



**DIGITAL  
TRANSFORMATION**  
for Inclusive  
Business  
Development



# DIGITAL TRANSFORMATION for Inclusive Business Development

## Authors:

Concepción Galdón  
Poliana Muñoz  
Eugenia Gutierrez

## Disclaimer

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Digital Transformation for Inclusive Business Development is a project supported by J.P. Morgan and Madrid City Council, in collaboration with Orange, and delivered by IE Foundation. Through the third edition of this project, 201 small business owners (SBOs) in Madrid, struggling to keep their businesses open due to the crisis brought about by the pandemic, are developing the capacity to implement e-commerce and online marketing strategies. Delivered in a remote format, which proved successful in the second iteration, the project is designed to accelerate the ability of the beneficiaries to generate additional revenues by leveraging online channels.

Some words with which the SBOs participating in the project describe its impact on their businesses are **“growth,” “openness to digitalization,” “perfect,” and “enriching.”**

This report aims to convey deep insights into the situation of the beneficiaries participating in the project over these last two years. We aim to understand their evolution during this time and set it in the current context.

To do this, we will start by describing the profile of the beneficiaries who applied and were selected to participate in the project, both at a quantitative and qualitative (attitudes) level. We will then explain their experience during the project. Next, we will describe lessons learned from the project. Lastly, we will analyze in depth the evolution of the beneficiaries of the project, with quantitative data and in-depth depictions of some specific cases.

**“Growth,”  
“openness to  
digitalization,”  
“perfect,” and  
“enriching.”**

In the analysis, we will not only talk about the present but also analyze some perspectives from the past (before the pandemic) and prospects for the future. It is important to understand the past and look into the future, about which beneficiaries are generally cautious but positive.

# Project Implementation 2021/2022

Selection of **201** micro businesses

**1st Cohort**  
July 2021  
**100** beneficiaries



**2nd Cohort**  
February 2022  
**101** beneficiaries



# The Road to Digitalization



## Phase 1 Onboarding - Initial phase

Prepare SBOs for successful participation in the program.

- ✓ Online welcome.
- ✓ First meeting with the tutors.



## Phase 2 General Phase

SBOs learn to think strategically to build resilient business models.

- ✓ SBOs receive training in digital business strategies (synchronous and asynchronous sessions).
- ✓ SBOs receive technical assistance from tutors.



## Phase 3 Diagnosis

SBOs choose an itinerary based on their needs and preferences.

- ✓ SBOs receive training in Access to Finance and Resources.
- ✓ Online panel with a specialist from Madrid City Council.



## Phase 4 Personalized Itineraries

SBOs create and implement their online presence and build a stronger support network.

- ✓ Panel with marketing and online strategies experts.
- ✓ SBOs receive personalized training sessions.
- ✓ Tutors help SBOs consolidate their knowledge.



## Phase 5 Consolidation

SBOs consolidate online businesses.

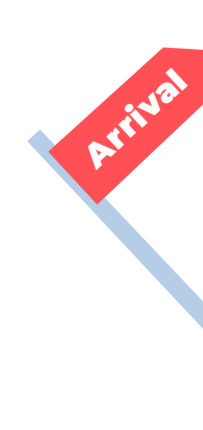
- ✓ SBOs work with Master in Creative Direction, Content and Branding and bachelor students.



## Phase 6 Knowledge generation & dissemination parallel to the training

The objective is to assess the project's impact on the SBOs' targets through quantitative and qualitative assessment.

- ✓ Dissemination of knowledge to private and public institutions.
- ✓ This research contributes to providing relevant information to decision-makers who aim to support SBOs.

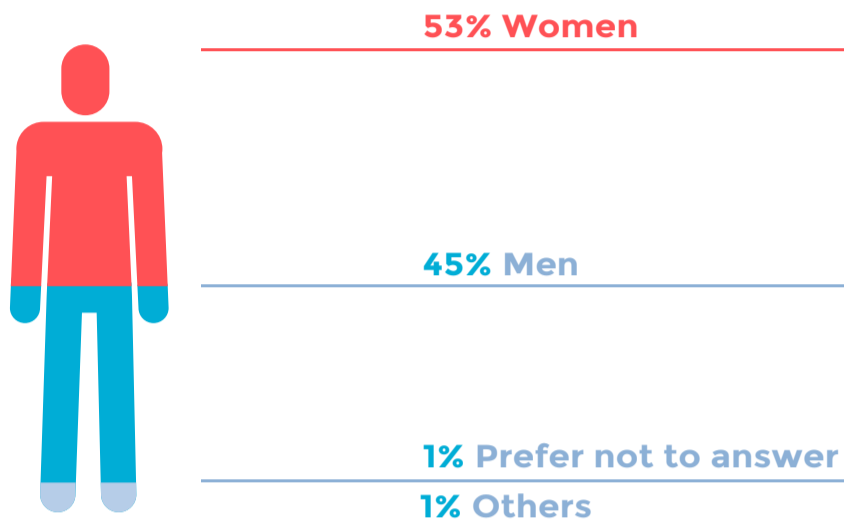


# Profile of the Beneficiaries

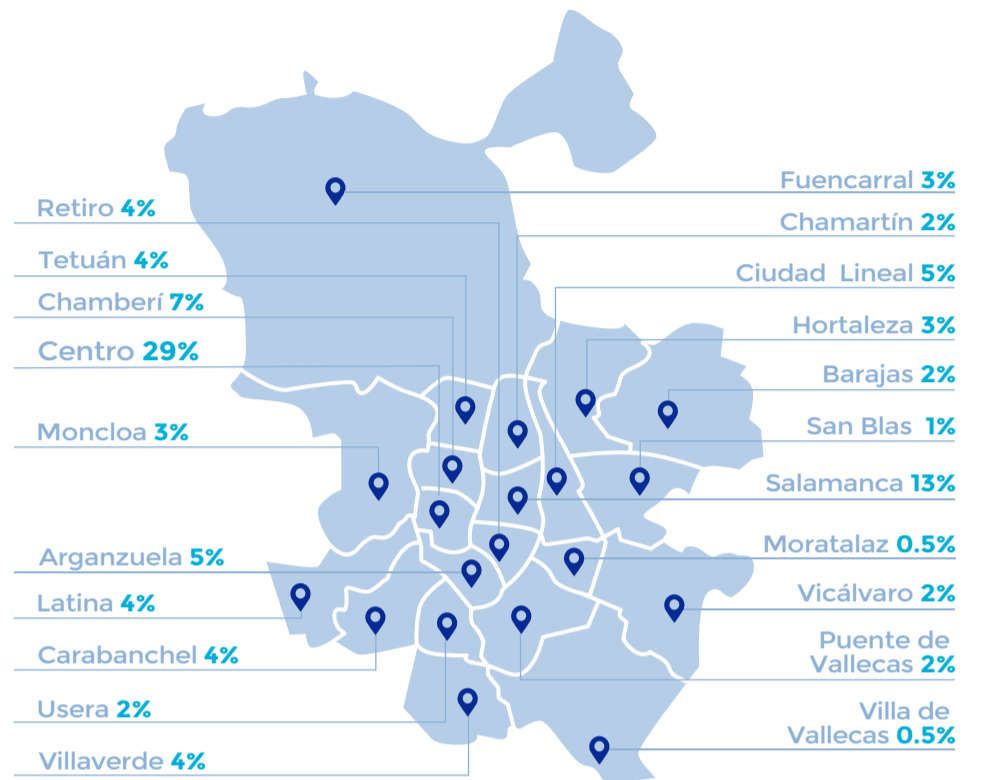


Small businesses owners as beneficiaries of digitalization in vulnerable neighborhoods in Madrid

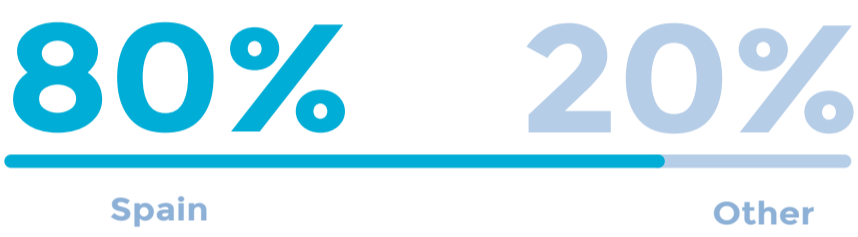
## Gender



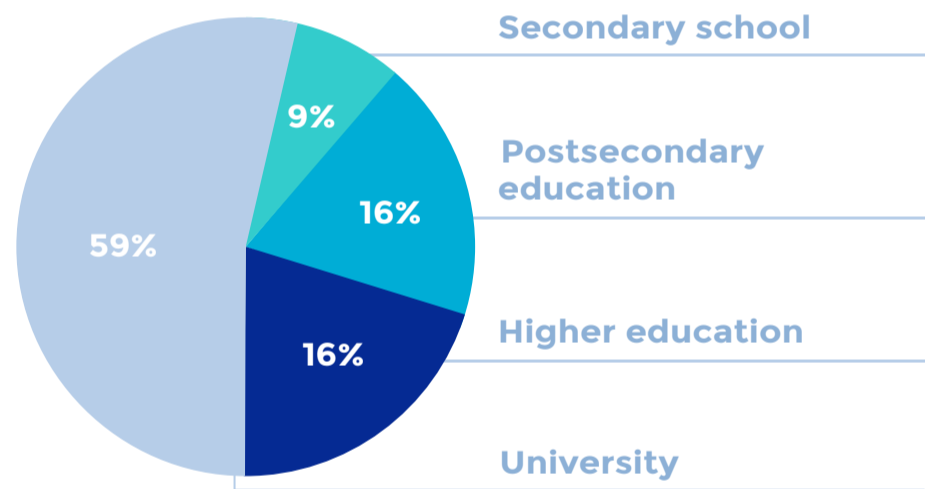
## Geographic Location



## Country of Origin



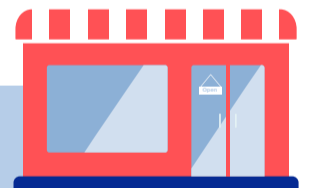
## Education



## Type of Business



## Highlights



**56% of the beneficiaries who completed the project being women**

Women predominate where they tend to be underrepresented.<sup>1</sup>

**The percentage of migrants (20%)**

is higher than the average migration rate in Madrid, 16.55%<sup>2</sup> in 2022.

**41% of beneficiaries**

do not have a university education.

**66% of beneficiaries**

are located in vulnerable neighborhoods in Madrid.

**The economic consequences**

of the pandemic and the war in Ukraine worsened the beneficiaries' businesses prospects.

**Beneficiaries are optimistic after the project**

64% expect their turnover to increase, in contrast to the 39% of the CEPYME barometer.<sup>3</sup>

<sup>1</sup>Observatorio Nacional de Tecnología y Sociedad, *Brecha digital de género*, 2022, [https://www.ontsi.es/sites/ontsi/files/2022-04/brecha\\_digital\\_genero\\_2022.pdf](https://www.ontsi.es/sites/ontsi/files/2022-04/brecha_digital_genero_2022.pdf).

<sup>2</sup>"Población extranjera en la ciudad de Madrid (por nacionalidad)", Áreas de información estadística, Portal web del Ayuntamiento de Madrid, 2 de noviembre del 2022, <https://www.madrid.es/portales/munimadrid/es/Inicio/El-Ayuntamiento/Estadistica/Areas-de-informacion-estadistica/Demografia-y-poblacion/Poblacion-extranjera/Poblacion-extranjera-en-la-ciudad-de-Madrid-por-nacionalidad-/?vgnnextfmt=default&vgnnextoid=c289d54944580510Vgn-VCMM2000000c205a0aRCRD&vgnnextchannel=9ce23636b44b4210VgnVCM2000000c205a0aRCRD>.

<sup>3</sup>CEPYME, *LAPYMEHABLA*, 2022 [https://cepyme.es/wp-content/uploads/2022/05/CEPYMEbarometroPYMES2022\\_ok.pdf](https://cepyme.es/wp-content/uploads/2022/05/CEPYMEbarometroPYMES2022_ok.pdf)

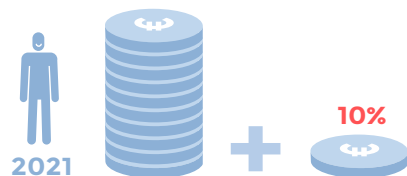
# Beneficiaries' turnover

As is well known, during 2021, the Spanish economy began to overcome the post-pandemic crisis showing some growth but was soon affected by the resurgence of inflation worldwide in 2022 and hit by the global economic difficulties unleashed by the war in Ukraine.

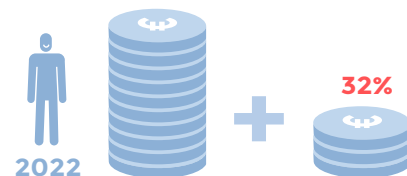
This has led to a very difficult scenario for small entrepreneurs, who were already vulnerable before the pandemic

due to pressure from online platforms and large franchises.<sup>4</sup> Despite this, the evolution of turnover of the beneficiaries that participated in the project in 2021 and 2022 from the time they were selected to participate in the project up to the time they graduated from it has evolved positively.

We received the following response, among others, when we asked the beneficiaries about the most important challenges in the last year.



The cohort that participated in the project in 2021 improved their average turnover from February 2021 to November 2021 by **10%**.



The cohort that participated in the project in 2022 improved their average turnover from February 2022 to November 2022 by **32%**.

**Ana García (Tía Turuleta)** “The main challenge my shop has faced is the economic situation we are currently experiencing. There is much uncertainty, as well as a constant rise in the prices of raw materials and services. It is difficult for me to compare how my shop has been doing month-on-month since the pandemic because everything is so volatile.”

**Enrique Villena (Confecciones Mary)** “The two main challenges I face relating to the financial situation of my shop are making the business profitable and continuing to grow in turnover and orders.”

Learn more about Enrique Villena’s story here:



(Enrique Villena, Confecciones Mary)

<sup>4</sup>Hiscox, *I Informe Hiscox de Pymes y Autónomos en España*, accessed 3 May 2023, <https://www.hiscox.es/sites/spain/files/2022-09/22160%20-%20Spain%20-%20Hiscox%20SME%202022%20report.pdf>.

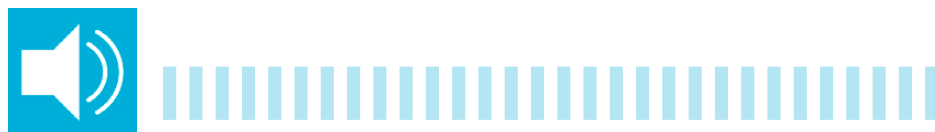
# Employment Trends

According to Social Security data, the number of employees of microbusinesses in Spain grew by 3% from 2020 to 2021. In comparison, the number of employees of the microbusinesses participating in the project grew by 4% during 2021 for all employees and 7% for full-time employees.

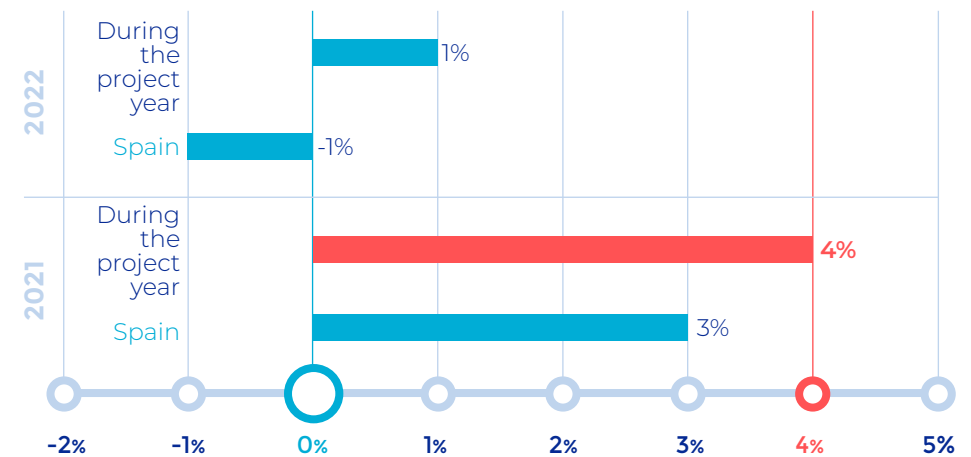
In the next year, 2022, the employment situation in microbusinesses worsened in Spain: The number of employees of microbusinesses in Spain decreased by 1%. However, even in this context, the number of employees of microbusinesses participating in the project grew by 1% in general, and in the case of employees working full time, the growth was 8%.

In fact, when some of the beneficiaries were asked about their projections for the future, they expect to have more employees. This is the case of **Mariola Conde** (Secret Therapies, Beauty and Holistic Health), who also expects to be able to open another beauty center.

Listen to Mariola Conde's story here:



**Figure 1. Evolution of employment**



Source: Own elaboration based on data provided by the beneficiaries of the project and those from Ministry of Labor and Social Economy of the Government of Spain, *Estadística de empresas inscritas en la Seguridad Social. Diciembre 2020*, accessed 3 May 2023, <https://www.mites.gob.es/estadisticas/Emp/Emp20-Dic/Resumen%20de%20resultados%20Diciembre%202020.pdf>; Ministry of Labor and Social Economy of the Government of Spain, *Estadística de empresas inscritas en la Seguridad Social. Diciembre 2021*, accessed 3 May 2023, <https://www.mites.gob.es/estadisticas/Emp/Emp21-Dic/Resumen%20de%20resultados%20Diciembre%202021.pdf>; Ministry of Labor and Social Economy of the Government of Spain, *Estadística de empresas inscritas en la Seguridad Social. Diciembre 2022*, accessed 3 May 2023, <https://www.mites.gob.es/estadisticas/Emp/Emp22-Dic/Resumen%20de%20resultados%20Diciembre%202022.pdf>.



(Mariola Conde, Secret Therapies, Beauty and Holistic Health)



# Digital Skills

After participating in the project, **87%** of the beneficiaries think that the technological tools have given them more self-confidence and a greater capacity to learn. In addition, **73%** of the beneficiaries declare that they have improved their digital skills. This data is noteworthy because, according to the data from the article “Digitalization of Spanish SMEs” (small and medium enterprises), of the European Development Bank on December 2022 although Spain

is on the right track in the digitalization of SMEs, there is still some way to go. In Spain, especially in micro and small enterprises, the demand for digitalization by SMEs is low since **41%** of Spanish microbusinesses say that they have no planned investment in digital solutions in the next three years.<sup>5</sup>

**Mayte Sánchez** (Canterano Decoración) told us that there were many concepts that she did not know when she started the project, especially relating to the web, although she knew how to use a few social networks. “In terms of knowledge of social networks, I would say that I started at a **30-40%** level of knowledge (prior to the project) but increased to **80-90%** after I received all the information involved in the project. I would say that my evolution in the digital world after being part of the project has been **100%**.”

Listen to Mayte Sánchez’s story here:



**Enrique Villena (Confecciones Mary)** explains: “Digitalization has allowed me to do many things on our website that I used to have to delegate to others. This saves on costs and makes us even prouder of our daily work.”

**Mayte Sánchez (Canterano Decoración)** In the opinion of **Mayte Sánchez** (Canterano Decoración), enhancing digital skills is essential to advancing in the world of small businesses. “If we are not in the digital world, our businesses end up dying. We have to be there. We have to give as exclusive a service in the digital area as we do face-to-face.”

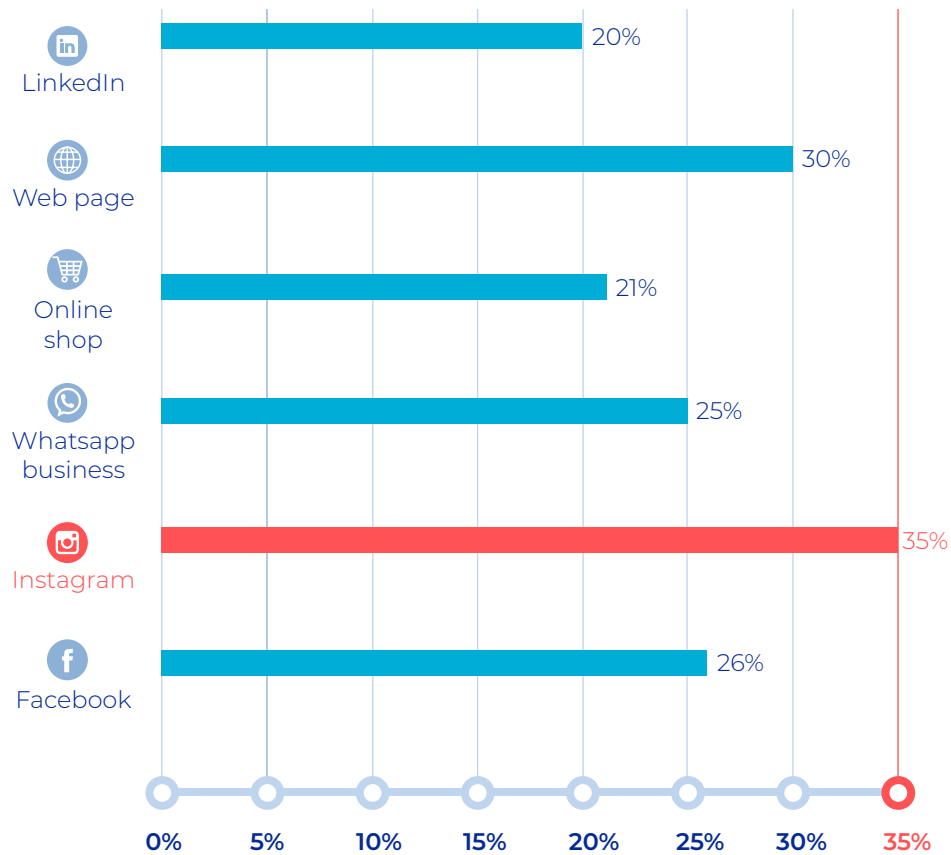


(Mayte Sánchez, Canterano Decoración)

<sup>5</sup>European Investment Bank, *Digitalization of Spanish SMEs* (2022). Accessed 3 May 2023, <https://www.eib.org/en/publications/20220209-digitalisation-of-spanish-smes>

During the project, most participants reported adding new online channels to their business' online strategy:

Figure 2. Online presence



Source: Own elaboration based on information provided by the beneficiaries.





In terms of resilience, the evolution of beneficiaries from the beginning to the end of the project has been positive both in 2021 and 2022.

This shows that although the situation is complex, both personal and business resilience have been shown to have improved throughout the project in general terms.

**Table 1. Personal resilience**

Item	Beginning	End
Beneficiaries believe that they can grow in a positive way when faced with difficult situations	75%	77%
Beneficiaries actively look for ways to replace losses they encounter in life	69%	75%
Beneficiaries look for creative ways to alter difficult situations	65%	76%
Beneficiaries state that regardless of what happens to them, they believe they can control their reaction	66%	65%

Source: Own elaboration based on information provided by the beneficiaries.

**Table 2. Business resilience level**

Item	Beginning	End
Our company has a formal medium to long-term risk plan	27%	32%
We have a system to identify changes as soon as they arise	34%	44%
If unanticipated cash flow problems were to arise, our company could quickly access financial resources	42%	46%
Our company is financially stable	59%	60%
We ensure that we are not overly dependent on any one supplier	88%	85%
We ensure that we are not overly dependent on any one customer	87%	87%
Planning has been accommodated to the timing of sales	69%	75%

Source: Own elaboration based on information provided by the beneficiaries.

**Yirley Castro (La Piedra de Monet)**

*For instance, Yirley Castro (La Piedra de Monet) explains: “Nowadays, my biggest concern is at a financial level. It is a constant challenge for me because I face a lot of competition. Despite this, I know the product I have is good, and I will always work to keep it that way.”*

## CASES OF RESILIENCE

### LA PIEDRA DE MONET

**La Piedra de Monet** was founded by Yirley Castro in 2006. Throughout her life, she has traveled to many different places in Africa, Asia, and Latin America. Those trips have fueled her technical knowledge and inspired her jewelry. Yirley creates unique designer jewelry using semi-precious stones, Tagua seeds, and African beads combined with silver.

Yirley found the project very positive, and she explains that “the digital world is growing more and more.” From her point of view, the project provides visibility to attract more customers and reach out to places that a person cannot get to physically. Yirley defines the impact of the project on her business as the “visibility of art” because, in her opinion, the digital world brings the opportunity to reach many more people.

When talking about the improvement of digital skills and financial skills, she mentioned several points. Her experience of digitalization after participating in the project twice (in the first and third editions) shows us that the project has given her knowledge about the tools that she now uses. In particular, it has helped her to define the image she wants to convey of the product and what she wants the customer to see. “At the beginning, I only put images on social networks but throughout the project, I learned that explaining what is behind the product adds value to my brand. Showing the human side behind the product by making videos allows the viewer to see the work that goes into your products.” As for finance, it has brought her greater skills, especially in the areas of organization, long-term forecasting, expenses, and potential risks.

For her, the key points of the project involve defining who she is, what she brings to the brand, and what the brand can give her. Her experience in the project since the first edition could be defined as learning new things and having confidence and perseverance. Yirley says that she knows that it is a slow process but if you work diligently and are focused, trying to do better every day, paying attention to detail, and taking care of your social media, the financial part will tend to work out. “I am very motivated. Every day for me is an adventure because,

in the digital world, there are always new things happening. If you learn and practice, it all comes together.”

Her biggest concern at the moment is finance. Despite this, she is convinced that she has a good product, and she will continue working to keep it that way.

If Yirley were to advise someone starting the project next year, she would tell them “Take the plunge and leave your fears behind because, in the end, it’s like any business, there is always the fear that it might not work out. We all might stumble along the way. But if you don’t, take the plunge, you can’t know if it will work out or not.”

### CONFECCIONES MARY

**Confecciones Mary** is a store with a long history. It all started with Enrique Villena’s grandparents who were shopkeepers and sold in small neighborhood stores. His mother decided to set up her own little store, Confecciones Mary, and so embarked on this great adventure with Enrique’s father. Enrique decided to join the family business, and is now one of the project’s hardest working members.

Enrique defines the project as “a leap into the void but with a parachute.” When Enrique tells us about his experience with the project, he explains that in the first edition, he started without any knowledge about digitalization and with lots of doubts, but he finished the project with very high self-esteem and confidence. Moreover, he believes they did the right thing in creating their e-commerce, and they were chosen as an example of digitalization for the Digital Kit project.<sup>6</sup>

With the pandemic, Enrique knew he wanted to enter the digital world and tells us that the computer skills he has acquired in the project have been decisive in this endeavor. For Enrique, the improvement of digital skills in his business has allowed him to do things on his website that he used to delegate to others. Likewise, the improvement in his financial skills in his shop has been decisive in knowing how best to invest money, obtain profit and reduce expenses.

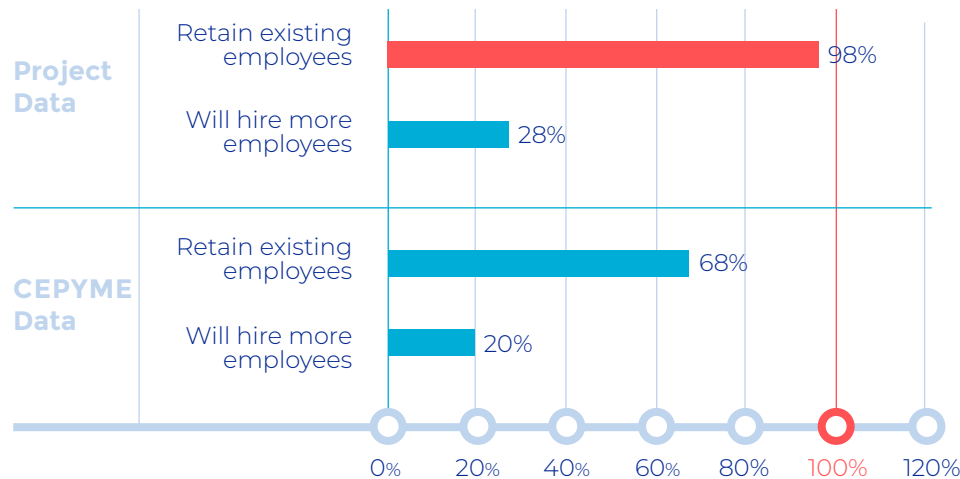
<sup>6</sup>The Digital Kit program is a Spanish Government initiative that aims to support small businesses, micro-enterprises, and self-employed people through subsidies that help them to adopt digital solutions.

# Future Expectations

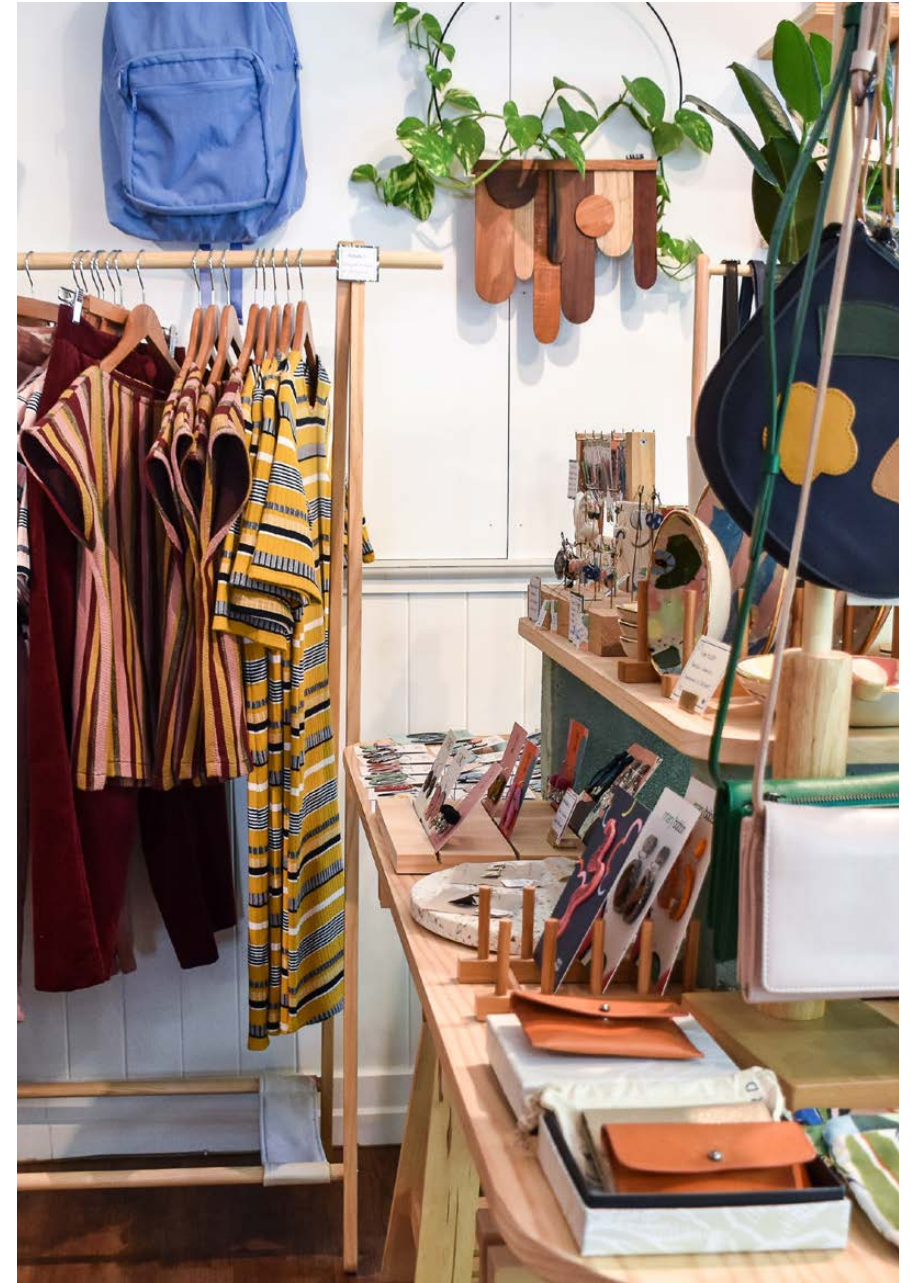
Beneficiaries' forecasts of business volume in the short and medium term are positive in general, as **61%** of beneficiaries forecast their business volume to increase, and **18%** expect it to remain the same.

Not only are their expectations for the future positive in terms of business volume, but also in terms of the number of employees they expect to have in the next 12 months. For instance, comparing the data of the beneficiaries of the first year (2021), with that of the CEPYME, the data is positive.

**Figure 3.** Employee expectations for the next 12 months (2022)



Source: Own elaboration based on the data from CEPYME barometer and the beneficiaries of the project.



## How do the beneficiaries see their businesses in five years?

“I see Canterano with a wider distribution of my product and an extensive vision. This will broaden my horizons in every sense. I have no limits, only those that the client might wish to set for me. I have more clients now and I am stronger in the digital world.”

*(Mayte Sánchez, Canterano Decoración)*

“Growing. For me, it is through perseverance, dedication and patience that I can grow as a brand, designer and artisan. I also believe in the possibility of working for other brands, jewelers and designers. I hope that my brand and the person behind it will be acknowledged and I will work hard to make that happen.”

*(Yirley Castro, La Piedra de Monet)*

“I would like to grow both in the online world and in terms of the physical store. I think that in a city like Madrid, it is easy to grow by opening new points of sale. I might even create a brand of products where I think there is a supply shortage in the market and see if there is a demand.”

*(Ana García, Tía Turuleta)*

“I see myself with this Holistic Health, Beauty and Therapy Center, and also with another center. I picture myself in evolution and growth. With more employees, more customers and a continuous flow of ‘beauty with soul.’”

*(Mariola Conde, Secret Therapies, Beauty and Holistic Health)*

“I see myself with a consolidated e-commerce model. By that date, the percentage of turnover from the online store should represent 50% of our total turnover. When we participated in the project in the first edition, we started from zero in the digital world. In 2022, e-commerce represented 25% of our total turnover and in February 2023 it represents 30%.”

We want to be positioned among the top three searches for the items we are most interested in selling, and this means continuing to invest in both SEO and SEM. We would also like to have new lines of business incorporated on our

website, such as the sale of a clothing line focused on middle-aged women and partnering with other companies to sell their products on our website, such as a line of cosmetics, nutrition and footwear, taking full advantage of the visits to our website. Also, we will continue to promote our physical store as a perfect complement to our website.”

*(Enrique Villena, Confecciones Mary)*

“Five years from now, I see myself with more work and more employees in the store. I also want to be more involved in the world of digitalization and continue working as I have been so far.”

*(María Jesús Díaz, Maicookie)*

[Learn more about María Jesús Díaz's story here:](#)



*(María Jesús Díaz, Maicookie)*



#### **BENEFICIARIES' PARTICIPATION:**

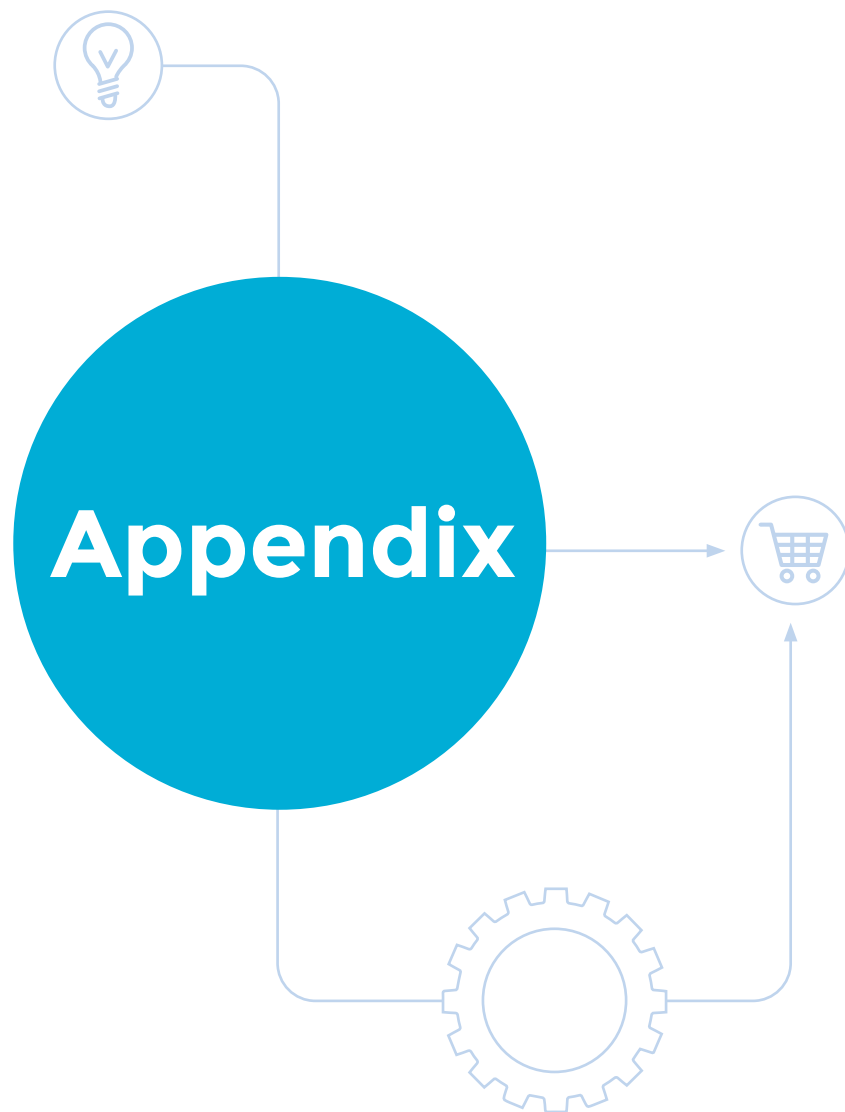
- ✓ The participation funnel continues to be a must: It was assumed there would be a funnel where 100 beneficiaries per cohort would start, and approximately 75 would finish. This funnel is mostly driven by self-selection.
- ✓ The project began with 201 SBOs and concluded with 151 SBOs.
- ✓ Beneficiaries need to be aware of the importance of group tutoring sessions.
- ✓ More interaction and communication among beneficiaries.

#### **GROUP AND INDIVIDUAL TUTORING SESSIONS:**

- ✓ A “progress report” and a fixed schedule for group tutoring enhance beneficiaries’ engagement.
- ✓ Time intervals between classes and tutoring sessions are necessary and allow beneficiaries to apply and assimilate the knowledge acquired.
- ✓ Centralized coordination of the group tutoring sessions by the project management team is important for engaging beneficiaries.
- ✓ Resilient, inclusive, positive, and motivating tutors continue to be a key factor in the project’s success.
- ✓ Choice from any of the tutors or professors of the project for the beneficiaries’ tutoring session avoids weakened interest in individual tutoring sessions with an assigned tutor.

#### **CLASS CONTENTS & STRUCTURE:**

- ✓ Digitally focused classes are delivered at the beginning and throughout the project to maintain a connecting thread.
- ✓ Beneficiaries are given a common knowledge base regarding basic online tools (shared folders, e-calendar, google forms, drive) and the specialization channels are crucial to properly balance the different expertise levels.
- ✓ Synchronous and asynchronous classes are provided.



## METHODOLOGY OF THE ASSESSMENT

In this third edition, the project evaluation focused on evaluating processes and outcomes, aimed at increasing efficiency. The evaluation methodology involved the following tasks:

- 1.** Data gathering: through surveys and interviews.
- 2.** Data analysis: All survey responses are tabulated and combined to build a complete longitudinal dataset. Information coming from open questions is also coded as well as insights from interviews. A comprehensive analysis of the information will assess the outcomes of the program according to the success indicators.
- 3.** Beneficiary data collection via interviews: The research team interviewed a random sample of beneficiaries that successfully completed the project to gather their detailed accounts and assessments of the project.
- 4.** Tutor focus groups: The research team gathered tutors' input through focus groups to document their detailed accounts and assessments of the project.

Report: the report<sup>7</sup> will include a detailed description of the situation of the beneficiaries and the project, as well as its results and lessons learned.

<sup>7</sup>This report was carried out thanks to the responses of 110 project beneficiaries to the forms sent throughout the project. Also, thanks to the interviews carried out with five of the beneficiaries. The report analyzed the data according to the general answers of the 110 beneficiaries, examining their evolution and comparing it with the current national situation. In addition, turnover data has been winsorized in order to remove outliers.





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