

# AI-Powered Potential: Unlocking SME Productivity with AI

June 2024



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## Foreword – Piers Linney

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### AI is a game-changer for small businesses.

The benefits are enormous, and the implications incredible: with AI, small businesses will see their competitiveness increase in both current and future markets, allowing them to compete against their larger competitors. They can experience reduced costs, heightened revenues, improved resilience, and greater productivity.

It's no secret that the UK's productivity is a major drag on the UK's economy. While we may have avoided an elongated recession, we can be under no illusion that our output is anything other than below par.

But hope for a productivity revival is kindled from the synergy between AI and small businesses, which represent over 99% of all UK businesses and half of UK GDP.

Free from the shackles of legacy infrastructure and embedded processes, the ability of small businesses to adopt AI puts them at an advantage over larger enterprises. Incorporating AI into a business' very psyche is far easier with 50 employees instead of 1,000, and the cycle of trying and failing, trying and succeeding in finding the right tools is far shorter, critical when the pace of change is ever accelerating.

**“ It's no secret that the UK's productivity is a major drag on the UK's economy. ”**





## “ Even in its infancy, the business productivity gains demonstrated by AI are remarkable.

Small businesses often cite cost as a barrier to technology adoption, but with the boom in tools and the ease of accessibility, AI can be far more affordable than other technologies too.

Finally, with AI integration, time is no longer a luxury for small businesses. The speed at which AI can complete business processes, perform data analysis, engage with customers, find information, and generate content is unparalleled by even the most productive worker. With resources diverted away from these time-intensive tasks, more energy can be directed towards other higher value activities.

Even in its infancy, the business productivity gains demonstrated by AI are remarkable. With developments in these tools set to increase, there's no knowing the extents to which AI will transform the way small businesses work.

But transformation is already here, and only those who embrace AI now will thrive into the future. It's imperative that everything possible is done to put the UK's small businesses are at the forefront of that adoption.



**Piers Linney**

Co-founder of Implement AI & former Dragons' Den Investor



## Introduction – Anthony Impey MBE

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### **After successive years of negligible growth, could AI help us climb from the bottom of the productivity league table?**

It's a question many business leaders are asking – and one that Be the Business and The Productivity Institute aimed to answer at our *Beyond the Hype: Making AI Work for Business Productivity* event in November 2023.

Coinciding with the one-year anniversary of Chat GPT's launch, the Generative AI tool that extinguished the idea that AI was just for the few, the day highlighted AI's efficiency implications and opportunities. Our keynote speaker, Alison Wright, SMB Director at Microsoft UK, demonstrated that businesses have already seen productivity gains from using AI tools, equating to 1.2 hours of time every week for every employee.

This echoes findings from a report commissioned by Google, which states that AI-powered innovation could create over £400 billion in economic value for the UK economy by 2030<sup>1</sup>. In real-world terms, this is equivalent to the annual GDP of the South East of England, the region with the UK's second-highest GDP after Greater London.

Our *Beyond the Hype* event also demonstrated that many small businesses are working with the new tech, which mirrors the findings detailed in this report – almost half (48%) of business leaders say they are using AI. Eager to explore how AI can transform their enterprises, business leaders are experimenting with the readily available tools, although ad hoc use is currently the norm over strategic use.

<sup>1</sup>Google. UK Economic Output Report (2023)



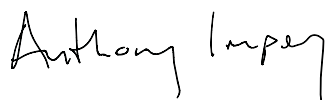
But there are still significant barriers for small business leaders when it comes to AI adoption, and reticence amongst older business leaders (those aged 55+) to introduce or expand the use of AI within their enterprise in the next 12 months. This suggests that 2.4 million businesses could be left behind by the advances in AI<sup>2</sup>. It's a troubling statistic. This – and the knowledge that tech adoption is a key driver of productivity – is why Be the Business made AI a key pillar of [our inaugural Manifesto](#).

Our ambition to make the UK an AI-adoption superpower requires rapid and successful diffusion of AI benefits across the small business population, with a particular focus on upskilling the next generation of business leaders. A recent report from the International Monetary Fund found that the UK economy is well-placed to benefit from increased AI use thanks to our pre-existing AI preparedness<sup>3</sup>, but this will not come to fruition if we do not develop workforce skills quickly and ubiquitously.

And it's crucial that we learn from business leaders on the frontline. We know that there are many challenges for small business leaders when it comes to technology adoption broadly – not least that more than half of those that adopt technology fail<sup>4</sup>. Using these lessons and adapting our approach will increase success rates when it comes to adopting AI.

The potential impact of AI on the productivity of the country's small businesses is extraordinary. But if we are to embrace the opportunities posed by this new technology, we must do so wholeheartedly and without hesitation. We must help business leaders overcome the challenges that prevent them from adopting productivity-enhancing tools, and ensure that they have the skills to take advantage of them.

It's only then that we'll be able to unlock the benefits of AI, and position ourselves, not only a leader in AI, but as a leading productive economy as well.



**Anthony Impey MBE**  
CEO, Be the Business

<sup>1</sup> Google. UK Economic Output Report (2023).

<sup>2</sup> Be the Business Productive Business Index: Edition 7. See explainer on page 16.

<sup>3</sup> International Monetary Fund, World Economic Outlook (April 2024).

<sup>4</sup> Be the Business, Skills for Success (2021).



“ **Tech adoption is a key driver of productivity – and is why Be the Business made AI a key pillar of our inaugural Manifesto.** ”



# The key findings

## The potential impact of AI at a macroeconomic level is extraordinary, but what are the attitudes of small business leaders?

Successful technology adoption is a key driver of productivity. Alongside leadership and management, is it a core pillar of Be the Business' mission to inspire greater productivity amongst the UK's small business leaders (SMEs). AI is now a central part of that technology adoption, and therefore a crucial determinant of productivity.

In January 2024, we surveyed 1,135 business leaders from companies with between 2 and 249 employees from across the UK. We wanted to understand how AI is being used by business leaders, as well as any barriers and incentives. These are our top findings:

### 1 AI revolution is already underway

Almost half of SMEs say that AI is already being used within their business, demonstrating the rapid diffusion of accessible and affordable AI tools across the business-sphere: the latest technology is no longer the reserve of the few.

### 2 Ad hoc, not from the top

While AI is being used widely within companies, it's not always for strategic reasons: over a third of business leaders say employees within their business access AI tools independently for their day-to-day work. This suggests that there's untapped opportunities in those businesses that have quickly adopted AI.

### 3 Digital natives & big business dominate

The majority of younger business leaders surveyed say that AI is used in their business, while larger businesses are also more likely to use AI tools. While this mirrors what we expected, the scale of the difference between older and younger, larger and smaller groups is significant.

### 4 Not now, not ever

Over half of business leaders surveyed say AI is not being used in their business, with just below half saying they have no plans to introduce or expand the use of AI in the next 12 months. This represents a huge economic risk, with as many as 2.4 million businesses potentially being left behind by the advances in AI<sup>5</sup>.

## AI can transform SME Productivity

We found that the true productivity reward for SMEs is the ability to scale-up and innovate, using AI to kick-start a virtuous cycle of continuous productivity improvement.

Our research confirmed - almost unanimously - that those SMEs who use AI demonstrate greater confidence as well as higher levels of investment across all capability areas known to boost productivity.



[Discover the capability areas that drive productivity](#)

By exploring the data in more detail, we hope to uncover what can be done to support business leaders on a strategic and successful AI adoption journey that will improve productivity.



<sup>5</sup> Be the Business Productive Business Index: Edition 7. See explainer on page 16.

# Almost half of business leaders already use AI tools or services

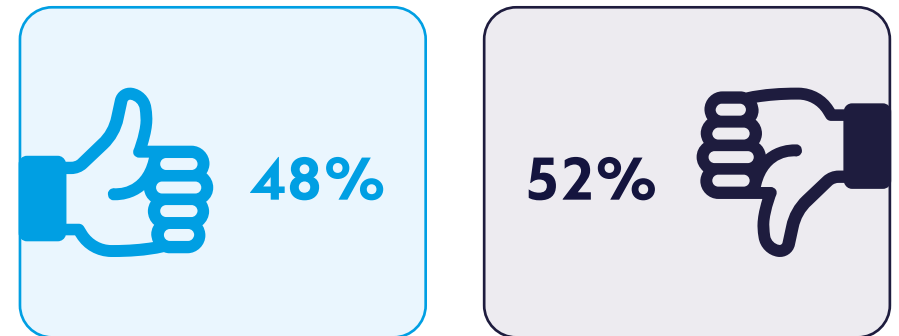
**It feels like we have been told to watch out for an AI revolution for so long that we may already have missed the start.**

There has been a rapid and quiet acceleration of AI adoption in the last 12 to 18 months since the launch of ChatGPT. Our research indicates that **almost half (48%) of business leaders already use AI tools or services.**

This is immensely positive. The efficiencies offered by AI are already well-known – Google estimates that their generative AI tools alone could save the average worker in the UK over 100 hours a year<sup>6</sup>. In a small business, every minute counts, so being able to automate time-consuming processes with AI tools will provide business leaders with more capacity to focus on more strategic tasks.

There are further implications too. Investment in training employees to improve digital awareness and skills was, perhaps unsurprisingly, also important to business leaders using AI, **with nearly half (48%) planning to invest in training to manage the adoption of new technology over the next year**, versus less than a quarter (23%) for those not using AI. Upskilling the workforce will lead to a more even, ubiquitous use of AI, leading to greater productivity improvements.

## Business leaders who say AI is used in their business



**“ Upskilling the workforce will lead to a more even, ubiquitous use of AI, leading to greater productivity improvements.**

<sup>6</sup> Google, UK Economic Output Report (2023).

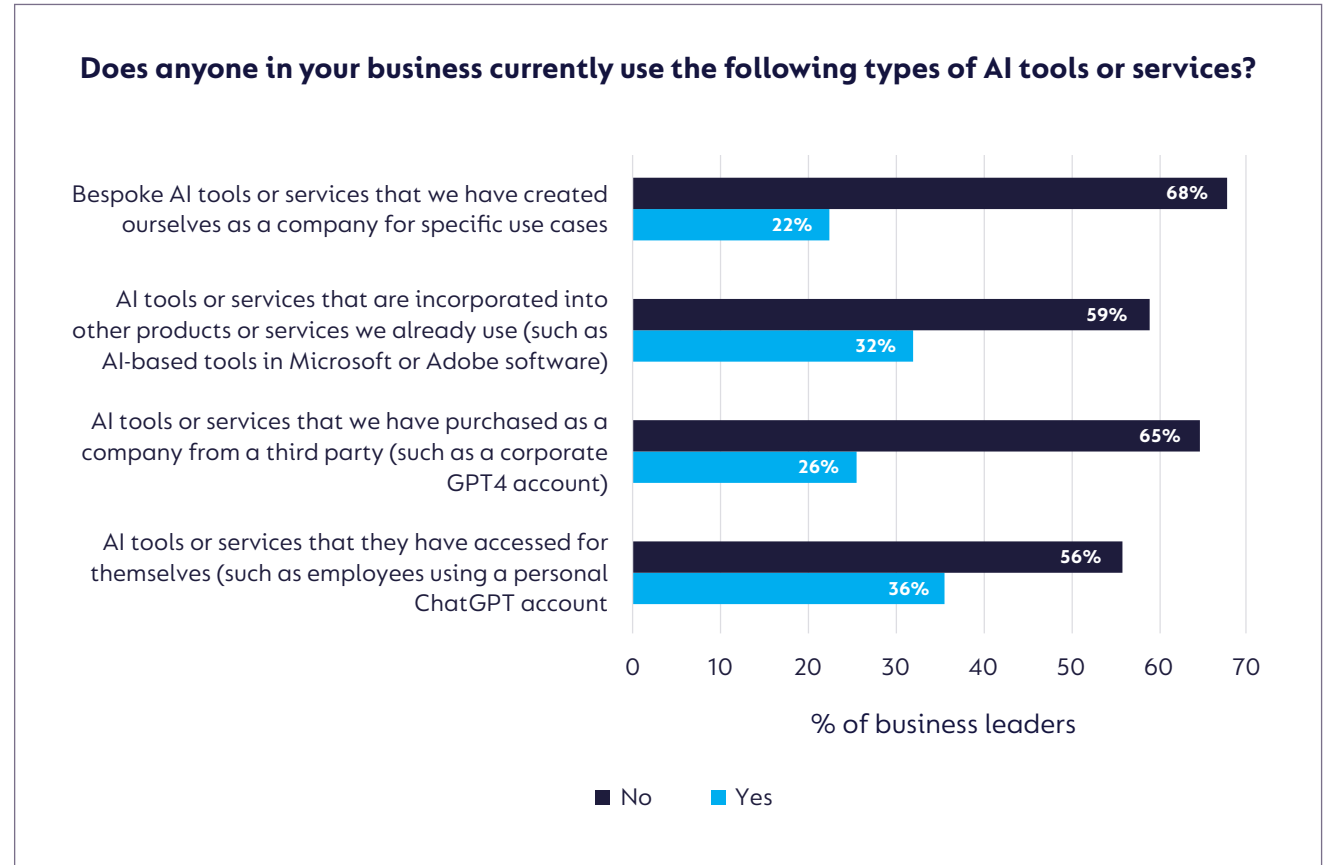


## 36% of business leaders say employees are independently accessing AI tools

There's a variety of AI tools available to businesses and we wanted to understand not only the types of AI business leaders are using, but how strategically AI is being used within the business.

Perhaps unsurprisingly, individual employees accessing tools, such as ChatGPT, is the most common usage of AI (36%), followed by businesses that are using AI tools incorporated into existing products, like Adobe or Microsoft (32%).

It is notable that sizeable numbers of business leaders have also purchased commercial AI tools or services (26%) or have created bespoke tools for company-specific use cases (22%). This demonstrates that while usage is often ad hoc, **there are many business leaders incorporating AI into their business model** in a more strategic way.

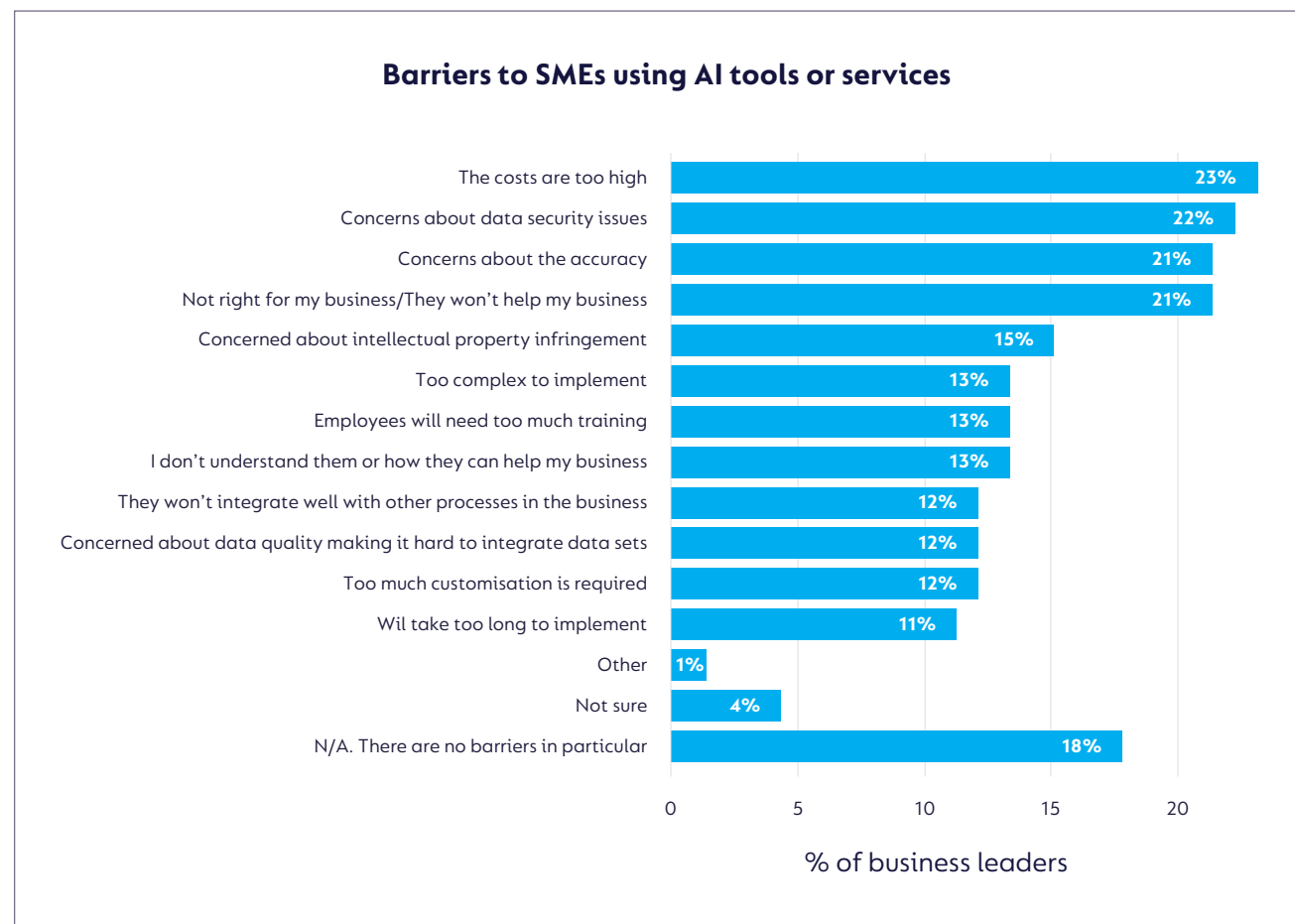


However, the current reticence to use AI at a more strategically may reflect barriers. Our research demonstrates a complex picture, with **a wide array of issues perceived to be obstacles to adopting AI**. Some barriers are internal to the business, such as skills gaps, while others relate to the nature of AI technologies, like concerns about data security.

Two barriers that stand out are ‘not right for my business/won’t help my business’ and ‘I don’t understand them/I don’t understand how they will help my business’. These barriers are again indicative of there being an information gap around AI rather than a more typical market failure.

Finally, one in five (18%) respondents said there are ‘no barriers in particular’. Rather than this being an indication of business leaders who feel confident about adopting AI, we believe this is a reflection of a cohort who don’t believe AI is relevant to them or don’t know where to start.

Addressing these barriers, perceived or otherwise, must be a central focus if we’re to see universal AI adoption and, as a result, improved productivity.



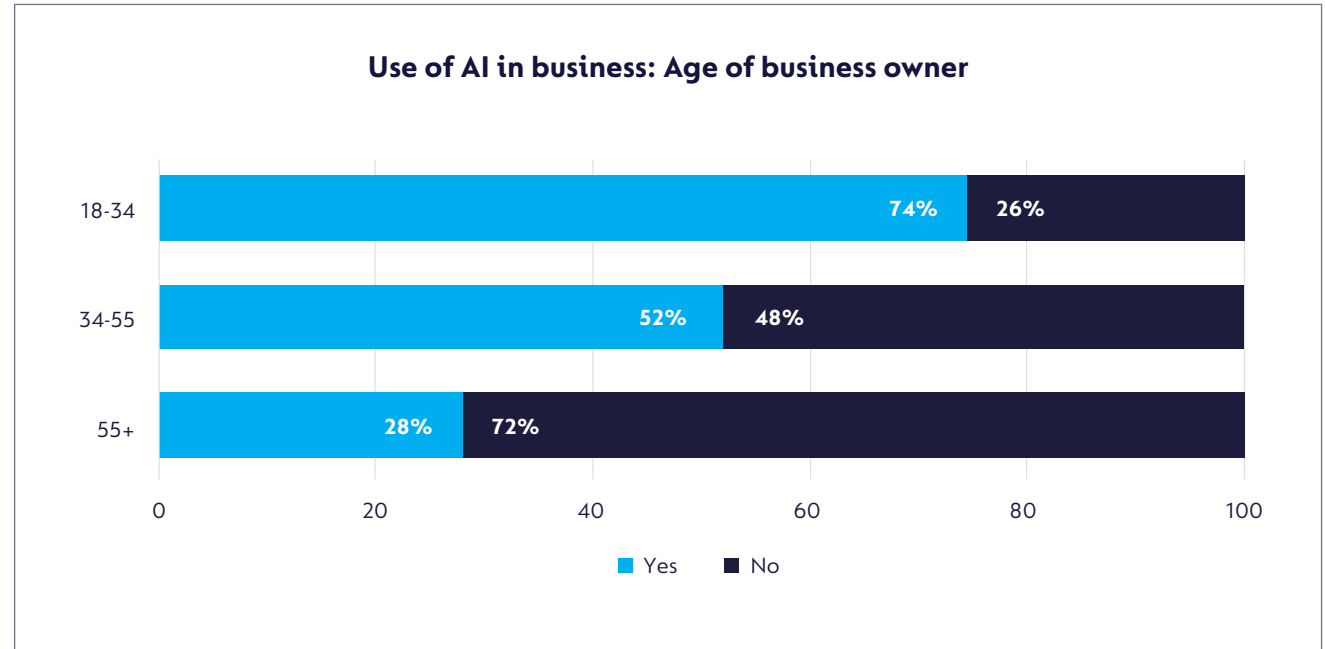
## Three quarters of young business leaders and seven out of ten larger SMEs already use AI

**The age of the business leader is a strong indicator of whether AI is used in the business. The younger the business leader, the more likely their business is to use AI.**

A majority (74%) of those in the 18-34 category say AI is used in their business, nearly three times the 55+ age group (28%). A minority of younger business leaders say they have no plans to use AI (18%), compared to larger proportions of those aged 35-54 (37%) and 55+ (63%).

While we must be wary of creating a 'young versus old' rhetoric, **the use of AI by business leaders who are digitally native is marked and comparison cannot be avoided.**

This is where the power of networking could be used most effectively: by matching younger leaders with older leaders, the diffusion of AI knowledge would increase and some of the barriers (mentioned previously) may be overcome.

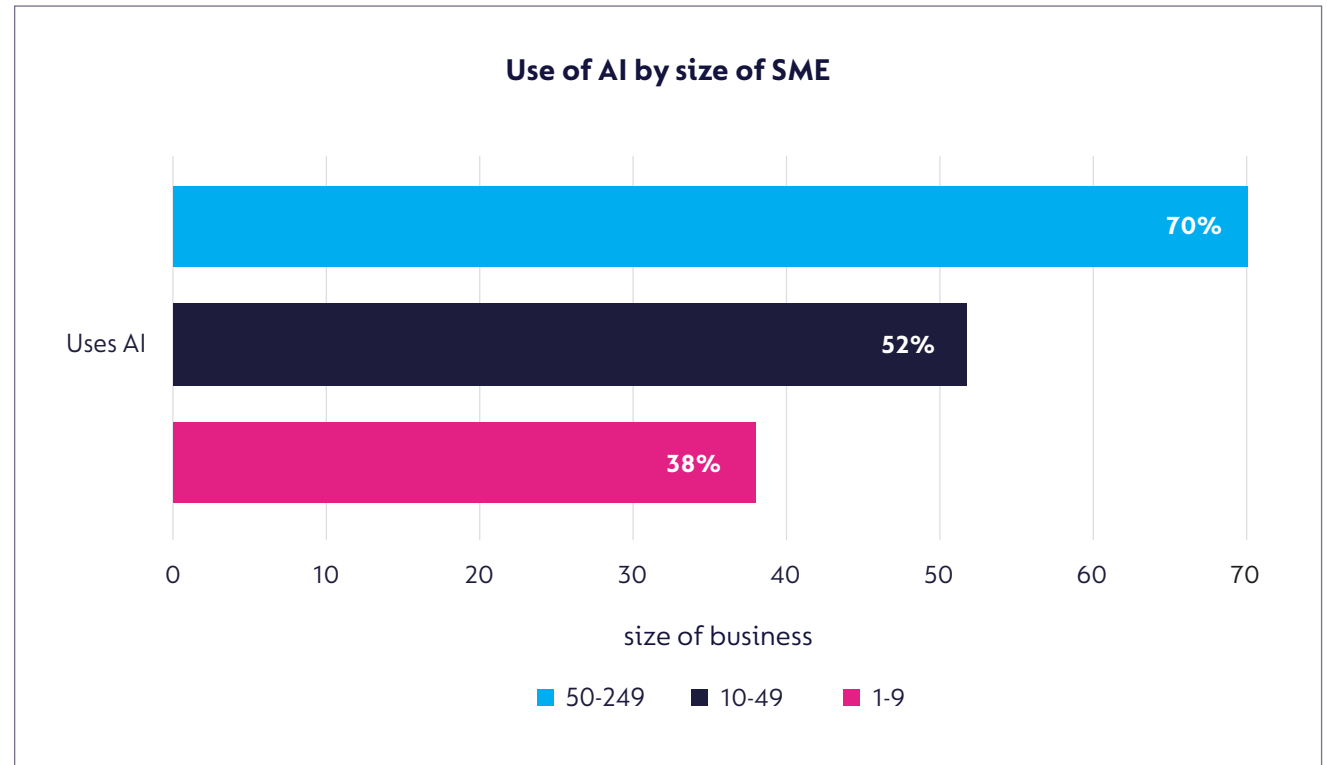




**There is also a clear link between business size and AI use. Larger businesses, those with 50-249 employees, are far more likely to use AI (70%) than those at the smaller end of the scale.**

Throughout the research, we see that it is an absence of information about AI that is a major obstacle for leaders of smaller businesses. There is a clear opportunity to support businesses on the journey to adoption by clearly communicating the benefits of AI for SMEs.

**“ It is an absence of information about AI that is a major obstacle for leaders of smaller businesses.**



# Just below half of business leaders say they have no plans to introduce or expand the use of AI in the next 12 months

## Throughout our analysis, we identified patterns that are cause for concern.

Although the headline SME AI adoption figures are positive, the data suggests there is a large cohort of business leaders that will be left behind in the AI transformation.

- **Two fifths (42%) of business leaders have no plans to introduce or expand the use of any AI tools.** This is unlikely to be businesses that have reached peak use of AI and is more likely business leaders who don't foresee any use in their business.
- **One fifth (21%) of business leaders say that AI is not right for their business.** While AI may not be appropriate for some businesses, they won't make up 21% of the SME population.
- **18% say there is no particular barrier to their business using AI.** These leaders are likely to believe AI is irrelevant for them, rather than nothing is holding them back.

- **One third (32%) of business leaders say there is no type of support that would encourage them to use or increase their use of AI.** This demonstrates that there is likely to be a lack of information rather than the need for a specific support programme.



### Risk warning

Overall, we believe we are seeing a sizeable cohort of small business leaders who just do not see AI as relevant, and without initiatives to encourage demand amongst them, AI will never be part of their plans.

This represents a huge risk: these businesses will be quickly left behind and, with the rate of change driven by new tech, they may never be able to catch up. As a result, they will swiftly lose their competitiveness, see their productivity decline, and become a drag on the UK economy.

**We estimate 2.4 million businesses to be at risk.**<sup>7</sup>

We set out to identify the common characteristics of who is likely to be in this cohort. They tend to be:

- 1 Older leaders (55+) of more mature businesses
- 2 Their business is more often at the smaller end of the SME range
- 3 They are more likely to be based outside of the Greater London area

Identifying this cohort as being more reluctant to adopt AI may not be a revelation, but the reality is that they represent a large part of the UK SME population. AI will become as ubiquitous as computers in the near future.

The broad-based productivity improvement the economy needs means **we cannot risk almost half (42%) of SMEs being left behind in the AI transformation.** This cohort will need particular attention, and again, the most effective approach will be highly targeted interventions to close the information gap and drive demand.

<sup>7</sup> Be the Business Productive Business Index: Edition 7. See explainer on page 16.

## "Ever since we launched, we've been implementing AI into our workflow"

homemove



**Louis O'Connell-Bristow**  
CEO & Co-Founder

**Sector: Property Technology**

**Founded: 2022**

**Location: Norwich & Derby**

**When Homemove co-founders Louis O'Connell-Bristow and James Freestone decided that the company would be split between two cities, it became clear that a tech-focused approach would be essential to sustain collaborative, productive working.**

Fostering a culture of innovation isn't always easy, but the team at Homemove have been coming up with new ideas to make the business work since day one.

Operating from both Norwich and Derby, the team immediately looked to incorporate AI into the business to streamline cross-country communication and maximise engagement.

"We began by leveraging large language models to bring information into Slack (a corporate messaging tool) whenever we have a sale," explains Louis. "After that, we added other integrations, such as an animation that will take the context of the sales and provide a motivational message or corresponding GIF."

In the 18 months since securing their seed round (start-up) funding, Homemove has grown 60-120% month-on-month and already launched Homer, the world's first AI-powered home valuation tool.

"Having a free flow of automated messages and original, coherent responses to events that are happening is impressive. That's something we're bringing to our clients as well."

AI is also helping the sales team by monitoring price changes, sending emails, securing bookings from customers and enabling multiple conversations simultaneously. At every point, the team can see what response it being triggered by the AI, but in most scenarios, customers are not aware that AI is being used.

"Everyone's talking about how AI is a threat to certain industries, but it's going to be more about how it's used to leverage existing roles. We don't want to replace estate agents – we want to arm them with all the tools at their disposal," Louis says.



# What's next for AI & SMEs?

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## Unravelling the connection between AI and Productivity is in its infancy.

More research needs to be done in this area to take a deeper dive into understanding attitudes and behaviours when it comes to using AI, as well as upskilling and educating the next generation of business leaders to reap the benefits of the AI revolution. However, there are already recommendations that can be made for the continued, sustainable diffusion of AI for greater productivity.

Our recommendations build on a key policy ask in our inaugural [Be the Business Manifesto](#) and offer clarity on the next steps to drive an AI revolution within the SME community.

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## Test & learn how best to get SMEs to leverage AI

A significant percentage of SMEs (42%) have no plans to introduce or expand their use of any AI tools. They risk falling behind and never being able to catch up, jeopardising their competitiveness and long-term viability.

Government needs to urgently support research initiatives aimed at enabling SMEs to leverage AI technologies effectively and practically realising its productivity benefits.

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## Focus on generating demand

More work must be done to drive demand for AI in SMEs, rather than creating additional supply-side initiatives which add noise and confusion. Government, at all levels, should leverage its convening power to bring businesses together to learn from one another. And investment should be made to raise awareness and stimulate interest in AI adoption among SMEs.

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## Use existing data to maximise the opportunity

The UK government possesses extensive data on businesses nationwide, yet it lacks a streamlined process to promptly share this data in an accessible manner. To harness the full potential of AI, action is required to make this data readily available, enabling providers and business leaders to pinpoint precisely where and how AI can make the greatest impact.

## Leverage the UK's leadership in AI

The UK ranks third globally as a hub for companies developing innovative technologies, following the US and China, and is the second most attractive destination for AI researchers, after the USA<sup>8</sup>. We must diffuse this AI expertise and make it easier for our AI excellence to be accessed by this country's small businesses.

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## Build momentum by taking the first step

The sheer scale of AI is a deterrent to many. However, it's only by taking the first step, and starting to use the technology, that business leaders often identify the impact it can have and build their confidence in expanding its application. We need to do more to tell these stories to inspire action and create the momentum that embeds AI as an essential part of doing business.

<sup>8</sup> UK Government, Why the UK for AI?

## The research behind this report was conducted by Opinium on behalf of Be the Business.

### Methodology

Be the Business conducted a large-scale survey of 1,135 senior decision makers in UK business, working in companies of 2-249 employees. The survey was conducted by Opinium between 18 January and 31 January 2024. Data has been weighted to be representative of previous Be the Business surveys.

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**Notes 2/5/7 explainer:** The estimate of 2.4m businesses at risk of being left behind was derived in the following way. In the Be the Business Productive Business Index: Edition 7, we asked business leaders about their current usage and future plans to use AI in a number of areas. Here 42% said they currently do not use AI and have no plans to do so. This was then applied to the 2024 DBT Business Population Estimates which assesses the total SME population to be 5.6m.

