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Digitalisation of Industry: ensuring that SMEs can make the most out of it

Key facts and policy messages

✓ The ongoing fourth industrial revolution is transforming European industry and will help deliver efficiencies to EU industry, in particular for SMEs.

→ **Example:** according to a recent study on IoT by McKinsey, one of the greatest potential for increased efficiency in digital industries is through operations optimization and predictive maintenance. Predictive maintenance is particularly relevant for SMEs. With predictive maintenance sensors are used to monitor machinery continuously to avoid breakdowns and determine when maintenance will be required, rather than relying on regularly scheduled maintenance routines – which can be very burdensome for SMEs.

✓ **By 2025, Europe could see its manufacturing industry add a gross value worth 1.25 trillion euros.** If we fail to turn the digital transformation to our advantage, the potential losses can be up to 600 billion euros by 2025 – this would be like losing over 10% of Europe's industrial base.

✓ The phenomenon of industrial digitalisation is disruptive. Industry will work in a different way thanks to digital tools. Specific challenges will need to be addressed if Europe wants to make the most out of this revolution.

✓ BUSINESSSEUROPE is currently developing a series of recommendations for policy makers to ensure that companies are able to make the most out of the digital revolution:

1. Make sure that companies – particularly SMEs - embrace digitalisation.

SMEs, especially in the “traditional” sectors, are amongst the categories which can benefit the most from the digital transformation, but at the same time they are the least prepared to take up the challenges. We urge policy makers to support SMEs in their evolution, through the creation of platform for discussion and exchange of information and best practices, or the availability of financial incentives and specific tax schemes for companies who want to embrace digitalisation.

2. Create an innovation-friendly approach to data:

Digitalisation of industry is mainly based on connectivity, collection and analysis of data, not only personal data, but also non-personal/industrial data, for example data produced by machines. Currently, there is a certain degree of legal uncertainty in this field that needs to be addressed. In addition, the current negotiations on the data protection regulation **MUST** take into account the consequences on digitalisation of industry.



→ **Example: We welcome the introduction of the concept of pseudonymous data in the GDPR.** *The use of pseudonymous data is essential for digital industry. It can enable further processing of data which is at the basis of big data and Internet of things. It would ensure the flexibility for companies to process data that cannot directly identify the data subject. As long as the controller keeps the necessary keys to avoid re-identification once the data have been pseudonymised, and takes the technical measures to avoid such re-identification, this can be a satisfactory solution for both companies and data subjects.*

3. Seize the opportunities of digitalisation at the workplace for companies and workers

Digitalisation offers opportunities for companies and workers. Flexible employment and work organisation will be even more important to grasp these opportunities. SMEs in particular can benefit from more flexible and less expensive workforce. It is important to embrace this change without fear. Some existing jobs and areas of activity will evolve; some forms of work will disappear, but new forms will appear. We have to make sure that the European workforce is well-adapted and has the necessary skills to deal with the developments.

4. Ensure the availability of a robust infrastructure which underpins the development of digital industry

Ubiquitous high speed networks are the key enabling technology for the digitalisation of industry. Competition and strong incentives for continued investment in the EU on broadband infrastructure will be essential to meet the exponential connectivity and quality demands associated to digitalisation.

At the same time, we need balanced rules on **network neutrality**. Internet must remain open and accessible to all without discrimination – especially for smaller companies with fewer resources, but also able to respond to demand for connectivity at different quality levels. This is particularly indispensable for safety or real-time critical applications, such as smart grids or emergency stop in a wireless factory.

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