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Impact of AI on SMBs

Part One: SMBs Embrace the Future

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Introduction

Artificial intelligence has ignited a storm of debates, capturing the public's imagination and commanding the media's attention. While we all ponder its potential and seemingly limitless implications, one thing is certain: AI is already shaping the business landscape.

SMB Group's latest survey, **The Impact of AI on SMBs**, examines this topic from the perspective of small and medium businesses, delving into their interest in, readiness for, use of, and plans for AI. Fielded in June 2023, the survey queried 744 SMB decision-makers and influencers in SMB (1-999 employees) and mid-market (1,000-2,500 employees) companies across various industries to understand their engagement with AI.

The study investigates a range of topics, including SMBs' interest in and exploration of AI; perceived benefits and drawbacks; how they currently use and plan to use AI; the current and future impact of AI; how vendors can establish trust in their AI offerings; and more.

In this eBook, ***Impact of AI on SMBs Part One: SMBs Embrace the Future***, we share key trends regarding SMB interest in and use of AI, the impact they believe it is having on their business now, and how it will impact them in the future.

For the sake of brevity, we refer to the entire sample as "SMBs" throughout this eBook.

Our companion eBook, ***Impact of AI on SMBs Part Two: SMB Trust, Readiness, and Safeguards***, delves into SMBs' trust in using AI, AI knowledge, and skills; how they plan to build them; and the checks and balances they want to ensure they can use AI safely and effectively.



The Overwhelming Majority of SMB Respondents Are Interested in Generative AI—and Over Half Are Already Exploring It on Their Own

AI technologies can help businesses process vast amounts of data, provide actionable insights, and enable personalized interactions. From enhancing customer experiences to predicting market trends and automating routine tasks, AI offers businesses of all sizes transformative potential.

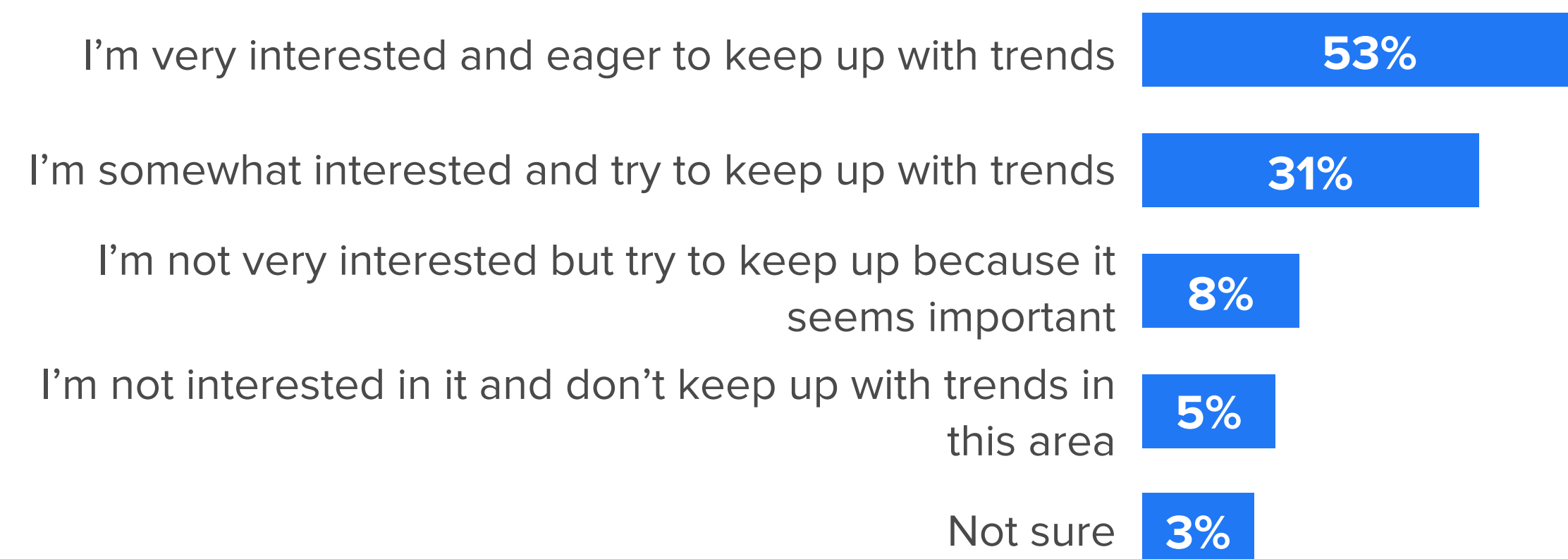
So it's not surprising that 53% of SMB respondents surveyed said they are very interested in AI and eager to keep up with trends, and 31% indicated that they are somewhat interested in it and try to keep up. Only 13% profess to have minimal or no interest. However, interest in AI correlates with company size. Respondents in larger businesses are more likely to be very interested than smaller ones.



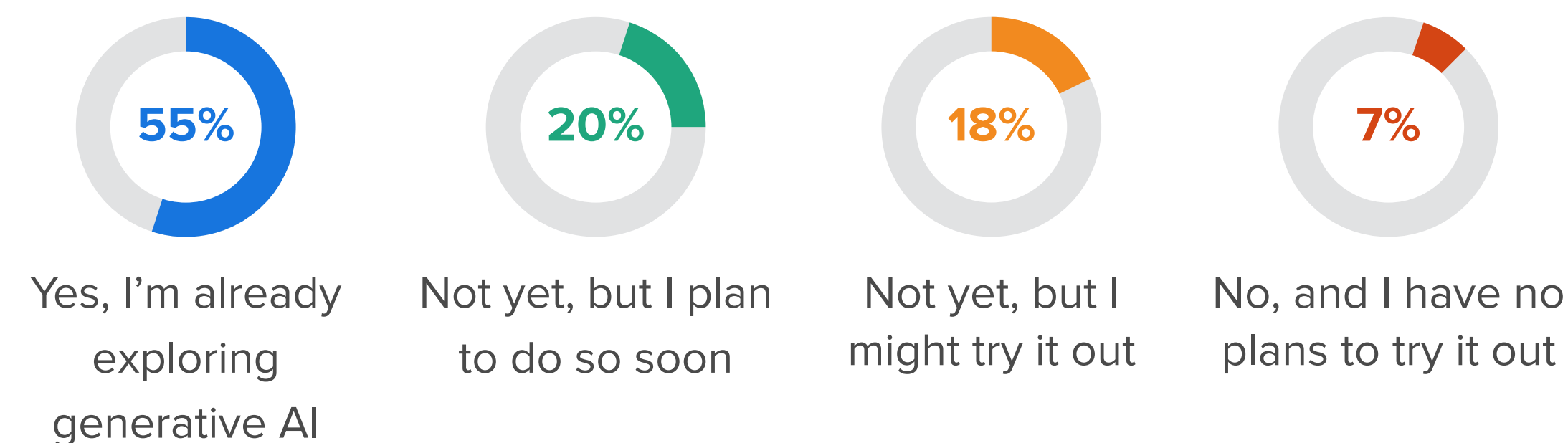
78% of respondents in companies with **500 to 2,500** employees said they are very interested, compared to **40%** in those with **1-49** employees.

With generative AI now playing a pivotal role in democratizing access to AI capabilities, individuals with little technical experience can now easily explore AI and investigate how they can use it to reshape business processes and innovate. As a result, 55% of respondents are now exploring generative AI on their own, and another 20% plan to do so soon.

Which of the following financial management issues pose significant challenges to your business? (All SMBs)



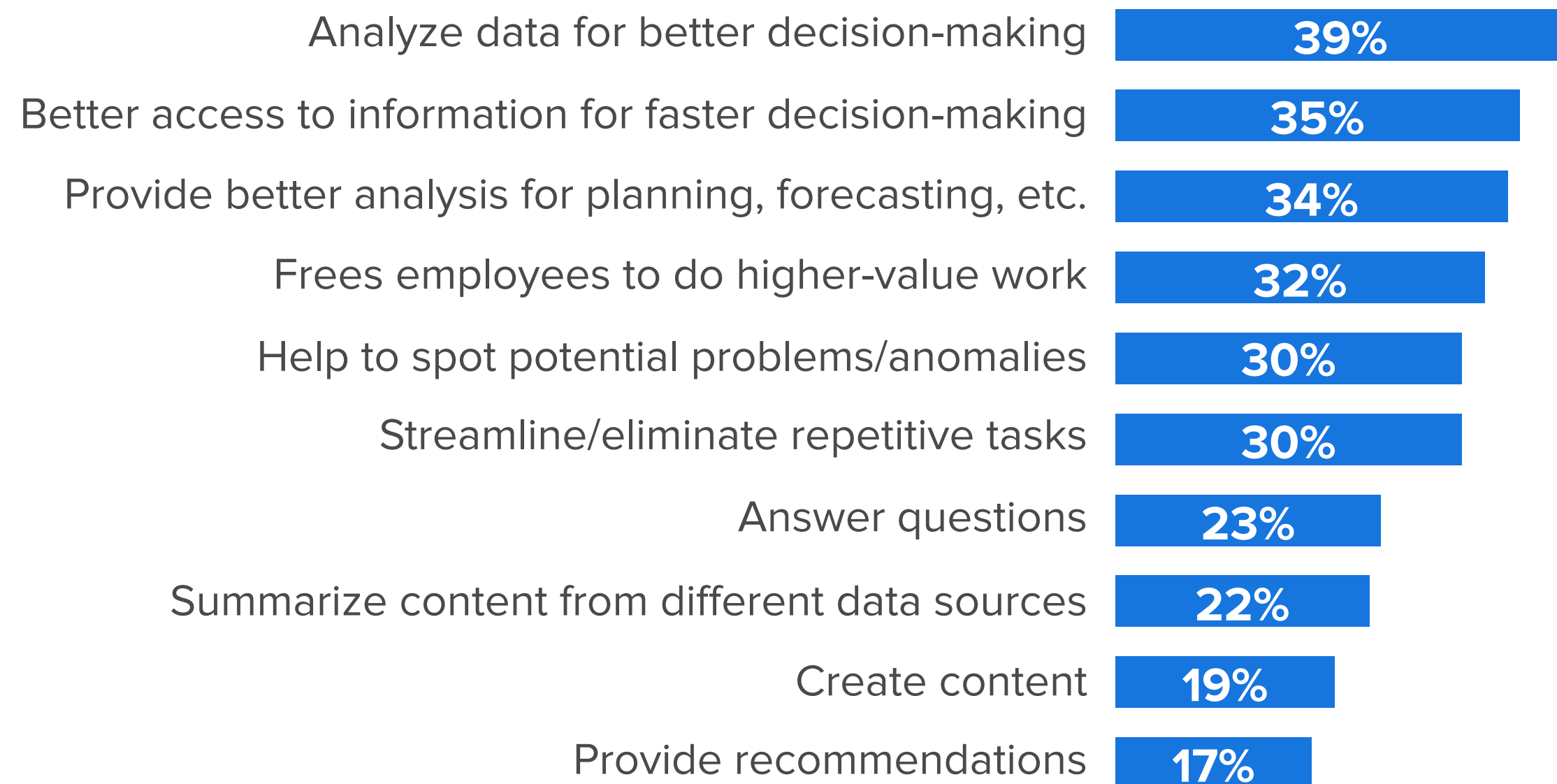
Have you or do you plan to explore generative AI (e.g., ChatGPT, Open AI) capabilities on your own?



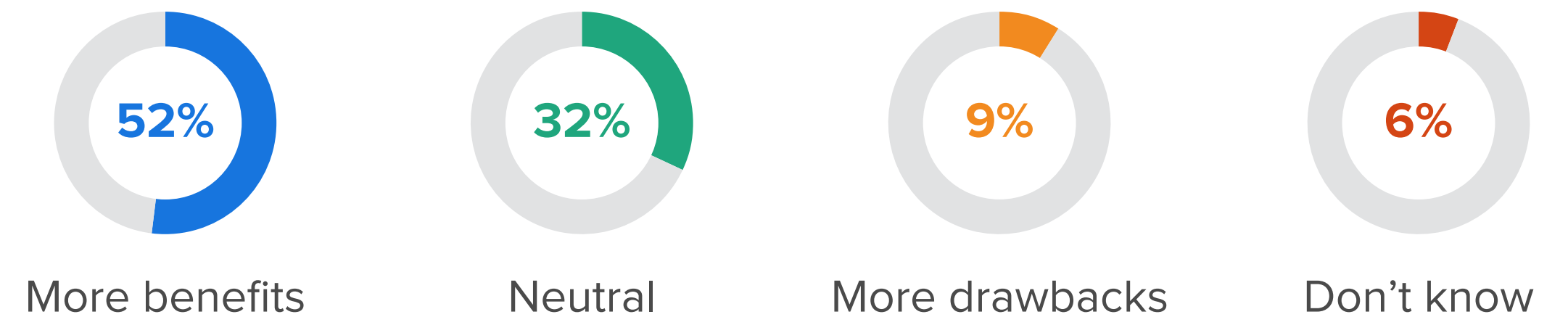
A Majority of SMBs Think That AI Offers Businesses More Benefits Than Drawbacks

For the most part, SMB respondents view AI as offering businesses more benefits than drawbacks, which bodes well for SMB adoption of AI. Respondents rank better and faster decision-making and better data analysis as the top two AI benefits, and freeing employees up for higher value work as number three, with just minor variations based on employee size and industry. On the flip side, respondents rank concerns about data security, privacy, and the “unintended negative consequences” as the top three drawbacks of AI, with only negligible deviations by employee size and industry.

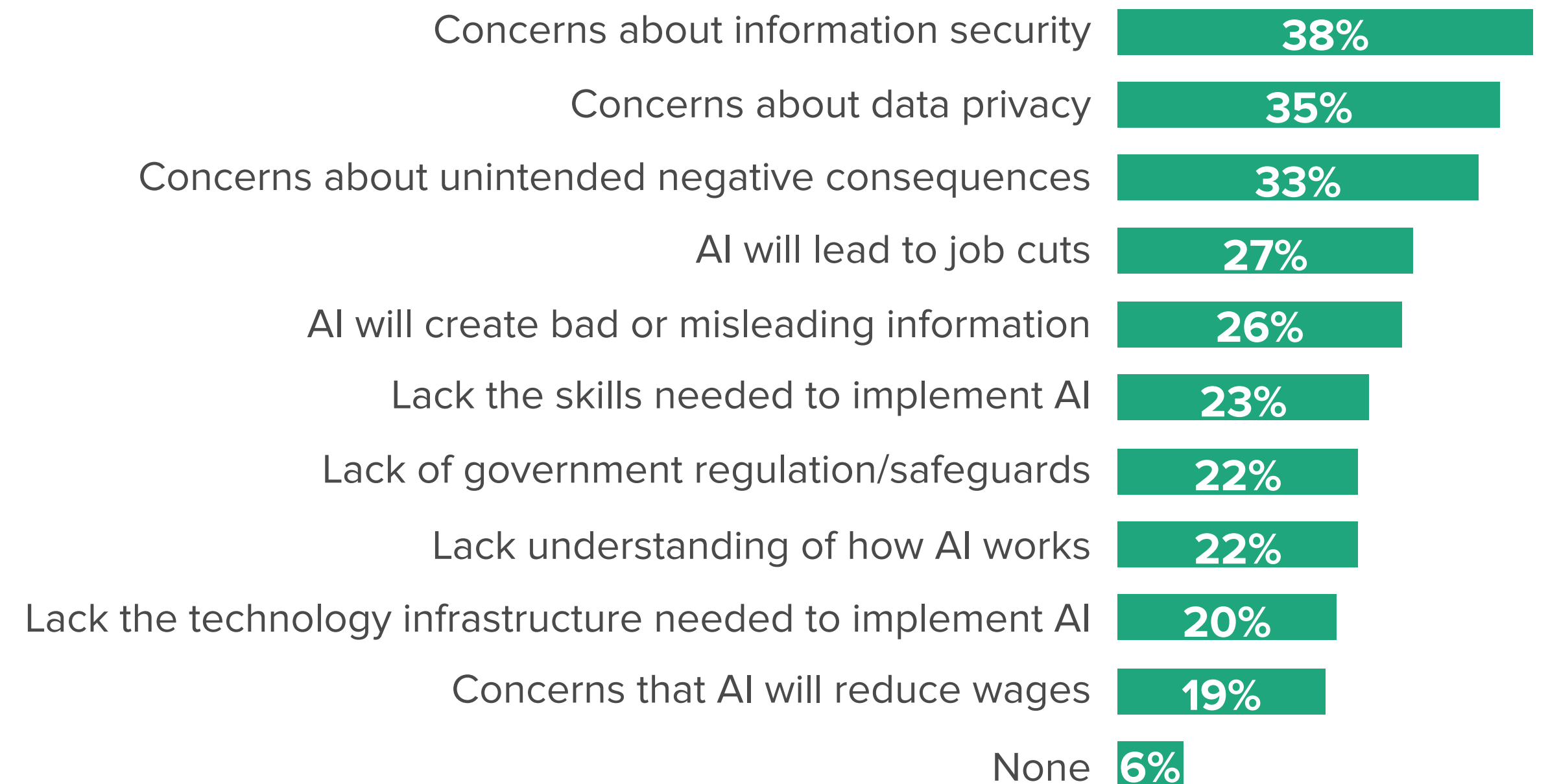
What do you see as the top 3 benefits that AI can provide to your business?



Do you feel that AI has more drawbacks or benefits for business use?

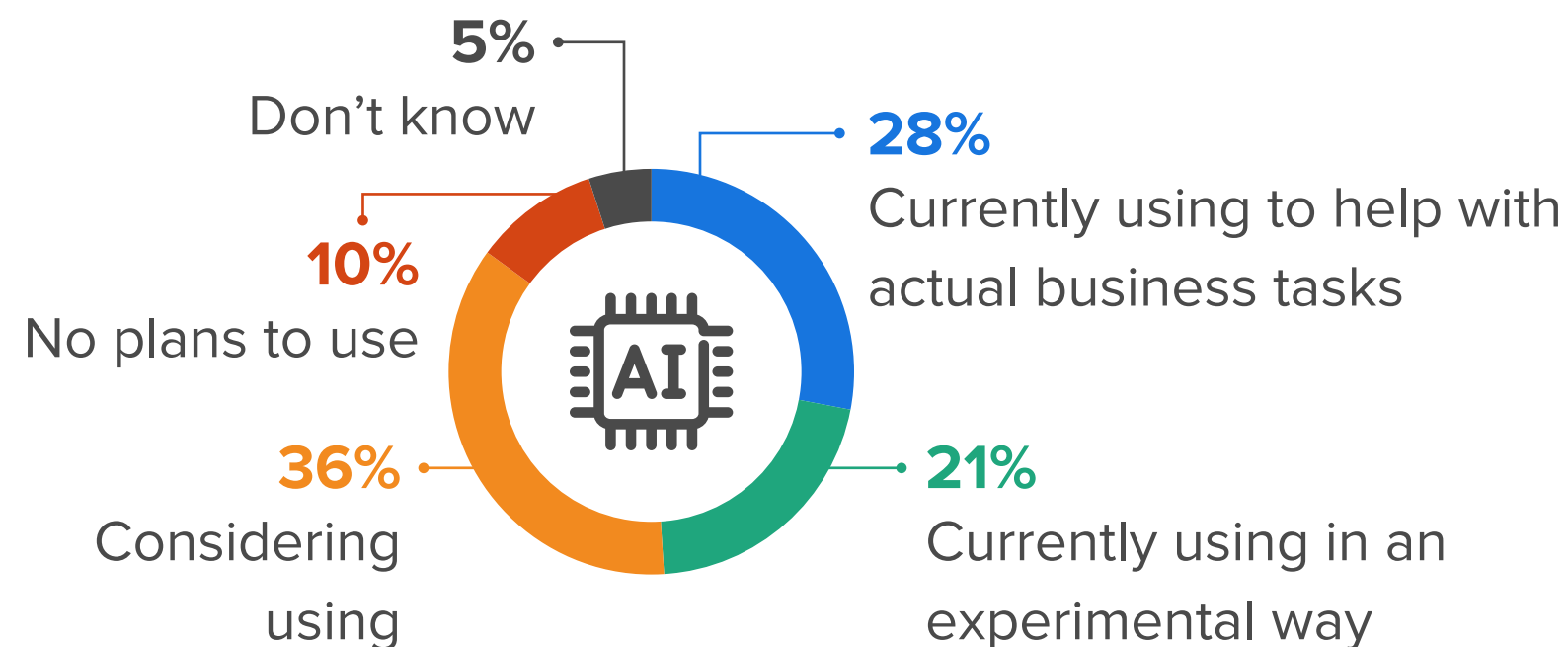


What do you see as the top 3 drawbacks of your company using AI?

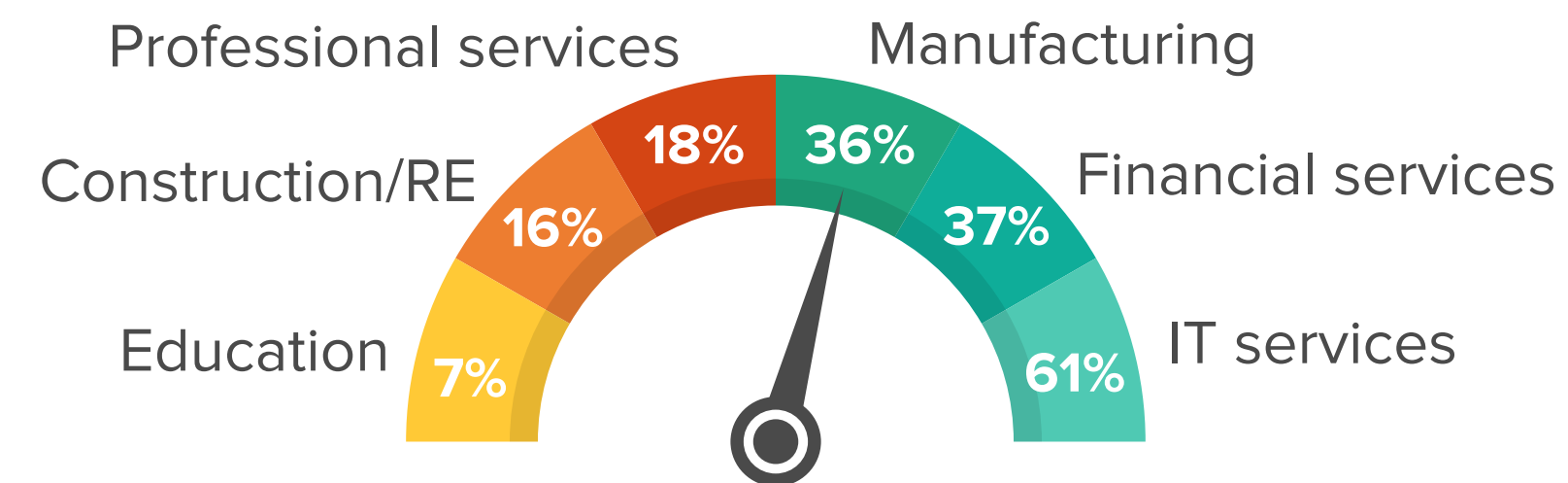


SMB Adoption of AI Is Well Underway

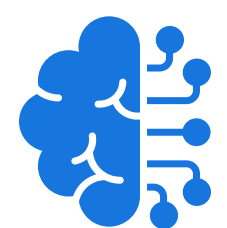
Is your company currently using AI, considering using AI, or does it have no plans to use AI in any parts of the business?



Top 3 industries most and least likely to be using AI for actual business tasks



Larger enterprises and tech-savvy industries have tended to adopt AI more readily than SMBs due to their resources and technical capabilities. However, many technology vendors with an SMB focus are continually adding new AI capabilities to their solutions—and many SMBs are taking advantage of them.



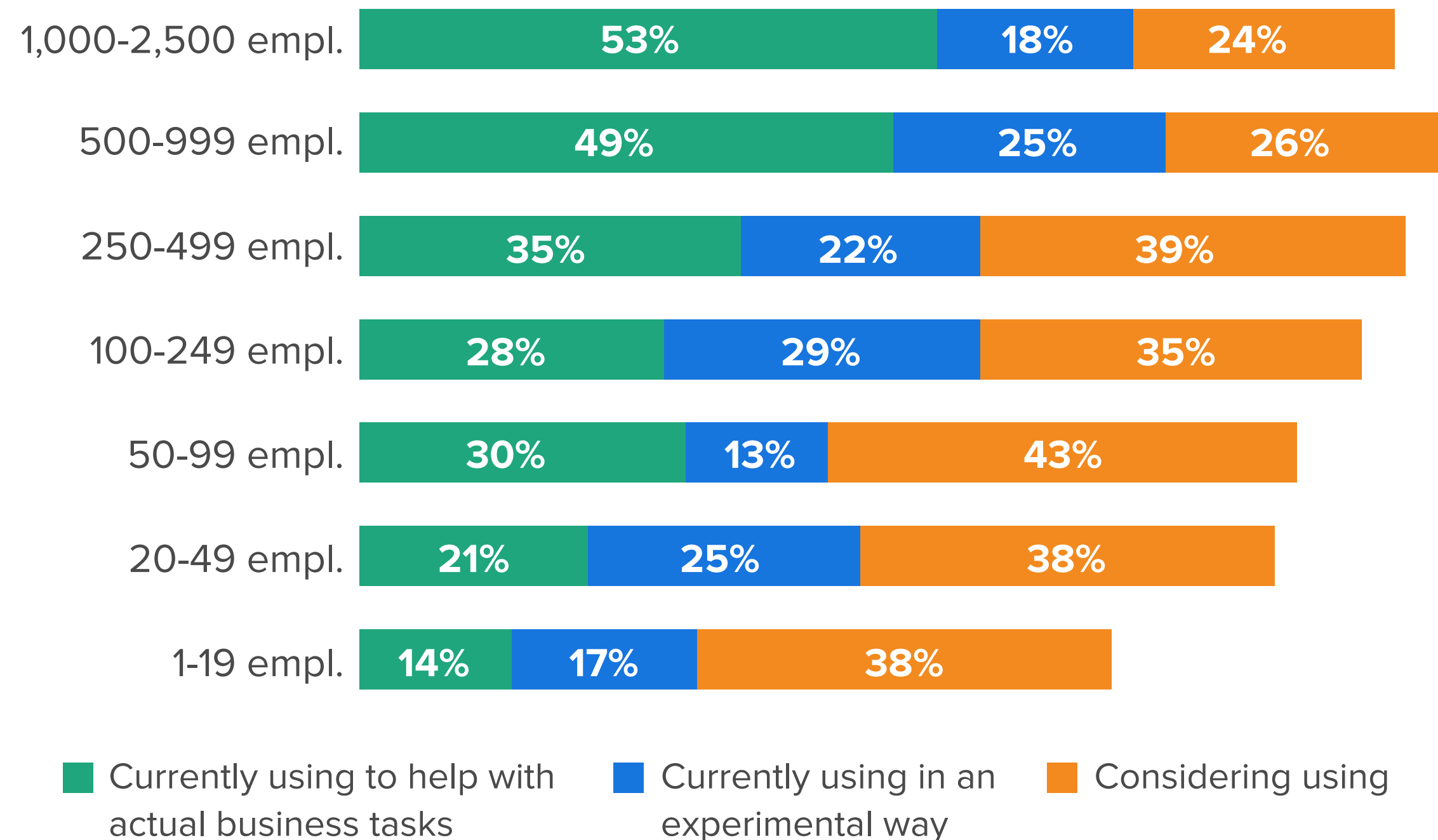
28% of SMBs say they are currently using AI to help with actual business tasks, and 21% are using AI in an experimental way. 36% are considering using AI, and only 10% say they have no plans to use it.



Current use and plans correlate closely with employee size—companies with more than 500 employees are more than twice as likely to be using AI for actual business tasks than those with fewer than 50 employees.



Respondents from IT services, financial services, and manufacturing industries are most likely to say they currently use AI for business tasks, while those from education, construction/real estate, and professional services are least likely to be doing so.



Current Use and Interest in Using AI Is Growing Across All Application Areas

SMBs are increasingly using AI to enhance efficiency and decision-making across business functions--from customer service chatbots to employee recruitment. Interest in exploring AI's potential across all areas of business is even stronger, underscoring SMBs' desire to take advantage of AI when it can benefit the business.



The top 3 areas that SMBs are currently using AI for are IT management/support, marketing, and customer service.



The top 3 areas that SMBs are interested in using AI for are sales/business development, collaboration, and marketing.



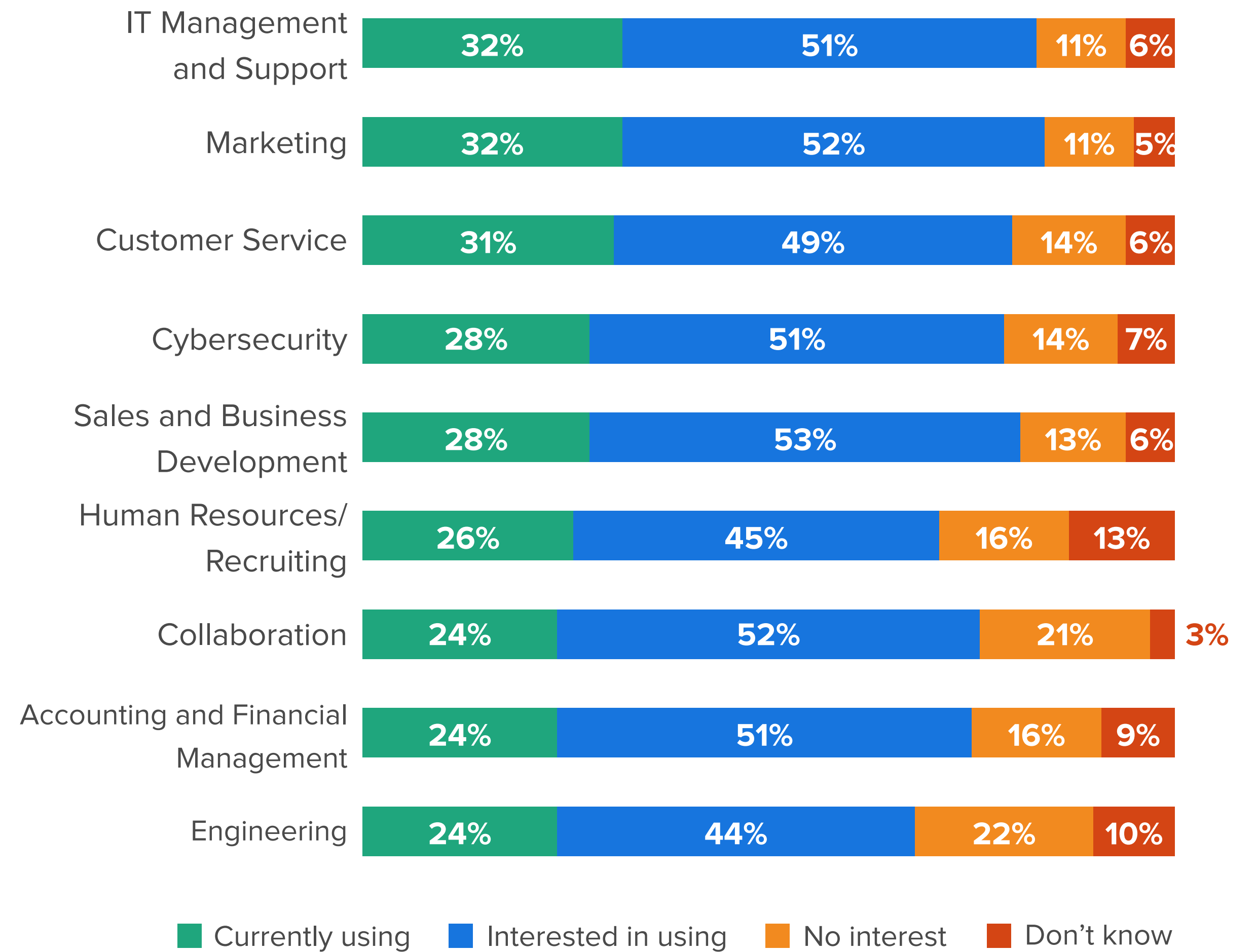
Larger businesses are more likely to currently use and be interested in using AI across most categories than smaller ones.



IT services, financial services, and manufacturing are more likely to currently use AI across most business functions than other industries, while education, professional services, and retail are most interested in using AI.



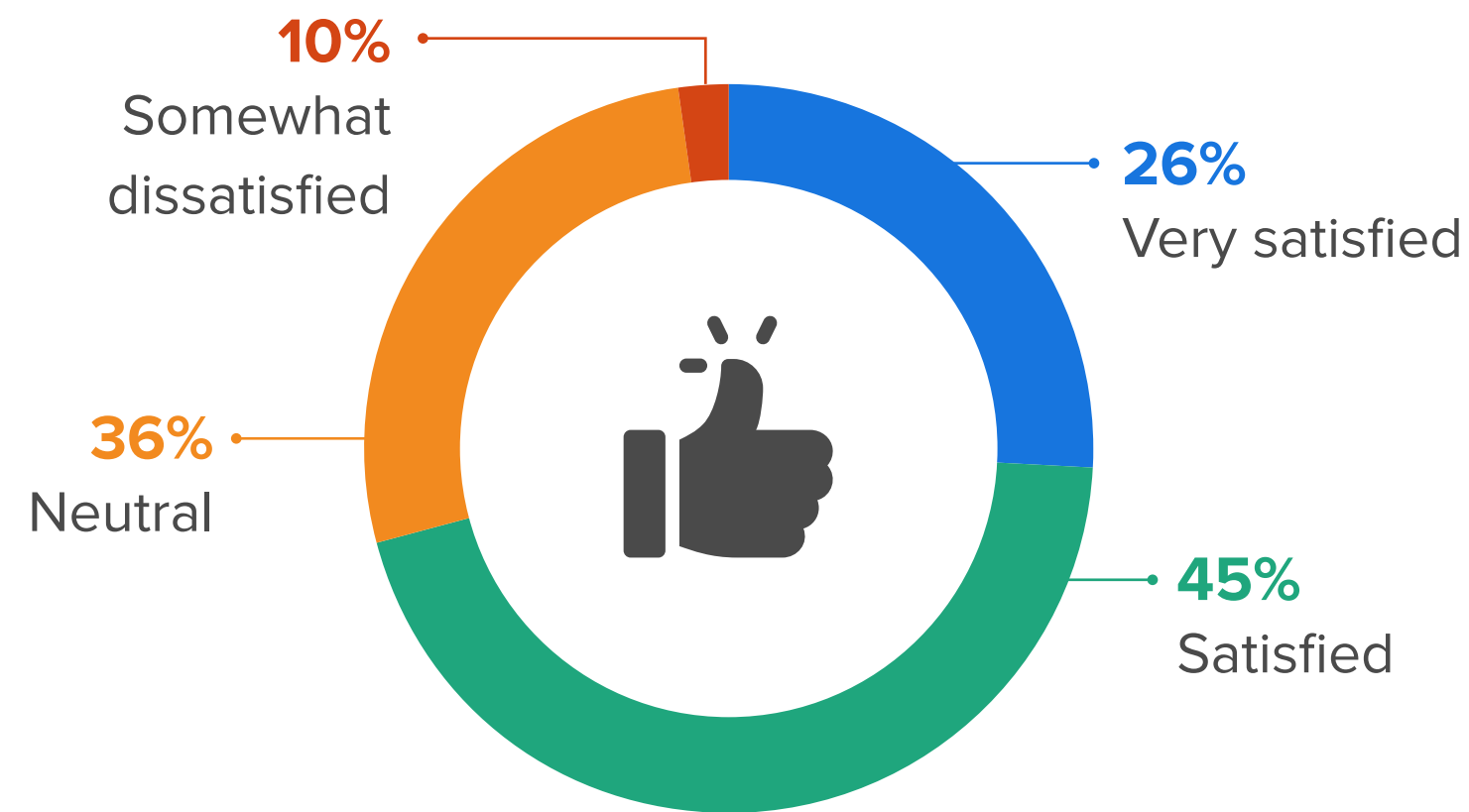
In which areas is your company currently using, interested in using, or not interested in using AI?



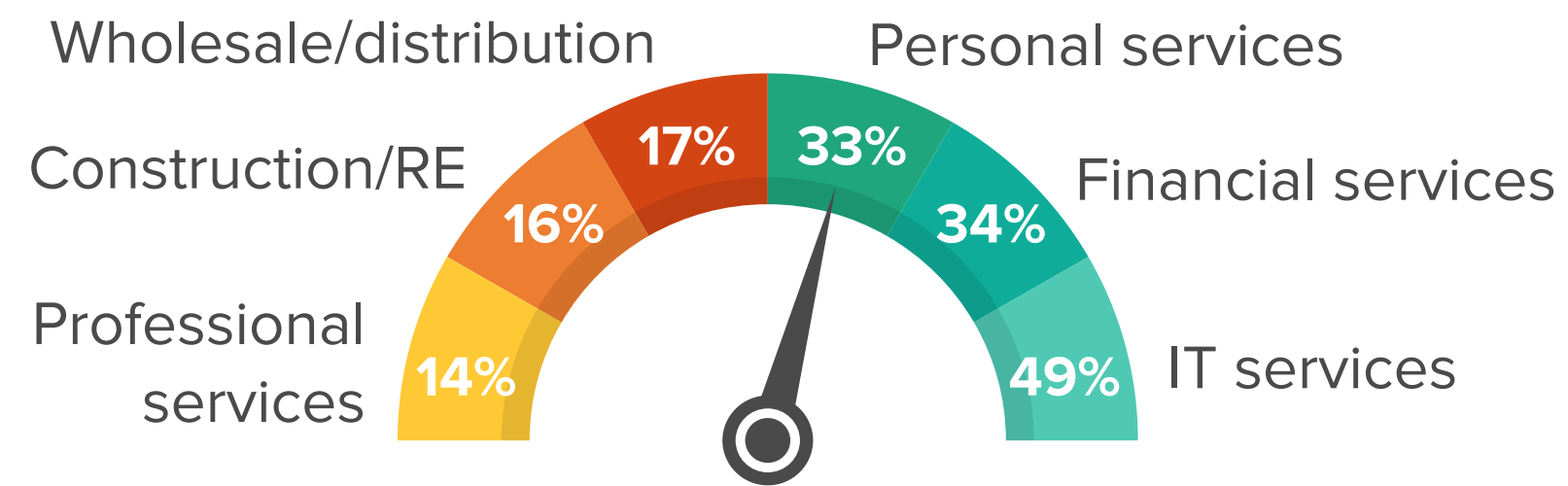
**Among respondents currently using and considering using applications with AI capabilities*

About Three-Quarters of Respondents Currently Using AI Are Satisfied or Very Satisfied

How satisfied are you with the AI capabilities in the applications that you use?*



Top 3 industries most and least likely to be very satisfied with AI capabilities



As people experience positive outcomes and tangible benefits from using AI, their satisfaction is likely to foster increased adoption. The overwhelming majority of respondents say that they are satisfied or very satisfied with the AI capabilities provided in the applications they use. Only 2% of respondents say they are dissatisfied. Larger businesses tend to be more satisfied than smaller ones.

Respondents in the IT services, financial services, and personal services industries are most likely to be very satisfied, while those in professional services, construction/real estate, and wholesale/distribution are least likely to be very satisfied.

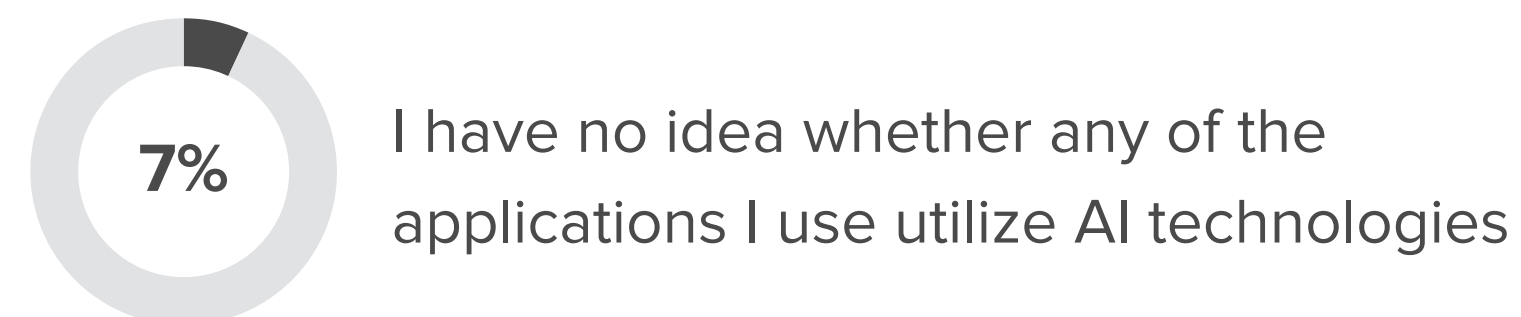
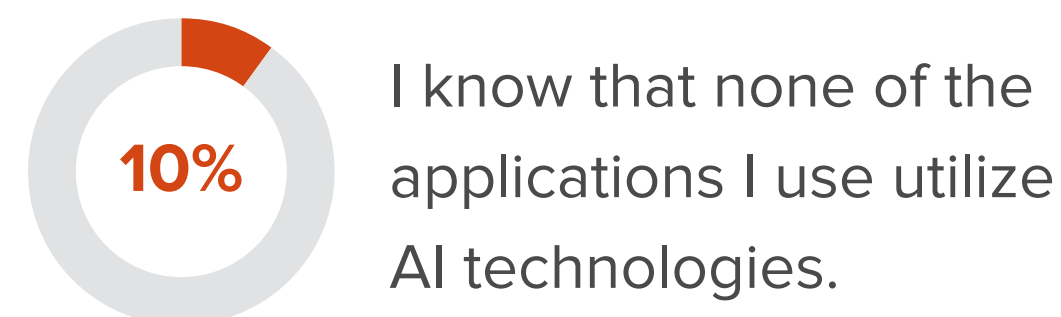
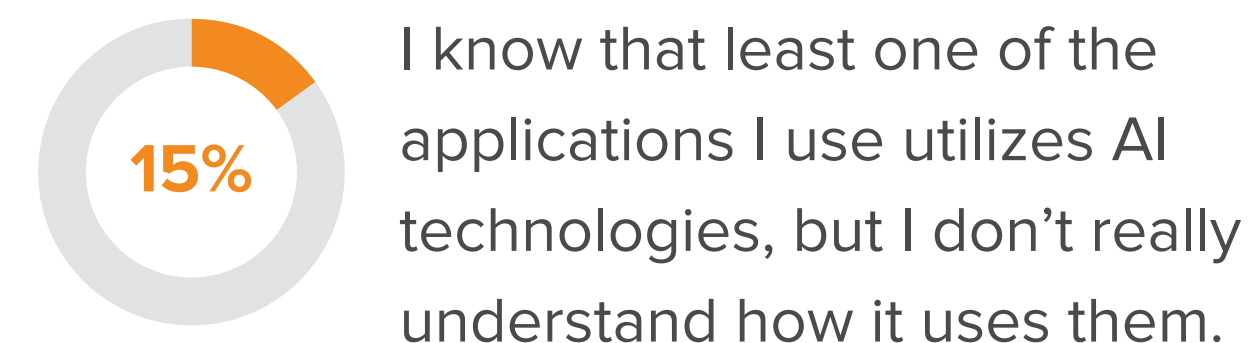
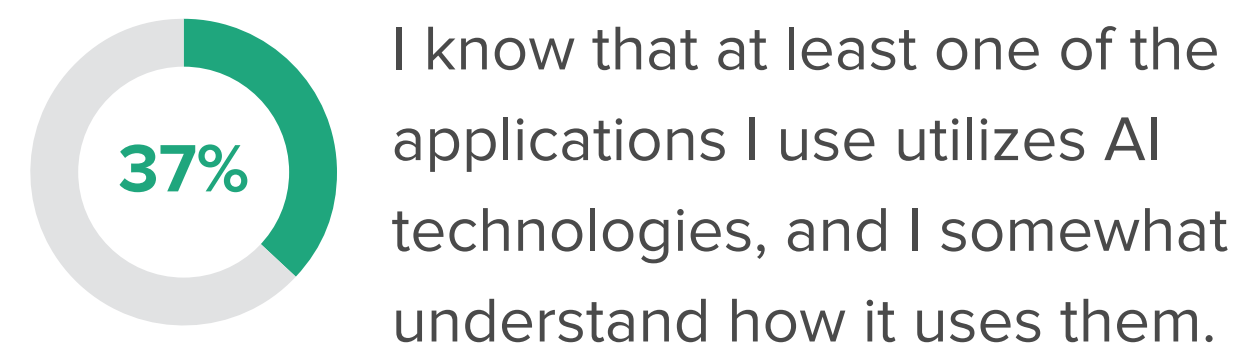
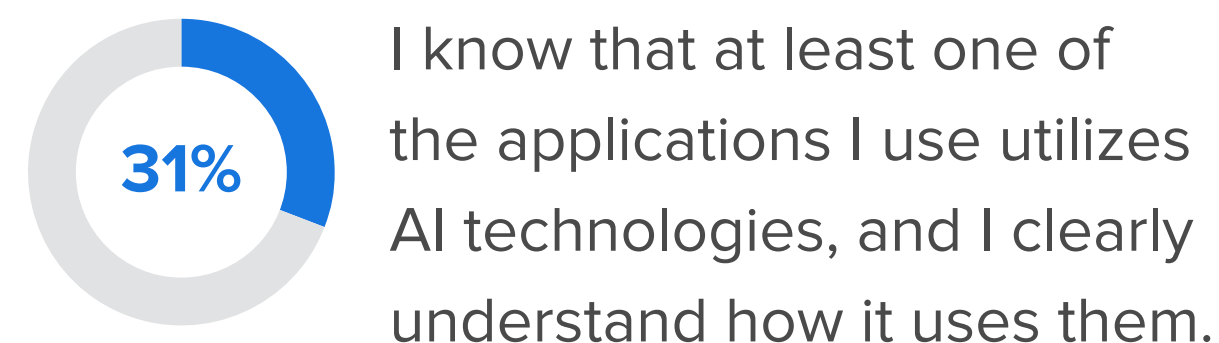
The overall positive sentiments respondents have for their AI experiences so far should encourage broader and deeper adoption of AI going forward.

**Among respondents using applications with AI capabilities*



Most SMBs Don't Fully Understand How Their Applications Use AI

Which of the following statements best reflects your knowledge of whether the business applications that you use regularly utilize AI technologies?*



**Among respondents currently using AI for business tasks, using AI in an experimental way, and considering AI*

People's understanding of how AI works in the business applications they use varies widely. While some individuals have a basic grasp of AI's role in automating tasks and providing data-driven insights, many have a limited understanding of the underlying algorithms and processes.



Since AI technology is evolving so quickly and is highly complex, even respondents who think they have a good grasp of how AI works may be overestimating their expertise.



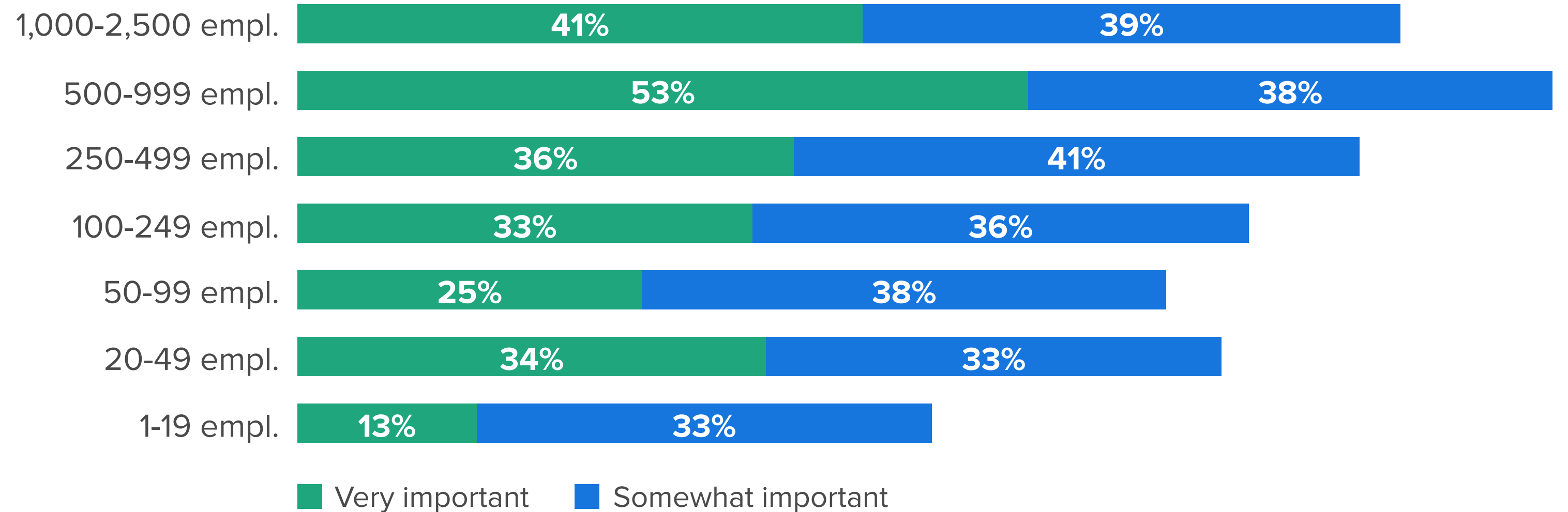
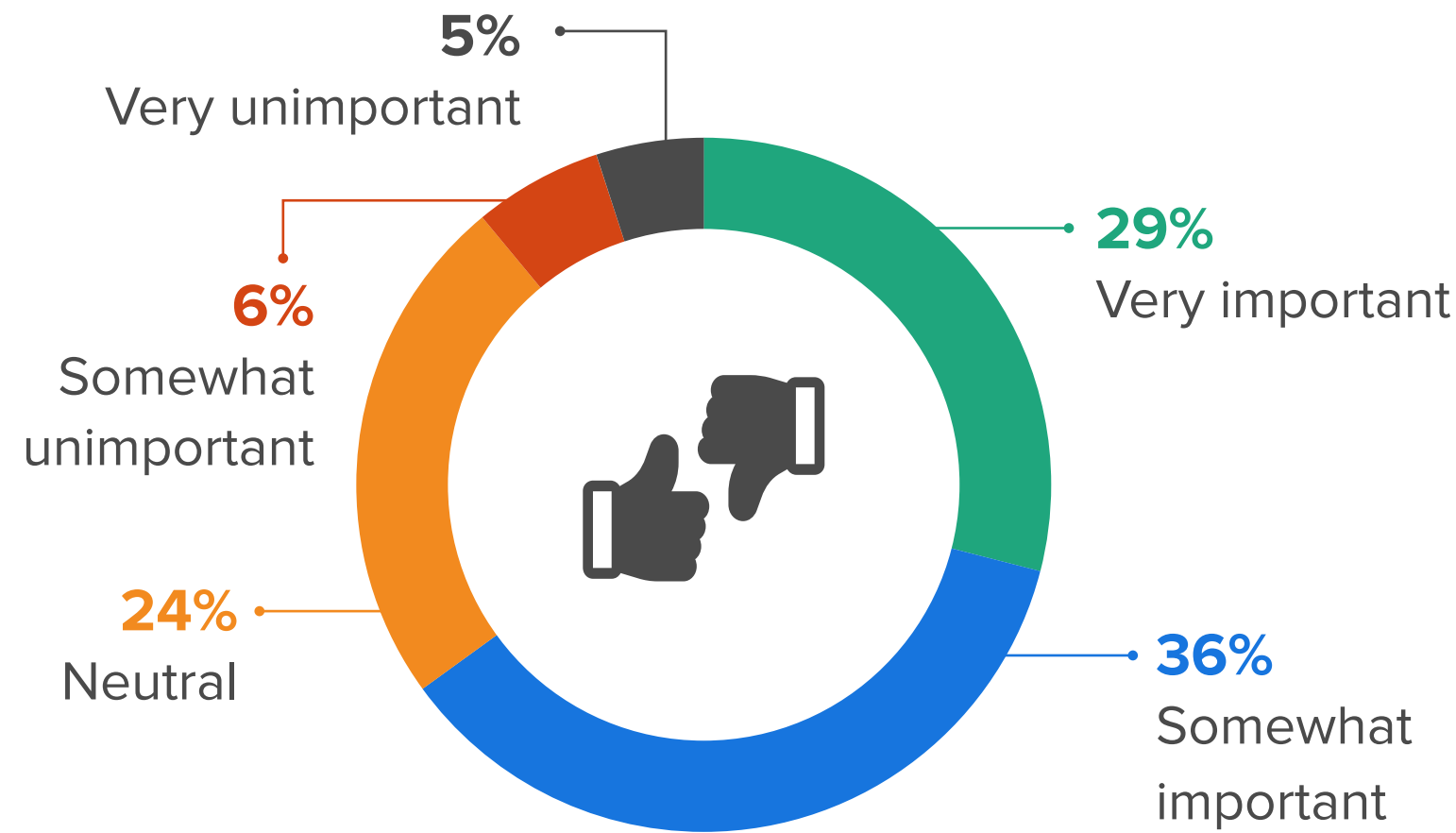
Both a false sense of confidence and the knowledge gap can lead to misconceptions or overestimations of AI capabilities, highlighting the need for education and communication about AI's functionalities and limitations in various business contexts.



31% of SMB respondents believe they clearly understand how AI works in the application they use, and **37%** report that they "somewhat" understand this. **15%** don't really understand them at all, and **7%** don't know if the applications they use have AI capabilities. Respondents in larger businesses are much more apt to think they understand this.

Two-Thirds of SMBs Say It's Important for Vendors to Provide AI Capabilities in Their Solutions

When selecting new technology solutions, how important is it that vendor(s) provide AI capabilities in their solutions?

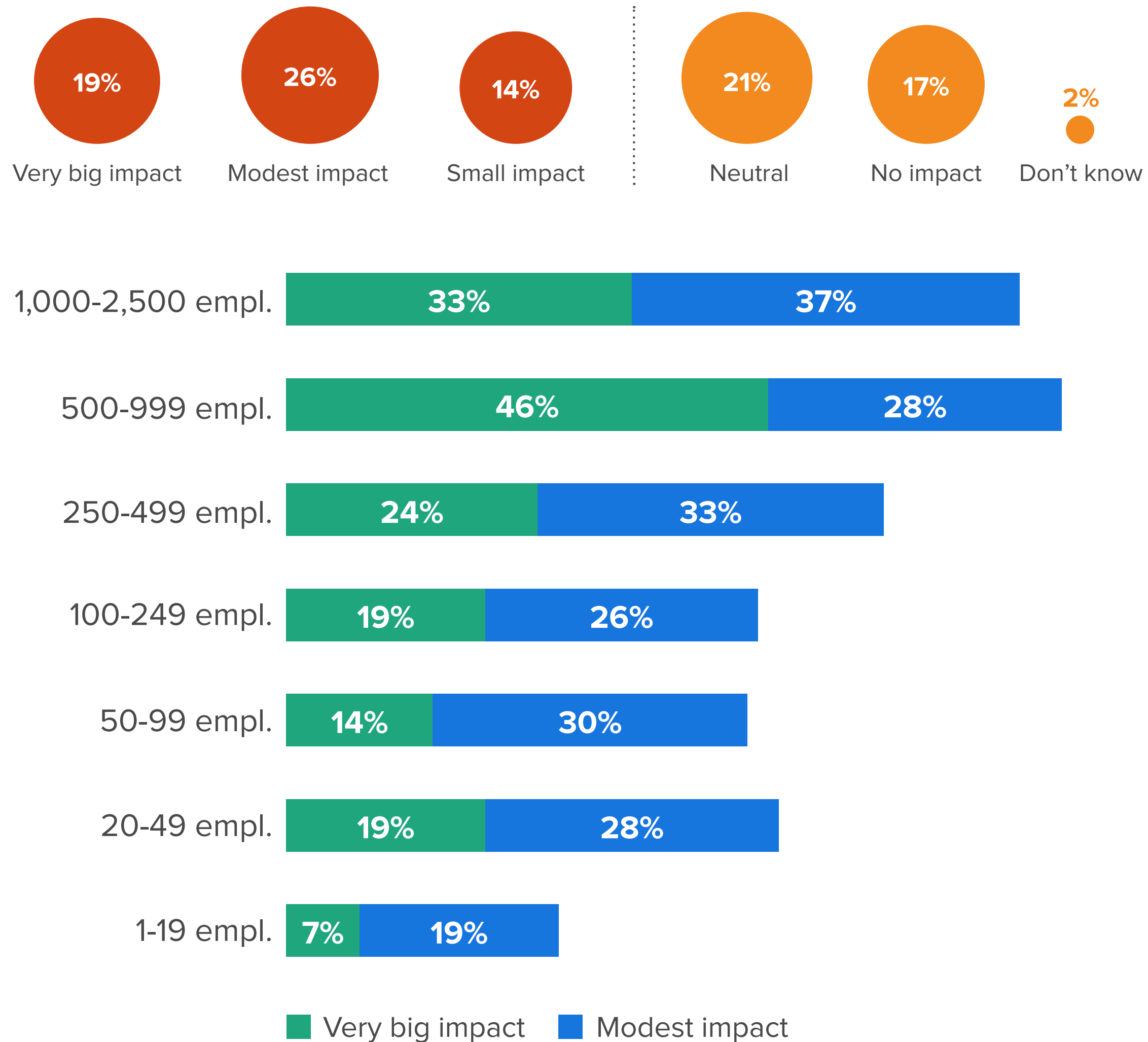


Although most SMBs want to take advantage of AI, few have the resources and expertise to integrate AI capabilities into their operations on their own. So it's not surprising that two-thirds believe that it's important for technology vendors to incorporate AI functionality into their solutions. Just 11% view this as unimportant.

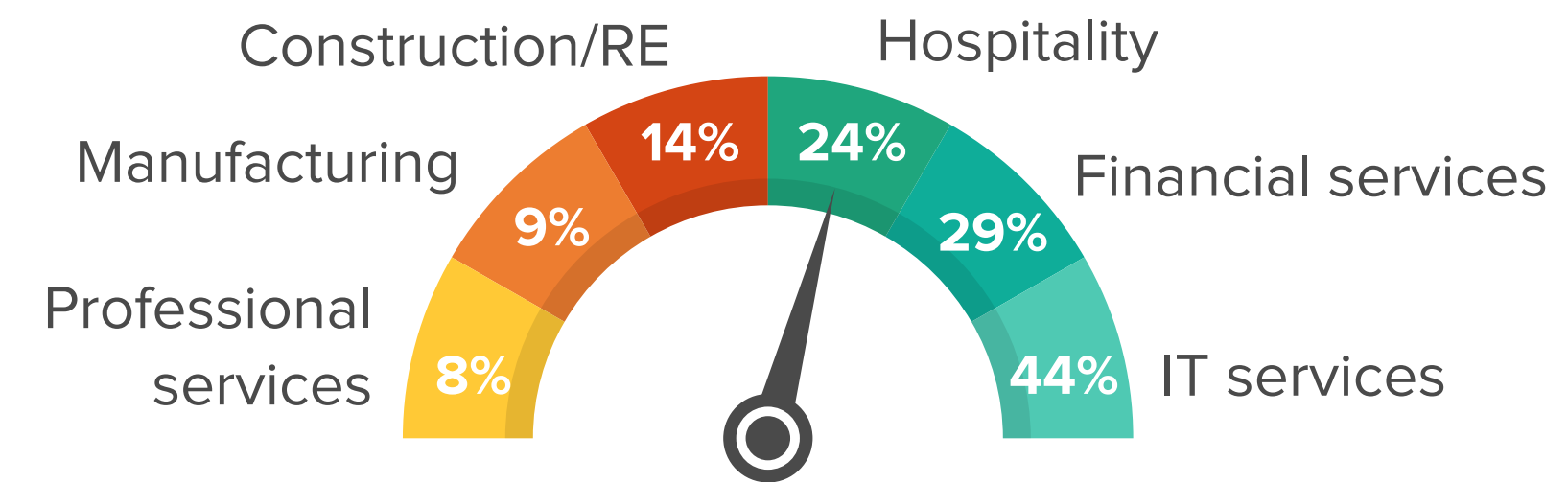
Across the SMB landscape, SMBs will be turning to their technology vendors and partners to leverage the benefits of AI. Smaller SMBs tend to view this as less critical than their larger peers. Having access to ready-to-use AI capabilities in the solutions they already use will probably become most vital for the smallest companies, as 40% of respondents in companies with 1-19 employees say they have no formal IT support.

Almost Two-Thirds of SMBs Say That AI Is Already Impacting Their Businesses

How big an impact has AI had on your business to date?*



Top 3 industries most and least likely to say AI has had a very big impact



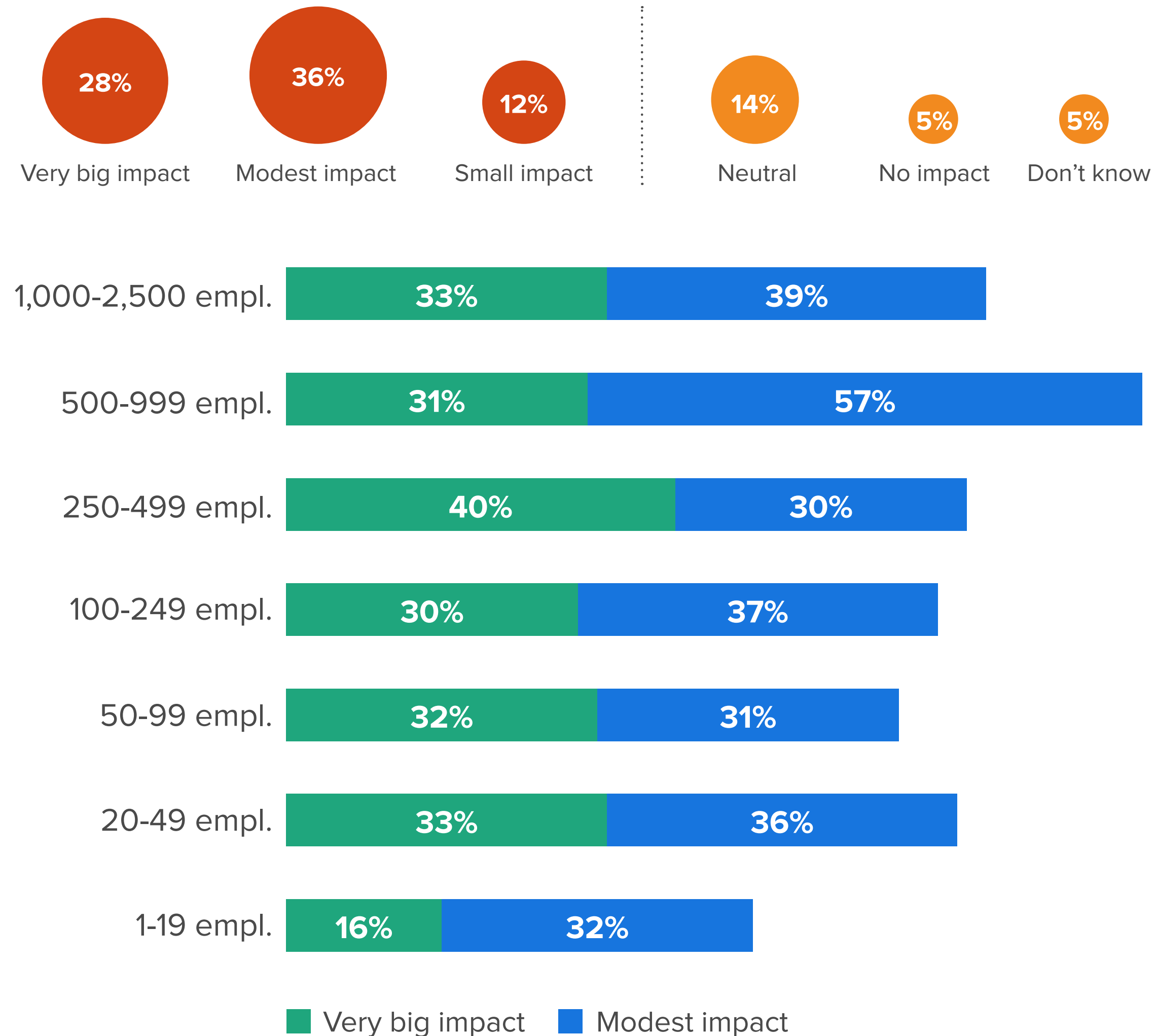
Many SMBs already use AI and machine-learning capabilities embedded in technology solutions and are starting to see how AI can help them. 60% of SMBs said that AI has already had an impact on their businesses, and only 17% said it has had no impact. Businesses with more than 500 employees are significantly more likely to have indicated that AI has had a very big impact than smaller counterparts.

Respondents from IT services, financial services, and hospitality industries are most likely to say AI has already had a very big impact, while those from professional services, manufacturing, and construction/real estate are the least likely to have felt a big impact from AI to date.

**Among respondents currently using AI for business tasks, using AI in an experimental way, and considering using AI*

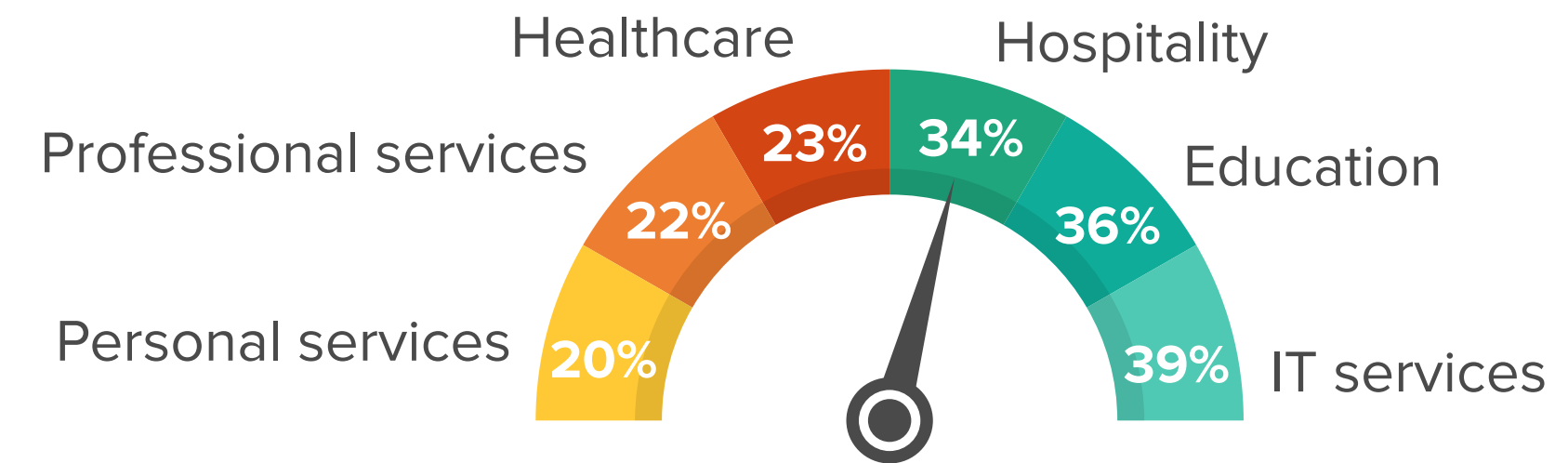
Three-Quarters Expect That AI Will Have an Impact on Their Businesses in 2 Years

How big an impact do you think AI will have on your business in 2 years?*



*Among respondents currently using AI for business tasks, using AI in an experimental way, and considering using AI

Top 3 industries most and least likely to expect that AI will have a very big impact



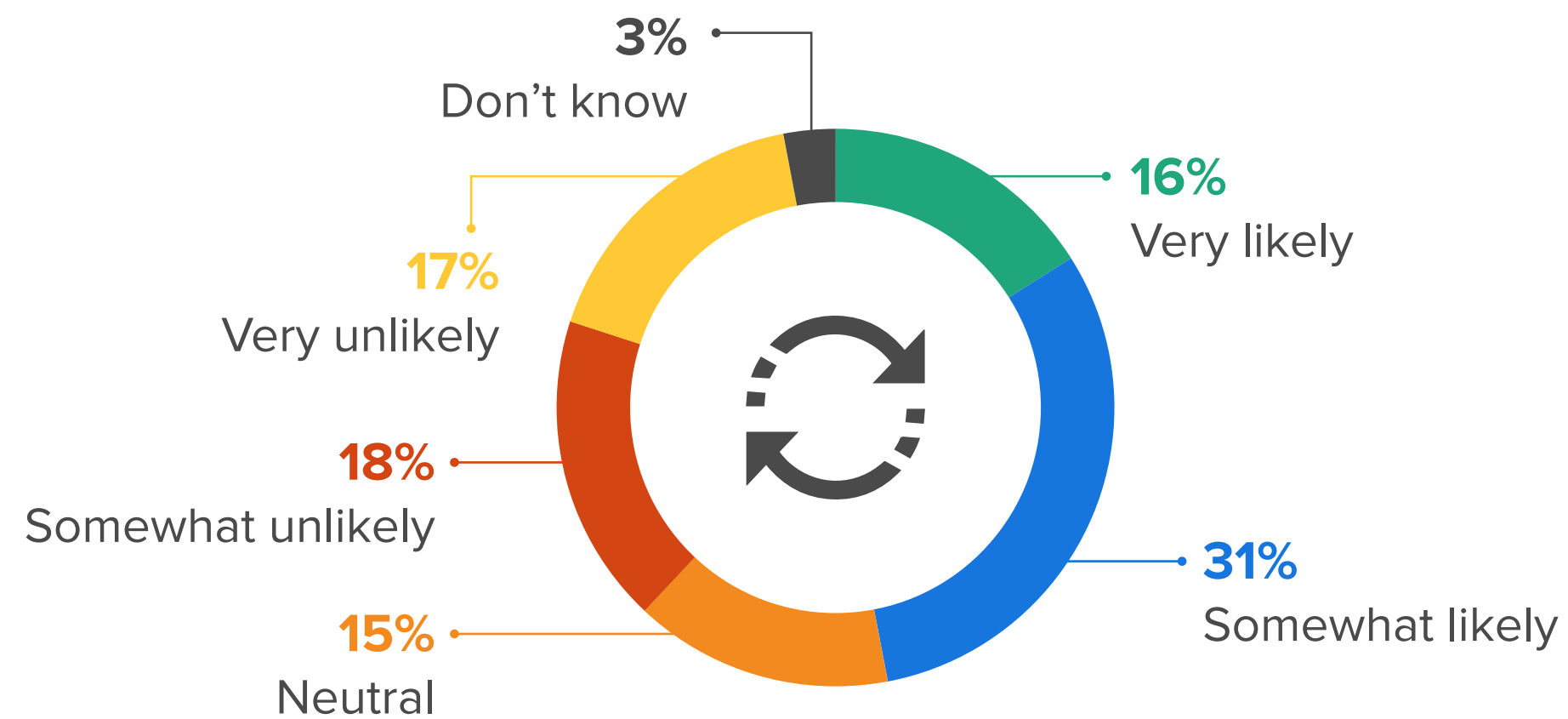
Looking ahead, SMB respondents expect AI's influence on their businesses to expand further. This is likely to be the case, as vendors embed more and more robust AI capabilities into applications, and more businesses take advantage of them to compete in an increasingly data-driven and interconnected world.

28% of SMBs surveyed said they believed that AI will have a very big impact on their businesses, while 36% expect it to have a modest impact and 12% expect it to have a small impact in 2 years. Only 5% said they think it will have no impact. Roughly 1/3 or more of respondents in all size bands except 1-19 employees expect AI to have a very big impact.

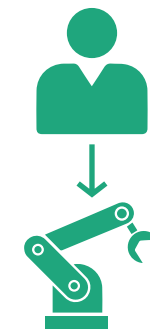
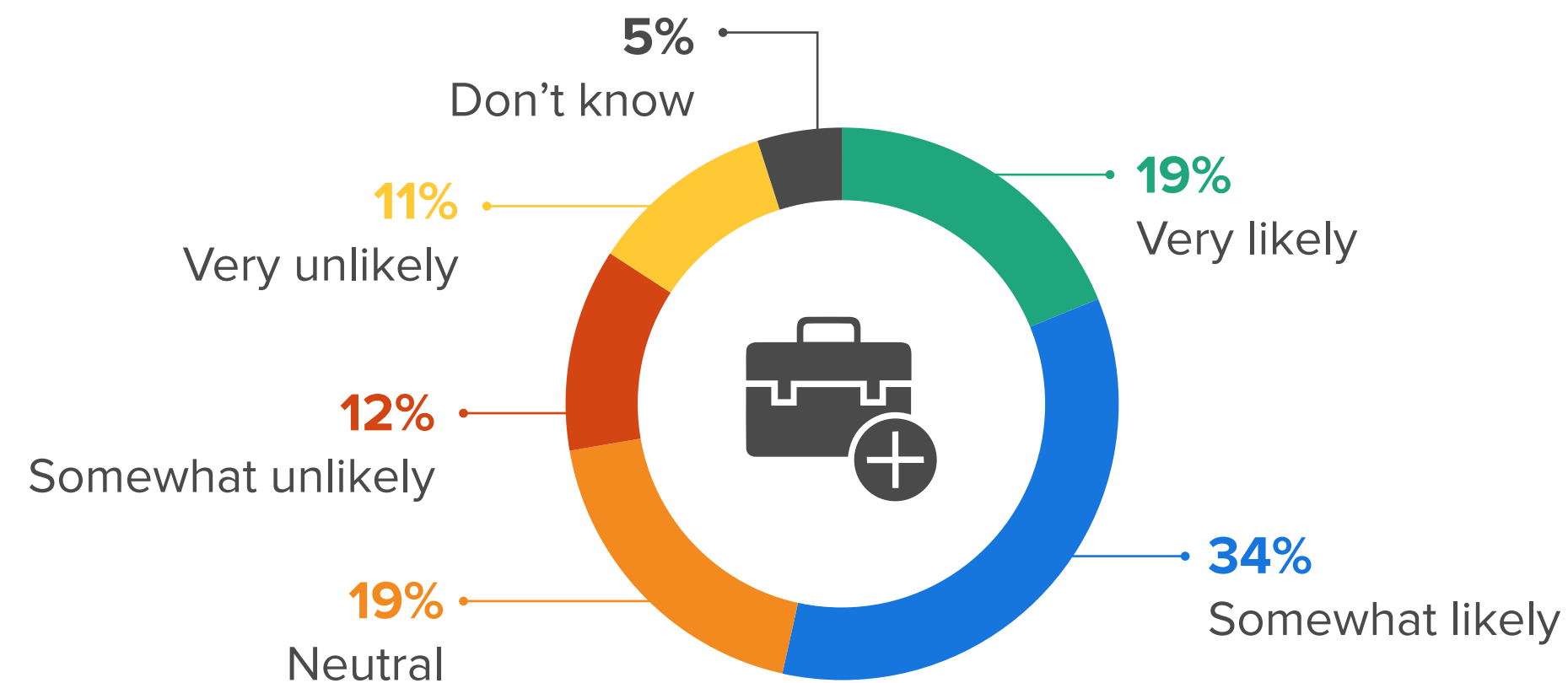
Again, there are industry differences, but they narrow as business look to the future. Respondents from IT services, education, and hospitality industries are most likely to see AI as having a very big impact in 2 years, while those in personal services, professional services, and healthcare are least likely.

SMBs Are Slightly More Likely to Think That AI Will Create New Jobs Than Replace Employees

How likely do you think it is that AI solutions will replace employees in your company over the next 2 years?



How likely do you think it is that AI solutions will create new types of jobs in your company over the next 2 years?



Views on AI's impact on employment are diverse. Although 47% of SMBs think that AI is very or somewhat likely to replace employees in their companies over the next 2 years, 53% believe AI will create new types of jobs in their businesses.



On the flip side, just 17% and 11%, respectively, think it is very unlikely that AI will replace employees or create new jobs.



Both can certainly be true. While AI is likely to eliminate routine and repetitive tasks, it will also free people to focus on higher-level, creative and strategic roles—and create new job categories centered around AI development, maintenance, ethics, and data management.



In general, larger SMBs are more likely to believe that AI will both replace employees and create new jobs than smaller ones, and there is considerable variation by industry.



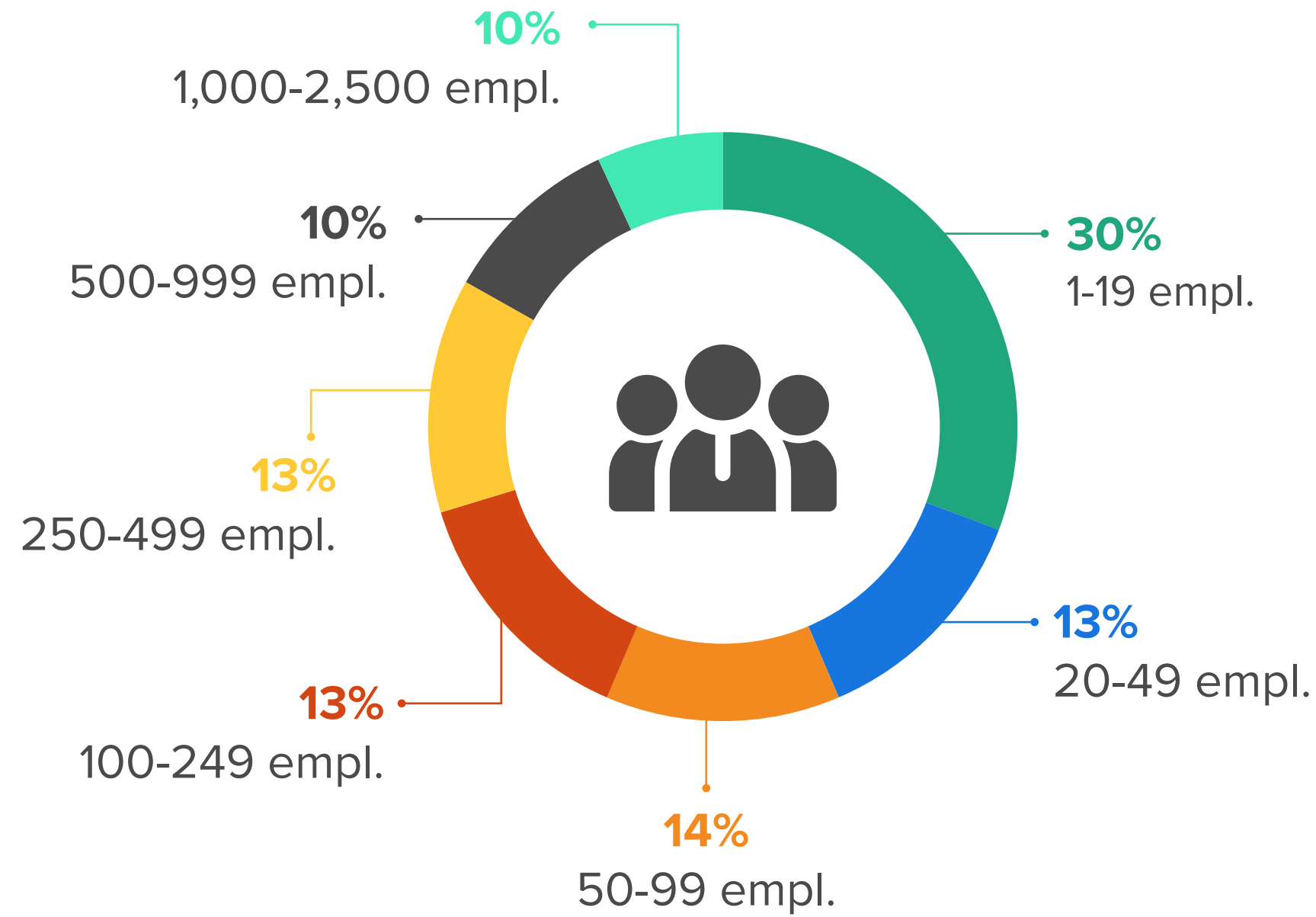
Top Takeaways

- ✓ SMBs are very interested in AI.
 - The overwhelming majority of respondents are personally interested in AI, and over half are already exploring it on their own.
- ✓ Respondents are likely to trust AI when using it for business purposes.
 - Half of respondents have a moderate level of trust, while 23% have a high level of trust and 18% have a low level of trust.
- ✓ Two-thirds of SMBs already using or considering using AI say it has had an impact on their businesses.
 - 19% say it's had a very big impact, 27% say it's had a modest impact; and 14% say it's had a small impact.
- ✓ Three-quarters of SMBs using or considering using AI say that AI will have an impact on their business in 2 years.
 - Only 5% think it will have no impact.
- ✓ SMBs believe that AI will both create and eliminate jobs.
 - Almost half think it's likely that AI will replace employees in their companies in the next 2 years, but over half think it's likely that AI will create new jobs in that time frame.
- ✓ Almost half of SMBs are already using AI.
 - 27% say their companies are currently using AI for actual business tasks, and 21% say they are using it in an experimental way.
- ✓ The top 3 areas that SMBs are currently using AI for are IT management/support, marketing, and customer service.
 - The top 3 areas that SMBs are most interested in using AI for in the future are sales/business development, collaboration, and marketing.
- ✓ SMBs using AI are satisfied with the results.
 - About three-quarters of respondents that are currently using AI are satisfied or very satisfied with the results.
- ✓ SMBs want tech vendors to embed AI functionality in their solutions.
 - Two-thirds say it's important for vendors to provide AI capabilities in their solutions.
- ✓ Just under one-third of SMB respondents say they clearly understand how AI works in the applications they use--underscoring the need for education about AI capabilities and limitations.
 - About one-third of SMB respondents say they clearly understand how AI works in the application they use, while 37% report that they "somewhat" understand this, 15% don't really understand this at all, and 7% don't know if the applications they use have AI capabilities.

About the Study

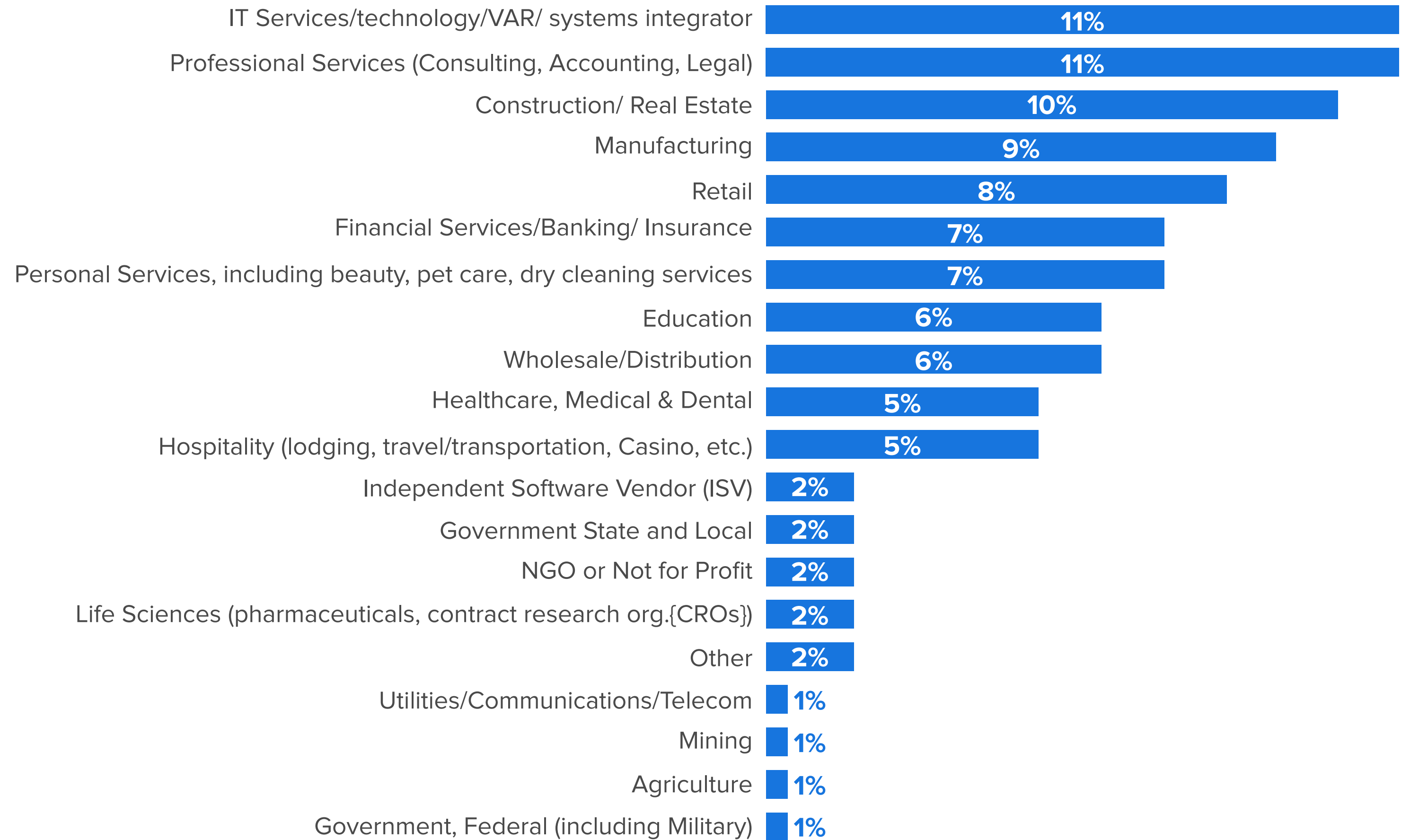
Unless otherwise noted, all data in this eBook is sourced from SMB Group’s *Impact of AI on SMBs* survey. Data was collected in June 2023 via a web-based survey from a random sample of 744 survey respondents.

Employee Size Distribution*



*For brevity, we will refer to the entire 1-2,500 group as SMB throughout this report.

Industry Distribution**



**Low sample sizes in some industries; for directional guidance only.



SMB Group is a research, analysis, and consulting firm focused on technology adoption and trends among small and medium (1-999 employee size) and mid-market (1,000-2,500 employee size) businesses. Founded in 2009, SMB Group helps clients to understand and segment the SMB market, identify and act on trends and opportunities, develop more compelling messaging, and more effectively serve SMB customers.

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