Companies to ramp up digitisation

November 10, 2020

10 November 2020. As the second wave of the coronavirus pandemic rages across Europe, and as EU countries are reintroducing various restrictions, the topic of working remotely but effectively in these difficult conditions comes back to the agenda of many businesses. Some of them dealt with the matter of digitisation back in spring, but some chose to just weather the storm and hope that they would not have to worry about these problems anymore. It seems that these businesses will have to face them, however. And the sooner, the better.

Though we like to present Latvia as a high-tech nation, with broadly available and high-speed internet service, savvy IT specialists, and a flexible attitude towards innovation, the statistics show a different picture. Barring a few hundred overachievers, in terms of digitisation our companies significantly lag behind both those in Western Europe and neighbouring countries.

The Digital Economy and Society Index (DESI) report on Latvia published by the European Commission in 2020 reveals that among the EU28, Latvia has dropped three positions year-on-year, down to 18th place, which is significantly behind Estonia, which is 7th, and just behind Lithuania, 17th.

The human factor is often the cause of this: namely, the lack of digital skills and understanding of technology among company managers. If a manager doesn't understand digital tools and doesn't know how to use them, convincing that manager to invest in better infrastructure is going to be a more difficult task.

As early as March, the results of the Digital Maturity Test developed by the Latvian Information and Communications Technology Association (LIKTA) showed that Latvian companies are failing to fully take advantage of the digital options available to them: only a quarter (26%) reported using an electronic signature, and 45% received and sent electronic invoices in their day-to-day business. 57% of companies stated that they had a vision of what IT-related improvements they would like to implement in the coming three to five years, while almost every fifth company has hardly any IT solutions and, at best, has just started thinking about implementing them at best.

The experience gained this spring also shows that companies that handled the challenge of remote work the best were those that had prepared for this turn of events to begin with. That is those companies that had the infrastructure, digitised documents, and the ability to connect to the company's systems externally. I am convinced that those able to be flexible in switching from working at the office to working at home and vice versa will see success this winter as well. If restrictions designed to tackle the pandemic are in place longer than expected, this could even become a question of survival for some industries. And it's not just about medium and large companies.

In discussions of changes in taxes affecting workers and royalties, you often hear the opinion that the changes will cause additional bureaucratic burdens for those in creative professions, as a result of which such people would have to hire an accountant. If you research the issue a little, the situation turns out not to be as dramatic. With electronic invoices, and modern accounting software that supports them, musicians, artists, or writers will not see any significant increase in the administrative work they are required to do. The accounting software automatically collects all the information from incoming and outgoing invoices and prepares the accounts. The service provider will only have to worry about issuing invoices and submitting accounts. Let me go out on a limb and say that people would feel less daunted by starting up a business legally here if this country had a well-functioning and all-inclusive system to manage electronic invoicing. A system like this would make handling financial affairs easier and reduce the time necessary to prepare all the necessary accounts and reports.

At Fitek, we are motivated and eager to promote the implementation of electronic invoicing everywhere. In late September, our parent company, Unifiedpost Group, listed its shares on the Euronext Brussels Stock Exchange. Having sold 8.75 million new shares as part of a private placement, Unifiedpost Group gained EUR 175 million in gross revenue. This will help the company to quickly reinforce its financial position, implement new technologies, and develop new products in the small and medium enterprise sector. Another outcome of this is Fitek improving its position in Latvia, as well as all of the Baltic States, where we will be able to provide more help to our clients in their digital transformation and in adapting to the requirements that the 21st century sets for businesses.

A Baltic company joining a major international group of companies whose shares are listed on the stock exchange is undoubtedly a success story and further proof that our region can produce businesses capable of finding international recognition. The fact that it happened specifically in IT is also worthy of note. This means that local IT service providers are competitive on a global scale.

Edgars Strazds, Managing Director of Fitek in Latvia.

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