Doing business in the digital age

From
The integration of SMEs in digital value chains

Towards
Digital Entrepreneurship

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Key enabling technologies and ICT
Why ICT matters

- ICT is key enabler of competitiveness and innovation;
- By 2016, the Digital Economy will reach 3.2 trillion Euros in the G-20 economies
- More than 75% of the value added created by the Internet is in traditional industries, due to higher productivity
- SMEs grow two-three faster when they embrace the Digital economy
- ICT creates jobs: for every job destroyed by the emergence of the Internet, 2.6 new jobs were created EU
The Challenges

- The first step for SMEs towards the Digital economy is to establish an online website; this is a good start, but not enough!
- Industrial value chains become increasingly sophisticated and global.
- New business trends creating opportunities and threats.
- Fragmented eBusiness environment: proliferation of incompatible business models and technological solutions
- SMEs that fail to connect, risk exclusion from the global digital supply chains
- The competitiveness of SMEs depends strongly on their capacity to connect better to larger business networks.

ICT opens up tremendous business opportunities.
Smart use of ICT and participation of SMEs in digital value chains: Objectives

- modernise industrial value chains harnessing ICT
- connect better SMEs to larger business partners
- facilitate SMEs integration into global value chains;
- enable SMEs to become international business partners;
- catalyse an innovative, seamless, digital business environment
Smart use of ICT and integration of SMEs in industrial value chains: Actions

- In the fashion industry (http://www.ebiz-tcf.eu)
- In the transport and logistics sector – Discwise (http://www.discwise.eu/)
- In the automotive industry - Auto-Gration (http://www.auto-gration.eu/)
- TOURISMIlink (http://www.tourismlink.eu/)
- eFoodchain (http://www.efoodchain.eu/)
Smart use of ICT and integration of SMEs in industrial value chains: Actions

Altogether:

- A budget of €10mn of the CIP programme
- Over 20,000 small enterprises have been involved.
- The added value is not limited to the number of direct beneficiaries;
- It mostly lies in the creation of new business models that can have a major impact in the real market.
The vision
Remarkable results

- In the **automotive industry - Auto-Gration** ([http://www.auto-gration.eu/](http://www.auto-gration.eu/))
  - Easier entry to the market: low-cost, easy to use, interoperable solutions for supply chain integration: SMEs get connected in less than one day
  - Cut of manual data entry by 80%, fewer errors, lower operational costs
  - Reduction in telephone and fax inquiries for stock availability by 60-80%
  - 50% costs reduction associated with translation between different ICT systems
  - 30% increase in staff productivity
  - Business agility: immediate information on products and their availability help to select best suppliers and quickly respond to customer needs
  - Wider market opportunities: source from a larger network of suppliers, find new customers in new locations in Europe and beyond
Sound Public-Private Partnerships: follow-up by industry

- In the fashion industry - eBiz (http://www.ebiz-tcf.eu)
  - Followed-up by a CEN Workshop on eBusiness in the textile/clothing and footwear sector

- In the automotive industry - Auto-Gration (http://www.auto-gration.eu/)
  - MoU signed by major automotive and ICT industry stakeholders (led by CLEPA, FIGIEFA and ODETTE) to maintain, expand and promote auto-gration;
  - VDA issues official recommendation on Auto-Gration;
  - Best-practice recommendation by Odette and its national organisations
  - Volkswagen, BMW, Skoda Auto and Renault already explore implementing auto-gration for their SCM
Information technology is the single most important source of growth for national economies. Create more jobs, improve people's lives and build better and greener societies. 3 billion users online by 2016. 5 billion mobile phone users: more people today have access to a mobile phone than to electricity. Great growth prospects: 8% growth rate in developed markets. 18% annual growth rate in developing economies. 2010 – 2016: rise in employment by 32 million people more than today.
A common EU strategy on Digital Entrepreneurship

- EU has to mobilise powerful forces:
  - foster entrepreneurial spirit
  - encourage innovation by harnessing the powers of digital technologies

- A new strategy to boost Digital Entrepreneurship in Europe, as part of the Industrial Policy and the Digital Agenda review

- **The vision**: offer EU SME’s a leading position in the modern digital economy and enable them become respected international business partners

- **The focus**: innovative and dynamic SMEs with high growth potential
The study “Doing business in the Digital Age”

✔ The objectives:

✔ In-depth Market Analysis of Digital Entrepreneurship and its implications in the European economy,

✔ foresight scenarios on how the EU business landscape would look like by 2020

✔ benchmarking of relevant policies of main international trade partners, notably the "digitally empowered" emerging economies

✔ Shaping powerful policy recommendations to boost digital entrepreneurship in the EU
Preliminary findings

I. SMEs are the backbone of the European economy

II. SMEs highly depend on entrepreneurs. Nevertheless, in the EU too many people are discouraged starting a business as a true entrepreneurial climate is often lacking

III. In virtually every area there is real progress, but even the most forward-looking companies have not yet reached the stage of being truly digitised

IV. Digital technologies can be categorised in 6 forces. Any single force has the potential to reshape an industry or business function but navigating the boundaries between them is where the real power resides. Digitisation might impact industries and businesses in three ways: customer insights combined with ability to reach out to customers more effectively, operating and business models

V. Digitisation is significant but it won’t affect every industry in the same way. By analysing the degree of digital disruption for each industry in terms of impact (‘bang’) and timing (‘fuse’), one can state that service- and consumer-orientated industries are more likely to be affected

VI. Within industries, companies with different business models face very different questions. And even within one business, different business functions will find themselves more or less exposed to digital – both in terms of threats, and opportunities
The status of entrepreneurs varies across different Member States, however in general a truly entrepreneurial spirit is lacking.

The image of entrepreneurs has a very **relative weak reputation** in the **EU**: 49% of EU citizens questioned said that they have a favourable image of entrepreneurs compared to 73% in the US.

Within the **European Union**, the status of entrepreneurs **varies across different Member States**: in Scandinavia, entrepreneurs have a positive image whereas in Eastern Europe the entrepreneurs' reputation is generally lower.
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IV. Digital technologies can be categorised in **6 forces**. Any single force has the potential to reshape an industry or business function but **navigating the boundaries between them is where the real power resides**. Digitisation might **impact** industries and businesses in **three ways**: customer insights combined with ability to reach out to customers more effectively, operating and business models

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VI. Within industries, companies with different business models face very different questions. And even within one business, different **business functions** will find themselves more or less exposed to digital – both in terms of threats, and opportunities
Virtually in every area there is real progress, but none has yet reached the stage of being truly digitised. Moreover, industry sectors in Central and Northern Europe are in general more advanced in terms of digitisation.
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Any digital force has the potential to reshape an industry or business functions and might have impact in three ways.

Operating model:
- Automation of processes
- Use of smart infrastructure
- Integration of physical goods into the digital world through embedded wireless devices
- Internal and external collaboration platforms
- Digital prototyping, testing, production and distribution
- Telecommuting or telework

Business model:
- Virtual stores and companies
- Digital goods and services
- Smart cities
- Made-to-order, i.e. custom-made to the exact criteria and specifications of the customer

Customer & business insight:
- Decisions through deeper analysis of increasing amounts of data
- Social virtualisation
- Digital marketing
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Most industry sectors can expect a big bang but for some industries digitisation will take longer.
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“Europe already has already some success stories (e.g. Ferrovia: traditional industry complemented with a digitised workforce)”

“Technology can bypass diversity (for instance by using social platforms) and support harmonisation”

“Trend towards digital embracement, depending on how willing we are to employ (digitised) people”

“Danger: big players become protectionist / scared, resulting in a fragmented business landscape with different (technology) standards”

“If traditional industries can be linked with digital technology, weaknesses can be turned into new opportunities and success will follow soon”

“Baseline scenario”

Four scenarios, possibly shaping the future outlook of the European business landscape:

- **Digital embracement**: Outward looking & change oriented
- **Digital empowerment**: “If traditional industries can be linked with digital technology, weaknesses can be turned into new opportunities and success will follow soon”
- **Incremental digital development**: “Europe already has already some success stories (e.g. Ferrovia: traditional industry complemented with a digitised workforce)”
- **Digital normalisation**: “Technology can bypass diversity (for instance by using social platforms) and support harmonisation”
- **Digital polarisation**: “Trend towards digital embracement, depending on how willing we are to employ (digitised) people”
- **Conservative and traditional climate**: “Danger: big players become protectionist / scared, resulting in a fragmented business landscape with different (technology) standards”
Key influencing factor’s affecting EU’s digitisation

**Socio-cultural factors**
- Demographic change
- Education model
- Entrepreneurial culture
- Language
- Start-up success

**Economic factors**
- Competition level
- Cross-industry collaboration
- Digitisation level
- Enterprise culture
- Funding climate
- Industry consolidation
- Pivot capability

**Technology factors**
- Infrastructure
- Compatibility & interoperability
- Enterprise IT
- Availability of technology skills & talent
- Technology adoption rate

**Regulation & legislation**
- Ease of doing business
- Employment flexibility / agility
- Harmonisation
- Immigration
- IP-regulation
- Privacy regulation
The Policy Forum on Digital Entrepreneurship will be set up in 2013

- to exchange experience and good practices and provide advice on EU initiatives

The Observatory on Digital Entrepreneurship:

- monitor and appraise the key trends in Digital Entrepreneurship
- obtain and analyse data regarding technologies uptake and market dynamics
- identify new business opportunities for European SMEs

The Scoreboard:

- measure progress at national, EU level and international level
Your contributions are welcome!

Thank you for your attention!

For more information:

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