Economic and Social Research Council
Department for Business & Trade
ERC Enterprise Research Centre

Research Paper No. 111

EXECUTIVE SUMMARY

October 2024

(full paper link: http://enterpriseresearch.ac.uk/publications/erc-research-papers/)

Investigating Disparities in SMEs Digitalisation

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The Enterprise Research Centre is an independent research centre which focusses on SME growth and productivity. ERC is a partnership between Warwick Business School, Aston Business School, Queen's University School of Management, Leeds University Business School and University College Cork. The Centre is funded by the Economic and Social Research Council (ESRC); Department for Business and Trade (DBT); Department for Science, Innovation and Technology (DSIT), Innovate UK, the British Business Bank and the Intellectual Property Office. The support of the funders is acknowledged. The views expressed in this report are those of the authors and do not necessarily represent those of the funders.

Published by Enterprise Research Centre (ERC)

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This research investigates disparities in digitalisation among UK Small and Medium-sized Enterprises (SMEs), with a specific focus on variations by gender, ethnicity, region, and industry. Adopting a mixed-method approach, data was collected from both primary and secondary sources. Primary data was obtained from a panel discussion with academics, SME owners, and industry experts, providing a practical perspective that bridges the gap between theory and practice in digital transformation, particularly in the context of SMEs. Secondary data was sourced from the UK Longitudinal Small Business Survey (LSBS) spanning from 2018 to 2022, which examines digital technology adoption trends across five key digitalisation indicators: Accountancy Software, HR Management Software, Enterprise Resource Planning (ERP) Software, AI/Robotics/Automation, and Virtual Reality/Augmented Reality (VR/AR) technologies.

The findings reveal a high adoption rate for Accountancy software, while AI, Robotics, Automation, and VR/AR technologies have the lowest adoption rates among SMEs. Men-led businesses consistently show higher adoption rates for AI, Robotics, and VR/AR technologies compared to women-led businesses, with both groups increasing their adoption of these technologies in 2022. Non-MEG-led businesses show higher overall adoption rates for digital technologies compared to MEG-led businesses. However, while MEG-led businesses adopt digital technologies proportionately within their group, the total number of MEG-led businesses adopting these technologies is lower due to their smaller overall presence.

Regional disparities are evident, with London and the South East leading in AI, Robotics, and VR/AR adoption, and significant growth observed in London, the West Midlands, and the South East since 2021. Sectoral analysis shows that the Professional/Scientific and Other Service sectors have notable adoption rates for ERP and VR/AR technologies, while the Manufacturing, Information/Communication, and Professional/Scientific sectors lead in AI, Automation, and Robotics adoption within their respective industries. The panel discussion analysis offers deeper insights into the disparities, challenges and effective strategies for the adoption of digitalisation across business demographics. The study highlights the need for targeted strategies to address these disparities and promote more inclusive digitalisation across the UK SME landscape.

KEYWORDS: Digitalisation; SMEs; AI Adoption; Digital Divide; Women-led; Minority-led; UK Longitudinal Small Business Survey