Harnessing the digital transformation for SME productivity and growth

The mission of the Working Group, which is co-chaired by Tunisia and Italy, is to engage partners in multilateral dialogue and peer learning on issues pertaining to SME growth and entrepreneurship promotion. The meeting, which was part of the MENA-OECD Days in Tunisia (17-19 June) focused on the role of digital technologies in entrepreneurship, including among women and young people, and in increasing the competitiveness of SMEs.

The Working Group addressed two key topics: 1) Ways the MENA region can promote a greater use of digital technologies by SMEs and entrepreneurs to boost productivity and growth; 2) how entrepreneurs use specific digital technologies (cloud computing, data analytics, artificial intelligence, etc.) and ways to increase entrepreneurship by encouraging the adoption of technologies. The meeting comprised a brainstorming on those topics with private sector representatives participating in the EBSOMED (Enhancing Business Support Organisations and Business Networks) project, managed by CATWAR (Centre of Arab Women for Training and Research).

Key messages

- **Progress in the development and use of digital technologies is bringing about important changes to society and the economy**. Those technologies (which include cloud computing, data analytics, the internet of things and blockchain, among others) build on the collection and exploitation of growing amounts of data and information and hold ample promise for entrepreneurship and the development of small businesses. For example, the snowballing availability of information about customers and their tastes allows SMEs to better target marketing campaigns, respond to changing demand and develop more customised products and services. This equips smaller firms with the necessary data to enter markets that were traditionally dominated by larger firms. In parallel, the development of new technologies and business models allows enterprises to reach a greater number of customers, including outside national borders.

- **The digital transformation is also happening in the MENA region, where entrepreneurs and enterprises are using and developing digital technologies to improve processes, increase productivity and develop new business models.** Two Tunisian companies participated in the meeting to present their first-hand experience on the use of digital technologies to boost growth: Sotipapier (a paper bag company) and Stelia Aerospace are using data analytics and the internet of things to improve production processes. A young Lebanese entrepreneur and founder of WonderED, a startup that uses digital tools for education and entrepreneurship, also shared her insights with the Working Group and made a plea to policymakers to support entrepreneurs and avoid a brain drain from the MENA region.

- **Making the most of the digital transformation requires a multidisciplinary and whole-of-government approach to maximise opportunities (e.g. productivity) and mitigate challenges (e.g. cybersecurity).** The OECD is helping its member and partner countries with the analysis of trends and the shaping of policies to develop such integrated responses. The OECD Going Digital Project has produced an integrated policy framework to allow governments - together with firms, citizens and stakeholders - to shape digital transformation to improve lives. The policy framework comprises enhancing *access* to digital technologies through better infrastructures; helping people and firms to make a *better use* of those technologies (for instance through the development of digital skills), promoting *innovation* for example by supporting start-

ups; and ensuring good jobs for all by preparing workers and firms for many new jobs and changes to existing ones.

- **There are many policy implications more explicitly related to private enterprise development, in particular SMEs and start-ups**. For example, fostering investment in tangible and intangible capital, facilitating the diffusion of technologies and business models, improving managerial, worker and employee skills, supporting entrepreneurship and ensuring good regulation and sound competition, among others. Within this domain, some *SME specific measures* include: support schemes to facilitate the adoption of digital tools, helping small firms to better exploit and protect IP and leverage other intangible assets, raising awareness and creating opportunities for partnerships between SMEs and larger firms, and promote good risk management practices.

- **MENA countries have initiatives to promote the digital transformation and the adoption and development of technologies by SMEs.** In Morocco, for example, there are opportunities due to the country's relatively diversified economy, efforts in the digitalisation of government, greening initiatives (esp. derived from the COP 22) and increasing knowledge and familiarity with digital technologies. The Moroccan SME agency, Maroc PME, shared the main actions to support SME digitalisation in the context of the national digital strategy, Maroc Numérique 2020. Tunisia is also engaging efforts in this area, in particular through the Industry 4.0 Programme which consists on skills development, awareness raising, strategic partnerships between firms and other actions.

- **Participants from OECD countries also shared insights and information about government, multilateral, private and other efforts to support the uptake of digital technologies by SMEs and entrepreneurs**. This included a focus on the promise and challenges that *Artificial Intelligence* (basically the ability of machines to make decisions or actions based on vast amounts of data fed to them) represent for economies and societies, in particular for SMEs and entrepreneurs. This also included insights on the *[Initiative Startup Europe Mediterranean](#)* (SEMED), which using a virtual or cloud platform aims to connect the Mediterranean startup "ecosystem" (i.e. entrepreneurs, accelerators, investors, universities, governments, etc.).

- OECD work in this area and the discussions of the Working Group, including the brainstorming session with the EBSOMED project on how to facilitate the uptake of digital technologies by SMEs and entrepreneurs, point to some *important messages for governments, private support organisations and entrepreneurs themselves*. A non-extensive list includes:

  o Enhancing *access to digital technologies*, including by investing in infrastructure (e.g. fibre and mobile broadband), promoting competition in ICT and related sectors, removing barriers to investment in those sectors, and facilitating access for young, women and other sub-represented groups and geographical areas.

  o Working on a *more effective use of digital technologies*, including by enhancing skills and the sophistication of use of internet and digital technologies, among individuals but especially among entrepreneurs and SME managers, boosting the adoption of digital tools (data analytics, cloud computing, etc.).

  o *Unleashing innovations* built on digital technologies, including by promoting tech-based start-ups and young firms, mobilising the public and private sectors to support science and digital innovation, and providing incentives and support to innovators.

  o *Ensuring good jobs* including in SMEs and through entrepreneurship, including by empowering people with a mix of skills to succeed in a digital world of work (critical thinking, creativity, numeracy, etc.).

- The messages emerging from the SME Working Group will feed into the definition of the future work of the MENA-OECD Competitiveness Programme. This includes developing the documents discussed and agreed during the Idea Factory or brainstorming session in the afternoon:

  o [Document 1:](#) How to harness digital and other technologies for start-ups and SME growth?

  o [Document 2:](#) How to leverage technology to facilitate access to finance for young and female entrepreneurs?