Impact of AI on SMBs

Part Two: SMB Trust, Readiness, and Safeguards

Authored by

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Actionable Market Insight

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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 Two: SMB Trust, Readiness, and Safeguards,* we delve into SMB trust in using AI; AI knowledge and skills, and how they plan to build them; and the checks and balances they want to ensure they can use AI safely and effectively.
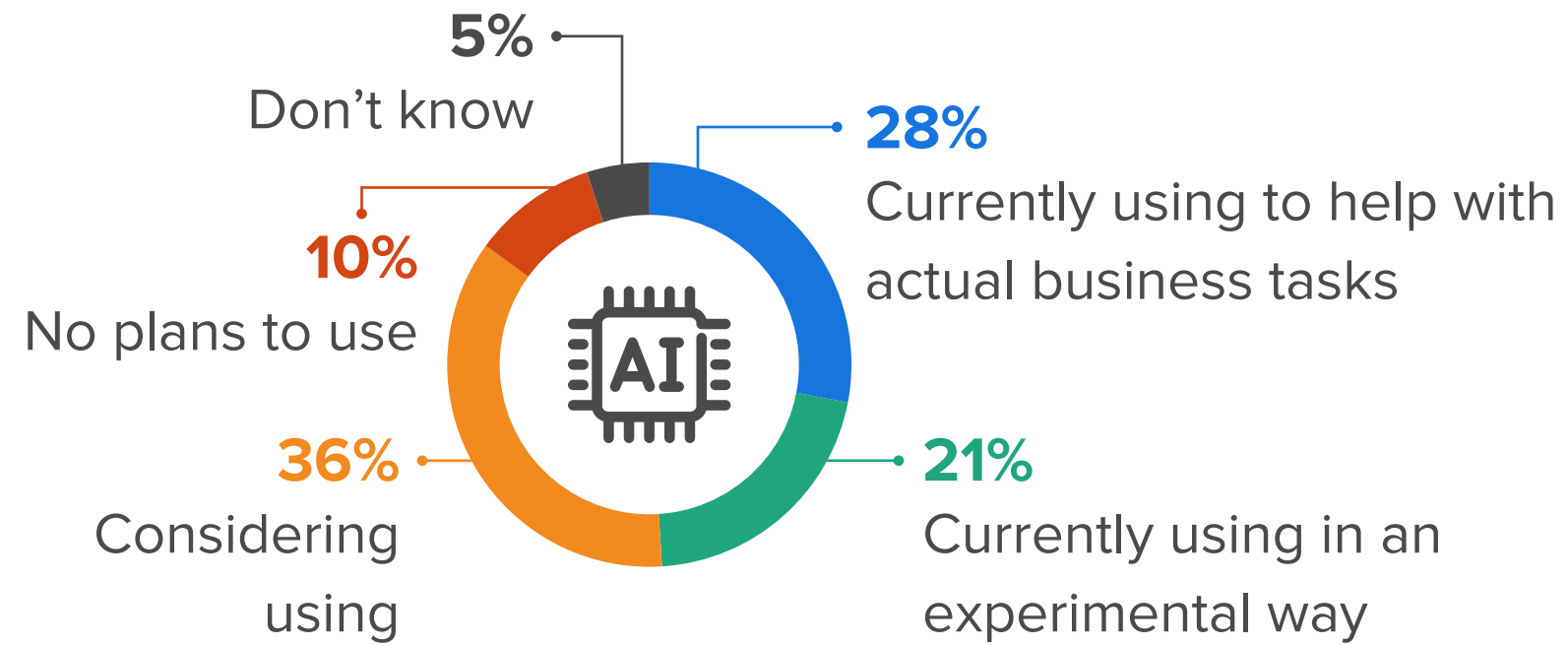
For the sake of brevity, we refer to the entire sample as "SMBs" throughout this eBook.

In our companion eBook, *Impact of AI on SMBs Part One: SMBs Embrace the Future,* we share key trends regarding SMBs' 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.
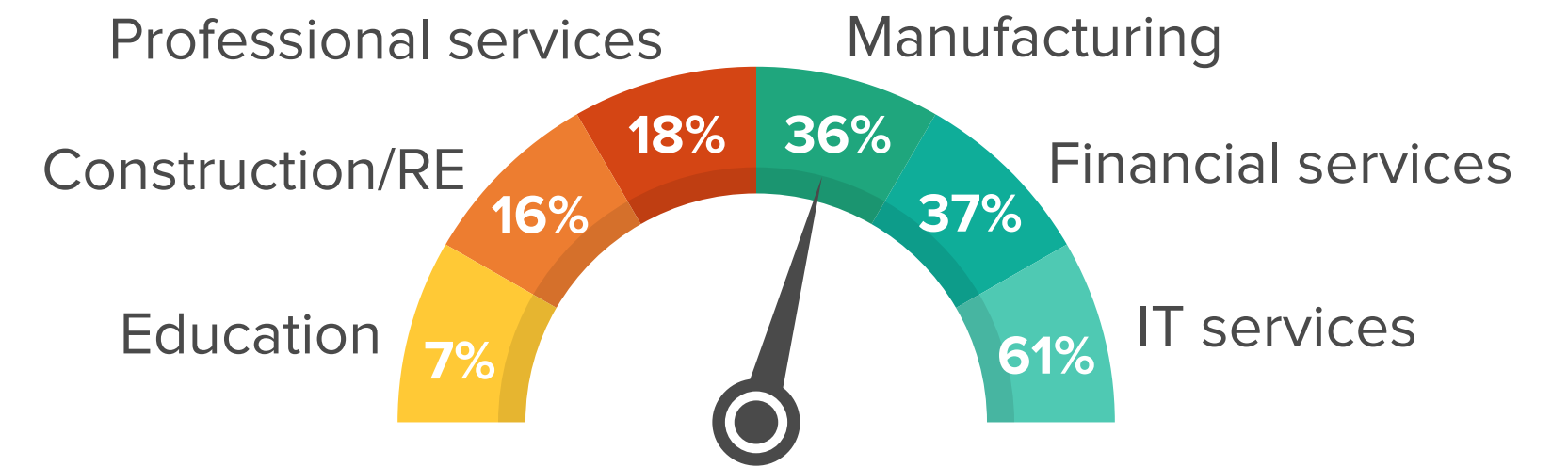
SMB Adoption of AI Is Well Underway

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

5%
Don't know

28%
Currently using to help with actual business tasks

10%
No plans to use

36%
Considering using

21%
Currently using in an experimental way

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

Professional services — 18%
Construction/RE — 16%
Education — 7%
Manufacturing — 36%
Financial services — 37%
IT services — 61%

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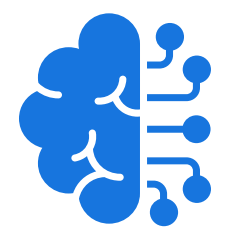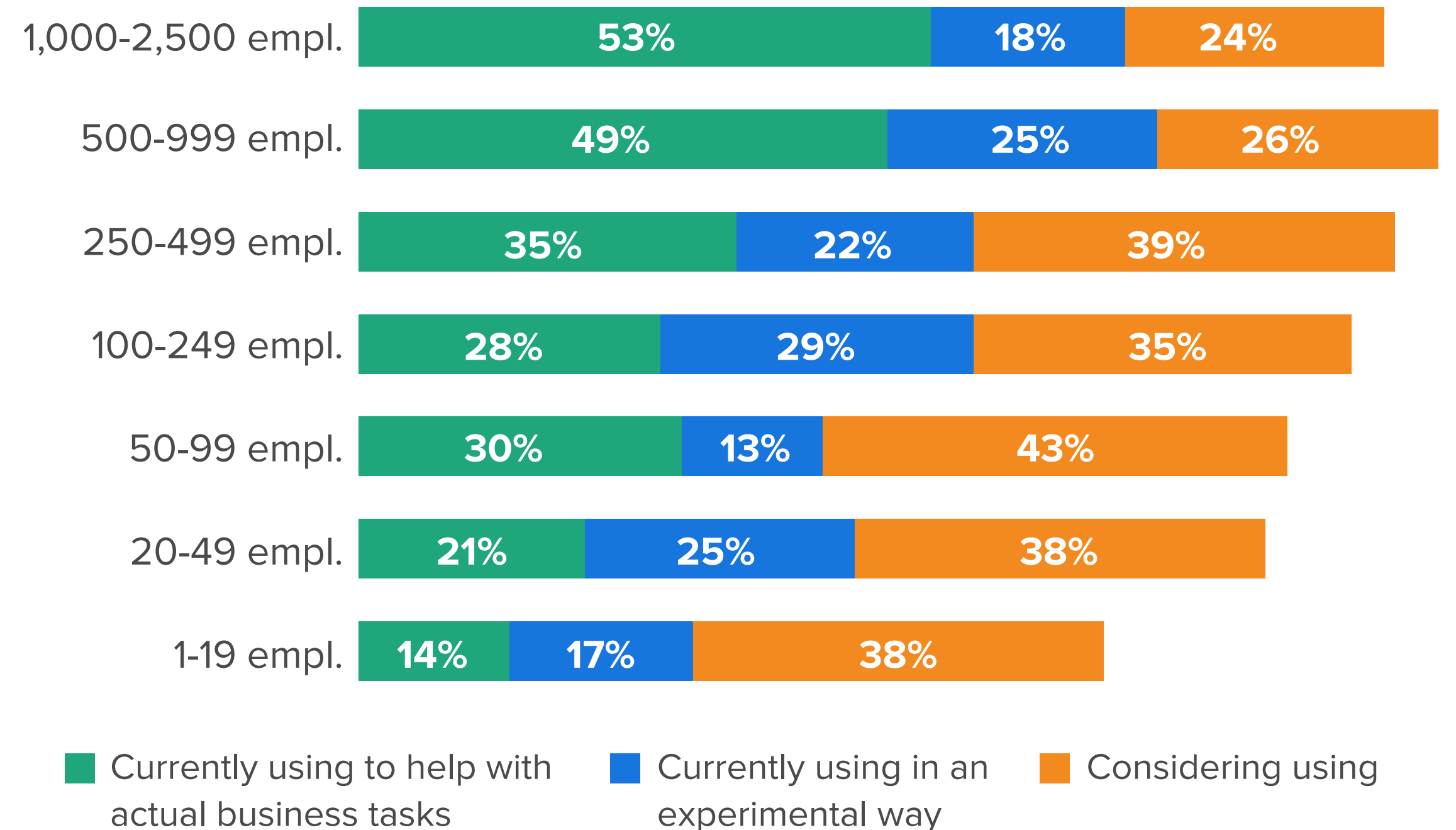
28% of SMBs say they are currently using AI to help with actual business tasks, and 21% are using AI in an experimental way. 36% are considering using AI, and only 10% say they have no plans to use it.

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.

	Currently using to help with actual business tasks	Currently using in an experimental way	Considering using
1,000-2,500 empl.	53%	18%	24%
500-999 empl.	49%	25%	26%
250-499 empl.	35%	22%	39%
100-249 empl.	28%	29%	35%
50-99 empl.	30%	13%	43%
20-49 empl.	21%	25%	38%
1-19 empl.	14%	17%	38%

■ Currently using to help with actual business tasks   ■ Currently using in an experimental way   ■ Considering using

Most Respondents Trust AI for Business Purposes, But Want Government Regulation

Overall, what level of trust do you have in using AI for business purposes?

3%
No trust

5%
Don't know

18%
Low level
of trust

23%
High level
of trust

51%
Moderate
level of trust
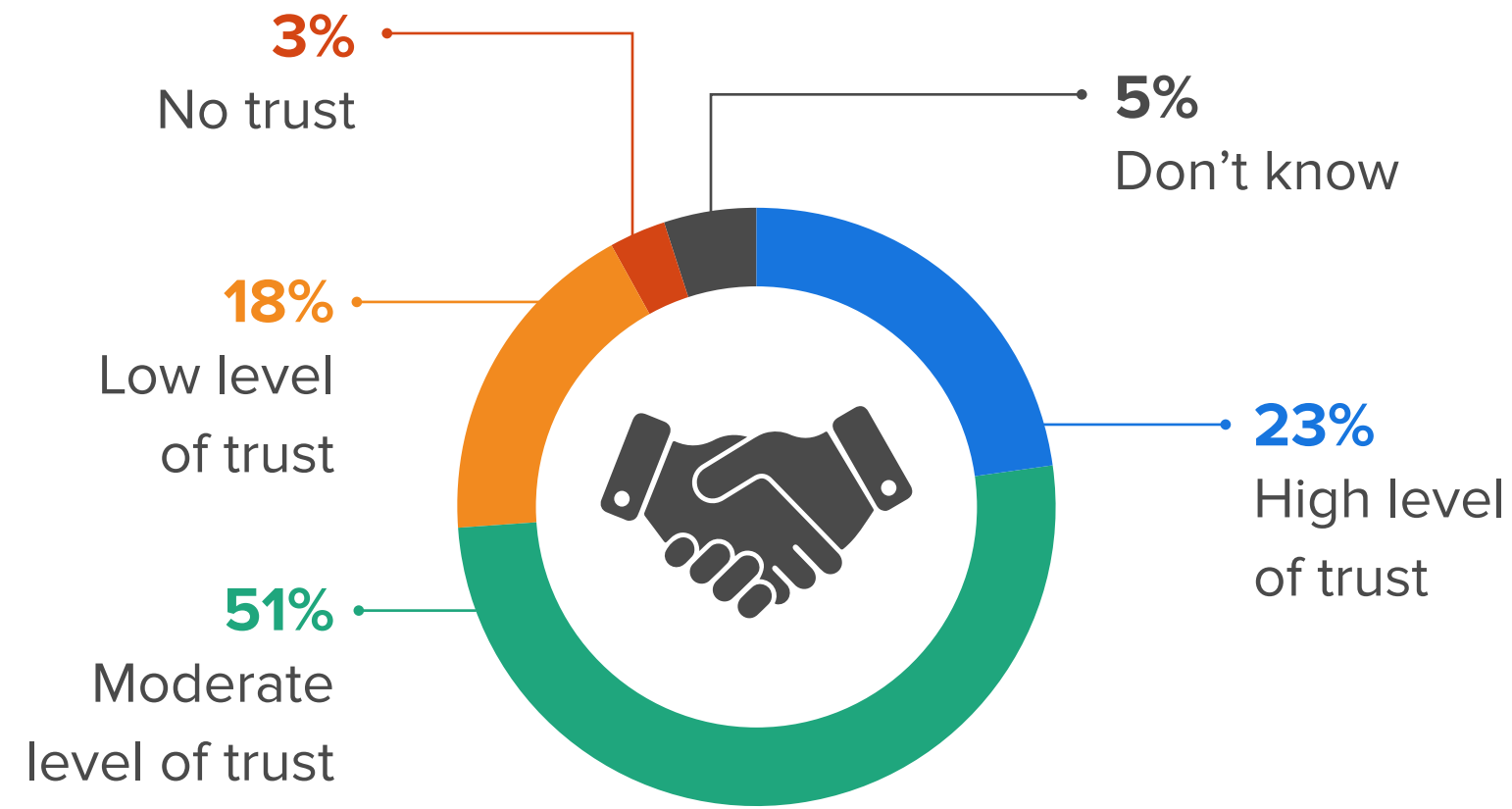
Do you think AI should be regulated by the government?

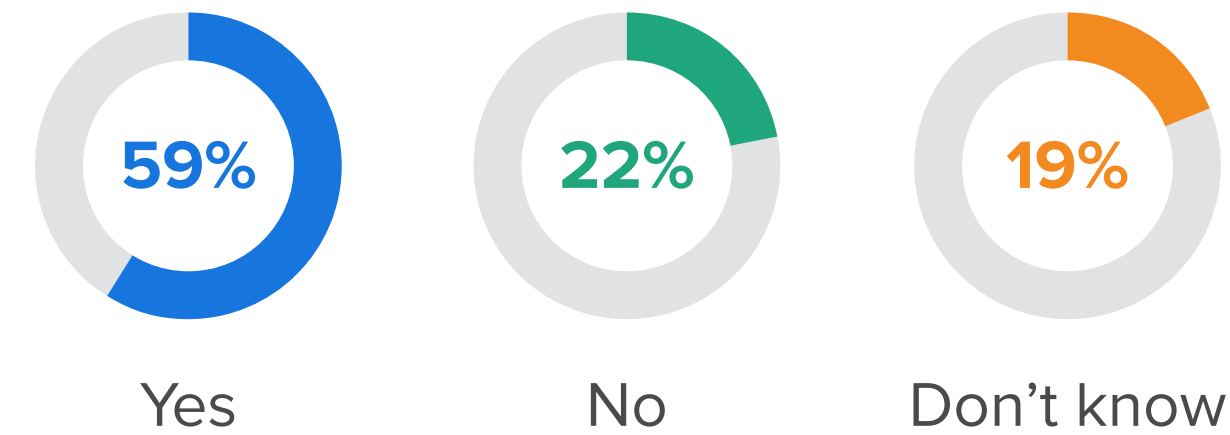| 59%	22%	19%
Yes	No	Don't know

Do you think AI can be regulated by the government?

44%	31%	25%
Yes	No	Don't know
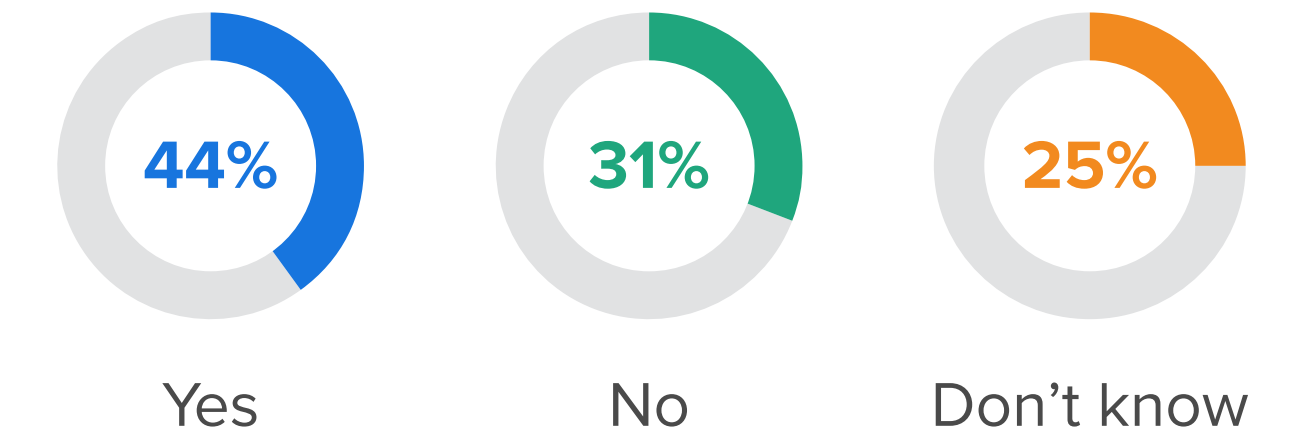
Trust is a critical factor influencing widespread adoption of AI. 51% of SMBs indicated that they have a moderate level of trust in AI for business purposes, while 23% said they have a high level of trust. However, 21% of respondents said have either a low level or no trust in AI. This lack of trust was most pronounced in small businesses with 1-19 employees, where 36% expressed this concern.

Many people favor government regulation as a way to help ensure ethical and responsible AI development. 59% of respondents expressed a desire for government regulation of AI to ensure ethical and responsible development. However, only 44% of respondents believe that the government is capable of regulating AI, likely due to concerns about the government's ability to keep pace with this rapidly changing technology.

SMBs Appear to Be Overestimating the Level of AI Expertise in Their Businesses
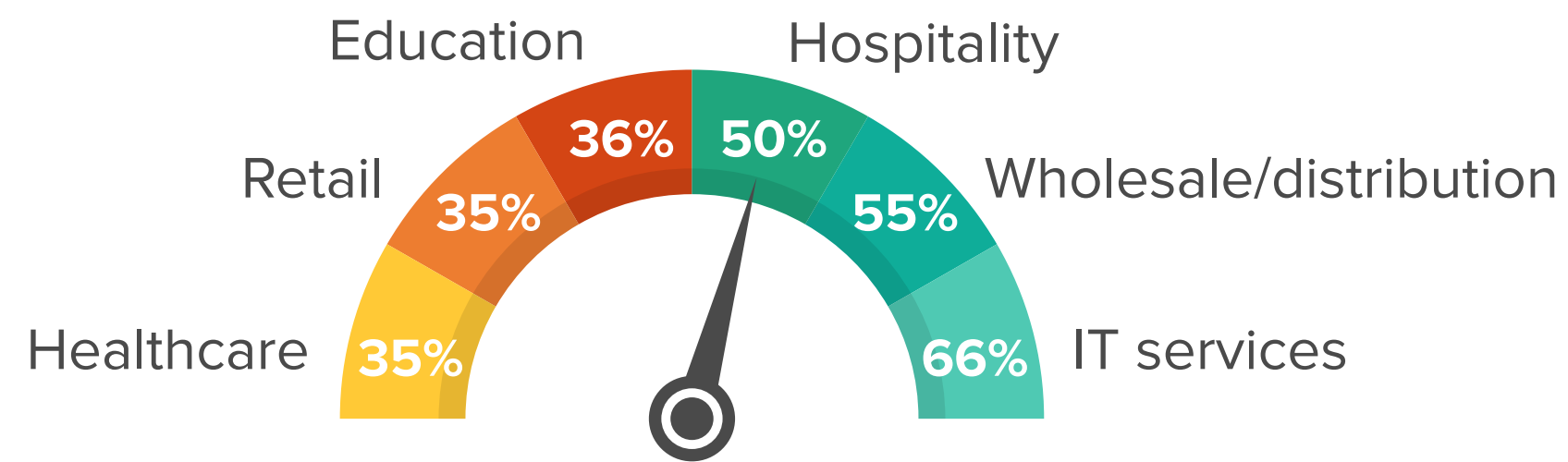
Which statement best reflects your view on the level of expertise in your company to use AI effectively?

4%
Don't know

18%
High

13%
No expertise

42%
Moderate

23%
Low
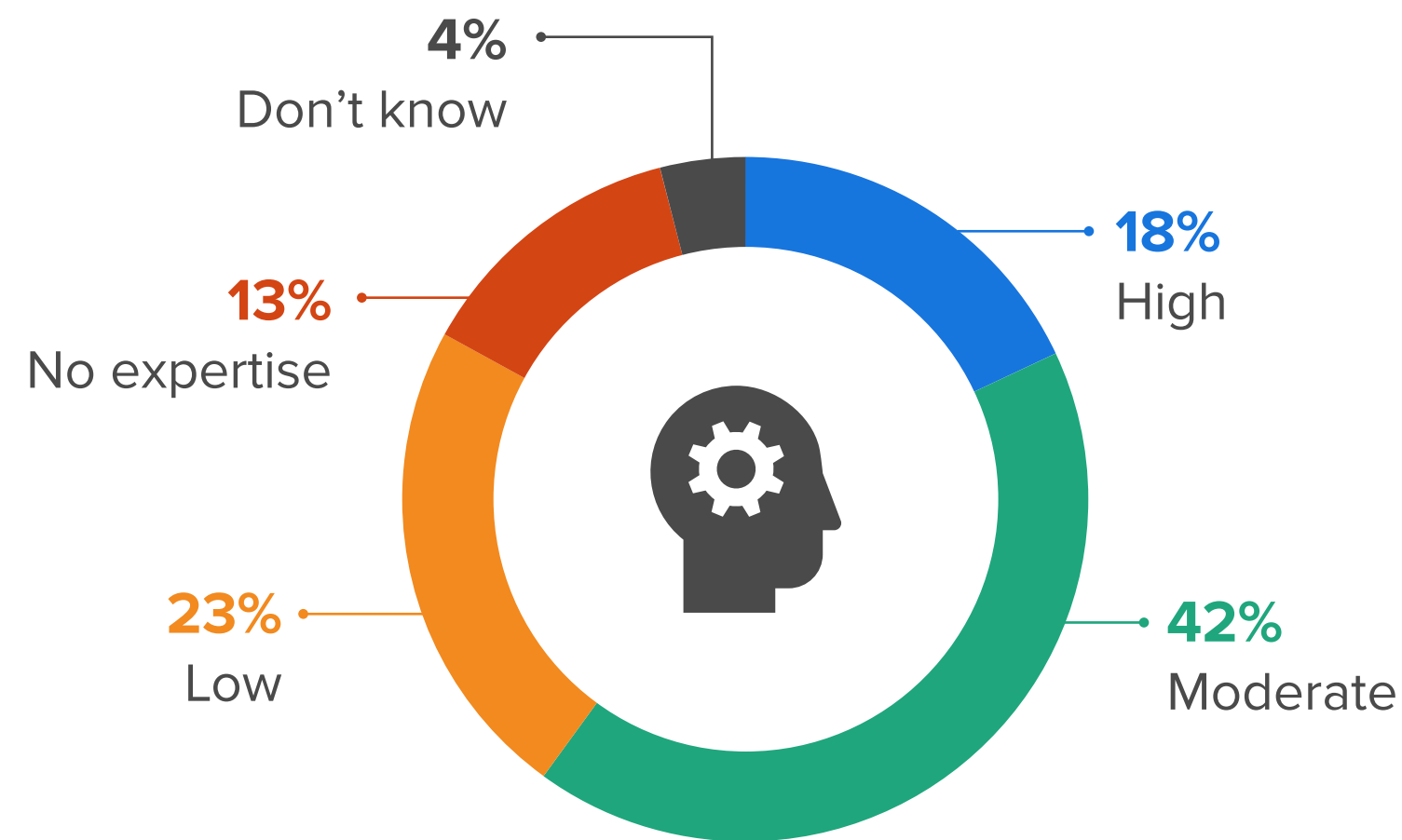
Top 3 industries most and least likely to rate their AI expertise as high

Education — 36%
Hospitality — 50%
Retail — 35%
Wholesale/distribution — 55%
Healthcare — 35%
IT services — 66%

Given that AI technologies are complicated and evolving quickly, many SMBs may be overestimating their level of expertise.

41% of respondents said that their companies have a moderate level of AI expertise, and 18% rated their expertise level as high. Only 23% rated their expertise as low, and just 14% of respondents say their businesses have no expertise. Larger businesses are more likely to say their businesses have more expertise than smaller ones. There's also wide variation in how different industries rate this capability.

SMBs may be misjudging their knowledge level for a few reasons, including extensive media coverage and vendor marketing that sometimes hypes AI capabilities and downplays its complexities. Given the fact that AI is still in its very early stages, it's critically important for SMBs to figure out what they don't know and seek advice from reputable sources to use AI safely and effectively.

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

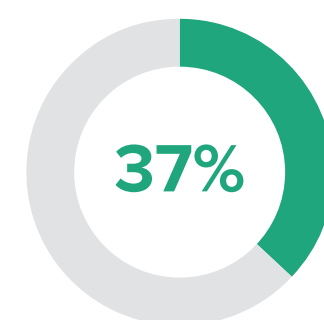**Which of the following statements best reflects your knowledge of whether the business applications that you use regularly utilize AI technologies?***
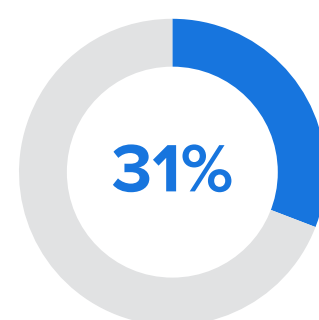
31% I know that at least one of the applications I use utilizes AI technologies, and I clearly understand how it uses them.
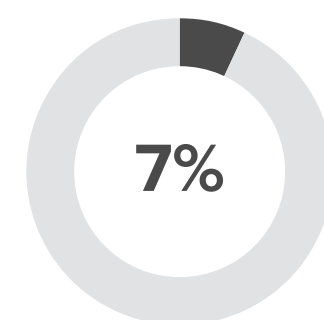
37% I know that at least one of the applications I use utilizes AI technologies, and I somewhat understand how it uses them.
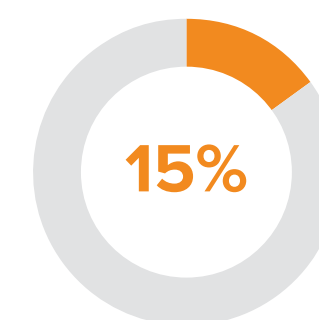
15% I know that least one of the applications I use utilizes AI technologies, but I don't really understand how it uses them.

10% I know that none of the applications I use utilize AI technologies.

7% I have no idea whether any of the applications I use utilize AI technologies.

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.

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

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. This underscores the need for SMBs to educate themselves about AI capabilities and limitations.

31% of SMB respondents believe they clearly understand how AI works in the application(s) they use, and 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. Respondents in larger businesses are much more apt to think they understand this.

About One-Quarter of SMBs Currently Have an Individual or Team Assigned to Educate Employees About AI

Has your company assigned an individual or team, or does it plan to assign an individual or team, responsibility for educating employees on how to use AI safely and productively?

5% Don't know

30% We don't currently have any plans to assign an individual/team to this

28% We currently have an individual/team assigned to this

37% We plan to assign an individual/team to this in the next few months
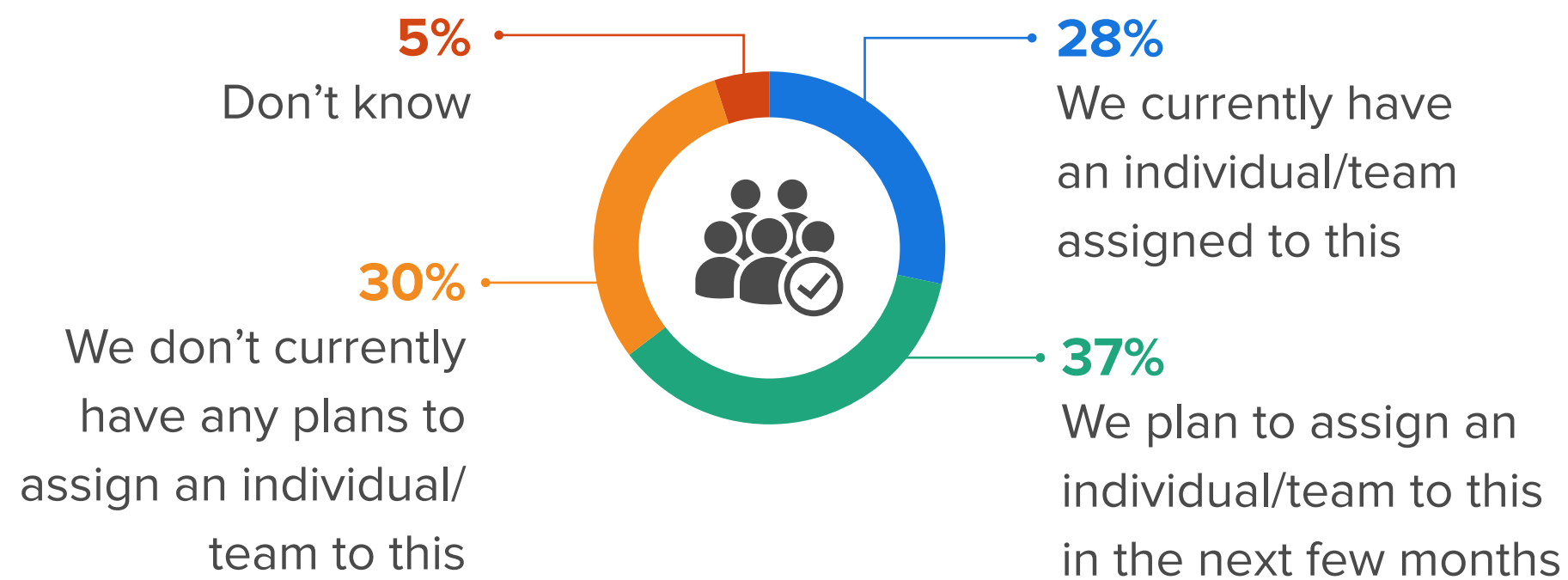
Top 3 industries most and least likely to have assigned an individual or team

Professional services, Construction/RE, Personal services TIE — **21%**

Hospitality — **18%**

Education — **10%**

Manufacturing — **33%**

Financial services — **39%**

IT services — **48%**

Slightly more than one-quarter of SMBs currently have an individual or team assigned to this, while just over one-third are planning to put one in place, and about one-third have no plans to do so. Larger businesses are much more likely to have already assigned an individual/team than smaller ones, and industry differences are fairly pronounced.
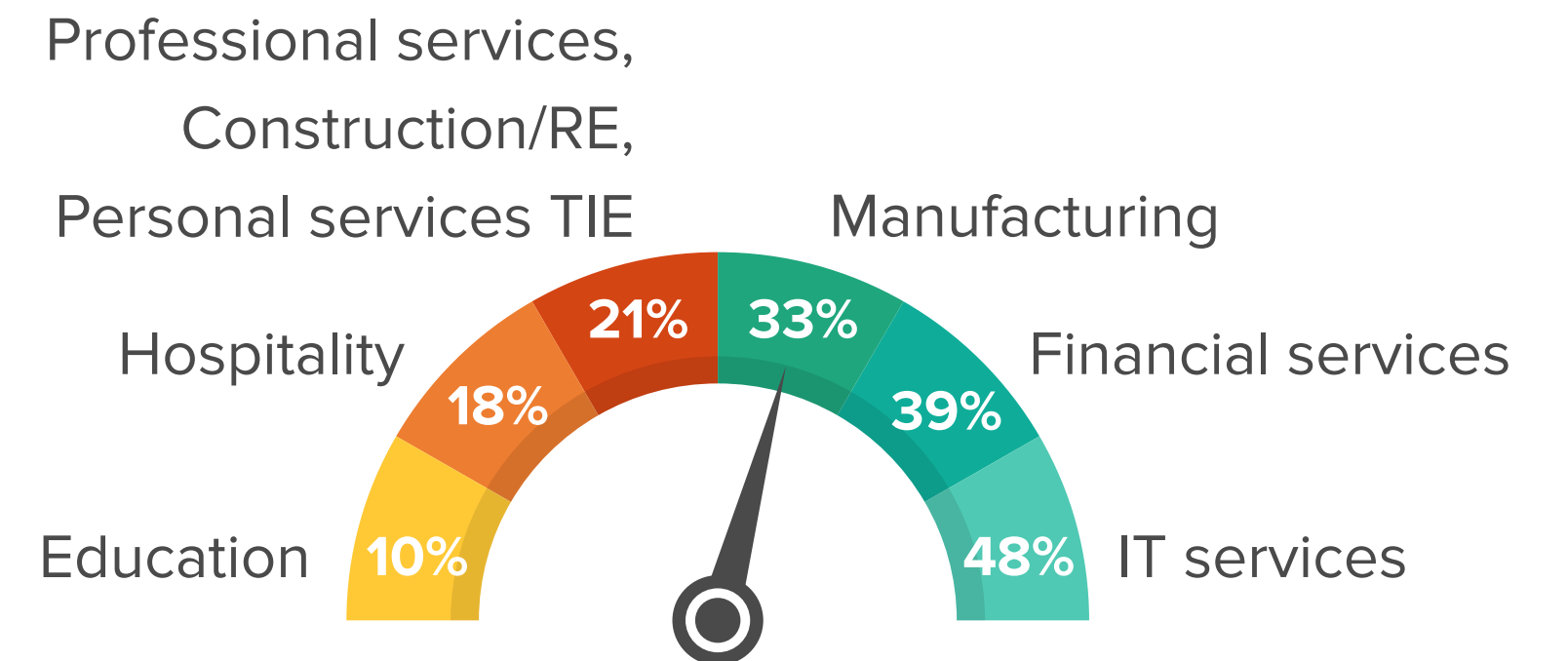
Providing employees with a foundational understanding of AI can help them to identify opportunities where they could put AI to work to streamline operations, automate repetitive tasks, and improve the decision-making processes. Education can also help employees feel more confident and engaged as AI technology evolves.

SMBs that use AI should offer basic literacy training to employees to introduce them to AI concepts, terminology, potential use cases, and safeguards. This can help everyone understand its relevance in the business and in their roles, and reduce risks related to data security and inaccurate information.

Employees	We currently have an individual/team assigned to this	We plan to assign an individual/team to this in the next few months
1,000-2,500 empl.	41%	41%
500-999 empl.	53%	36%
250-499 empl.	38%	44%
100-249 empl.	33%	38%
50-99 empl.	31%	40%
20-49 empl.	24%	45%
1-19 empl.	10%	26%

■ We currently have an individual/team assigned to this
■ We plan to assign an individual/team to this in the next few months
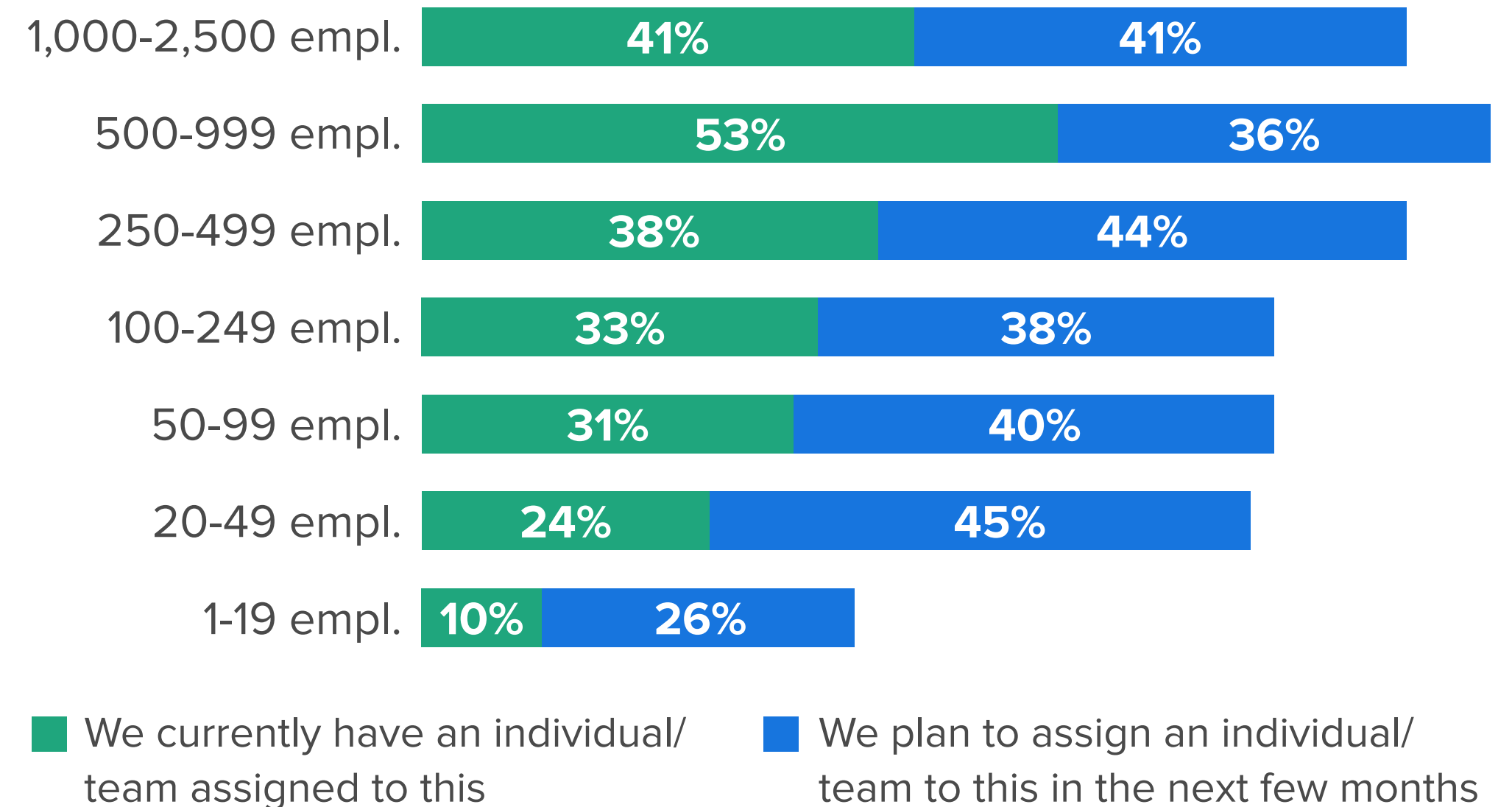
Most SMBs Plan to Build AI Skills Via Informal Methods

Are you currently or do you plan to do any of the following to build skills to use AI effectively?

Learn more about AI from online publications, webinars, etc. — **47%**

Talk to our current technology vendors/partners to learn more — **42%**

Take third-party training courses — **31%**

Hire more technical professionals — **24%**

Hire third-party AI consultants — **21%**

Don't know — **15%**

Employee band	Hire more technical professionals	Hire third-party AI consultants	Take third-party training courses	Learn more about AI from online publications, webinars, etc.	Talk to our current technology vendors/partners to learn more	Don't know
1,000-2,500 empl.	31%	27%	39%	39%	53%	10%
500-999 empl.	38%	28%	43%	44%	50%	4%
250-499 empl.	38%	31%	27%	53%	51%	5%
100-249 empl.	29%	23%	35%	46%	35%	14%
50-99 empl.	26%	17%	31%	52%	44%	12%
20-49 empl.	22%	26%	30%	51%	53%	12%
1-19 empl.	11%	13%	26%	45%	32%	28%

Legend:
- Hire more technical professionals
- Hire third-party AI consultants
- Take third-party training courses
- Learn more about AI from online publications, webinars, etc.
- Talk to our current technology vendors/partners to learn more
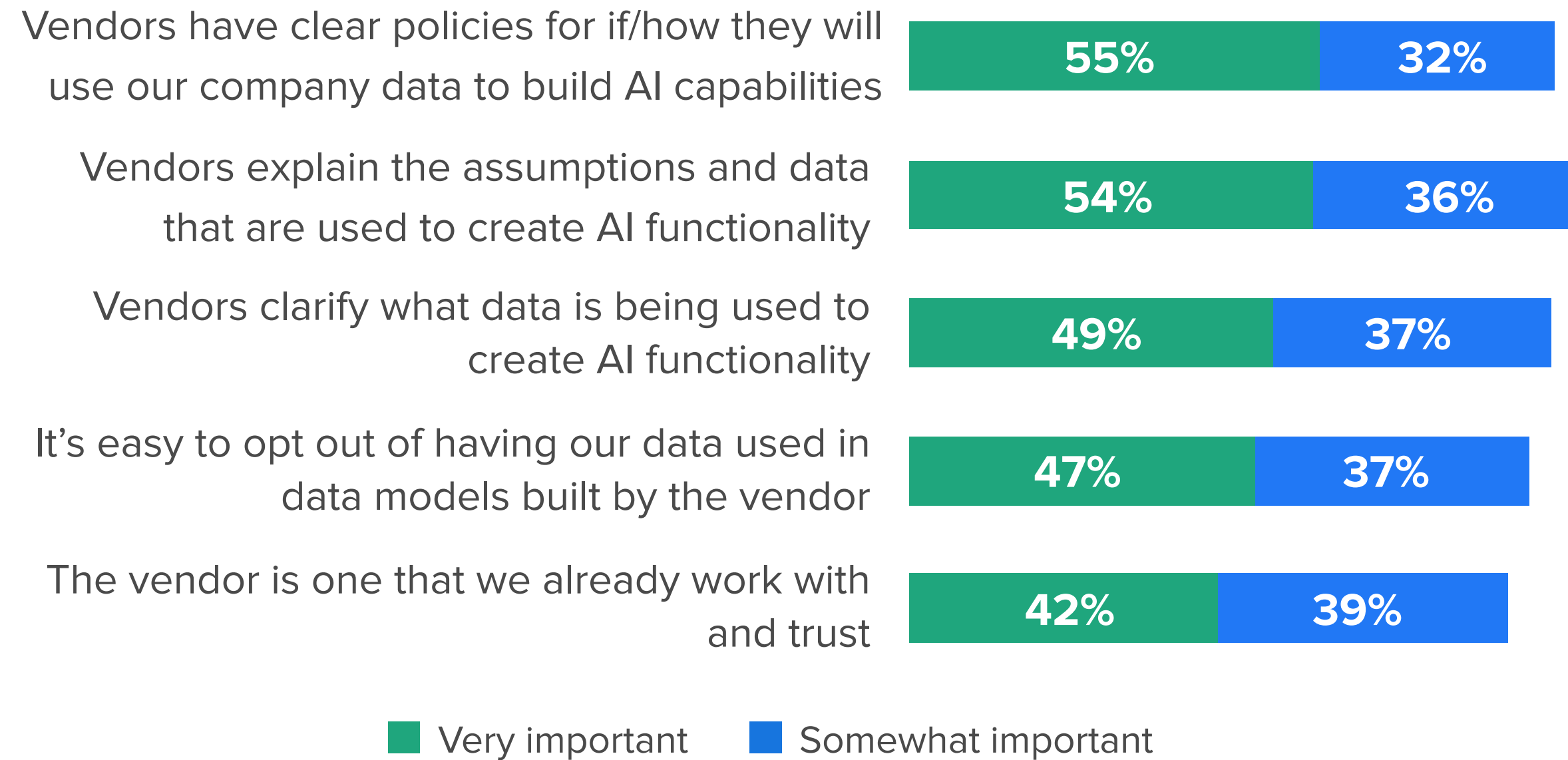- Don't know

SMBs are primarily planning to build AI skills through informal methods. Online publications and webinars, and discussions with tech vendors and partners are the top ways respondents plan to develop expertise in this area. Only about one-third plan to take training courses, and less than one-quarter intend to hire professionals/consultants.

This ranking is relatively consistent across employee-size bands and industries, but larger SMBs tend have more robust plans across categories. Financial services, manufacturing, and IT services are the industries most likely to hire professionals/consultants.

While the majority of SMBs don't need to become AI technology experts, they do need to develop AI skills and capabilities to make informed choices and reap the best return on AI investments. Beyond basic AI literacy, which is a must for any organization using AI, SMBs should also consider training related to specific industry or horizontal business requirements; education about data management, compliance, and ethical considerations; and training to help employees identify ways that AI can solve business challenges.

SMBs Want Trust, Clarity, and Transparency from Vendors Regarding AI

How important are the following factors in deciding to use AI?

Vendors have clear policies for if/how they will use our company data to build AI capabilities
55% | **32%**

Vendors explain the assumptions and data that are used to create AI functionality
54% | **36%**

Vendors clarify what data is being used to create AI functionality
49% | **37%**

It's easy to opt out of having our data used in data models built by the vendor
47% | **37%**

The vendor is one that we already work with and trust
42% | **39%**

■ Very important ■ Somewhat important

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

#1 Concerns about information security → **#2** Concerns about data privacy → **#3** Concerns about unintended negative consequences

When it comes to deciding whether or not to use AI, SMBs want transparency, accountability, and ethical policies. The vast majority of SMBs agree that it's important for vendors to provide clear information about where data comes from, how data is used, and the assumptions they use to create AI functionality.
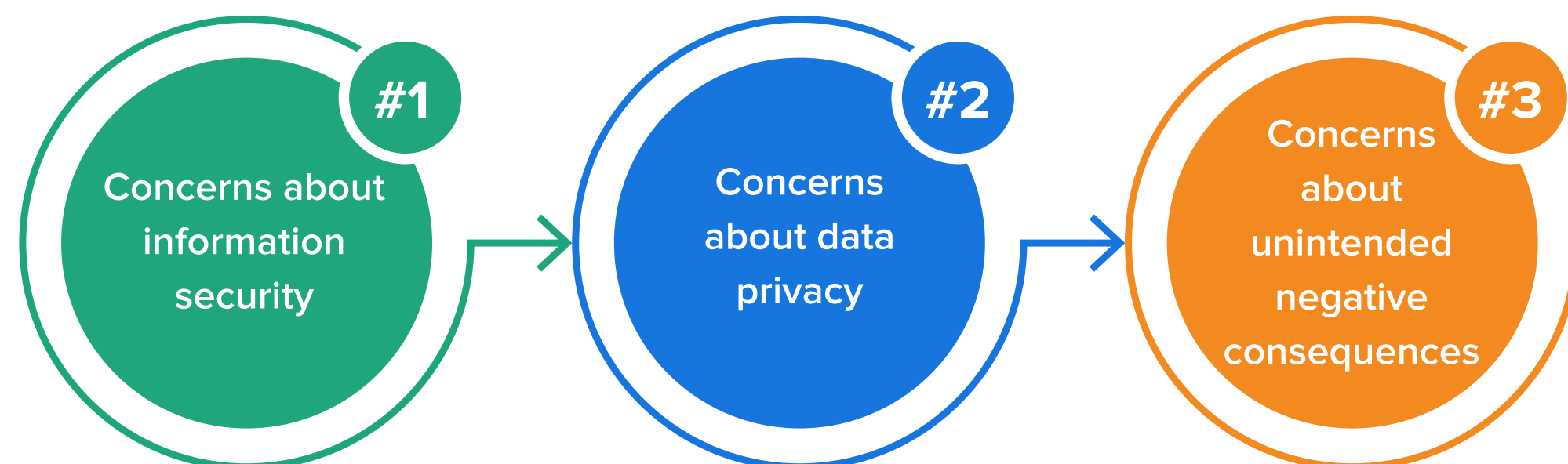
SMBs want it to be easy to opt out of having their company data used in vendors' AI models. They also prefer working with vendors that they already have a trusted relationship with.

There is only scant variation between what respondents rate as "important" and "very important" based on employee size and industry.

Given that respondents rank concerns about data security, privacy, and "unintended negative consequences" as the top three drawbacks of AI, this focus on trust and transparency isn't surprising,
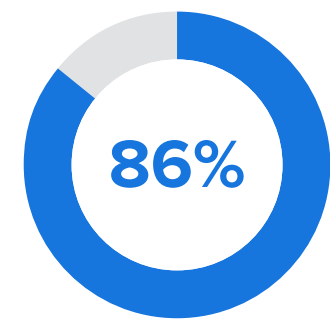
Especially in the early going, it's essential that vendors provide SMBs with clear guidance and information about their AI policies and practices.
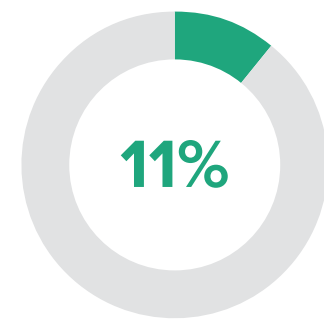
SMBs Want Checks and Controls on AI Information and Automation

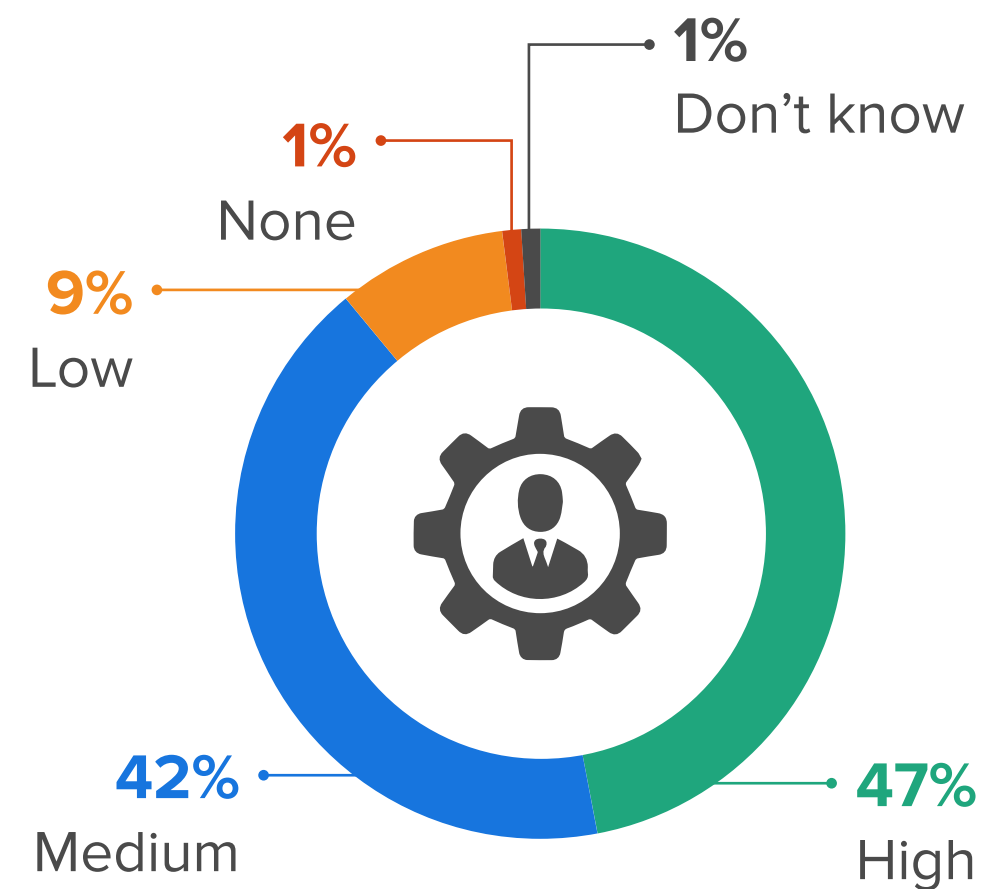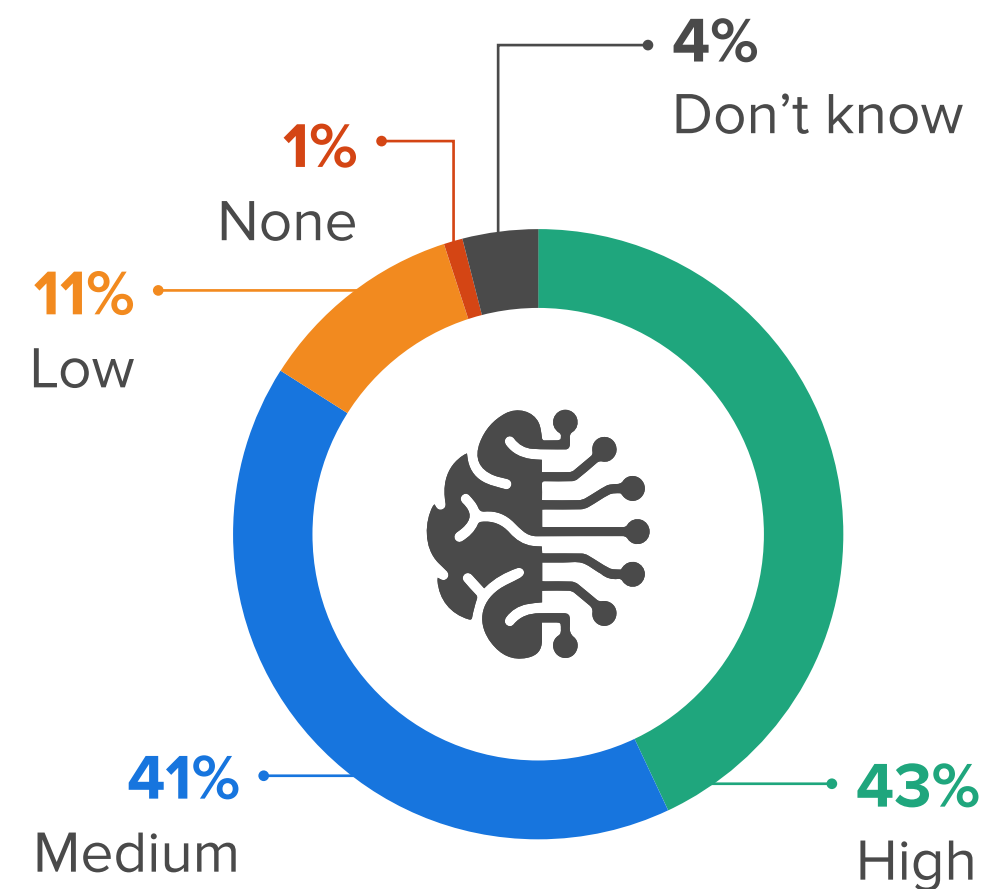## Do people in your business check AI-generated information before using it?*

86%
Yes

11%
No
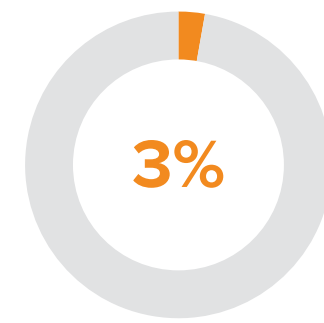
3%
Don't know

How much control do you want to have to override AI-generated information?**

1%
Don't know

1%
None

9%
Low

42%
Medium

47%
High

How much control do you want to adjust or turn off the level of automation provided by AI?**

4%
Don't know

1%
None

11%
Low

41%
Medium

43%
High

Respondents who say they are currently using to help with actual business tasks

**Respondents who say they are currently using to help with actual business tasks or currently using AI in an experimental way*

SMBs want checks and controls to help ensure that AI-generated information and automation are producing accurate and effective results. The overwhelming majority of those currently using AI for actual business tasks say that people check the information that AI generates before using it.

Both these respondents and those using AI in an experimental way want a high to medium level of control to override AI-generated information, and to adjust or turn off the level of automation provided by AI. These views are consistent across employee-size segments and industries.

To help ensure these checks and balances, SMBs should consider a few factors when considering using AI solutions and capabilities. Some of these include whether:

The solution has a user-friendly interface, so people can easily change automation levels, decision thresholds, and other criteria to align the AI capability with business needs and preferences.

The vendor clearly explains how the AI arrives at its conclusions, so it's easier to spot biases or other potential issues.

The vendor offers customers a way to easily monitor and audit AI-generated output, so it can be tweaked as needed to improve quality and accuracy.
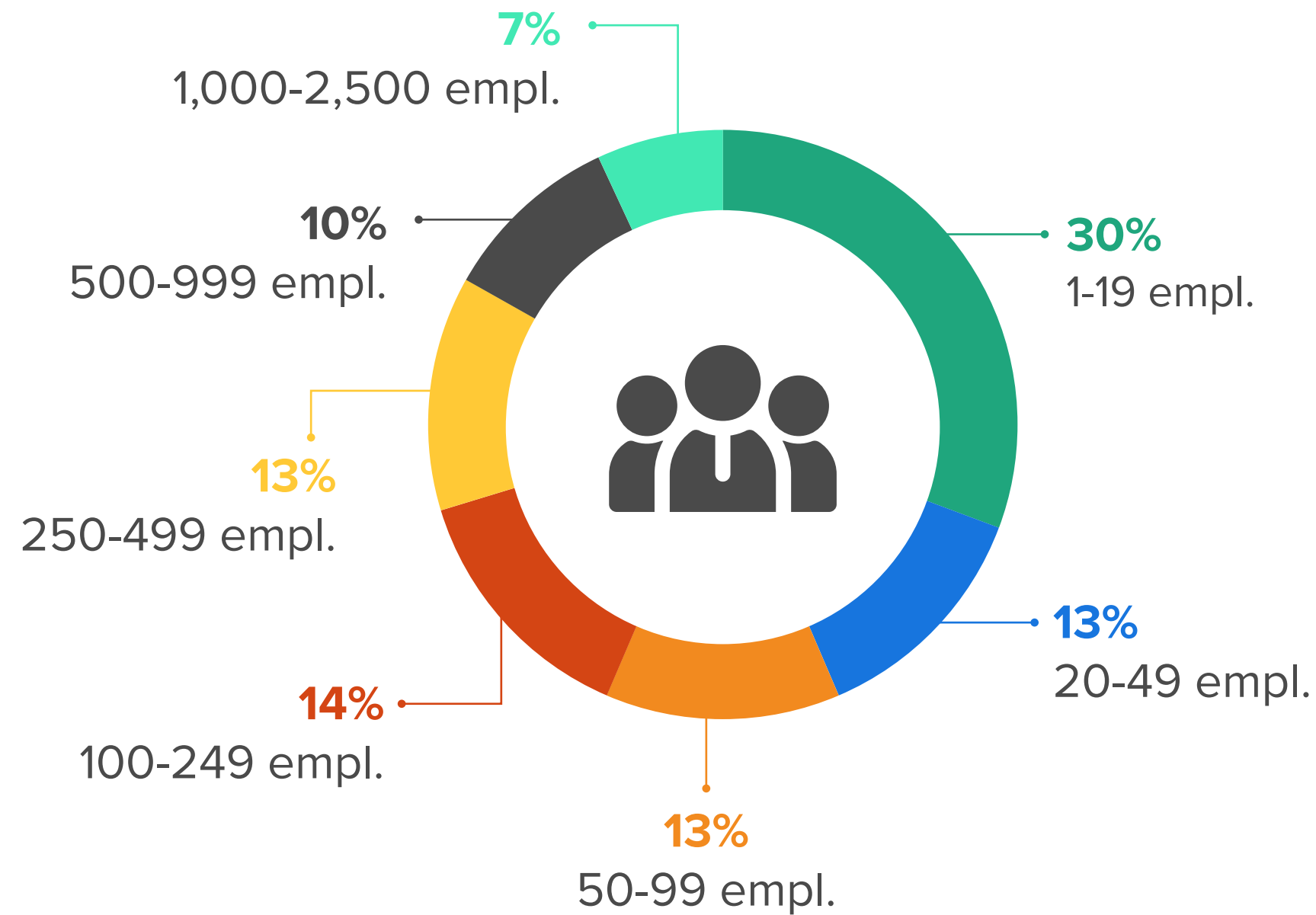
Top Takeaways

- ✅ SMB adoption of AI is well underway.
  - Almost half of SMBs are already using AI: About one-quarter say their companies are currently using AI for actual business tasks; 21% say they are using it in an experimental way; and about one-third are considering using it.
- ✅ Half of SMBs indicate that they have a moderate level of trust in AI for business purposes.
  - 59% think the government should regulate it, but only 44% believe the government is capable of regulating it.
- ✅ SMBs seem to be overestimating their level of AI expertise: 41% said that their companies have a moderate level of AI expertise, and 18% rated their expertise level as high.
  - Given the complexity and rapid evolution of this technology, SMBs need to dig in deeper to figure out what they don't know and seek advice from reputable sources to use AI safely and effectively.
- ✅ Just under one-third of SMB respondents say they clearly understand how AI works in the application they use—underscoring the need for them to educate themselves about AI capabilities and limitations.
- ✅ About one-quarter of SMBs have assigned an individual or team to educate employees about AI; just over one-third are planning to put one in place; and about one-third have no plans to do so.

  - SMBs that use AI should offer basic literacy training to employees to help them to understand its relevance in the business and in their roles, and reduce risks related to data security and inaccurate information.
- ✅ Most SMBs are planning to build AI skills through informal methods.
  - Only about one-third plan to take training courses, and less than one-quarter intend to hire professionals/consultants.
  - Beyond basic AI literacy, SMBs should also consider training related to industry and/or horizontal business requirements; education about data management, compliance, and ethical considerations; and training to identify ways that AI can help solve business challenges.
- ✅ The vast majority of SMBs agree that it's important for vendors to provide clear information about where data comes from; how data is used; the assumptions they use to create AI functionality; and an easy way to opt out of having their company data used in vendors' AI models.
- ✅ The overwhelming majority of those currently using AI for actual business tasks say that people check the information that AI generates before using it.
  - Both these respondents and those using AI in an experimental way want a high to medium level of control to override AI-generated information, and to adjust or turn off the level of automation provided by AI.
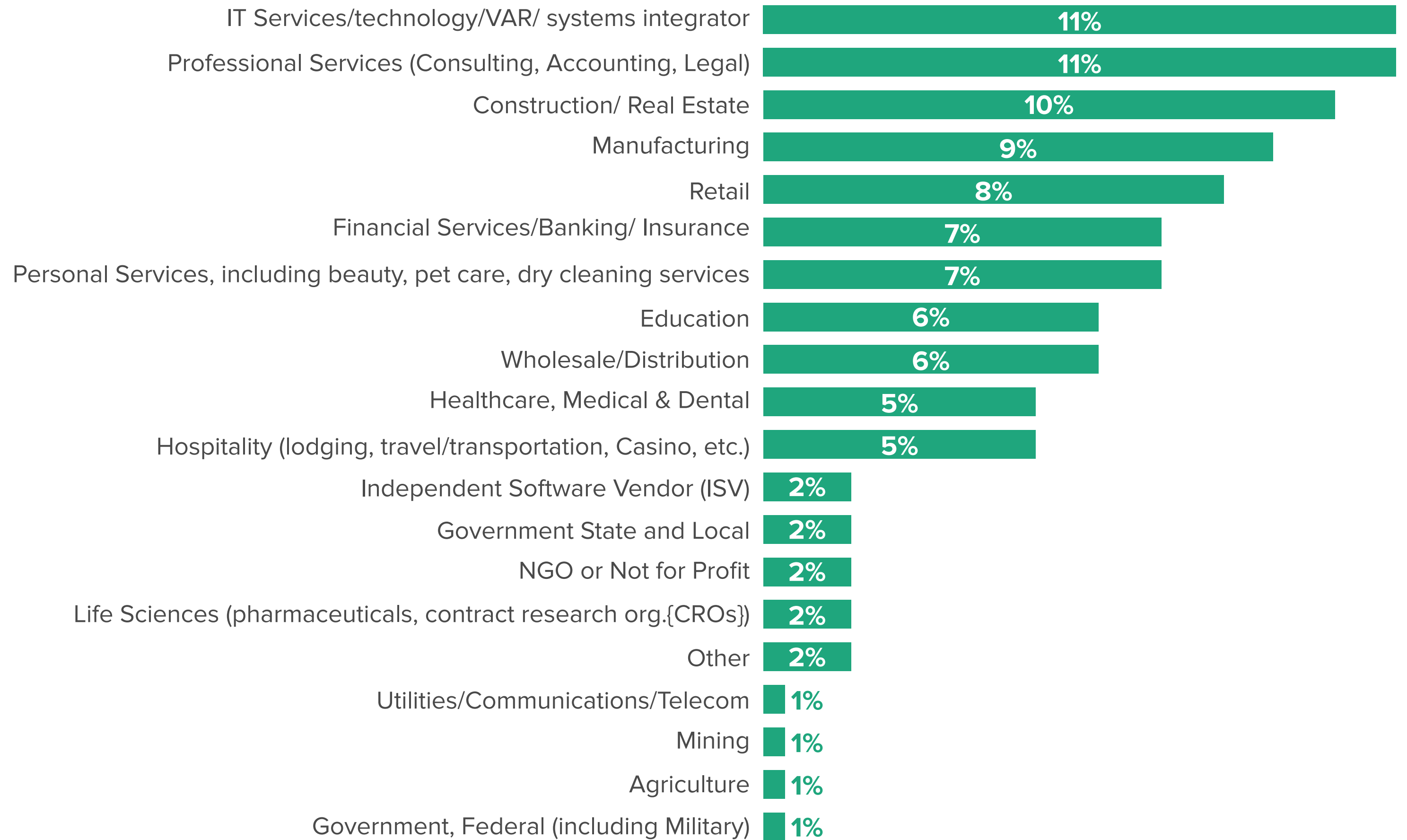
About the Study

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*

- 7% — 1,000-2,500 empl.
- 10% — 500-999 empl.
- 13% — 250-499 empl.
- 14% — 100-249 empl.
- 13% — 50-99 empl.
- 13% — 20-49 empl.
- 30% — 1-19 empl.

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

Industry Distribution**

Industry	%
IT Services/technology/VAR/ systems integrator	11%
Professional Services (Consulting, Accounting, Legal)	11%
Construction/ Real Estate	10%
Manufacturing	9%
Retail	8%
Financial Services/Banking/ Insurance	7%
Personal Services, including beauty, pet care, dry cleaning services	7%
Education	6%
Wholesale/Distribution	6%
Healthcare, Medical & Dental	5%
Hospitality (lodging, travel/transportation, Casino, etc.)	5%
Independent Software Vendor (ISV)	2%
Government State and Local	2%
NGO or Not for Profit	2%
Life Sciences (pharmaceuticals, contract research org.{CROs})	2%
Other	2%
Utilities/Communications/Telecom	1%
Mining	1%
Agriculture	1%
Government, Federal (including Military)	1%

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

![SMB Group - Actionable Market Insight]

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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