are telling us they need foot traffic to return. While this might be out of our control, we can help businesses identify, test and launch products and services that will set them up to withstand fluctuations in traditional retail and service models,” he said.

The modular course has been designed to be flexible and adaptive, with a focus on skill building, mentoring, and business regeneration.

Participants work with industry experts and mentors to identify and test new market opportunities, develop new business strategies and learn about emerging technologies and trends.

Digital technologies need to augment human capabilities

“With workforces becoming increasingly global, maintaining team cohesion, particularly in hybrid working models, will be a significant challenge for business.”

Digital transformation is now a necessity

The impact of the COVID-19 pandemic was insurmountable for many businesses and industries, globally.

It also significantly changed the nature of work which, for many, necessitated a rapid shift to online operations.

This has altered the paradigm of digital transformation from one around strategic thought leadership, best-practice and innovation to one more focused on necessity.

Digital technologies are now widely accepted as co-existing with, and complementing human capabilities.

How have digital technologies impacted productivity during the COVID-19 pandemic? According to a Boston Consulting Group survey on employee sentiment (conducted in the US, Germany, and India) there is an increasing appetite for flexible ways of working and 75 per cent of employees surveyed felt they had maintained or improved their perceived productivity on individual tasks during the first few months of the pandemic. However, on collaborative tasks, only 51 per cent of respondents felt that productivity over the same period was maintained or improved.

How to improve productivity on collaborative tasks in a virtual or hybrid model of work, is a challenge facing business.

With workforces becoming increasingly global, maintaining team cohesion, in particular in hybrid working models, will be a significant challenge for business.

Amidst these unprecedented changes to the way we work and the exponential reliance on technology, how do we maintain and nurture the human side of business? How do we empower

individuals? How do we manage the net depletion of social capital resulting from the lack of social bonds and connectivity?

Digital transformation is a human affair

Digital transformation is impossible without human transformation. People are at the core of any business transformation – digital, social, cultural. Workers should be embedded into the digital transformation ecosystems for planning, consultation and implementation.

It must be a business and government priority to re- and up-skill the existing workforce and work with education systems to ensure a flexible, adaptable, innovative, visionary and agile workforce is readily available. After all, digital technologies are only there to augment the capabilities that humans can provide.

SMEs see digitally-enabled transformation as being critical to positive customer experience; innovative, streamlined and best-practice operational processes and ultimately shifting from traditional ways of delivering products and services to more digitally-enabled and sustainable models.

Shifting to understanding digital transformation as a business necessity will support corporations to adapt in transformative, rather than transactional, ways to leverage business models in a rapidly changing global environment.

The digital transformation, as an evolution rather than a revolution, will only occur through implementation of collaborative approaches, which enable the empowerment of individuals, teams, firms and societies.



Professor Anne-Laure Mention
Global Business Innovation Enabling Capability Director
RMIT University



In focus: EINST4INE, an EU research and innovation project to train the next generation of leaders in business and digital transformation

EINST4INE (the European Training Network for InduStry Digital Transformation across Innovation Ecosystems) is a €4M research project addressing some of the gaps and challenges faced by industries adapting to the digital revolution.

The project will see the appointment of 15 high-performing, early stage researchers ready to tackle the real-world challenges faced by industry by expanding their expertise in innovation and technology management.

The key for a successful transition lies not only with the implementation of digital transformation, but in the complementary shift and innovation in business planning and strategy required for the new technologies to deliver their full potential.

The project will lead to tangible outputs and outcomes relevant to start-ups, large firms, low-to-high-tech industries and enterprises with service or product-service offerings.

EINST4INE's doctoral researchers will become future leaders, experts, and strategists of business and digital transformation – equipped with the hybrid tech-digital behavioural skills and cutting-edge knowledge to enable companies to benefit from digital innovation.

Changes in the market as a result of the pandemic

“Regional government market analysis shows that during the pandemic 84 per cent of SMEs have looked to expand to international markets and 69 per cent of SMEs have implemented technologies necessary to streamline remote working.”

Embedding digital technologies as a result of the pandemic

Digital technologies related to the digitalisation of SMEs can be grouped into artificial intelligence, systems and platforms, internet of things, human machine interface, additive manufacturing and robotics.

We've identified that during the pandemic, there have been a lot of developments, differential in their innovation.

In the field of human machine interface, there has been interest from industry regarding augmented reality, virtual reality and contactless technology to avoid human contact and virus transmission.

We've also seen changes in the market and in production processes such as supply change models and stock management.

Companies had to adapt their production lines and distribution chains and this has accelerated the implementation of digital technologies in the day-to-day business activities.

As a result of the pandemic, there has been a demand for new product validation and certification models.

In the area of artificial intelligence, companies had the chance to implement ideas that had been previously developed through apps and other technologies.

Digital technologies provide a competitive advantage to businesses

Regional government market analysis shows that during the pandemic 84 per cent of SMEs have looked to expand to international markets.

69 per cent of SMEs have implemented technologies necessary to support remote working and almost 30 per cent have started to develop new products and services with embedded digital technologies.

To demonstrate this we can look at Hohner, a company that produces and commercialises encoders. Two years before the pandemic, they started embedding intelligence in their existing devices, offering high performance technological products. This competitive advantage contributed to an increase in sales during the pandemic because they had something different from their competitors.

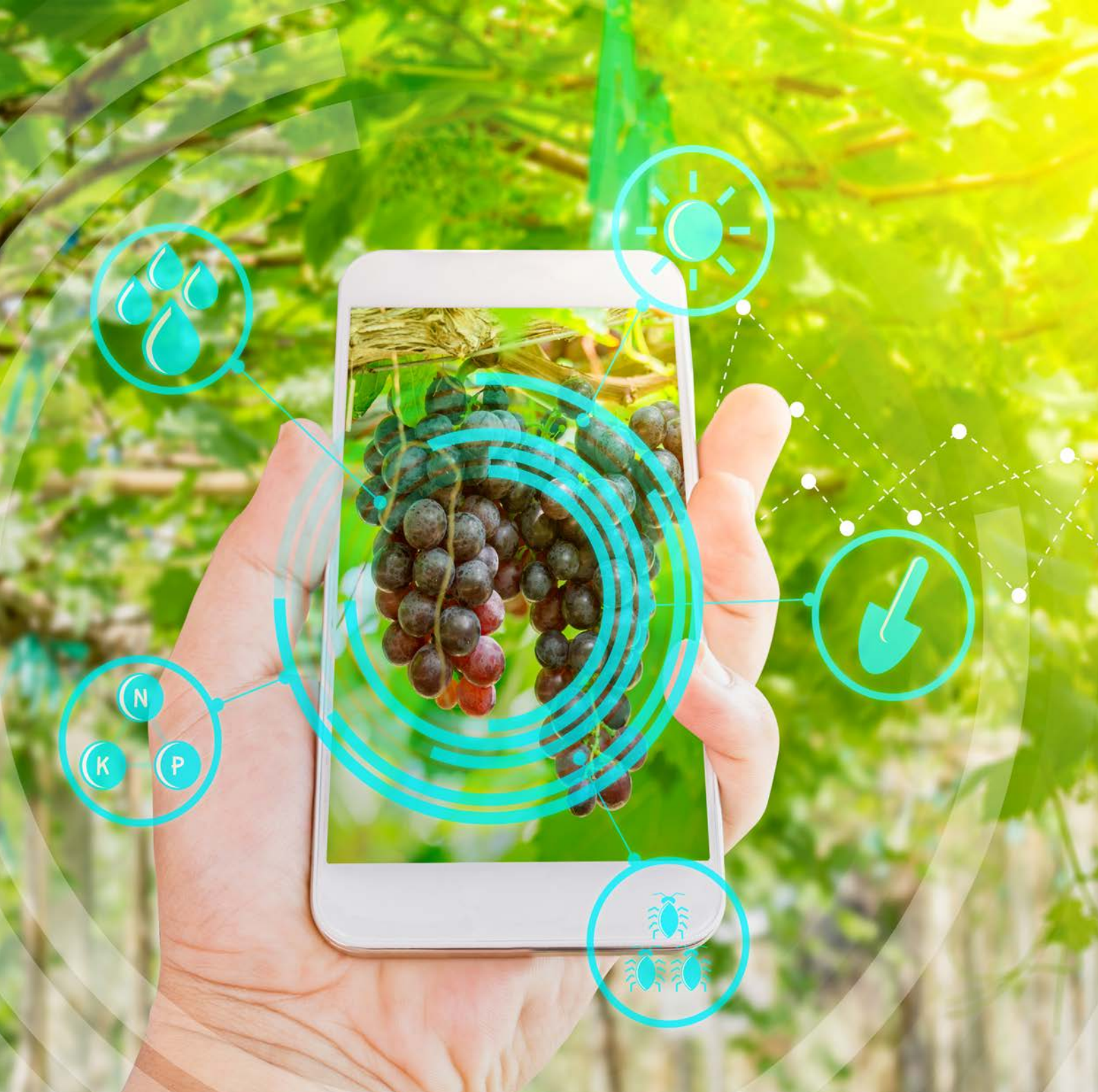
We can conclude that SMEs that had already started to digitalise before the pandemic have accelerated the process inspiring others that were considering digitalisation to start their transition during the pandemic.

As for those that were not aware of digitalisation, now they have discovered it.



Joan Guasch Corominas

Director of International Development and Public Programmes
Eurecat, Technology Centre of Catalonia



In focus: Local winery enabling customers to monitor properties of wine bottles through an app

The Catalan company, Ramón Roqueta, is a good example of a local company successfully incorporating digital technologies as part of their business activity.

This small winery, located near Barcelona, was the first winery to incorporate smart labels to their chardonnay bottles. The labels contain temperature and quality sensors to monitor the humidity and the temperature without opening the bottle.

The data is collected on a mobile application that customers can use to check the properties of the bottle at any given time and ensure optimal conditions at the time of consumption.

This technology also avoids problems of quality and caducity related to transport or other logistic aspects as well as provides an added value to its customers. The company started implementing this initiative before the pandemic and it was presented at the 2019 edition of the Mobile World Congress.

Consumers became conscious of hygiene and wellbeing

“Initiatives geared towards employee wellbeing had a positive impact on customer sentiment and brand reputation.”

Studies on customer experience insights

BrandsEye is a customer data platform that uses crowd-sourcing and AI to turn unstructured public feedback from social media and survey data into actionable insights for B2C consultancies and government agencies.

During the first months of the pandemic in 2020, BrandsEye analysed millions of online customer conversations for major B2C brands in the UK, Europe, Middle East and Africa, to understand the shifts in customer experience, both online and offline and customer service best practice.

Consumers were already expecting a seamless experience between the interactions with service providers across all the channels.

Since March 2020, we've undertaken two major studies in the UK that examined the impact that COVID-19 had on customer experience provided by supermarket retailers and banks.

These studies were conducted using public Twitter data for six retailers and 10 banks.

A shift in customer sentiment as a result of the pandemic

Some key insights distilled from these studies showed that changes in supply chains due to COVID-19 impacted customer satisfaction, because customers became increasingly sensitive to pricing, stock levels, product choices and origins of products and produce.

At the same time customers demanded more conveniences like delivery and the ability to perform more functions online through an app or web platform.

Retailers in particular were criticised for not providing adequate protection for staff and customers when shopping in store.

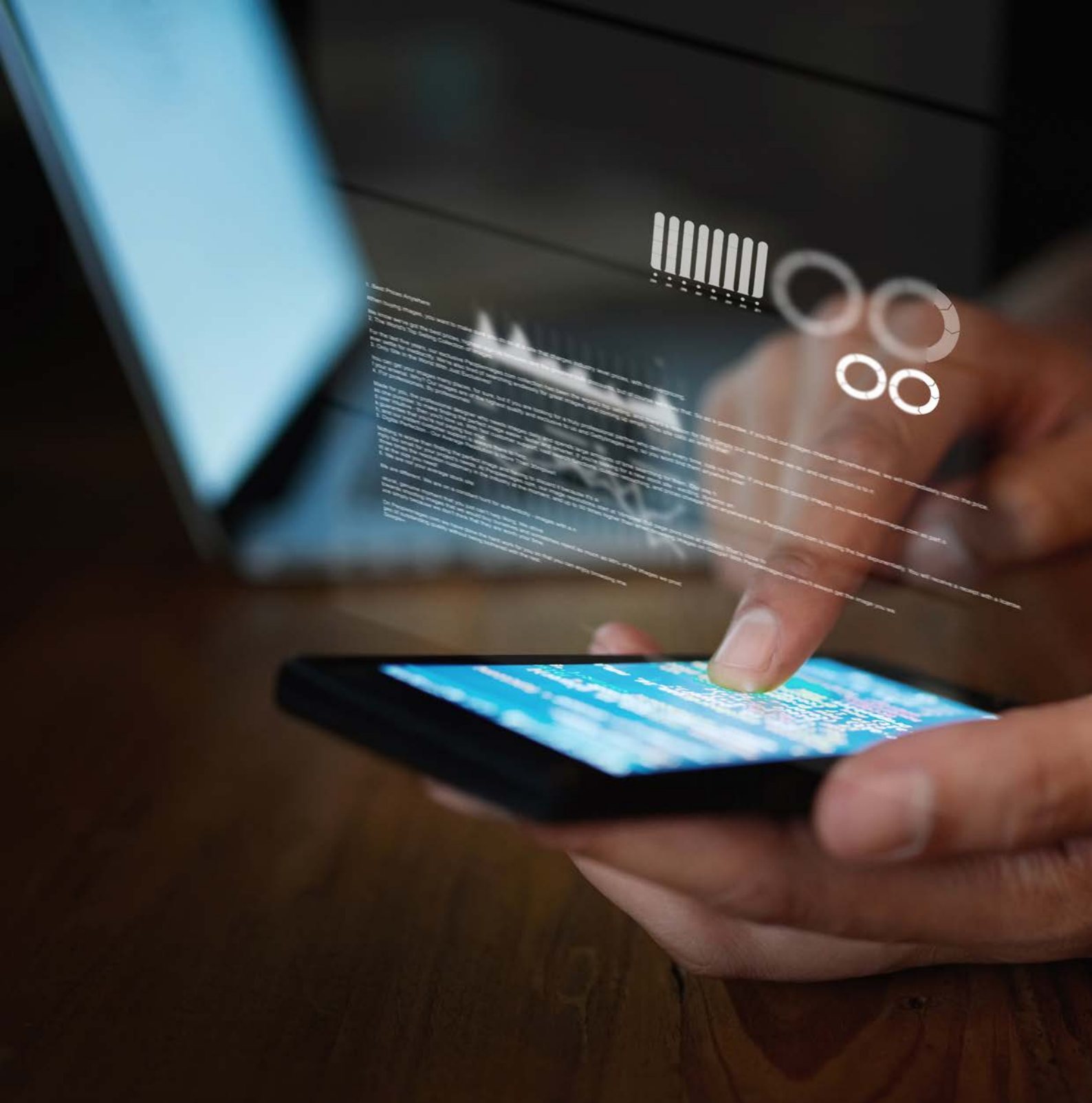
When brands publicised initiatives geared towards employee wellbeing, there was a positive impact on customer sentiment and brand reputation.

Consumers have also become very conscious of personal hygiene and wellbeing. Brands with a physical store as well as any in-person interactions, such as delivery and pickup, need to continue to provide security and comfort in the customers experience for both customers and employees.

And lastly closures and technical issues, frustrated customers, immensely, technical issues in particular with mobile apps and online applications.



Virginia Lin
Business Director UK, Europe and MENA
BrandsEye Consultancy



In focus: Key lessons SMEs can utilise to shift customer sentiment

SMEs need to understand and act quickly on customer needs across all channels, traditional and digital. SMEs can be more agile and react quickly to changes in customer demands and needs compared to large enterprises.

SMEs that receive a large number of queries, can use digital tools to help them prioritise and centralise queries and respond to all of them from one platform, ultimately improving customer service.

Using public data sources and social media, including LinkedIn, to research how your competitors are innovating and communicating to customers is quite important in this time – this information can be used to identify market gaps and changing demands.

SMEs should be prepared to communicate clearly in line with regulatory and other changes avoiding standardised responses.

SMEs should not forget that looking after their employees translates to happier customers.

About this publication

This publication is an outcome of the global webinar SMEs embracing digitalisation during the pandemic: a European perspective, hosted by RMIT Europe in October, 2020.

In just a few months, the COVID-19 crisis forced business to accelerate the adoption of digital technologies and has transformed organisations forever.

The economic impact affected larger and smaller companies, however despite tremendous efforts, SMEs in some regions and sectors have struggled to survive.

SMEs represent 50 percent of Europe's GDP, they're key to the economy, but before COVID-19, few had embraced the digitalisation required to face a global pandemic.

Levels of digitalisation are uneven across the different regions in Europe however there is room for improvement in every country.

SMEs should see digital transformation as key for surviving the current and future crisis.

Speaking at RMIT's webinar series on business resilience and transformation during challenging times, industry experts Virginia Lin and Joan Guasch Corominas joined RMIT's Professor Anne Laure Mention to share their insights and to present some of the key findings on digital transformation across Europe during the pandemic with a special focus on SMEs.

About RMIT Europe

RMIT's European hub in Barcelona, Spain, is the gateway for European research, industry, government and enterprise to innovation and talent in Australia and Asia.

We leverage the University's global connections to deliver an international dimension to research and innovation beyond Europe's borders.

We provide early access to the next generation of talent for European industry including servicing our partners seeking local talent for their operations in Australia.

We also work with our partners looking to extend their workforce in Europe through the diversity and depth of international talent.

Talk to us about the ways you can leverage our presence in Europe to extend your markets to Australia and Asia through innovation and talent.

To learn more about RMIT Europe, visit rmit.edu or contact europe@rmit.edu.au

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