NAB SME Business Insights

Unlocking AI Potential: SME Adoption and Workforce Readiness

1 in 5 SMEs are already experiencing a transformational benefit from AI, but fewer than 1 in 5 believe their workforce is well prepared for this shift. This clear gap presents a major opportunity for businesses to invest in upskilling and capability building, positioning themselves to fully capitalise on the next wave of growth and innovation.

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Summary

NAB's latest SME research reveals that AI is rapidly evolving from a buzzword into a core driver of business transformation, firmly embedding itself as a fundamental tool for growth, innovation and competitiveness in today's landscape.

Around 40% of SMEs report actively using AI in Q1 2026, with a further 13% planning to adopt, indicating a meaningful pipeline of future uptake despite the overall profile remaining broadly unchanged from last quarter. This steadiness suggests AI has moved beyond novelty, with the next phase of growth likely to depend on how effectively practical barriers such as cost pressures, skills gaps, data readiness and confidence in returns can be addressed.

Where AI is being deployed, tangible benefits are already emerging. While SMEs rate the operational impact of AI at an average of 4.4 out of 10, more than one in five firms (22%) report significant transformational improvements (7 pts or higher), underscoring the sizeable upside when AI is well aligned with business needs.

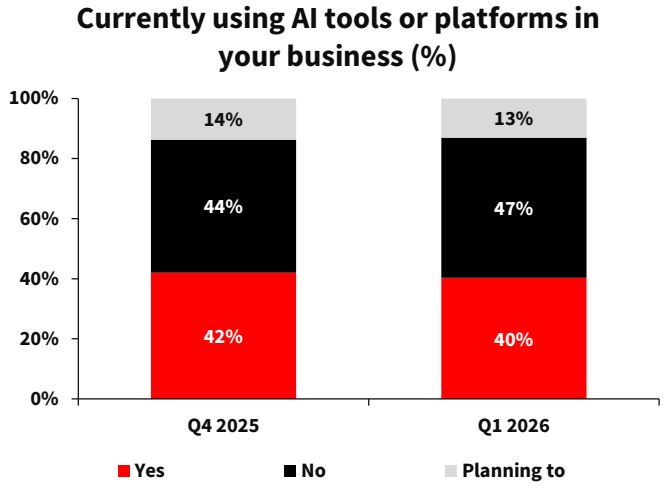
Business Services is leading the way, with higher average benefits (5.6) and one-third of firms (34%) reporting strong improvements, and highlights how data and information intensive workflows can unlock value more quickly. Across the broader SME sector, AI gains are most evident in productivity (58%), marketing (46%) and customer service (36%), reinforcing AI's current strength as a practical efficiency and capability-building tool, even as fewer firms link it directly to profitability (9%) or revenue growth (7%).

The research also highlights a clear opportunity to lift outcomes further through workforce readiness. Average preparedness is currently low at 3.8 out of 10, with only 17% of SMEs rating their workforce as highly ready, pointing to significant scope for improvement, rather than a lack of potential. Readiness is strongest in knowledge intensive sectors such as Business Services and Finance & Insurance, suggesting that targeted investment in skills and capability could unlock substantial productivity gains in less-prepared industries such as Manufacturing, Retail, Wholesale and Construction.

Overall, the findings suggest that SMEs are entering an early value-realisation phase of AI adoption. Initial operational and customer-focused benefits are becoming more widespread, and the experience of leading sectors shows what is achievable. As AI becomes more deeply embedded and workforce capability improves, SMEs are well positioned to build on these early gains and translate them into broader productivity uplift and stronger confidence in longer-term employment and growth outcomes.

AI adoption, improvements to business operations and where benefits felt most

NAB's survey data points to an SME sector that remains finely balanced in its adoption of AI. In Q1 2026, 40% of SMEs report actively using AI, while a comparable 47% say they are not using it, and a further 13% plan to introduce it. This profile is broadly unchanged from the previous quarter, when 42% were users, 44% were non-users and 14% were planning to use it. The persistence of this near-even split suggests AI adoption has moved beyond early experimentation but is yet to reach a clear tipping point across the sector.



While AI uptake appears to be slowly edging into the mainstream, the lack of momentum from quarter to quarter points to a more gradual diffusion process.

For many SMEs, decisions around adoption are likely being shaped less by awareness and more by practical considerations such as cost pressures, access to skills, data readiness and uncertainty around the tangible return on investment.

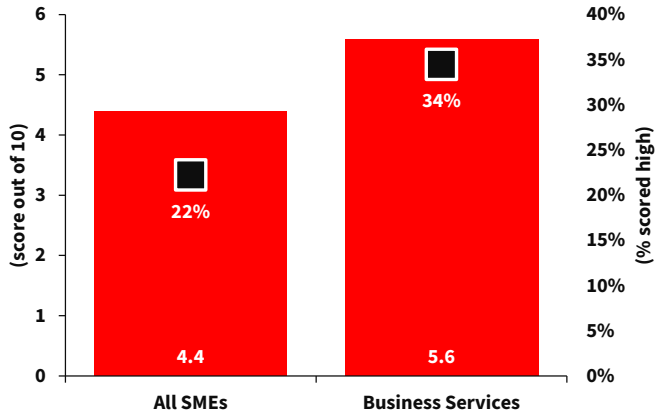
As a result, the SME sector appears to be in a holding pattern - with early adopters embedding capability, a growing pipeline of firms signalling intent, and a sizeable group waiting for clearer proof points or easier pathways to adoption before committing at scale.

In this survey, we ask SMEs for the first time to what extent has the adoption of AI led to measurable improvements in their business operations, such as increased efficiency, cost savings or enhanced customer service.

SMEs on average reported relatively modest operational benefits from AI, scoring its impact on business operations just 4.4 out of 10 points (where 0 is no improvement yet and 10 transformational improvement). This suggests that while AI adoption is underway, for many SME businesses the gains in areas such as efficiency, cost savings and customer service are still emerging, uneven, or not yet fully embedded into day-to-day operations. That said, the average masks a significant minority (over 1 in 5 overall or 22%) that reported a high level of transformational improvement (defined as a score of 7-10).

By industry, Business Services sector stands out as a clear outperformer on both the depth and incidence of benefits realised. SMEs in this sector reported an average score of 5.6 out of 10, well above all-SME average of 4.4, while 1 in 3 (34%) reported high levels of transformational improvement. These results highlight that a larger share of SMEs in the Business Services sector are not just experimenting with AI but are already seeing clearly measurable operational gains.

Extent AI adoption has led to measureable improvements in business operations



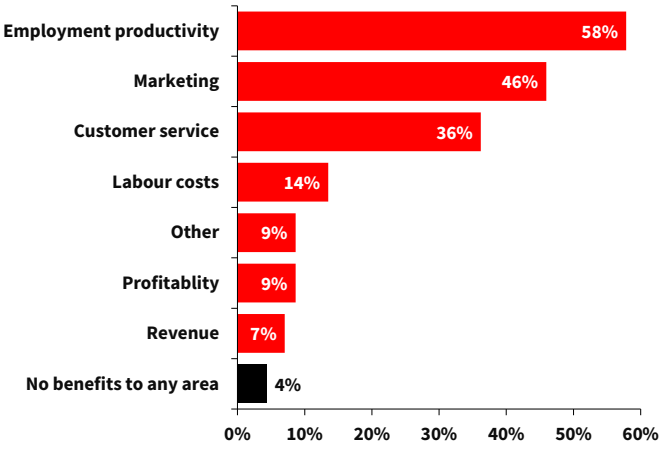
The gap between Business Services and the broader SME sector also suggests that realised benefits depend less on AI adoption alone and more on how well the technology aligns with existing workflows and business models.

Business Services firms tend to operate in information and data intensive environments, where AI can be more easily applied to repeatable tasks such as document processing, analysis, forecasting and administrative automation.

These use cases are also more likely to produce tangible and trackable outcomes, making measured improvements easier to identify and report.

For the wider SME sector, the relatively low average score and smaller share reporting strong gains point to significant unrealised potential. Many businesses may still be in early stages of use, applying AI in a fragmented or ad-hoc way, or lacking the systems and capability to translate usage into sustained efficiency or cost outcomes. The experience of Business Services firms shows that when AI is embedded into core processes and paired with clear metrics, measurable improvements become far more likely.

Specific areas of your business that have benefitted most from AI



New research from NAB also highlights that AI is delivering its most visible benefits for SMEs through operational efficiency and customer engagement, rather than direct financial outcomes.

The most commonly reported area benefiting from AI adoption is employment productivity (58%), highlighting that SMEs are primarily using AI to help staff work more efficiently, automate routine tasks, or handle a higher volume of work without a proportional increase in resources. This suggests that, at this stage, AI is being used as a practical tool to ease capacity constraints and improve day-to-day execution.

Strong benefits are also reported in marketing (46%) and customer service (36%), reinforcing the idea that SMEs are gravitating towards AI applications that are relatively easy to deploy, clearly defined, and quick to demonstrate value.

Customer-facing and go-to-market functions lend themselves well to AI tools such as content generation, customer segmentation, lead management, and automated responses, where small improvements in speed, consistency or responsiveness can be felt quickly. These areas also tend to require fewer changes to core systems, lowering barriers to experimentation and adoption.

By contrast, relatively few SMEs report that AI has most benefited profitability (9%) or revenue (7%) – however, though this almost doubles to 14% for SMEs operating in the Business Services sector - indicating that while efficiency and engagement gains are already widespread, they have not yet translated into clearly measurable bottom-line outcomes for many businesses.

This gap suggests that AI benefits are often indirect or diffuse, such as time savings or quality improvements, making them harder to quantify financially, particularly for smaller firms without formal measurement frameworks. It also points to AI still being used in support roles rather than fully embedded into pricing, product strategy or revenue generation.

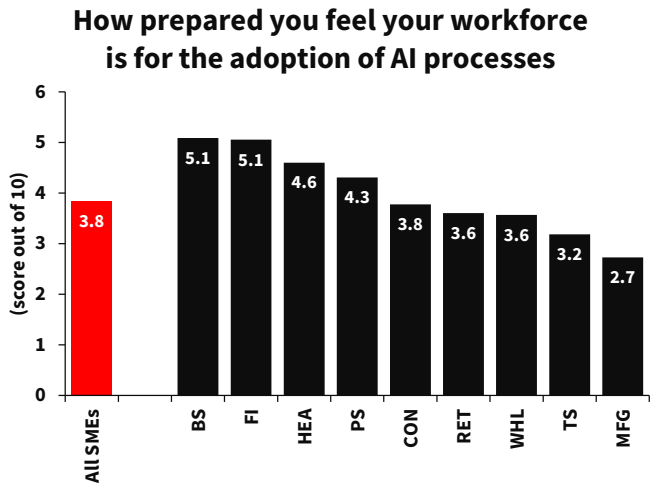
Labour costs are cited by 14% of SMEs as the area seeing the greatest benefit, reinforcing the insight that AI is currently acting more as a productivity enhancer than a direct cost-cutting tool. Rather than replacing workers, AI appears to be helping SMEs get more from their existing workforce, an important distinction in an environment where skills shortages and hiring constraints remain prominent for many businesses.

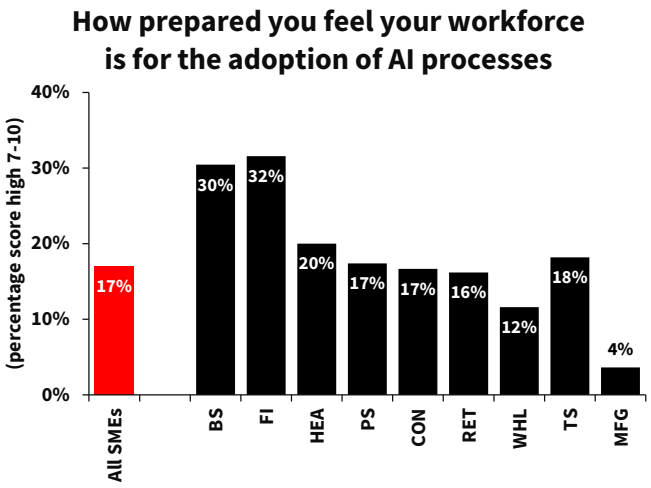
Importantly, only 4% of SMEs report seeing no benefits at all, suggesting that among adopters, the vast majority can already identify at least one area where AI is adding value. Taken together, the results point to SMEs being in an early but tangible value-realisation phase of AI adoption, where the first gains are operational and customer-focused, with the challenge ahead in converting these improvements into sustained revenue growth and profitability over time.

AI impact on the workforce and job creation

Across all SMEs, perceptions of workforce preparedness for adopting AI-driven processes are low. On average, firms rate their preparedness at 3.8 out of 10, with only 17% reporting high readiness (score 7-10). This combination points to a broad-based capability gap rather than readiness being limited to a small cohort of advanced firms. While awareness of AI is likely increasing, the data suggest most SMEs do not yet feel confident that their workforce has the skills or experience required to integrate AI meaningfully into day-to-day operations.

However, preparedness varies sharply by industry, with knowledge-intensive sectors clearly ahead. Business Services records an average score of 5.1, with 30% of firms rating their workforce as highly prepared, while Financial & Insurance services also score 5.1, with an even higher 32% reporting strong readiness. These sectors stand well above the SME average, consistent with higher digital maturity and greater exposure to analytical and automated processes. Health sits closer to the middle, with a score of 4.6 and 20% of firms highly prepared, suggesting some capability but with readiness uneven across roles and functions.





In contrast, preparedness is notably weaker across more operational and trade-exposed industries. Property Services and Construction both record sub-par average scores of 4.3 and 3.8 respectively, with only 17% of SMEs in each sector highly prepared. Retail and Wholesale are weaker again, each scoring 3.6 with just 16% of Retail firms and 12% of Wholesale firms reporting high readiness. Transport & Storage shows a mixed profile, with a low average score of 3.2 but 18% still rating their workforce as highly prepared, suggesting a split between a small group of advanced firms and a larger, underprepared base. Manufacturing is the clear laggard, with the lowest score of 2.7 and only 4% reporting high workforce readiness.

Overall, the results highlight a material AI readiness gap across the SME sector that risks reinforcing existing differences between industries. While Business Services and Financial & Insurance firms appear better placed to adopt AI, even these sectors fall well short of universal preparedness. Meanwhile, industries such as Manufacturing, Wholesale, Retail and Construction - where AI could deliver sizeable productivity gains - appear least ready from a workforce perspective. Without targeted investment in skills, training and workforce transition, AI adoption is likely to remain uneven, with the benefits accruing disproportionately to already more digitally advanced sectors rather than lifting SME productivity broadly.

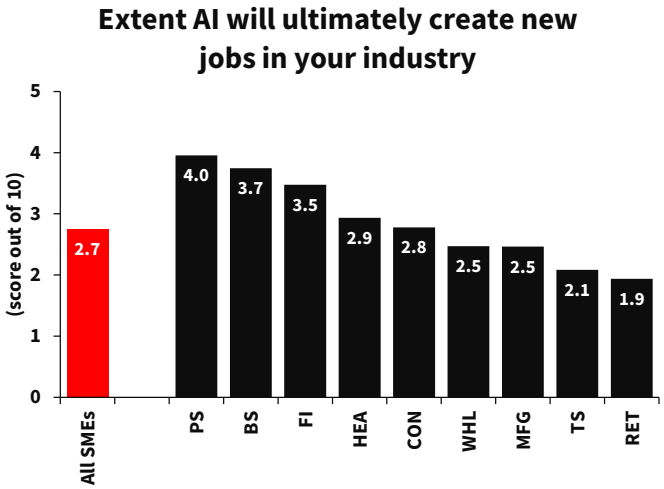
New NAB research also explores the extent SMEs believe AI will ultimately create new jobs in their industry.

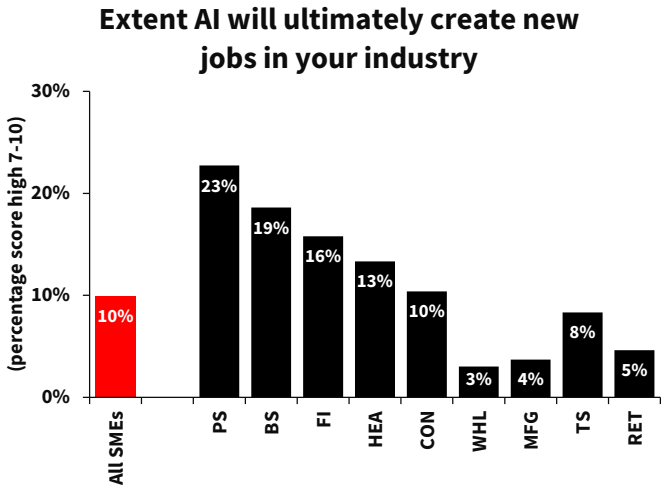
Overwhelmingly, it is subdued with an average score of 2.7 out of 10 across all SMEs (where 0 is not at all and 10 is significantly), with only 1 in 10 (10%) of respondents also expressing high confidence that this will happen (score 7-10). This suggests that for

most SMEs, AI is not yet widely viewed as a net job creator. Though awareness of AI is growing, many SMEs appear unconvinced that its longer-term employment benefits will outweigh automation or labour-saving impacts within their industry.

Optimism is notably higher in professional and data-intensive sectors, where businesses may be better placed to see AI as enabling new services, roles or capabilities rather than simply replacing existing tasks. SMEs in Property Services record the strongest belief, scoring a modest 4.0 points, but with a significant minority (23%) also expressing high optimism. This is followed by Business Services (3.7 and 19% high) and Finance & Insurance (3.5 and 16% high). In these sectors, a well above average share of SMEs are able to envisage AI supporting new analytical, advisory or specialist roles.

By contrast, expectations for AI job creation are far weaker for SMEs in customer-facing and operationally intensive industries. Retail is the most sceptical sector, with a score of just 1.9 and only 5% expressing high optimism for AI-generated job creation in their industry. Transport & Storage also records low expectations (2.1 points and 8% score high), while Wholesale and Manufacturing both score 2.5, with particularly small high-confidence cohorts (3% and 4% respectively). These results suggest that in many of these industries, AI is still primarily perceived as a tool for cost control or efficiency rather than a driver of new employment opportunities.





Industries closer to the SME average reflect more tentative views. Health services record a score of 2.9 with 13% highly optimistic, while Construction sits almost exactly at the SME benchmark (2.8 score and 10% score high). In these sectors, beliefs about AI-driven job creation appear mixed, with neither strong optimism nor deep scepticism dominant.

Overall, the data highlights a clear divide in how SMEs perceive AI's employment impact. Where business models are more digital, service-oriented and data-rich, SMEs are materially more likely to believe AI will support job creation. Elsewhere, confidence remains low and conviction is limited, with few firms strongly believing AI will generate new roles. This suggests that for many SMEs, belief in AI as a job creator is likely to lag adoption itself, strengthening only once businesses see clearer evidence of AI enabling new demand, services or growth, rather than simply improving efficiency within existing structures.

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