

European DIGITAL SME Alliance

Position paper

Digital Innovation Hubs (DIHs)

Background:

Digital Europe will be a European funding programme of 9.2 bn EUR 2021-2027, which aims to support digitalisation by focusing on five areas:

- High Performance Computing
- Artificial Intelligence
- Cybersecurity and Trust
- Advanced Digital Skills
- Deployment, best use of digital capacity and interoperability

The task of the Digital Innovation Hubs (DIHs) is to assure that local businesses and public authorities have **coordinated access to the newest digital technologies and advanced training in digital skills**. As representatives of digital SMEs, **DIGITAL SME would like to contribute to shaping the discussion on the role of the DIHs by providing our members' feedback as to what type of infrastructure, training, awareness-raising or other support SMEs in the ICT sector would find useful**. Furthermore, we would like to provide our views on how to ensure that Digital Innovation Hubs and funding via the Digital Europe Programme is used effectively.

DIGITAL SME's priorities:

It is important that the **Digital Europe Programme** as well as **funding and services provided via the Digital Innovation Hubs is market-driven and builds on and supports existing business or industry structures**.

Key points:

- 1) It is **important to build on existing ecosystems**. Many of the digital companies represented by DIGITAL SME's members provide digital solutions in B2B: they help transform traditional business models to digital business models by providing digital architecture, software, platforms and services, and other ICT based solutions to their SME counterparts or to large businesses. While there may be an additional need to boost the digital transformation in Europe, government-led activities in this area need to **focus on the provision of infrastructure, exchanging of knowledge and best practices**, boost existing mechanisms for the transfer of digital know-how and **should not provide services that are provided by the businesses in the market**.
- 2) To ensure that these criteria are taken into account, European Digital Innovation Hubs should **build on the most successful models of existing hubs and best practices**. Digital Innovation

Hubs should have a **clear and narrow focus** which follows the criteria set out above. They should not engage in activities that are provided by local businesses and rather focus on raising awareness, matchmaking, and providing infrastructure and skills where needed.

- 3) When **engaging in public procurement** to purchase solutions, infrastructure, or services for the DIHs, authorities and local administrations should **provide equal opportunities to small and medium-sized providers of solutions and services**.
- 4) **Access to funding programmes should be simple**. This could for instance be realised by a one-shop access point for SMEs. Alternatively, financial support should come in the form of direct tax rebates, which go directly to the SMEs. **Funding schemes which require substantial administrative procedures and are characterised by a high level of complexity are not taken up by SMEs and do not bring any added value**.
- 5) Finally, **clarifying the distinction between funding with the aim to further research vs. access to funding for the purpose of bridging a capital gap may be necessary**. While there seems to be a capital gap to help companies bring innovative solutions to the market, the financial strategies to bridge that gap need to match that aim and should not be mixed up with research funding.

Specific positions on Digital Innovation Hub functions

- **Mapping or market radar**

Market and business intelligence are interesting for SMEs in the ICT sector. According to a consultation with our members, a function such as a market radar or single repository for SMEs showing companies active in a specific field could provide a better picture of the size of market, and the available solutions and products. However, the data needs to be kept up to date. As a mechanism to keep the radar/platform up to date, a commenting or rating system could be proposed. Such a mechanism could even be extended to a rating function which would help to evaluate the performance of Digital Innovation Hubs themselves. This would allow to reward the most performing DIHs and ensure a consistent monitoring of their performance across different countries.

- **Testing facilities**

There are times when companies need to experiment with a new technology and the cost is so high that it makes experimentation difficult. Free access to infrastructure either for HPC or AI would boost experimentation possibilities. In order to build AI applications fast, service-facilities for AI models and access to HPC, like some providers are already offering, are needed. In addition, there is a big demand for labelled datasets which can be used by companies. In the area of AI, provision of data-sharing centres or platforms could be useful, but the hubs themselves should not duplicate solutions which are available on the market, but only provide infrastructure for testing. Also, procurement needs to be done in a way that allows smaller players to get involved and provide solutions.

- **Training programmes**

Training programmes should be broad and cover different levels and skill sets. Ranging from short beginner courses to something with a valid/recognized certificate (or similar) at the end. The learning

mode (e.g. online learning) should allow employees to integrate such courses into the daily work process. SMEs especially struggle with high training costs and a lack of time. Training programmes should be demand-driven and focus on areas which will help European companies to become more competitive. One area that could be covered is direct funding for SMEs to achieve certain levels of certification or obtain a certain certificate based on recognised European and international standards. This would make it interesting and affordable for SMEs to obtain a certification or strive for a successful completion of courses.

- **Funding via the Digital Innovation Hubs**

There could be funding for the experimentation with new technologies in the main fields of interest during the product-design process. In addition, it would be helpful to have funding for companies trying to change their focus and target a new market. Businesses developing a new product need money to refine it before they are ready to market. If a funding to bridge this period existed, it would be an easier decision for companies to try new things and take risks changing their strategy. Funding for certification schemes could also be of potential interest to ICT SMEs.

- **Business matchmaking**

This could be combined with the market radar introduced above, again making sure that no existing mechanisms are duplicated.

- **Digital Innovation Hubs as platforms linking cities and regions**

Communication and knowledge about what each region or city specialise in is beneficial for all stakeholders. On the other hand, if regional administrations fulfil this role, DIHs do not need to be involved (no need to replicate existing structures).

- **Technology awareness and standards**

Many SMEs lack knowledge and understanding about the opportunities of adopting new technologies or developing new products/services based on those technologies. For example, 5G and IoT are areas which may hold an untapped potential for SMEs to bring new solutions to the market. Other areas are cybersecurity, blockchain and AI. In many of these areas, standards constitute natural building blocks, which allow small and large companies to interoperate and innovate in an ecosystem. Initiatives based on the model launched by ETSI with its Technology Awareness Roadshow for SMEs could be supported by DIHs and replicated all over Europe.

- **Business intelligence**

An important function for DIHs should be capacity building with regional impact by providing aggregated data on the status of digitalization (industry/sector audits, reports, analysis). Such information would help companies either to align with existing trends, or to forecast in a conscious manner changes in their business models, to create new services etc.

- **Other priorities**

On a European level, fragmentation should be as limited as possible. Harmonization and standardization are keys to successfully building a digital Europe. Authorities should be “lighthouses” showcasing that digitalization is not just a buzzword but is really working and benefiting everyone. It will be necessary to cut some old strings in order to transform the old Europe into a New Digital Europe. DIGITAL SME endorses the idea of including the Western Balkans in the general framework of the Digital Europe Programme. In many cases, the services mentioned above are already in the portfolio of IT cluster organization or local organisations and hubs. Better coordination is needed to make sure that new initiatives build on existing structures and use synergies between IT clusters and Digital Innovation Hubs.