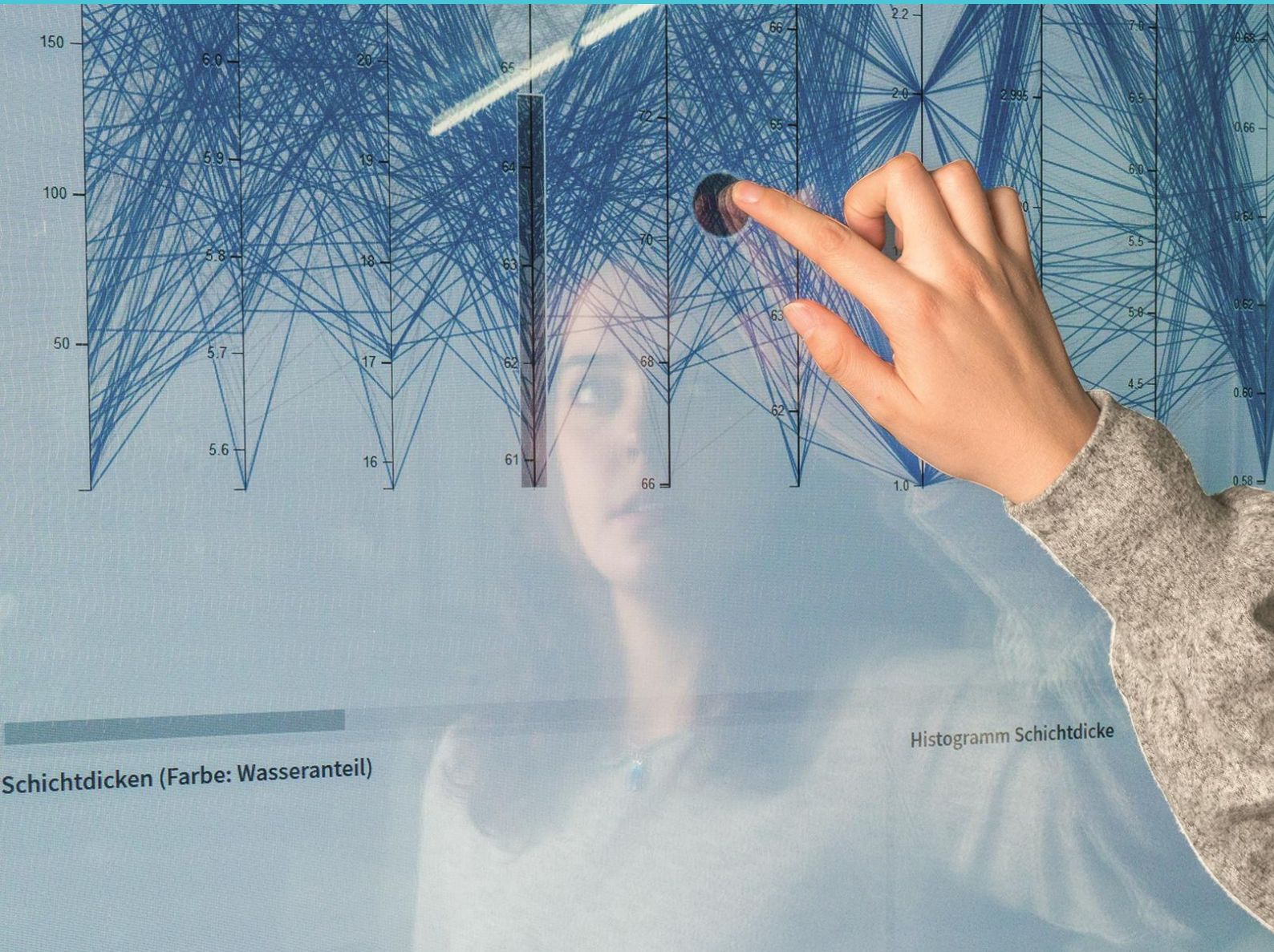


Fostering the digital transformation of SMEs

Focus: traditional sectors / SMEs with low digital maturity



A Policy Brief from the Policy Learning Platform on SME competitiveness

APRIL 2022



**Interreg
Europe**



European Union | European Regional Development Fund

Content

- Summary..... 1
- SME competitiveness and digital transformation 2
- Support to the digital transformation of SMEs in European policies 3
- Kickstarting the digital transformation of businesses 6
 - Awareness raising 6
 - Digital Maturity Assessment – Transformation roadmaps 7
 - Policy changes – Digital Maturity assessment tool – Ireland 9
 - One Stop Shops 10
 - Integrated approaches 11
- Looking ahead..... 13
 - Sources of further information 15

Summary

The digital transformation of SMEs is acknowledged as a factor of competitiveness for businesses and an engine for growth and welfare for the economy and the territories. It is commonly agreed upon that there is a need for action to foster the digital transformation of European businesses, especially in SMEs and traditional sectors.

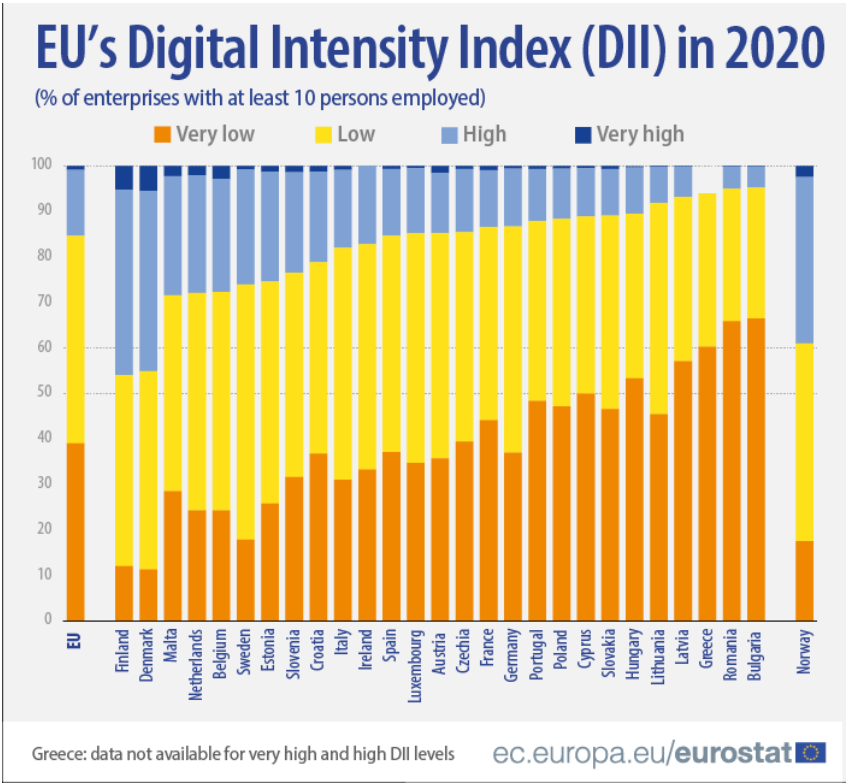
Several [Interreg Europe](#) projects tackle the digital transformation from different perspectives. This policy brief aims to provide an overview of their good practices and policies on how to foster the digital transformation of SMEs, with a focus on traditional sectors and SMEs with a low digital maturity.

The policy brief ends with some insights of further aspects of the digital transformation, which are not deepened in this document, but were tackled in previous activities or will be addressed in the future by the [Interreg Europe](#) Policy learning Platform.

SME competitiveness and digital transformation

Digital transformation is a broad concept encompassing the changes induced by the increased availability and use of digital technologies in almost all kind of human activities. For businesses it implies that existing or emerging digital technologies contribute to change their business models, their products or services and the way they are manufactured and delivered, as well as the necessary skills to remain competitive in fast changing competitive environments. The transformation process must be integrated into every aspect of the company. It should be supported by equally important amendments in culture, leadership, skills, and processes. SMEs should pro-actively rethink their core businesses to adapt to the challenges.

Europe has without doubt strong assets in digital technologies and skills, both on the industry and on the research side. However, it is commonly accepted that there is a “need for action” to foster the digital transformation, especially in **SMEs and traditional sectors**. According to one of the targets of the EU’s vision for digital transformation, at least 90% of the EU’s small and medium-sized enterprises (SMEs) should reach a basic level of digital intensity by 2030. In 2020, three out of five SMEs (60%) in the EU reached at least a basic level of digital intensity, against 89% of large enterprises. Almost half of the medium (47%) and small (46%) size enterprises showed a low level of digital intensity (Source [Eurostat](#)).



Source: [Eurostat](#)

COVID-19 has paved the way for accelerated digital transformation as businesses shifted operations to cope with office closures, restricted movement, and supply interruption. For businesses in traditional sectors, the digitalisation of operational processes had often not been applied due to a lack of sufficient justification for internal changes and for the reluctance to disrupt existing ways of working. With the COVID-19 pandemic and its consequences, businesses have been confronted almost overnight with the closure of their offices and workshops and the collapse of their sales channels. Digitalisation

appeared to be suddenly necessary to avoid the full collapse of the business operations. While some two years have passed since the first peak of the pandemic in Europe, the war in Ukraine recently brought new challenges and uncertainties for the recovery and future of the economy. Fostering digitalisation, especially of traditional economic sectors, appears to be more necessary than ever to accelerate the economic recovery, and providing businesses with new opportunities for growth.

The EU supports businesses across Europe to adapt to the digital world by coordinating initiatives, focusing investments, and boosting skills. The successful implementation of the digital transformation on a broad scale requires a large commitment and involvement of multiple stakeholders on the regional and local level. The aim of this policy brief is to provide, from the perspectives of the knowledge and activities in Interreg Europe projects, an overview of good practices and policies on how to foster the digital transformation of SMEs with a focus on traditional sectors and SMEs with a low or medium digital maturity.

Support to the digital transformation of SMEs in European policies

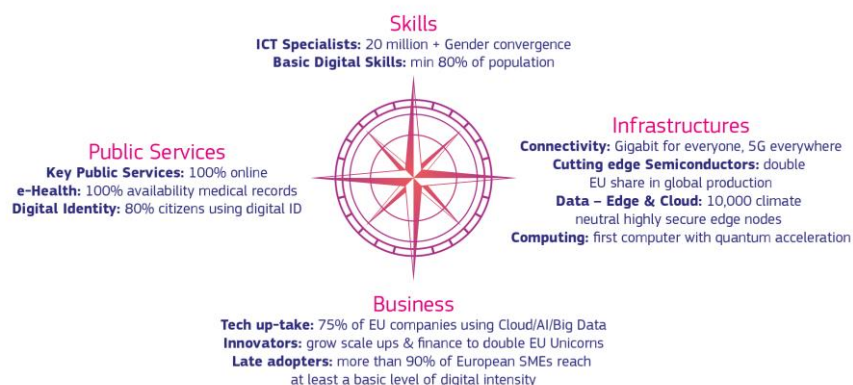
This chapter provides an overview of [EU policies and support schemes](#) fostering the digitalisation of SMEs. It mainly focuses on the description of the initiatives and instruments related to setting EC digital ambitions as well as concrete funding for digital transformation.

The European Digital Strategy - “Path to the Digital Decade”

In its communication [‘Digital Compass: The European Way for the Digital Decade’](#), the European digital ambitions and targets for 2030 are set out:

1. *a digitally skilled population and highly skilled digital professionals*
2. *secure and sustainable digital infrastructures*
3. *digital transformation of businesses*
4. *digitisation of public services*

Those targets are displayed along the 4 points of the ‘digital compass’ as illustrated below:



Source: [European Commission](#), retrieved 22.03.2022

While the digital ambitions of the EC cover a broad spectrum, we will focus in this policy brief on the policies directly targeted at supporting the industry and businesses, leaving aside topics such as e.g. the policies on public services and infrastructures, or policies on digital skills, which are obviously also relevant to the overall competitiveness of the European economy.

E-commerce - Digital Services Act (DSA) and the Digital Markets Act (DMA)

Besides social media, online commerce platforms have become a significant part of the European economy. According to the EC, over 1 million EU businesses sell goods or digital services via online platforms. It is an objective of the EU to ensure these platforms foster an environment where EU business can thrive. The EU's approach can be defined by 3 areas of action:

- breaking down online barriers, allowing full access to goods and services across the EU
- ending unjustified cross-border barriers
- making it easier and safer to shop online no matter where you are in the EU

To achieve this, the Commission has proposed the [Digital Services Act \(DSA\)](#) and [the Digital Markets Act \(DMA\)](#). These acts seek to ensure that European citizens can be confident in their safety online and businesses can thrive in the open digital space. It is also ensuring e-commerce rules stay up to date in the Digital Decade. The DSA and DMA have two main goals:

1. to create a safer digital space in which the fundamental rights of all users of digital services are protected
2. to establish a level playing field to foster innovation, growth, and competitiveness, both in the European Single Market and globally

The new industrial strategy for a sustainable and digital Europe

On 10 March 2020, the European Commission published its new industrial strategy [Making Europe's businesses future-ready: A new industrial strategy for a globally competitive, green and digital Europe](#).

The strategy displays a comprehensive set of actions addressing three key priorities:

1. maintaining European industry's global competitiveness and a level playing field, at home and globally,
2. making Europe climate-neutral by 2050 and
3. shaping Europe's digital future.

Moreover, the new European industrial policy includes a [dedicated strategy](#) for SMEs “**for a sustainable and digital Europe**”. The SME Strategy announces a series of measures fostering the sustainable and digital transitions of European SMEs:

- **Sustainability Advisors** will be appointed within the existing Enterprise Europe Network to help SMEs with environmental and social challenges and improve access to skills.
- Up to 240 **Digital Innovation Hubs** will advise SMEs on how to integrate digital innovations into their products, business models and processes.
- The new [European Innovation Council](#) (EIC) will make available €300 million to encourage **breakthrough innovations** delivering [Green Deal](#) objectives.

European Digital Innovation Hubs

Following the adoption of the [Digital Europe Programme](#) work programme the first restricted call for EDIHs opened on November 17th, 2021, to enable selected EDIHs to start their operations towards September 2022. The [European Digital Innovation Hubs](#) are expected to function as one-stop shops that help companies dynamically respond to the digital challenges and become more competitive. They

are intended to assist companies in improving their business and production processes as well as products or services by using digital technologies. The EDIHs will also provide necessary soft-support measures that focus on the mindset change rather than technology - such activities include trainings, technical expertise and advice, and skills development programmes.

The EDIHs will not only function locally but will play an important role in pan-European networking and learning. The Digital Europe Programme will increase the capacities of the selected hubs to cover activities with a clear European added value, based on networking the hubs and promoting the transfer of expertise.

Funding for Digital in the 2021-2027 Multiannual Financial Framework

The EU's long-term EU budget, also known as the [multiannual financial framework](#) (MFF), will boost digital technologies and aid in recovery from the pandemic. The entire budget of the new MFF stands at 1.21 trillion Euros, from which it also seeks to support the digital sector through various budget programmes:

[Digital Europe Programme](#) (DEP), worth 7.6 billion Euros, is the central programme for digital in the MFF. It aims to accelerate economic recovery and to drive the digital transformation of Europe. Among other things, it is designed to **fill the gap between research and deployment of digital technologies**. The DEP will invest in "supercomputing and data processing capacities, core artificial intelligence (AI) capacities, cybersecurity, digital skills, expanding the best use of digital capacity in EU's society and economy and support to the digitalisation of businesses and public administrations".

[Connecting Europe Facility – CEF Digital](#), worth 2.07 billion Euros, supports trans-European networks and infrastructures in the transport, telecommunications, and energy sectors. It is investing in broadband networks, as a part of the EU's wider efforts to build infrastructure that can handle emerging and future processes and applications.

As in many priority areas, [Horizon Europe](#) provides funding for research and innovation. In particular, the programme includes a dedicated budget for 'Digital, industry and space' which seeks to finance high-end innovation in enabling technologies, such as: artificial intelligence and robotics, next generation Internet, high performance computing, big data, and 6G. Overall, it is expected that around 35% of Horizon Europe will support work for the digital transition.

[InvestEU](#) provides crucial support to companies in the recovery phase and ensures a strong focus among private investors on the EU's medium- and long-term policy priorities, including digitalisation. At least 10% of the programme will feed into digital goals.

The recovery of the European economy and making it more resilient is also linked with supporting digital transformation. Therefore, [Recovery and Resilience Facility](#) (worth 672.5 billion Euros) will also offer financial support for investments and reforms, including in relation to the green and digital transitions and the resilience of national economies. In particular, the EC has proposed that each recovery and resilience plan include a minimum level of 20% of expenditure related to digital.

There are additional smaller dedicated sectoral programmes that also enable some funds for digitalisation. For example, the [MEDIA Sub-programme of Creative Europe](#) will support European film and other audio-visual industries, while [EU4Health](#) strengthens health security and prepares for future health crises.

Kickstarting the digital transformation of businesses

Different types of actions can be implemented to kickstart the digital transformation of businesses. The analysis of Interreg Europe projects led to their categorisation in four main groups: awareness raising, digital maturity assessments, one stop shops and other integrated approaches. Each category is illustrated by some successful examples identified within the [Interreg Europe](#) community.

The number of good practices and results is constantly growing. We recommend strongly interested readers to consult our sources for further information, including the [good practices database](#) and the relevant projects' websites.

AWARENESS RAISING

Raising awareness of businesses, but also on the public in general, on the opportunities of the digital transformation of the economy is a central aspect of policies aiming at fostering the digital transformation of SMEs. The activities deployed cover the full spectrum of communication channels available to policy makers and business support providers: social media, publications, websites, information events, direct contact, etc. The following two practices provide examples of onsite/online hybrid formats, which have proven successful in attracting large number of participants and promoting efficiently the use of digital technologies.

The first practice refers to the Hungarian [Night of Industry 4.0 model factories](#), which started as an onsite visit program with the aim to:

- Raise the visibility of transforming companies for each other's attention to facilitate future collaboration,
- Introduce the practice of digitalisation to the potential employees and to the local community,
- Prove that digitalisation improves working environment of industrial business for white- and blue-collar workers, too.

The practice moved online with the spread of the COVID-19 pandemic.

“Night of Industry 4.0 model factories” goes online due to pandemic



“[Night of Industry 4.0 model factories](#)” is an initiative launched in 2017 by IFKA Public Benefit Non-Profit Ltd. to promote the development of Industry 4.0 in Hungary. The initiative offers people the opportunity to visit the most modern factories and learn about innovative solutions based on digital technologies for the manufacturing sector.



As COVID-19 emerged, the on-site visits have been cancelled and the event moved to the virtual space. Despite that, in 2020 the initiative registered a level of participation of both visitors and demonstrative companies even higher than previous years, reaching an audience from all over the country. The online format is easily accessible and cost-free and provides high-quality services such as 360-degree camera virtual tours of the shopfloors, introductory videos to I4.0 solutions, actors interviews, online knowledge library and virtual games. The good practice successfully illustrates a flexible example of promoting virtual visits of Industry 4.0 Smart Factory and demonstrators.

Find out more about the practice [here](#).

The second practice refers to [Digital Change](#) an event designed from scratch as a hybrid practice, with a combination of a fair and continuous online offers.



[Digital Change](#) is a yearly event taking place in Nantes (Pays de la Loire, France), organised jointly by local private and public stakeholders from policy and business. It offers participants to take part in a visit route answering the questions asked daily by CEO engaged in the transformation of their businesses: cybersecurity, customer relations, data, collaborative tools, training and HR, virtual and augmented reality, equipment, financing, etc. Thus, for 2 days, participants can benefit from enriched contents mixing long formats (conferences, testimonies, round tables) and short formats (tutorials, pitches) so as not to miss anything about the digital developments to come and to discover the good practices that nourish the business development. During this event, participants have also the opportunity to participate in 20-minute consultative meetings, with a specialist, so that each company can build its digital roadmap. In addition, throughout the year, the event's dedicated site offers internet users a diagnosis of their digital maturity. Recommendations are then sent to respondents.

This event is a great tool to raise awareness among participants about the stakes related to digital transformation, to provide concrete answers to their questions, to present concrete examples of successes and to get in touch with actors, able to give a support to them.

Find out more about the practice [here](#).

Action Plan - "LIPPE smart!", events for e-commerce

While awareness raising is an obligatory part of policies aiming at fostering the digital transformation of SMEs, one might have a look at the initiative "LIPPE smart!" (Lippe, Germany) started by the [GILDE](#) Business- and Innovation-Center Lippe-Detmold in the framework of the [Future Ecom](#) project. An action plan was defined by the county administration, with the aim to raise awareness and provide practical qualification of SMEs in Lippe about the effects of digitisation on the current and future development of e-commerce. The action is built around a series of events such as visits of demonstration plants, expert talks, and excursions to interesting places. Due to the COVID-19 pandemic the first events had to be postponed and moved to the digital space. Especially the first expert-talks with a technology-based marketing expert generated a very positive feedback and new demands for information and support.

DIGITAL MATURITY ASSESSMENT – TRANSFORMATION ROADMAPS

Technology audits or digital maturity assessments (DMA)¹ are quite useful tools to initiate a business support interaction with traditional companies to foster the use and implementation of new technologies in their products and processes. The key for the usefulness of those tools is that they provide a tailored and realistic evaluation of the status quo within a company and its potential for improvement. This leads

¹ The European Commission has developed a [Digital Maturity Assessment Questionnaire](#), which will be rolled out in the framework of the new generation of [European Digital Innovation Hubs](#) (EDIHs) to be launched in 2022. This tool will be mandatory for EDIHs to ensure proper comparability and aggregation of data at regional/national/EU level

to actionable plans, with a significant chance for successful implementation. Such assessments, if well performed, enable to avoid the often-made mistake for companies to target for new technologies without having properly evaluated the internal feasibility and compatibility with the processes of the business and the acceptance of the staff. Furthermore, experience has shown that such audits should have a broad scope and not focus only on technological aspects.

The first good practice displayed refers to a DMA from Latvia, implemented as an **online self-assessment tool** in the framework of the Smart Latvia initiative.

Smart Latvia & Digital Maturity Test



The first step of “Smart Latvia” is the Digital Maturity Test, which can be completed by each Latvian company to assess its digital maturity, to compare itself with competitors and to find out what IT solutions would help the company work more effectively, with less costs and higher profits. After completing the test, each respondent receives recommendations on what IT solutions would help the company to work more effectively.



Each Latvian company manager can assess the digital maturity of his/ her company by completing the Digital Maturity Test at the platform www.gudralatvija.lv. The test is designed in a simple way - the head of the company should assess how much it uses IT solutions in basic business management functions. After completing the test, the manager of the company receives not only an in-depth assessment, giving an opportunity to compare company with competitors of any given sector, but also recommendations on what IT solutions it should implement in

this business.

Find out more about the practice [here](#).

The example of Smart Latvia is remarkable as it managed to reach a fairly large number of businesses through an online self-assessment tool, which is available in English and ready to be used by further regions.

While online self-assessment tools such as the one used in Latvia are popular and useful for a broad outreach, they also present some challenges in terms of impact. Indeed, some companies performing the assessment might lose motivation or be overwhelmed when it comes to apply recommendations. Such questionnaires are also generic and might miss to pinpoint specific challenges of individual businesses. There are therefore also practices building on a **more individualised approach to DMA through audits**. An example comes from Navarra (Spain) in the form of the [Itinerarios 4.0](#) practice.

Itinerarios 4.0



Itinerarios 4.0 consists in a Call for proposals that subsidizes SMEs for hiring specialised consultants to carry out a digital maturity diagnosis and develop a Digital Transformation Plan for their company. The main objective of the programme is to allow companies to adapt their business models, processes, and products to new business environments.

The consultancy process is divided into 3 phases:

1. Preliminary analysis
2. Digital maturity diagnosis in different categories (Business strategy and context, Technological infrastructure, Organization and people, Processes, Products, and services) leading to the identification of opportunities for transformation
3. Digital Transformation Plan, established based on the previous phases and encompassing a clear roadmap with implementation planning and follow-up indicators.

Companies with a Digital Transformation Roadmap elaborated in “Itinerarios 4.0” will get better financing conditions in further calls for proposals for investments in I4.0..

Find out more about the practice [here](#).

The [good practices database](#) contains further similar practices, such as e.g. the “[Digital Advisors](#)” programme (DigiBEST), the [Modern Enterprise Program \(SKILLS+\)](#) and [Industry 4.0 Technology Audits \(DEVISE\)](#) to name only a few.

A third approach to identifying the needs of SMEs for their digital transformation, including defining the initial transformation steps, is the peer-based model implemented in the framework of the Swedish [Kickstart Digitalization](#) practice.

Kickstart Digitalisation



Kickstart digitalisation (Kickstart) is part of Sweden’s Smart industry strategy.

Kickstart is the largest national effort to boost digital skills and utilization of digital technology among SMEs within the manufacturing sector in Sweden. Kickstart has been carried out by the Association of Swedish Engineering Industries, RISE Research Institutes of Sweden, IF Metall, IUC and Swedish Incubators & Science Parks (SISP). The project has been financed by The Swedish Agency for Economic and Regional Growth.

Kickstart aims to get key representatives in SMEs to understand what digitalization is and what it means for their businesses and start their digitalization towards Industry 4.0.

The method is based on a series of workshop over a six-week period consisting of three free-of-charge meetings where two representatives from approx. 10 companies share experiences and ideas. The workshop series end with concrete activities that the companies will work on. The companies also identify the need for external support.

The concept is about de-dramatizing digitalization, showing that it concerns all companies, and lowering the thresholds for firms to get started. It is also organized as to enable peer-learning between the participating companies and providing good examples of digitalization relating to the companies.

Part 1: Inspirational lectures and workshops

Part 2: Workshops to identify the company's opportunities

Part 3: Workshop to identify start-up activities for the company.

KICKSTARTDIGI.SE

Find out more about the practice [here](#).

The Swedish peer learning approach and benchmarking among businesses is quite efficient to make digitalisation less theoretical and lower the barrier for many companies to make the first step. This method also enables to reach a large number of businesses with a limited budget (here about 2.200 EUR per business on average).

By linking many relevant stakeholders, the practice additionally contributed to create a national Industry 4.0 community able to sustain the initial efforts after the ending of the Kickstart process and adapt their services to the needs identified in the workshops. This practice has been adopted by Latvia and is implemented by the [Latvian IT Cluster](#).

Pilot Action – Digital Maturity assessment tool

As demonstrated by the activities of the European Commission in relation to the [European Digital Innovation Hubs](#), Digital Maturity Assessment and the derivation of action towards an increased digital maturity is expected to remain a central policy tool in fostering the digital transformation of the economy and especially SMEs.

This is also mirrored in [Interreg Europe](#) projects’ activities. An example therefore is the Pilot Action jointly launched by the Irish Northern and Western Regional Assembly ([NWRA](#)) together

with [Fomento San Sebastian](#) (Basque Country, Spain) and [Business Agency Innovation](#) (Varna, Bulgaria) in the framework of the [DEVISE](#) project. The pilot action is dedicated to elaborate and to test a Digital Maturity Assessment Tool, within a local devoted web portal. The tool will allow companies from traditional sectors and low-tech SMEs/industries across Europe to assess their degree of digital maturity against 8 dimensions with free access to the results, a maturity overview and inspiration for a digital vision and a plan for digital transformation presented in a personalised report. The action is inspired from the [Industry 4.0 Technology Audits](#) practice from Cantabria (Spain) and is part of a larger policy package aiming for supporting the digital transformation of businesses.

ONE STOP SHOPS

A "One Stop Shop" (OSS) approach to business support delivery groups a set of resources and methods under the same banner, either institutional - in the case of a common, geographical organisation grouping services in a single place (or a limited number of specific places) or virtual - in the case of services offered online. In practice, these different levels of grouping exist in isolation or in combination.

OSS approaches to business support delivery are common in the context of policies aiming at fostering the digital transformation of businesses². The OSS model appears well suited as:

- Despite differences related to sectors, many aspects of the digital transformation are widely common to all enterprises;
- An OSS approach enables to bundle competences and deliver efficiently specialized support.

In the following we present two good practices implemented on the national level, [Digital transformation offices \(OTDs\)](#) in Spain, and [PID – Punto Impresa Digitale \(Digital Business Points\)](#) in Italy.

Digital transformation offices (OTDs)



The OTD objective is to promote the creation and consolidation of digital transformation offices to disseminate the need and advantages of the digitalisation process of Spanish companies. It aims at strengthening the ecosystem of support for SMEs in ICT matters by offering dynamization and support services for their digital transformation, thus helping them to improve and optimise their processes and through this their productivity and competitiveness.

There are two services offered:

- Support: Attention and resolution of consultations on solutions and/or Methodologies to improve the management of the company through ICT.
- Diffusion: Collective actions to communicate the advantages and/or methodologies in the implementation of technological solutions.

Each OTD is targeting a specific industrial sector. Within each Spanish region there is a maximum of one OTD per sector.

Find out more about the practice [here](#).

PID – Punto Impresa Digitale (Digital Business Points)



The Italian Ministry of Economic Development supports the implementation of Digital Business Points (PIDs) in each single Chamber of Commerce throughout the country, in collaboration with the Italian Union of Chambers of Commerce. The mission of PIDs is to spread information, support, and train

² We describe here OSS initiatives with a broad character and targeting all kind of SMEs, including and often especially those with a low digital maturity level. Those OSS are sometimes also called Digital Hubs. Those initiatives are different from the EDIHs and related high-tech demonstrators, etc, focussing on advanced technologies and innovation capacities. The Interreg Europe Policy Learning Platform expects to dedicate specific activities to this kind of support instruments.

businesses on digital innovation issues, and to encourage the adoption and implementation of new digital industrial technologies.

In particular, the PID of Reggio Emilia (region represented in FOUNDATION) has developed the following actions:

- Call for digital vouchers 4.0, outright grants for the purchase of consultancy, training, hardware, and software based on eligible technologies
- Mapping of the digital maturity of businesses
- Seminars and training events
- Specialist assistance and one-to-one meetings with companies
- Program agreement with the engineering department of the University of Modena and Reggio Emilia to encourage the collaboration between businesses and the academic world
- Partnership with Fondazione REI (Innovation Center) to support companies in developing R&D activities and technological transfer
- Information activity on economic incentives and on the digital services of the Chamber of Commerce

The PID in Reggio-Emilia presents especially impressive numbers in terms of digital assessments performed and one to one meetings with enterprises.

Find out more about the practice [here](#).

Major benefits of national OSS initiatives such as the ones described here above are:

- **Strong outreach towards all kind of SMEs** leading to a significant increase in awareness, thanks to the involvement of institutional actors with very good local implementation.
- **Strong methodological and operational coherence** in terms of knowledge disseminated and services offered.

INTEGRATED APPROACHES

We define as integrated approaches practices combining different levels and types of support, including e.g. awareness raising activities, collective actions, individual auditing and counselling, transformation roadmaps, project development and access to funding. Such practices are resource intensive, but they also have the potential to generate high impact for the companies supported, thanks to a differentiated and individualised approach. They can also be used by policy makers as screening mechanisms to ensure a **strong coherence between policy objectives and projects assisted or funded**.

A good example for this approach is the [Focus Digital](#) programme in Coventry and Warwickshire, United Kingdom. [Focus Digital](#) is a broad support service of digitalization. It provides needed knowledge to companies at different stages of digitalization and builds a pathway to addressing various issues. The service encompasses awareness raising, tailored advice, workshops on various topics (branding, social media, web-development), specialized support in graphic design, and grants for innovation. Given the availability of funds this practice is highly replicable in other regions seeking to provide a rich variety of digitalization support services.

Focus Digital



Focus Digital is part of the ESIF strategy for Coventry and Warwickshire (United Kingdom). It provides a structured route from basic competencies through three levels of support.

At stage One free workshops are offered to raise awareness and draw businesses into appropriate levels.

Stage Two was set up to provide tailored advice and respond to any query on improving IT infrastructure and competencies utilising a Graphic Designer, IT developer and IT technician.

Stage three was designed to provide grants to companies seeking to innovate. This has included Augmented Reality design walk throughs, 3D modelling for architecture and apps for a number of practical business applications.

In implementation there has been a strong take up of the workshops. In particular workshops around engagement with the market have been built up based on client feedback and workshop uptake. These developed over time to include Web optimisation, image capture and usage, and social media. Approximately 460 companies have been involved in these light touch interventions.

The second stage has provided direct one to one support to around 120 companies.

The third stage has helped around 130 companies and provided grants totalling £1.17m.

Find out more about the practice [here](#).

Another interesting practice is the one implemented in Hungary, with the specific aim to identify and support the manufacturing SMEs with the highest potential for growth to be **leveraged thanks to the shift towards the Industrial 4.0 paradigm**.

Complex SME development path for the uptake of Industry 4.0 solutions



Under the leadership of the Ministry of Finance, a consortium, composed by state agency and business association, coordinates a new approach to support manufacturing SMEs. The goal is to prompt the uptake of Industry 4.0 technologies and solutions in Hungary through a flexible and case-specific approach, offering to each SME a continuous coaching service which can include market analysis, business counselling, and co-design strategy to implement digital transformation.

The approach includes visits in I4.0 demonstration factories and technology centres, as well as a specific call to support manufacturing SMEs with their digitisation. The access to the call is limited to pre-qualified SMEs having passed through the individual coaching process.

Find out more about the practice [here](#).

Policy changes – new mechanisms for an integrated approach in Spain and Norway

The integrated approach is especially well-suited for [Interreg Europe](#) projects, as they offer a suitable framework for developing multiple stakeholder policies. This is well illustrated by the policy improvements triggered by [Fomento San Sebastian](#) (FSS) (Basque Country, Spain) in the framework of the [Interreg Europe](#) project [DEVISE](#). FSS has developed an integrated approach to support business in the traditional retail and hospitality sectors, which were strongly impacted by the COVID-19 pandemic and confronted with urgent and strong needs for innovating and taking up digital business models. The [approach](#) designed by FSS and its local partners encompasses four actions:

1. Awareness and digital training programme for the retail and hospitality sectors in the city of San Sebastián.
2. Technology Consultancy Programme to boost the digital transformation of retail and hospitality.
3. Vouchers Programme for the implementation of digital solutions and applications in the retail and hospitality sectors.
4. Digital Maturity Assessment Tool (DMAT) to support digital transformation of the retail and hospitality sectors. This action is performed jointly with Northern and Western Regional Assembly (Ireland) and [Business Agency Innovation](#) (Bulgaria) as described above.

Another example is the *Industry 4.0 Trøndelag* scheme developed by [Trøndelag County Council](#) in the framework of the [SKILLS+](#) project. The scheme is a 3-year project (2019-2022) financed by the county and other national sources, with two additional optional years in case of positive impact. The project's budget amounts to 1.4 M Euros, of which 450kEuros are financed by the County Authority.

Industry 4.0 Trøndelag aims to:

- increase the level of digital competence in 400 micro and small companies,
- inspire them to digitally transform their businesses and cooperate with others,
- help them recruit the right personnel, and
- get the possibility to participate in low threshold pilot/R&D projects with highly specialised partners and the national financing institution [Innovation Norway](#).

The delivery of the services to companies will be ensured on the operational level by local business support organisations also co-funded by the County Authority: five business gardens and three business incubators. Those organisations have a close relationship to the local companies and a good knowledge of their needs. Each of them will therefore develop a specific work programme in a bottom-up approach, adapted to the local businesses.

Looking ahead

Fostering digital transformation of SMEs has multiple aspects in terms of policy making. Previous chapters have provided an overview on good practices and policy improvements that show how policy makers across Europe kickstart the digital transformation of businesses.

Building from the experience gained in these different contexts, the following key recommendations summarise the main lines policy makers should take into account when adopting digitalisation support practices. This chapter provides an overview of recommendations gained from [Interreg Europe](#) projects' partners, illustrated by good practices and policy improvements.

- A key challenge for policy makers and business support providers is how to engage with the SMEs, especially the ones with a low digital maturity, and convince them to act on the digital transformation. In many regions **this is not so much a matter of resources**, as policies and support programmes are already in place, but a matter of making them accessible and attractive to the companies targeted.
- The willingness of a company to change is very much depending on the **vision of the owner or manager**. Several factors, such as the lack of time or the reluctance to change running business models negatively affect the readiness to engage in digital transition. Money can be an issue but is often not the most important one.
- Awareness raising and continued engagement of SMEs with low digital maturity is difficult to achieve. There is a **need for trustworthy, innovative, entertaining ways to involve and engage companies**.
- Assessing the digital maturity of businesses in the early stage of support is important to be able to provide suitable recommendations and further support. **Digital maturity self-assessment tools** can help raising the awareness for the need of changes in businesses.
- A **combination of strategic advice and practical implementation** is helpful to maintain the engagement of the supported businesses.

A broad approach with complementary programmes combining collective approaches – for instance through sectoral business associations, local support organisations, using role models and company visits – with individualised support are necessary.

This policy brief presents an overview of the main approaches to fostering the digital transformation of SMEs from traditional sectors and mostly with a comparatively low or medium digital maturity. However, the digital transformation of the economy in general and businesses in particular has many more aspects:

Digital transformation of business support

Not only businesses need to adapt to the digital transformation of the economy. Policy makers need to adapt the rules of the market, on the global, European, and national level. This is what the European Digital Services Act (DSA) and the Digital Markets Act (DMA) are about. Also, business support organisations need to adapt their services and the way they are delivered. The recordings of the Policy Learning Platform workshop on [Mastering the digital transformation of business support can provide further insights into this aspect of digitalisation.](#)

Skills – digital literacy of employees

The development of digital literacy of the population in general and more specifically the employees of companies is a key factor of competitiveness. New models of life-long learning are emerging, and training needs get more often evaluated. Some examples of practices implemented across Europe have been provided in our [e-workshop recording: SMEs digitalisation.](#)

Digital Innovation Hubs – Learning factories and demonstrators

Digital technologies are increasingly fully integrated in the innovation activities of companies. Initiatives such as Digital Innovation Hubs, learning factories and technology demonstrators aim to accelerate the uptake of new technologies (e.g. artificial intelligence, blockchain, big data, virtual and augmented reality, etc.) in the processes, products, and services of European SMEs.

Twin transition: digital and green

Digital technologies are also needed to master the transition towards a greener economy. They already play a role in the efficient use of resources and will increasingly be a significant part on the circular economy, with innovation such as e.g. digital product passports.

COVID-19 mitigation and resilience in general

The digital transformation has been accelerated by the outbreak of COVID-19, with a significant impact on e-commerce activities as well as further business processes. Ongoing perturbations of the global economy will likely impact further the digitalisation of SMEs but also shifts in regional economies as a whole.

The aspects listed above are addressed by different [Interreg Europe](#) projects and are expected to remain at the core of industrial and economic policies in the near future. The [Interreg Europe](#) Policy Learning Platform will keep on delivering knowledge and foster exchanges among the policy making community on the digital transformation.

How can the Policy Learning Platform support?

The [Interreg Europe Policy Learning Platform](#) can help regional policymakers to better design SME policies by facilitating the exchange of experience from different regional and institutional contexts and showcasing success stories via the [Policy Learning Platform good practice database](#). In addition to the good practice database, the Policy Learning Platform can provide a forum for direct discussions among partners from different projects – either in thematic workshops, peer review learning, or in webinar and online discussions, and provide expert advice through our on-demand [policy helpdesk service](#).

SOURCES OF FURTHER INFORMATION

Some of the above mentioned aspects have been addressed in part in previous activities of the [Interreg Europe](#) Policy Learning Platform or will be tackled in future activities. Here is a list of useful materials:

- **Other Policy Learning Platform resources**

Policy briefs on

- [Operational approaches to efficient business support delivery](#)
- [Vouchers for the competitiveness of SMEs](#)
- [Internationalisation of SMEs](#)
- [Industry 4.0](#)

Stories and articles on

- [Fostering market uptake for innovative digital products and services](#)
- [Smart societies: how interregional cooperation boosts the digitalisation of a rural area](#)
- [Improving access to digital skills for SMEs](#)
- [Digital ecosystems and digital transformation](#)

Event learnings

- [Workshop learnings – Innovation capacities of SMEs](#)
- [E-workshop recording SMEs digitalisation](#)
- [E-workshop recording: Industry 4.0](#)
- [Workshop learning - Mastering the digital transformation of business support](#)
- [Webinar recording: Digital Innovation Ecosystems](#)
- [Webinar recording on building resilient economies](#)

- **European policies and programmes**

- [‘Digital Compass: The European Way for the Digital Decade’](#)
- [Funding for Digital in the 2021-2027 Multiannual Financial Framework](#)
- [Digital Europe Programme](#)
- [Connecting Europe Facility - Digital](#)
- [InvestEU](#)
- [Creative Europe MEDIA](#)
- [EU4Health](#)
- [Recovery and Resilience Facility](#)

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#digitalisation
#digitaltransformation



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