

Irish SMEs miss out on digital surge in jobs and revenues

If Ireland was to raise the number of SMEs trading digitally from 30pc today to 50pc there could be huge surge in revenues and jobs. The key is training, a [Vodafone](#) study found.

While Irish SMEs are confident for their future, they are laggards when it comes to digital technology.

Close to two-thirds (58pc) of Irish SME businesses face significant barriers in relation to the adoption, despite a willingness to invest with cost seen as the biggest obstacle for just over a third (37pc) of businesses.

The [study of 500 rural and urban SMEs across a range of industries](#) by Vodafone into how firms have adapted during the pandemic found that digital transformation will play a key role in any post-Covid recovery.

The Red C study, led by University of Limerick Associate Professor of Economics Stephen Kinsella, found that Ireland has one of the lowest level of SME digital adoption in the EU.

Just 30pc of small firms in Ireland sell via the internet, versus 38pc for larger firms and way behind counterparts like Denmark, Malta, Finland and Hungary.

A quarter of SMEs lack confidence in the digital skills of their employees and almost half plan to invest in digital skills and training. This rises to 65pc for larger SMEs.

The study found that nearly three in five (58pc) businesses face a number of significant barriers in relation to the adoption of technology, despite a willingness to invest. Though cost is the highest obstacle (37pc), trust in suppliers (36pc), integration with older systems (32pc), and having the right in-house capabilities (28pc), are also common issues for SMEs wanting to invest.

From a European perspective, Ireland sits mid-table for the level of digitalisation of its firms versus other European countries – behind Denmark, Croatia, Malta, Latvia and Lithuania. Nearly half (49pc) of Latvian firms, for example, are described as having a high use of technology, versus only 31pc of Irish firms. According to the report, only 19pc of smaller Irish firms are ‘highly digitalised’, while just 24pc of larger firms are.

Upskill the SME workforce

Speaking with *ThinkBusiness*, Kinsella said that Ireland operates a two-wheel economy where despite having some of the largest and most sophisticated digital businesses like Google, LinkedIn, Apple and Facebook on its shores, its smaller SMEs are lacking technologically and behind their counterparts other similar sized countries.

“The majority of Irish SMEs, relative to their European counterparts, are somewhat behind in areas like e-invoicing, selling online, using data analytics and accessing new markets.

“The survey shows two contrasting elements of the SME story. The first is that there is a large amount of confidence in the SME sector for its own future, which is very good. The less good thing is that there is a significant need to invest in digital tools and technologies. Relative to countries like Estonia, Latvia and Lithuania, Irish SMEs are behind the curve.”

In the aftermath of Brexit and the surge in consumers’ appetite for buying online, Kinsella said there is a massive opportunity to move the dial when it comes to the opportunities for SMEs if they embrace digital.

“If you’ve got 30pc of small firms selling on the internet and then you move that to 50pc – which is in an around the EU average – then you have a huge increase in revenue, a huge increase in access to new markets, and of course an increase in employment and in good jobs.

“So there’s a quick win here for Government in terms of helping SMEs invest in these kinds of skills.

“Part of the solution is accelerating the National Broadband Plan, but actually a lot of this is really around training in digital skills. You can see that there could be an immediate quick-win for Ireland in terms of sponsoring national programmes to upskill the SME sector digitally.”

Vodafone Ireland CEO Anne O’Leary emphasised the potential for SMEs that embrace digital transformation. “The tenacity, determination and innovation of Irish SMEs to carry on and to turn uncertainty into opportunity came through strongly in our study.

“After some big changes to the way we work, many organisations are now doing business safely and successfully and thinking about what comes next. Digitalisation was identified as a key driver for this recovery, with noteworthy growth potential for Irish SMEs who engage in digital transformation.

“However, as has been captured, due to the demographic make-up of Irish SMEs, of which the vast majority are micro-businesses, their ability to make the capital investment required is challenging.

“Therefore, as the cornerstone of Ireland’s economy and a core driver of post pandemic economic

recovery, it is of the utmost importance that financial support and practical policies are in place to allow SMEs invest in digitalisation and compete with EU and global SMEs within the digital economy.”

By [John Kennedy](mailto:john.kennedy3@boi.com) (john.kennedy3@boi.com)

Published: 22 February 2021