

UNBUFFERING BUSINESS

The role of SMEs in building a digital powerhouse

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Businesses perform better when they do more online. Those with a strong web presence are more productive, create more jobs and are more likely to sell beyond their immediate area. However, the available evidence suggests that, as a whole, small and medium-sized enterprises (SMEs) are lagging behind other businesses in terms of their current digital capacity. If this digital divide is allowed to persist, the northern powerhouse will be less productive and less balanced than it could be.

The main obstacles are twofold: first, many SMEs, particularly those on business parks and in rural areas, lack access to quality, high-speed digital infrastructure. Small businesses are not being prioritised within the current rollout of broadband, and there is a lack of transparency around the activities of BT Openreach, the sole supplier. Second, many SMEs lack the relevant skills needed to do more online, yet despite considerable activity at a national and local level, the current provision of skills training remains piecemeal and partial.

This report argues that there is a clear need for the state to play a stronger and more active role to ensure that all small businesses are able to make the most of the opportunities available to them by doing more online. The government has made it clear that it sees improving productivity as a key objective for its new industrial strategy. In order to ensure that this aim is met, any such strategy should include a focus on encouraging SMEs in all sectors to do more online, as a proven means of boosting productivity. This should lead to policies designed to increase investment in digital infrastructure, as well as measures to ensure value for money in the current roll-out, as well as a long-term strategy to embed digital skills in the education system. However, just as importantly it should also include measures to better co-ordinate and incentivise digital support to small businesses to enable them to do more online.

Our recommendations for a more cohesive and strategic approach will help to build a digital powerhouse in the North.

RECOMMENDATIONS

1. Make digital support to SMEs a priority for LEPs and metro mayors. Improving the digital capability of SMEs should be a priority for the new metro mayors and local enterprise partnerships. This should involve developing a local plan to share best practice and enable communication and collaboration with existing private sector-led initiatives and local business networks, with the aim of raising digital skills in local SMEs. Each LEP and each new metro mayor should work to ensure that their local area passes the following five tests to ensure that they are doing all they can to encourage SMEs to do more online.

- **Prioritising:** how effectively does your LEP prioritise digital skills within the strategic economic plan for all sectors, and how is this reflected in the work of the growth hub? Have you set achievable targets in pursuit of this

priority – for example, for the number of SMEs using digital?

- **Defining:** does your growth hub have a defined ‘digital skills offer’, which is clearly articulated on its website and via its advisers?
- **Reaching out:** are you making the most of the opportunities for collaboration and knowledge-sharing, such as the new GO ON Local online hub?¹ Do you have a framework for how to collaborate with the private sector in the provision of initiatives to boost digital skills among SMEs?
- **Mapping:** do you ensure that data collected on the availability of local support (via, for example, the growth hub) is used to create a comprehensive picture of the supply of support for SMEs on digital? How are you measuring the effectiveness of individual programmes? How is this data being made public?

1 <https://local.go-on.co.uk/>

- **Market shaping:** where clear demand for digital support for SMEs has been identified, are you exploring how to ensure that this demand can be met and the potential benefits for SMEs maximised?

2. Rationalise and further devolve government funding for digital skills to SMEs.

There is a clear economic benefit to enabling SMEs of all sectors to do more online. However, government funds are necessary to overcome disincentives to private investment, and to encourage SMEs to invest their own resources in digital. To this end, the government should create a pooled pot of digital support that aims to address government priorities but which is devolved to LEPs. In addition, when the government is in a position to clarify the future funding settlement for LEPs following Britain’s withdrawal from the EU it should provide specific assurances about the future of funding for digital support.

3. Prioritise superfast broadband for business parks and enterprise zones.

The government and the relevant local bodies (including LEPs and local authorities) should ensure that access to superfast broadband for business parks and enterprise zones is heavily prioritised within the current rollout. Where appropriate, future funding

for the roll-out of broadband should be devolved to combined authorities, and local bodies should consider a broadband voucher scheme for SMEs, to subsidise better connectivity.

4. Ensure greater transparency around the rollout of broadband.

As a means of ensuring the success of a future universal service obligation, BT should publish full broadband speeds and coverage at a premises level, starting with SME premises and business parks ahead of domestic properties, providing full transparency regarding who is and who is not receiving superfast speeds. BT should also publish neighbourhood-level information about planned activity to upgrade existing infrastructure.

5. Continue support for growth hubs.

Growth hubs are an important local platform by which local SMEs gain access to digital support, but they will require time in order to consolidate their presence in their local areas and develop their networks. While the objective of growth hubs should be to become financially self-sustaining, government support should be sustained at the current level until at least 2020. At a cost of £12 million per year, growth hubs are relatively low cost, and there is emerging evidence of the economic benefits of this continued investment.

Business digital skills framework

Description				
Managing information	Communicating	Transacting	Problem solving	Creating
Find, manage and store digital information and content	Communicate, interact, collaborate, share and connect with others	Purchase and sell goods and services, organise your finances and use digital government services	Increase independence and confidence by solving problems and finding solutions using digital tools	Create basic digital content in order to engage with digital communities and organisations
Actions for organisations				
Managing information	Communicating	Transacting	Problem solving	Creating
<ul style="list-style-type: none"> • Store digital information on suppliers and customers • Search for new suppliers to find the best deals • Understand who uses your website • Discover potential growth opportunities for your business 	<ul style="list-style-type: none"> • Maintain customer and client relationships • Use social media to promote your business and connect with new customers • Improve your customer service by providing accessible product information and answers to frequently asked questions 	<ul style="list-style-type: none"> • Maximise your selling potential through a website • Save time by applying for government business permits and licences • Manage invoices and accounts • Receive payments or donations • Protect yourself from fraud or scams 	<ul style="list-style-type: none"> • Save on business travel and be more efficient by using video conferencing • Quickly understand which products and services work based on online feedback • Interpret simple analytics to improve website performance • Get solutions to problems from safe, accurate sources 	<ul style="list-style-type: none"> • Create an informational or e-commerce website • Create content (pictures, logos, text) to promote your organisation and reach customers • Use social media and create communities to engage with customers • Create resources to improve employee skill levels

Source: Adapted from <https://doteveryone.org.uk/digital-skills/digital-skills-framework/>

For the full report, including all references, data sources and notes on methodology, see: <http://www.ippr.org/publications/unbuffering-business>

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