

Navigating the Digital Imperative

Backgrounder for Syrian SMEs in Turkey

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**Building
Markets**

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I. EXECUTIVE SUMMARY

Enterprises of all sizes are increasingly leveraging digital technologies as part of both business continuity and the new “business as usual.” As technologies grow more sophisticated, those who are late to go digital may face challenges, including smaller gains in revenue. As the digital divide widens, vulnerable populations and smaller enterprises can significantly benefit from being proactive about digitalization—the adoption of digital technologies to enhance business practices, processes, and interactions.¹ This includes effectively incorporating and scaling e-commerce, online payments, and digital marketing and communication systems necessary to stay competitive and resilient in an increasingly online world.

Syrian-owned small and medium-sized enterprises (SMEs) in Turkey face several challenges to operating in a new market and making the digitalization transition. Addressing these obstacles would allow Syrian SMEs to better integrate into the local economy, optimize their operations, reach new markets, and ultimately create more jobs, benefitting them and their community. This report examines the current state of digitalization among Syrian-owned SMEs in Turkey, identifies benefits to pursuing digitalization, and provides recommendations for SMEs and Turkish civil society to support digitalization efforts.

Summary of benefits and entry point opportunities for Syrian-owned SMEs pursuing digitalization:

- Digital marketing and communications can increase visibility and target new and existing customers.
- E-commerce represents a growing market for Syrian SMEs in Turkey.
- Market opportunities for mobile commerce and digitally-enabled exporting may be suitable for many Syrian-owned SMEs.
- Digital platforms can potentially be cost-effective options in different areas of business, such as marketing and e-commerce, and can provide analytics to inform business strategies.
- Cloud computing and financial technology (fintech) have limited uptake, but can enable business processes like remote work and payments.

Summary of considerations and challenges for Syrian-owned SMEs pursuing digitalization:

- Digital literacy gaps, including cyber safety, are significant challenges that require staff training.
- Different digital platforms have different considerations, including privacy, lock-in or user dependency, payments, fees, and language.
- The full potential of e-commerce, including e-exports, is hindered by access to financial services.
- A conservative business culture and risk aversion has led to resistance to changing business models, strategies, and tools.

Digital transformation among Syrian-owned SMEs requires an approach that addresses the unique needs and opportunities of these businesses.

Recommendations for civil society to enable digital transformation among SMEs:

- Develop an evidence-based understanding of the factors influencing Syrian entrepreneurs' selection and adoption of digital technologies.
- Foster an innovative business culture and reduce information asymmetries through awareness-building and Arabic language resources.
- Bridge digital literacy gaps through training that includes cyber safety.
- Provide tools, mentorship, and training to support Syrian entrepreneurs' development of digital transformation strategies.
- Foster spillover with digital skills and technology uptake, focusing on less resource-intensive entry points like cloud computing, and increasing training on digital content in areas such as digital marketing and the use of e-commerce platforms.

Recommendations for Syrian entrepreneurs:

- Target new market opportunities enabled by digitalization, with attention to the key considerations of each new technology.
- Increase awareness of the landscape of digital technology solutions available across areas of business.
- Make use of training and mentorship opportunities to support digital transformation, both by participating as an owner

Popular
Digital Platforms
in Turkey



II. DIGITALIZATION: KEY FOR SYRIAN SMES

Concepts²

- Digitization is the simple transfer of information from analogue to digital means.
- Digitalization is the adoption of digital technologies to change business processes, practices, and interactions.
- Digital transformation is the digitalization and integration of multiple aspects of an enterprise, where a digital technology approach to the whole of business creates value.
- Resilient businesses are businesses that “use digital technologies, data, and analytics to create long-term customer value.”

Under normal circumstances, digitalization can allow businesses to cut costs, increase reach to new and existing customers, and streamline business processes, among other benefits.³ However, since the onset of COVID-19, the cost-benefit calculation for digitalization has evolved for many business owners with an increasing awareness of digitalization's ability to enable agility and adaptation to unforeseen circumstances, like changing physical restrictions, regulatory requirements, and customer demand. For businesses that had not adopted digital technologies into their operations before the onset of lockdowns related to COVID-19, the learning curve and costs were often too steep to incorporate these tools quickly enough to be of benefit. This highlights the importance of digital transformation as a proactive step towards making a business more resilient.⁴

Among the majority of Syrian-owned SMEs in Building Markets' Turkey network, an already vulnerable group, digital transformation could help weather market shocks and enable business growth through the use of technology, data, and organizational change capability.⁵ Though many Syrian businesses have exhibited hesitance when it comes to digitalization, or reluctance to alter established business practices, many have shown increased interest in digital technology, particularly as it relates to remaining competitive during COVID-19 and beyond.

COVID-19 and associated containment measures have created huge challenges within the Turkish marketplace. SMEs have reported a significant impact on their businesses, including decreases in revenue, demand, and cash flow.⁶ In Building Markets' 2020 COVID-19 survey, more than half of respondents reported not knowing how long their business could stay open under current conditions.

The OECD SME and Entrepreneurship Outlook 2021 cites “Digital Readiness” as one source of SMEs' pandemic resilience.⁷ Both business continuity and business as usual are increasingly requiring businesses to adapt and respond to fluid and changeable markets to compete. This is why organizations like UNDP are encouraging the expansion of e-commerce and e-marketing for Syrian entrepreneurs in Turkey,⁸ while others emphasize the use of Cloud Computing⁹ and Artificial Intelligence-driven analytics as the missing pieces of SME digital transformation.¹⁰ These business practices can also be tied to increasing resilience during and after the COVID-19 pandemic.

Beyond the basic adoption of digital technologies, digital transformation enables the rapid and insightful production of key performance indicators (KPIs)¹¹ that can help SMEs make the most of limited resources and reduce uncertainties. Digitally-derived KPIs can inform decision-making regarding all aspects of a business's operations and can drive business resilience, growth, and employment if used correctly. There are many different digital technology use cases and entry points for digitalization, and Syrian businesses at different levels of digital transformation can benefit from strategy and training support. Appropriate digital transformation strategies can allow Syrian businesses to survive and thrive well beyond COVID-19.

Digitalization Use Cases for Syrian Entrepreneurs to Consider

There are many different use cases¹² for digital technology solutions, including:

- Enabling continuity of business and remote work via cloud-based solutions.
- Reaching new and existing networks and making informed business decisions via social media and digital marketing analytics.
- Continuing and expanding transactions and delivery of goods and services through websites, digital sales, and delivery platforms.
- Enabling transactions and expanding customer base via digital financial services.

Digital Transformation in Turkey

In recent years, the Turkish government has introduced new efforts to advance the country's digital transformation.¹³ A 'Digital Transformation Movement'¹⁴ launched by the Union of Chambers and Commodities Exchange of Turkey (TOBB) in 2018 with a platform targeting SMEs, puts small enterprises at the heart of that agenda. At the same time, increased quality of internet connectivity and digital government services for the public contribute to the enabling environment for digitalizing businesses in Turkey.¹⁵

Large partners and stakeholders like Microsoft, Google, Visa, and Vodafone are among the global players investing in the Turkish digital economy. With Microsoft aiming to capture the cloud computing market,¹⁶ and several platforms and partnerships pursuing the digitalization of SMEs in e-commerce, these investments act as indications that there are still significant early gains for digitalizing Syrian businesses in Turkey. From the 'Google for Small Business' platform¹⁷ to the Visa and TOBB 'Smart SME' platform, Turkey's SMEs are being actively positioned for growth.¹⁸

Vodafone has also pursued the Syrian market in Turkey in competition with Turkcell, with targeted products, services, and Arabic language resources.¹⁹ Vodafone's partnerships with TOBB²⁰ and the Turkey Economic Policy Research Foundation (TEPAV) for the 'Digital Score' and 'Turkey 100' programs are part of a 12 million TL (1.2 million USD) package that focuses on both e-commerce and digital marketing.²¹

A slightly improved but moderate "digitalization grade" of 3.06 out of 5 reported by TüBisad in its 2020 Turkey Digitalization Index Report indicates some progress between 2019 and 2020.²² E-commerce has also been a large sector for growth in Turkey during COVID-19, as well as the MENA region more broadly.²³ Turkey was the 21st largest e-commerce market in the world as of 2020, exclusive of online stores dedicated to business-to-business sales.²⁴

SMEs account for over 90% of Turkish businesses, 75% of the country's employment, and over half of Turkish exports.²⁵ However Turkish SMEs have a lower digitalization rate—4% according to one source—while e-exports comprise 10% of the e-commerce market.²⁶ Dialogue on reducing e-commerce taxation for SMEs, an "e-Commerce Stands with SMEs" campaign, a "National Women Exporter Network Platform," and an "Angel Investor Network"²⁷ all point to Turkey having a strong orientation towards stimulating e-commerce growth.

The Untapped Potential of Online Consumers

The market opportunity for digitalizing businesses is strong in Turkey, where internet penetration as of January 2021 was 77.7%.²⁸ Social media usage is comparable, with the number of mobile connections equivalent to over 90% of the population.²⁹ Overall, the country ranks 49 out of 79 on the Global Connectivity Index for 2020, with growth in three of four technology enablers (broadband, cloud, and the Internet of Things) between 2020 and 2021.³⁰ With the availability of online consumers in the Turkish market, there is further potential for SMEs to capitalize on this market segment using digital transformation.

OECD data as recent as 2020 indicates that while mobile and broadband internet connectivity is fairly widespread among the Turkish population,³¹ less than 10% of small businesses in 2020 were making e-commerce sales in the last 12 months.³² Meanwhile, the percentage of internet users making online purchases was nearly half the percentage of internet users as a share of individuals, indicating larger Turkish or non-Turkish enterprises might account for those sales.

OECD Toolkit - Turkey Profile

On the supply side, 54.2% of Turkish businesses had broadband contracted at a speed of 30 Mbps or more as of 2020,³³ matched by 53.7% of businesses in Turkey in 2020 having a web presence.³⁴

On the consumer side, 89.9% of households had a broadband connection as of 2020, 93.2% of the population was covered by at least a 4G mobile network as of 2018,³⁵ and internet users as a share of individuals stood at 77.7% in 2020.³⁶

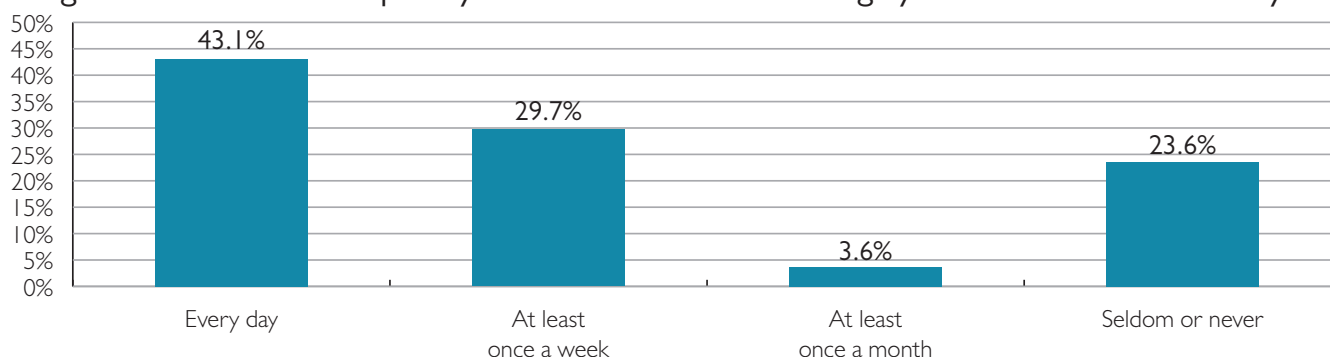
But while 41.7% of internet users as of 2020 had made purchases online in the last 12 months,³⁷ only 9.18% of small businesses in 2020 were making e-commerce sales in the last 12 months.³⁸ Additionally, 14.1% of businesses were purchasing cloud services in 2020.³⁹

As a measure of equitable digital transformation, internet usage among women in Turkey is notably lower compared to men, where data is available.⁴⁰ Women business owners face additional cultural barriers that impact several factors of digitalization, including stronger digital literacy, connectivity, and access barriers.⁴¹ While data on female-owned and managed Syrian enterprises is limited, interviews suggest that women owners are particularly driven to digitalize and may be more inclined to make use of training and mentorship offerings.⁴² Urban and rural access and usage rates may also differ for both Syrian and Turkish populations.

While differences in Syrian and Turkish broadband connectivity are uncertain, Syrian mobile connectivity⁴³ does not seem to be lagging behind the Turkish population. In fact, Turkcell via GSMA reports that customers who are refugees spend more compared to Turkish nationals on data and overseas calls.⁴⁴ Consequently, mobile network operators have invested in infrastructure, products, and services tailored to this community.⁴⁵ It should be noted that internet connectivity is only one indicator of a population's digital transformation. Consumer demand for online purchases is also constrained by factors such as finance and logistics infrastructure.⁴⁶

The e-commerce market has been growing in Turkey and still presents significant opportunities for Syrian-owned enterprises. Digital technology provides an opportunity for Syrian-owned enterprises in Turkey to enhance consumer connectivity and facilitate engagement with customers. Despite infrastructure challenges to online commerce, mobile channels can be useful for Syrian entrepreneurs targeting consumers online.

Building Markets Data - Frequency of Internet Access Among Syrian Businesses in Turkey



Accessing Support for Digitalization

With their finger on the pulse of Syrian businesses in Turkey, civil society stakeholders offer a key window into the need for digitally-enabled business resilience. Civil society organizations are reporting a stronger impact within their Syrian-owned enterprise networks from the global pandemic. Unfortunately, Syrian entrepreneurs in Building Markets' network report that they are not widely accessing government resources, which may increase businesses' exposure to the negative effects of the pandemic.

SPARK and the Qatar Development Fund have offered COVID-19 economic resilience programming for SMEs, indicating that Syrian businesses have been disproportionately affected by COVID-19 restrictions in Turkey. Women entrepreneurs in particular, saw business closures during COVID-19 at a rate that exceeds men. Other effects identified in business surveys include a "freeze in operations" and anticipation of "significant changes" due to the pandemic.



Though the need for government support for digital transformation is widely recognized and Turkish digital transformation priorities are aligned with the needs and talents of Syrian businesses in Turkey, interviews and self-reported survey data indicate these Turkish government resources are not being leveraged among SMEs in the Building Markets' [network](#). By and large, the biggest barrier to Syrians utilizing Turkish government digitalization programs is limited Turkish language fluency or lack of Arabic language resources, though this is certainly not the only constraint.

Building Markets Training that Supports Digitalization

Effective Promotion and Online Sales and Marketing
E-commerce for Wholesalers and Retailers IOI
E-commerce for Restaurants IOI
Digital Content Marketing
Branding for Small Businesses

Civil society resources have the most reach with Syrian enterprises, including those aiming to digitalize. Among Building Markets' network, many enterprises take part in a community called “Digital Istanbul,” connecting via WhatsApp, Telegram, Zoom and in-person meetings, and aiming to build an enabling environment for Syrian digital transformation.⁴⁷ A strong connection between civil society and Syrian entrepreneurs provides a launch pad for targeted digital transformation support, with foundations for data collection and knowledge development, as well as community-oriented digital business culture supports already in place.

Understanding where opportunities and challenges exist for the digitalization of Syrian enterprises in Turkey is vital to supporting successful digital transformation strategies, and can help Syrian entrepreneurs and stakeholders access the most suitable tools, funding, and capacity. Among Building Markets' network of Syrian enterprises, it is particularly evident that there are barriers to overcome, including language differences, a conservative business culture, digital literacy gaps and availability of appropriate digital solutions.



Khlood Alhalabi, Owner of Fasih

Khlood Alhalabi⁴⁸ started Fasih in 2016, searching for a way to reach Arab and Syrian students all over Turkey quickly, easily, and in the most cost-efficient way. "It was difficult to find teachers that can come to your house and teach your children everything related to the Turkish curriculum at cheap prices," she remembers. Motivated to find a solution, Alhalabi took Fasih digital.

"Everything related to our business is digitalized, from A to Z," says the working mother and business owner.

"For us, as women business owners," Alhalabi states, "we have a big motivation to incorporate digital technologies into our business... Digital literacy is very important, and because it is very expensive, I believe that organizations must embrace this mission, especially for women."

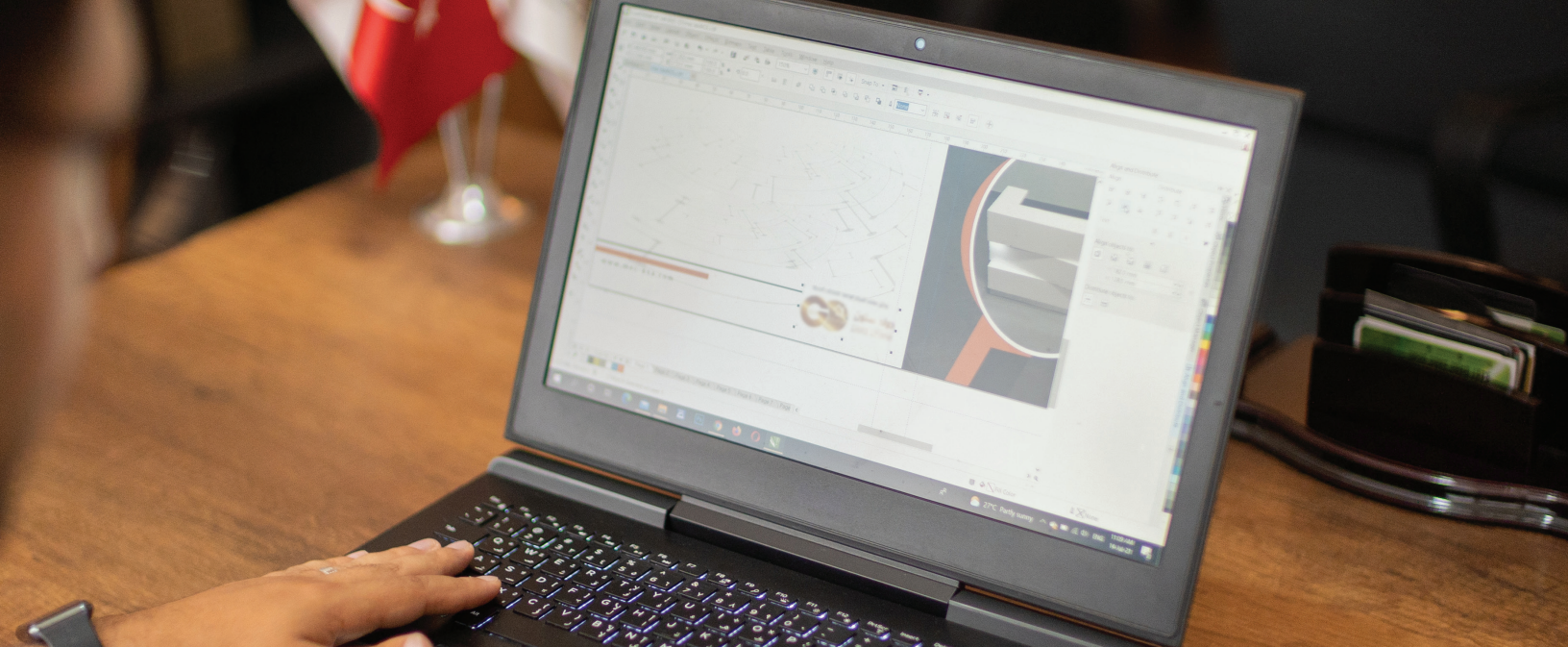
Alhalabi relates facing initial skepticism and digital literacy challenges with respect to using digital technology. "...[The] first problem was convincing clients of the feasibility of digital education...this was one of the biggest problems at the beginning for almost three years. And the second difficulty was teaching and training clients how to enter the platform and attend online lectures."

But COVID-19 has spurred a growth in the client base ready to engage with online learning. "One of the most important factors for the success of our project is that it was established at the right time. It is true that the idea was new and pioneering, but COVID-19 also helped our project to grow and made online education spread rapidly." Despite challenges finding programming companies to translate their many ideas and services to their digital platform, Fasih continues to pursue opportunities for growth and expansion during a time of change.

"Throughout the pandemic, our services spread outside Turkey, and now we are working with tens and sometimes hundreds of students who want to complete their studies in Turkey, so they study the Turkish language and prepare themselves for the university entrance exam."

"My advice for businesses who consider digitalizing is to focus on training."

The successful use of digital solutions is in many ways contingent on addressing these barriers, and stakeholders should be wary of creating winners and losers from inequitable digitalization efforts. Leveraging civil society networks to gather an evidence-based understanding of the factors that inhibit and enable digitalization can help support needs-based digitalization that is fit-for-purpose, and digital transformation that enables business resilience.



III. DIGITAL ENTRY POINTS FOR SYRIAN SMES

Digital Marketing and Communications

Digital communication technologies are widely used among Syrian businesses and customers in Turkey, mostly in the form of messaging platforms.⁴⁹ Interest in the use of marketing has also been strong among the Building Markets network, with digital marketing being a common interest among participants in mentorship programs. However, digital literacy has still been a significant barrier to the uptake of more sophisticated or novel platforms.

A number of Syrian business owners in the Building Markets network chose to adapt to changing customer demand and physical restrictions during COVID-19 by using communications technologies and pivoting their customer base. Some have chosen to do so by analogue means like the telephone, and others through the internet. It appears that business culture could be less of a barrier than digital literacy when it comes to marketing and communications than with e-commerce. One business owner commented, “If any marketing campaign doesn’t go through WhatsApp, it fails.”⁵⁰

Many Syrian-owned SMEs are interested in enhancing their marketing skills, and 77% of survey respondents who indicated an interest in training reported a preference for this topic in 2020. Marketing is seen as one of the top entry points for SME digital transformation and allows smaller businesses to piggy-back off of built-in ‘security-by-design,’ data analytics, and artificial intelligence features of the platforms they use.⁵¹ Even among Building Markets’ e-commerce mentorship networks, many Syrian businesses are digitalizing marketing functions—including the use of social media, website development, and ads on platforms like Google or Facebook. On the other hand, Building Markets has also observed digital literacy gaps. For example, businesses have required extra support using novel technologies like Zoom or setting up a website.

The term “conversational commerce” has been used to describe the intersection of messaging platforms and commerce, where sales and purchases are conducted via these platforms.⁵² Technological growth and sophistication in this subset of e-commerce has been significant over recent years, with dedicated apps, automated chatbots and use of AI.⁵³ The use of WhatsApp to connect with customers among Syrian-owned SMEs, noted in interviews,⁵⁴ is a key example of a fit-for-purpose digital solution that offers the ability to build on technological sophistication. With organic uptake of WhatsApp among customers and businesses, conversational commerce techniques could enable businesses who have less capacity or capability for digital transformation to digitalize.

The screenshot shows the Mevsim Online e-commerce website. The header includes the n11.com logo, a search bar with the text 'Flo Mağazasında %60'a Varan İndirimler', and navigation links for 'Konum', 'Hesabım', and 'Giriş Yap'. The main banner features a dark background with various icons and the 'mevsimonline' logo. A 'Mağaza Performansı' widget shows product information and ratings. The 'Mağaza Ürünleri' section displays a search bar, filters for categories and colors, and a list of products with images, prices, and discounts.

Mevsim Online e-Commerce Page

Abdulhamid Alahdahb, originally from Hama in Syria, runs Mevsim Online from Gaziantep, Turkey. Since April 2021, the retail business has operated entirely online, selling products like silver rings, copper cups, and prayer rugs within and outside Turkey.

"After the pandemic, our work improved because e-commerce has increased a lot," Alahdahb reflects. "Our work requires only a warehouse for goods and a computer."

The recent Gaziantep University graduate emphasizes opportunities of starting a business now with "no rents, no monthly costs, a workplace close to home, and other advantages." Although Mevsim Online faces challenges like competition and strategic product choice, most hurdles were overcome earlier in their business.

"The challenges and difficulties we faced with regard to the adoption of digital technologies were mainly in the beginning where there was no experience, but then through practice and consulting... we were able to overcome all those difficulties." By attending training in e-commerce and receiving consultancy sessions offered by Building Markets, Mevsim Online learned about the best ways to sell, ship, pack, and market goods, and more. "We also had some troubles with registering on the e-commerce platforms and knowing all the conditions of working with them, until we found the documents required for registration."

Alahdahb continues to provide training for Mevsim Online employees, and finds working with stores outside Turkey simple and profitable for the business.

Mevsim Online can now be found on several platforms within Turkey, including Trendyol, Hepsiburada, Çiçeksepeti, and n11. Soon, buyers will also be able to find them on Amazon.

"My advice to people who are going into any business, whether digital or otherwise, is to be patient and not expect quick and direct results, in addition to not rushing into the buying process in order to avoid loss."

E-Commerce, Payments, and Logistics

Despite several challenges to adopting e-commerce for Syrian entrepreneurs in Turkey, the growth of e-commerce in the Turkish market is an opportunity for Syrian-owned enterprises who can pursue online sales, leverage mobile connectivity, and are able to export.⁵⁵ In fact, by some accounts, mobile commerce in Turkey, or “m-commerce,” is expected to eclipse general e-commerce over the next few years.⁵⁶

Major platforms used by the Building Markets network within Turkey include Hepsiburada, Trendyol, n11, GittiGidiyor, and Çiçeksepeti among wholesalers and retailers, and Yemeksepeti and Getir among restaurants.⁵⁷ Limited availability of appropriate solutions, particularly business-to-business platforms for e-commerce, was raised as a challenge in multiple interviews.⁵⁸ While the platform economy has seen notable growth in the time of COVID-19 and the business-to-customer (B2C) space is heavily saturated in Turkey, options for Syrians to use business-to-business (B2B) platforms are still few.⁵⁹ Moreover, m-commerce customers may have a stronger preference for mobile applications over web browsers, with opportunities for in-app purchasing and social media marketing.⁶⁰

Building Markets’ matchmaking platform⁶¹ has over two thousand Syrian businesses listed and facilitates many B2B contracts and tenders. There is still a significant human touch point to this process, as Building Markets personnel facilitate connections⁶² between buyers and verified businesses, and business owners receive support with profile management to mitigate the effects of digital literacy gaps.⁶³ Businesses with greater digital literacy may be more likely to make use of these resources, however focused training sessions like those held by Building Markets can help support enterprises entering the online platform space for the first time.

Among the Turkish government’s recent initiatives, export development—including the Artificial Intelligence enabled Easy Export Platform⁶⁴—is one area where Syrian enterprises based in Turkey can potentially participate. Though language is a significant barrier to Syrian entrepreneurs accessing resources and interfacing with the Turkish government, it positions them to export to a broader Arabic market and through Syrian networks in neighboring countries.⁶⁵ While Syrian-owned enterprises have contributed to Turkey’s exports and “have probably helped rebalance Turkey’s exports to Syria,”⁶⁶ digitally enabled exports, or e-exports, remain low. Addressing barriers and constraints to e-commerce more broadly may help Syrian-owned SMEs further develop their e-exports.

A prominent constraint to the expansion of e-commerce among Syrian-owned businesses is online payments.⁶⁷ Anecdotally, there are reported instances of Syrian businesses exhibiting reluctance to engage in contracts where payment methods differ from those already in use.⁶⁸ In the MENA region more broadly, cash-on-delivery is common when it comes to buying online⁶⁹ but cards are the most frequently used payment method for e-commerce in Turkey.⁷⁰ Online payment systems are an important step to Syrian entrepreneurs adopting e-commerce,⁷¹ but preferences for cash among some businesses as a result of low integration into formal banking institutions is a challenge.⁷² Digitally-enabled alternative payments have the potential to help circumvent these challenges, and COVID-19 has reportedly initiated growth in both fintech and logistics,⁷³ yet interviews indicate a lack of appetite for these solutions.⁷⁴ Despite a perception to the contrary, the Microfinance Centre has listed several payment service providers, including Iyzico and Ininal, that do not require bank accounts.⁷⁵ Feedback from Building Markets’ mentorship participants indicates that Syrians under temporary protection can benefit from using Param as an alternative payment gate.⁷⁶ Monitoring and sharing developments in cross-border e-commerce platforms and payment systems may help businesses who are reluctant to enter the space.

In addition to payments, logistics more broadly can be a challenge to implementing e-commerce. Delivery, fraud holds, warehouse storage, exchange rates, and customs requirements pose challenges when it comes to moving goods.⁷⁷ Some exporting businesses face difficulty finding logistics companies to work with, while increases in the price of logistics services for international trade have affected “micro” exporters.⁷⁸ In Turkey, distribution and delivery can be an area of competition for choice of shipment and delivery options for both e-commerce and e-exports.⁷⁹ However digitalization in logistics also has the potential to enhance competitiveness and deliver better customer experiences.⁸⁰ Automation tools can enable and streamline efficient delivery, including managing customs and trade documents.⁸¹ In some markets there are use cases for Artificial Intelligence in delivery trucks, blockchain in shipping, and robots for same-day and last mile delivery.⁸² Though these options may not be feasible for Syrian SMEs in Turkey, including logistics like delivery and payments in digital transformation through available platforms and tools may help businesses keep up, compete, and drive e-commerce growth.

Digital Financial Services and Cloud Computing Underutilization

Syrian businesses in Turkey face unique financial inclusion, size, and cost constraints, which may make them ideal consumers of digital financial services and cloud computing technologies. Despite this, the uptake of these digital technology solutions among the Building Markets network of Syrian entrepreneurs appears limited.

Factors that could explain this include information asymmetries, digital literacy and skilled labor gaps, risk-averse business culture, and path dependency. However, there may also be more complicated barriers, such as the availability of appropriate fintech solutions, or privacy concerns around cloud-based solutions.

The lack of information on the underutilization of these technologies by Syrian businesses presents a significant challenge. Indeed, the promises of digital transformation are severely limited by the unmet potential of fintech and cloud computing to deliver for Syrians. Actors in the space should make an effort to gather information on challenges and preferences to understand choices in digital transformation in these areas of business.



IV. CONSIDERATIONS FOR DEVELOPING SME DIGITALIZATION STRATEGIES

Enterprise Size and Technology

According to the OECD Digital for SMEs Global Initiative (D4SME), the regulatory environment, market conditions, and infrastructure are all “enablers” of digital transformation, but so are factors internal to enterprises, including innovation within companies, access to finance, and digital skills.⁸³ These are areas where civil society in Turkey may be able to support Syrian enterprises. Syrian entrepreneurs have different access to, and impacts from, “enablers” of digital transformation in Turkey. Notably, the global non-profit Accion has emphasized collective and cooperative strategies for microenterprises coming from three sides: online platforms offering “digitally enabled business opportunities,” relevant digital financial services; and training focused on tools, finance, and platforms.⁸⁴

A 2021 International Labour Organization report suggests that rather than more digitalization across the board, different types of businesses require more customized approaches with “different thresholds below which digitalization, enabled by capabilities, increases productivity.”⁸⁵ While the pandemic represents a critical opportunity for SME digitalization, there must also be a nuanced understanding of the digital transformation demands of the customer and supplier bases. A greater demand for digital services and interfacing as a consequence of COVID-19 should not translate into assumptions about how businesses will effectively digitalize. Because technologies may be interconnected and interdependent, this is even more important for understanding which technologies will succeed in different operating environments, and what stakeholders should promote and invest in.

Within the range of technology types and sophistication, SMEs are on the whole less likely to adopt more sophisticated technologies.⁸⁶ There are documented “early adopter” advantages for businesses who digitalize first, and these tend to accrue as digitalization begets digitalization.⁸⁷ OECD studies on more developed economies indicate that smaller enterprises tend to lag along these lines while larger companies are better able and have more opportunity to digitalize processes.⁸⁸ Smaller enterprises are less able to capitalize on technologies requiring certain mass for example, like Big Data.⁸⁹

Of the technological categories considered by the OECD (digital platforms, Big Data and Artificial Intelligence, the Internet of Things, fintech, cloud computing, and blockchain and distributed ledger technologies⁹⁰) a number of the more ‘useful’ or entry-level technologies for SMEs generally have additional barriers to access for Syrian entrepreneurs. Fintech, for example, is severely underutilized among Syrian enterprises who suffer from low access to credit, and exclusion from formal banking and payments systems.⁹¹

Four out of five businesses in Building Markets’ Turkey network are classified as micro-enterprises (employing 10 people or less). Interviews suggest that within the Building Markets network of Syrian-owned businesses, size has not been a significant determinant of which businesses digitalize.⁹² This is not because size is irrelevant, but rather that within this subset of smaller enterprises, other factors are more influential.

Generally, there is a lack of data on micro-enterprises globally that is not exclusive to digitalization.⁹³ Building Markets’ body of self-reported data on Syrian enterprises could contribute to closing this gap, particularly where there is growing appetite resulting from the COVID-19 pandemic to digitalize among a segment of the population that has traditionally faced additional constraints to both business and digitalization.

Maximizing Impact

Most Syrian-owned enterprises in the Building Markets Turkey network are micro and small enterprises, meaning that their approach to digital transformation may necessarily be less resource intensive. According to the Harvard Business Review, small and medium-sized enterprises need “specialized business analytics expertise on [their] leadership team and that [they] need to change how [their] organization makes decisions” to engage in successful digital transformation.⁹⁴ Further, technology, data, process, and organizational change capability are the four key components to successful digital business transformation.⁹⁵ Since most Syrian entrepreneurs are more constrained in these first two areas, initial efforts towards digital transformation may be less likely to include hiring dedicated transformation strategists, and will more likely be driven by owners and managers themselves.

The concept of ‘adoption readiness’ focuses on the soft skills and business culture required for innovation. Factors preventing adoption readiness include conservatism and resistance; low awareness and negative perception of benefits; and lack of self-efficacy.⁹⁶ One survey found respondents who believed in the importance of the internet were more likely to digitalize.⁹⁷ Drivers of an enterprise’s desire to adopt digital technologies include the level of digital adoption among consumers and partners.⁹⁸ A risk-averse and conservative business culture has been a constraining factor for Syrian-owned enterprises, however Syrian enterprise-focused digital transformation through networks like Digital Istanbul as well as shifting consumer preferences may produce digitalization outcomes.

Depending on size and cost constraints, businesses can benefit from entry-level digitalization practices such as utilizing mobile applications, digital platforms, and specialized staff to enable digital transformation.⁹⁹ In particular, the entry points for digitalization of SMEs include administration, marketing, and sales functions,¹⁰⁰ with smaller enterprises tending to lag in technological sophistication.¹⁰¹ In the COVID-19 context, this is even more important for facilitating remote work and business continuity where possible.

More and more platform-based technologies have the potential to extend the reach of certain technologies to smaller businesses, but may also contribute to long-term inequalities if effective strategies are not put in place.¹⁰² To stay ahead of digital transformation, businesses can benefit from having digital infrastructure that includes features like a data warehouse, online ordering capability, a point of sale system, a customer data platform, a loyalty program, and a mobile application. Some platforms may combine several of these features.¹⁰³ “Platforms can secure buy-in by helping enterprises, consumers, and partner networks to connect and facilitate digital interactions,”¹⁰⁴ potentially achieving growth without expending an extensive amount of resources on hiring, or on the technologies themselves. However, engaging in the platform economy has come under scrutiny for the potential to create dependencies, de-facto gatekeepers, increasing the price of goods and services via fees, and competition distortions, as well as privacy and data concerns.¹⁰⁵

For micro and small enterprises in particular, sustainable models of use for platforms based on an understanding of their inherent risks are critical. It may be that conducting online sales through independent websites is preferable for some enterprises, or that diversifying with a combination of digital tools and platforms allows for deeper business resilience and agility. Changes in customer demand and physical restrictions mean that SMEs do have to increasingly embrace digital technologies, but a smart digital transformation should be tailored to the needs and realities of the individual business.

Digital Literacy and Cyber Security

Digital literacy is a strong component of SME digitalization, especially in the context of development efforts targeting more vulnerable populations. Low levels of digital literacy not only have implications for inequality in technology uptake and business growth, but also for associated cyber safety awareness and trust components.

The UNHCR describes five types of risk for persons of concern in relation to social media: personal data; platform; regulatory environment and national laws; behavior of the user; and malicious third party groups or individuals.¹⁰⁶ While online safety and cyber security were not reported as notable concerns in key informant interviews, there is evidence that ‘trust’ may play a part in some regional consumers’ reluctance to purchase online.¹⁰⁷

Though SMEs may present less lucrative targets for deviant actors, they face disproportionate impacts to their businesses, customers, and partners from a negative event occurring.¹⁰⁸ While SMEs benefit from built-in security features of the platforms they use, they are also locked in to the range of data privacy and consumer protection features of that platform, often without significant input.¹⁰⁹ WhatsApp is one example of a messaging platform that has high usage rates among Syrian SMEs, and only recently had pushback on privacy concerns about its non-optional data sharing with parent company Facebook.¹¹⁰ Moreover, as media laws have been evolving in Turkey, with controversial content removal and data localization measures impacting platforms like Twitter, Google, and Facebook,¹¹¹ Syrian enterprises and stakeholders should take steps to be informed consumers.

Digital literacy, including cyber safety, is as foundational as connectivity to Syrian SME digitalization. The MENA-OECD Working Group on SME and Entrepreneurship Policy¹¹² has called for “investments in digital infrastructure, platforms and services and improving digital security and data protection frameworks” as well as digital skills.¹¹³ Digital literacy, including safety, is an opportunity for civil society to target resources moving forward as both a means to secure buy-in and to ensure protection with use of digital technologies.

Recommendations for Syrian-owned SMEs:

1. Business owners should pay attention to new market opportunities, from e-commerce and exporting to digital marketing via social media and communications. Entrepreneurs should also pay attention to key considerations like privacy and dependence in platform choice, as well as areas for growth like mobile-enabled advertising, sales, and transactions. Challenges like pandemic restrictions and banking regulations may have digital technology workarounds, and entrepreneurs should actively seek to build their awareness of new technology.
2. Knowledge building and dissemination regarding technology available to Syrian entrepreneurs that can fit their specific needs, such as platforms for online sales and payments, can facilitate greater awareness and interest in adopting digital tools. Beyond civil society, growth of available technologies that suit the needs of Syrian enterprises is required. In particular, the growth outlook for the B2B e-commerce and regional fintech solutions should be monitored, and useful solutions noted by Syrian entrepreneurs. Growth in availability of these options can help Syrians overcome regulatory barriers and capitalize on Arabic language and Syrian network advantages to reach new markets.
3. Interviews and participant feedback suggest potential for training to support digitalization. Entrepreneurs should attend training and mentorship sessions to help navigate digitalization, and support digital transformation strategies and technology uptake. Syrian entrepreneurs should devote time to finding the best digital solutions for their needs, and invest in training staff on new technologies and digital literacy, including online safety.

There are several potential entry points for Syrian entrepreneurs willing and able to pursue digitalization and digital transformation. E-commerce is a significant area of growth for Turkey that Syrian-owned SMEs can target, including digitally enabled e-exports and mobile enabled m-commerce and 'conversational' commerce. Within this, payments and logistics are constraints and possible opportunities for SMEs to pay attention to within digital transformation strategies. Digital marketing and communications is an area for Syrian-owned SMEs of all types to focus on, and platforms and analytics are key components of this. Fintech more broadly, as well as cloud computing, are both underutilized technologies that may benefit Syrian entrepreneurs.

Overall, the digital transformation of Syrian enterprises requires a more complex approach than simply encouraging more digitalization. Operating digitally is increasingly necessary for enterprises to survive and compete, but a needs-based approach that recognizes that needs of SMEs, as well as their individual cost-benefit calculations, differ will help foster sustainable digital transformation.

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Backgrounder for Syrian SMEs in Turkey

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