

Closing the Confidence Gap

How Europe's small businesses can turn AI into productivity and growth

Evidence and recommendations from 7,500 SMEs and 1,020 startups and scale-ups across fifteen EU Member States.

Sage

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Foreword

Derk Bleeker, Chief Commercial Officer, Sage



Europe has set an ambitious direction for AI. The AI Act is now in force, the Apply AI Strategy is focused on turning ambition into everyday use, and the Digital Decade aims for three in four European businesses to be using advanced technologies by 2030.

The next challenge is to make that ambition real for Europe's 34 million small and medium-sized enterprises, and to ensure that AI adoption translates into meaningful gains in productivity, competitiveness and growth.

Our research shows that the appetite is there. Two-thirds of SMEs expect AI to become as commonplace as the internet within five years. Yet today, only one in four uses it in a structured way, while more than half do not use it at all.

The gap is not one of ambition. It is a confidence gap: confidence in having the right skills, in the quality of AI-generated outputs, and in the data and digital infrastructure that underpin them. This matters even more as AI moves beyond general productivity tools and into areas such as payments, tax and financial reporting, where accuracy, transparency and security are essential.

The encouraging finding is that this gap can be closed. Startups and scale-ups in our research are already approaching the levels of adoption Europe wants to see by 2030. They show what is possible when businesses have access to the right skills, trusted technology and strong digital foundations that enable them to use AI more effectively.

One finding stands out clearly: SMEs are most likely to adopt AI when it is embedded in the software they already use and supported by providers, accountants and advisers they already trust. For technology companies such as Sage, that brings a clear responsibility to build transparent and responsible AI and to make it practical, accessible and genuinely useful for the businesses we serve.

It also gives policymakers a clear opportunity: to equip SMEs with practical skills, provide visible and proportionate assurance around the AI they use, and ensure that Europe's digital infrastructure remains secure, interoperable and open to trusted innovation.

If we get these conditions right, AI will not be simply another technology that small businesses are expected to adopt. It can become a trusted part of how they work every day, helping them save time, make better decisions and unlock the productivity and growth Europe needs.

About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of SMEs served by Sage, our partners, and accountants. Sage provides finance, payroll, and compliance technology that helps businesses manage their finances, people, and operations.

Sage's purpose is to create the confidence that businesses are built on. As AI becomes increasingly integrated into financial, payroll, and workflows, we are committed to developing and using AI responsibly while giving customers greater confidence, control, and accountability.



ABOUT THIS RESEARCH

7,500
SME decision-makers surveyed across the EU-15

1,020
startup and scale-up founders and leaders

15
EU Member States, part of a 28-market global study of 14,000 businesses

Strand Partners surveyed 7,500 senior decision-makers in businesses with fewer than 250 employees across fifteen EU Member States, 500 in each, plus 1,020 founders and leaders of startups and scale-ups in the same markets. Fieldwork ran in July and August 2026 as part of a 28-market global study of 14,000 businesses.

An SME is a business employing fewer than 250 people. Startups and scale-ups are defined on the OECD basis, innovative businesses under ten years old or showing rapid growth. Full methodology in Annex B.

MARKETS SURVEYED



Our recommendations at a glance

Europe's next step is to embed AI in how small businesses work, so that it delivers real gains in productivity and growth.

The Digital Decade target is for 75% of EU enterprises to take up cloud computing, big data or AI by 2030, with the Commission tracking progress against this combined target as well as uptake of each technology separately. Counting businesses that use any one of the three, the EU is projected to come close to the target, but AI on its own is much further behind, with uptake projected to reach around 54% of EU enterprises by 2030.[1] Uptake also says little about whether AI has changed how a business runs. Only a quarter of EU SMEs use AI in a structured way, and SMEs using AI see smaller returns than startups and scale-ups, which use it more deeply. Closing that gap will take EU institutions, Member States and the technology sector working together in three areas, which follow the structure of this report.

PILLAR 1

Skills: build confidence through real use, working with the private sector

Most SMEs are held back by skills and confidence, and are most likely to adopt AI through the software and advisers they already rely on. Skills programmes will reach them fastest if they are delivered with those partners.

1. Turn accountants and other trusted advisers into multipliers for practical AI adoption, with the Experience Centres for AI and the AI Skills Academy working alongside accountancy bodies and business-software providers (Chapter 1).
2. Reduce the risk of SMEs' first meaningful AI deployment through adoption vouchers or equivalent support that pairs funding with practical advice and focuses on proven use cases in the software SMEs already use (Chapter 1).

PILLAR 2

Trust: clear standards and visible assurance

As AI moves into finance and tax, SMEs want answers they can check and a clear signal of which tools meet recognised standards, and 60% would use more AI if providers could show this. They also need the digital foundations that make AI useful: 65% say the more of their admin is digitised, the more value they get from AI, and structured e-invoices, connected systems and access to trusted infrastructure are what turn that data into better outcomes.

3. Develop a voluntary assurance framework for everyday business AI, building on Article 95 of the AI Act and aligned with recognised international standards (Chapter 2).
4. Set a higher trust standard for AI used in payments, tax submissions and financial reporting, with clear information on testing, data handling and where human oversight remains necessary (Chapter 2).
5. Keep sovereignty requirements under the Cloud and AI Development Act proportionate, so that SMEs keep access to trusted European and international cloud, AI and software providers (Chapter 2).
6. Make the European Business Wallet work through the business software SMEs already use, with machine-to-machine integration for structured e-invoices and business documents, aligned with ViDA, BRIS and EU Inc. (Chapter 2).

PILLAR 3

Scaling: measure the depth of adoption and the outcomes it creates

SMEs using AI already save around four hours a week, but startups and scale-ups, which use it more deeply, save around nine hours and are far more likely to report higher revenue (46% against 26%). Depth of use is therefore a better guide to Europe's progress than uptake alone.

7. As part of the Digital Decade review, complement the AI uptake KPI with a measure of the depth of adoption, and judge adoption support by the outcomes it creates for businesses, such as time saved, costs reduced and new customers reached (Chapter 3).

Introduction

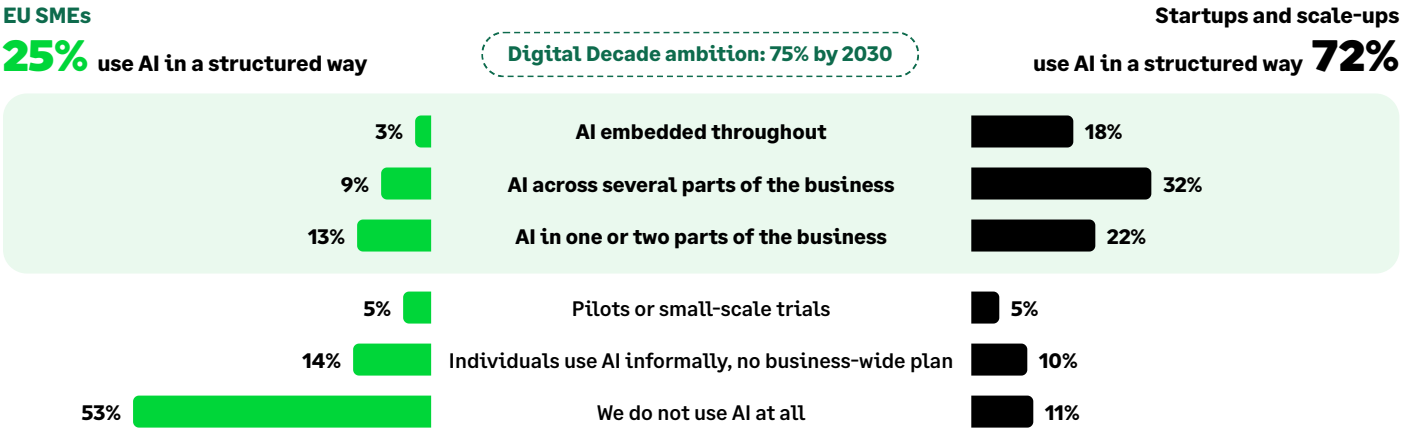
Interest is high, but adoption stalls before AI is embedded.

Europe's AI debate has moved from setting rules to making adoption happen. Nearly one in five EU enterprises now uses AI, up by almost half in a year.[2] But the current trajectory still falls short of Europe's ambition: the European Commission expects uptake to reach around 54% by 2030, short of its 75% ambition, and SMEs account for much of this gap. Uptake is also only part of the picture, because the productivity gains Europe is looking for come from AI that is embedded in everyday workflows, and to ensure SMEs achieve meaningful use will require policymakers and the technology sector to work together.[3]

SMEs believe in AI, but most have not yet made it part of how they work. Two-thirds (67%) expect AI to be as normal as the internet within five years, and 74% say the AI transition will only succeed if small businesses are part of it. Yet 53% of SMEs use no AI at all, and only 25% use it in a structured way, in at least one part of the business. Adoption also varies widely between Member States: structured use reaches 34% in Sweden but falls to 19% in France and 18% in Germany, where 61% of SMEs use no AI at all. Startups and scale-ups, which we surveyed separately as a comparison group of younger, fast-growing businesses, are much further ahead: 72% use AI in a structured way.

For many SMEs, AI adoption starts with experimentation but becomes more useful when it is built into familiar workflows. Around four in ten users first encountered AI through features added to software they already used, low-cost tools that were easy to try, or a need to complete a task faster. Adoption is easier when AI is integrated into tools and processes businesses already understand. The next step is moving from isolated tasks to repeatable workflows that save time across the business. That transition is already more advanced among startups and scale-ups, 62% of which expect AI to significantly change how they operate over the next three years, compared with 28% of SMEs.

FIGURE 1 **The AI adoption ladder: share of businesses at each stage**



Shaded rows = structured use. Source: Sage SME AI Research 2026. EU-15 SMEs n=7,500; startups and scale-ups n=1,020. EU SMEs = businesses with fewer than 250 employees. Startups and scale-ups = a separate sample of innovative businesses under ten years old or growing rapidly (OECD definition); most are also SME-sized but are reported separately as a comparison group. Structured use = AI in one or more parts of the business. Digital Decade ambition covers cloud, AI or big data.[4]

The ladder shows where support can make the biggest difference.

One in five SMEs is already experimenting, informally or through pilots. They are the closest to moving into structured use, and the challenge is helping them make that next step: from trying AI for individual tasks to relying on it in repeatable workflows. The policy priority that emerges is clear: reduce the risk of that first meaningful deployment.

Member States can use existing EU and national digitalisation funding for targeted adoption support, such as AI vouchers through the Experience Centres for AI, helping SMEs find proven use cases, including in software they already use, and pairing funding with implementation advice.

Key findings

Interest in AI is high, but adoption stalls. 67% of EU SMEs expect AI to become as normal as the internet within five years, yet only 25% use it in a structured way, compared with 72% of startups and scale-ups. Three findings explain the gap and what would close it.

67% EU SMEs expecting AI to become as normal as the internet within five years

25% EU SMEs using AI in a structured way

72% Startups and scale-ups using AI in a structured way

FINDING 1

Adoption: skills and confidence are the first barrier

Most SMEs are held back by skills and confidence, and are most likely to adopt AI through software they already use.

45%
cite a lack of skills or confidence as a barrier to using AI more, followed by data privacy and security (37%) and not knowing where to start (34%)

8%
are very confident their team has the skills to make the most of AI, compared with 34% of startups and scale-ups

35%
AI built into software they already use, from a provider they trust, is the factor most likely to encourage SMEs to use more

FINDING 2

Trust and foundations: as AI goes deeper, SMEs want answers they can verify

As AI moves into finance and tax, SMEs want transparency, visible assurance and joined-up digital foundations.

53%
want the source documents and a plain-language explanation before acting on an AI-generated figure

60%
would use more AI if providers could show their tools met recognised standards

65%
say the more of their admin is digitised, the more value they get from AI. Among SMEs using e-invoicing, 31% say it made starting with AI easier.

62%
would use more digital tools and AI if rules were simpler and consistent across Europe

FINDING 3

Scaling: returns are real, but uneven

AI is already saving SMEs time, but the bigger growth gains go to businesses that use it more deeply.

EU SMEs Startups and scale-ups

SME AI users save around four hours a week; startup and scale-up users save around nine.



26% of SME AI users report higher revenue, against 46% of startups and scale-ups



63% of startups and scale-ups would use freed-up time to win new customers and markets, against 39% of SMEs



Adoption: confidence is the first barrier

For most SMEs, the first barrier to AI is confidence. Many can see the potential, but they are less sure where to start. The evidence suggests that this gap closes with experience – especially when support comes through the software and advisers SMEs already rely on. That is also the logic behind the Apply AI Strategy's 'AI-first' approach: making adoption easier by bringing AI into the tools and services that businesses already use.

Skills and confidence are the biggest barriers

A lack of skills or confidence is the top barrier to using AI more (45%), followed by data privacy and security (37%) and not knowing where to start (34%), while 26% cite cost. These barriers are sharper in some markets. In France, 48% cite a lack of skills or confidence and 37% say they do not know where to start, even though 60% expect AI to become as normal as the internet within five years. This points to a practical adoption problem – with a third of SMEs unsure where to begin, funding alone will not close the gap. Businesses also need help identifying where AI can add value, choosing the right tools and building the confidence to use them.

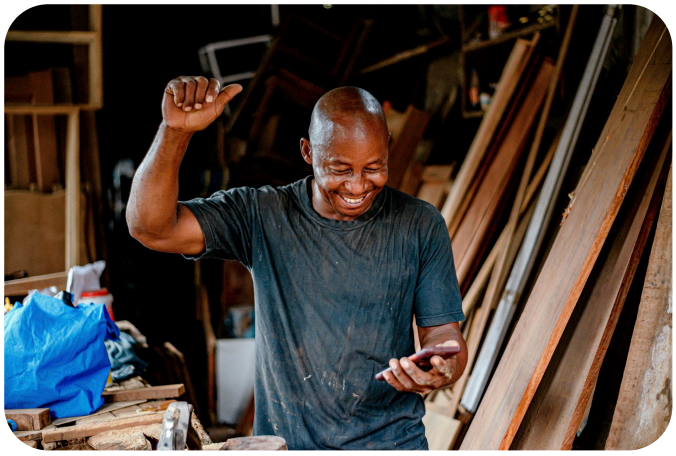
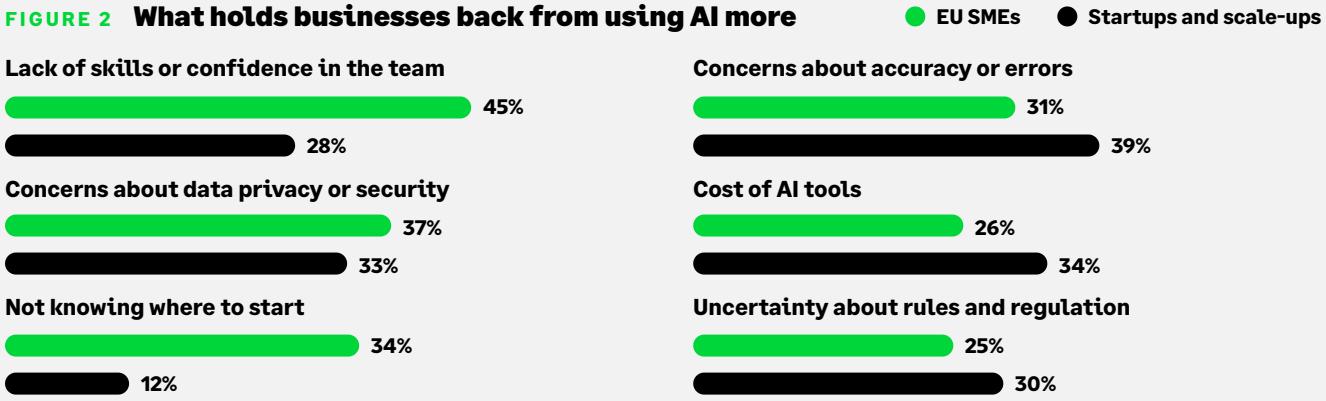


FIGURE 2 What holds businesses back from using AI more



Source: Sage SME AI Research 2026. EU-15 SMEs n=7,500; startups and scale-ups n=1,020.

Confidence grows with experience

Only 8% of SMEs are very confident they have the skills to make the most of AI, compared with 34% of startups and scale-ups. The difference lies in exposure: startups and scale-ups are more than twice as likely to provide formal AI training to staff (23% against 10%), and only 14% have no plans to train, compared with a third of SMEs.

That confidence is built by doing: businesses become more comfortable with AI when they can start with a clear, low-risk task, learn what works, and build from there. That process becomes even easier when AI is introduced through tools and workflows they recognise and know how to use.

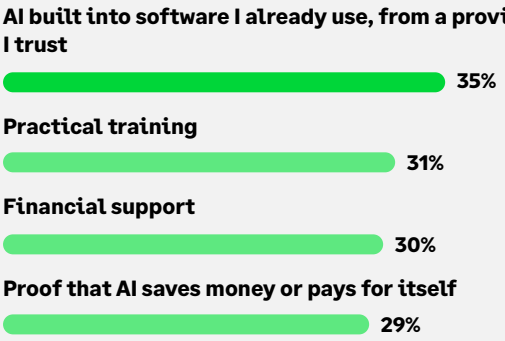
For policymakers, the implication is that skills support works best when it is attached to a real task in a real business. The AI Skills Academy and the Experience Centres for AI are well placed to provide this, particularly if they reach SMEs through the software and advisers they already use. Private-sector programmes can extend that reach. The Sage AI Academy, for example, gives business owners, accountants and finance teams a practical route into AI literacy, from effective prompting to building AI into everyday workflows, and initiatives of this kind could complement the AI Skills Academy rather than run in parallel to it.

AI scales fastest through software SMEs already use

For many SMEs, the most natural route into AI is through business software they already use. Two-thirds say AI works best when it is built into trusted business software rather than bought separately, and half of SME users already use AI features in software they pay for.

It is also the biggest driver of future use. AI embedded in software they already use, from a trusted provider, is the factor most likely to encourage SMEs to use more (35%).

FIGURE 3 What would most encourage SMEs to use more AI (top four)



Source: Sage SME AI Research 2026. EU-15 SMEs n=7,500; startups and scale-ups n=1,020.

This matters because many SMEs feel AI is not built for them. 57% say AI tools are designed for larger companies, compared with 22% of startups and scale-ups. Bringing AI into familiar, SME-focused software lowers both the complexity of adoption and the confidence barrier that comes from working with something new. In practice, embedded AI often works quietly inside an existing process: checking ledger entries against past patterns, flagging anything unusual before it is posted, explaining why it was flagged and leaving the decision with the user.

Trusted advisers can help SMEs take the next step

Software is only part of the solution. Accountants and bookkeepers are well placed to help SMEs understand where AI could add value, yet only 16% of SME AI users started using it following a recommendation from an accountant, adviser or peer. SMEs are looking for more support: 25% want trusted advice through accountants, banks or business hubs, and 23% want expert help identifying valuable AI use cases, alongside demand for financial help (46%) and practical training (39%). This creates an important role for advisers, where they can help SMEs move from interest to useful applications, and from there towards more structured AI use. Today, that channel accounts for a small share of first steps into AI, which leaves clear room for accountancy bodies, software providers and the Experience Centres for AI to work together. France offers one model for how this could work at national level. Its Osez l'IA plan, launched in July 2025, aims for 80% of SMEs and mid-sized firms and 50% of very small businesses to use AI by 2030, and backs those targets with co-funded AI diagnostics and a regional network of AI ambassadors who work directly with businesses.

Confidence gets SMEs onto the ladder, but climbing it raises a new question. As AI moves into accounts and finance, the question shifts from 'can we use it?' to 'can we rely on it?'



POLICY PRIORITIES

Recommendations

1. **Turn trusted SME advisers into multipliers for practical AI adoption.** Experience Centres for AI and the AI Skills Academy should work with accountancy bodies and business-software providers to equip accountants and bookkeepers with practical AI training and tools for SME clients.

2. **Reduce the risk and cost of SMEs' first meaningful AI deployment.** Member States should use existing EU and national digitalisation funding to provide AI adoption vouchers or equivalent support through the Experience Centres for AI, helping SMEs move from testing to proven use cases in the software they already use. Support should combine implementation funding with practical advice and an assessment of the business case.

CASE STUDY

Magic LEMP

Magic LEMP

Magic LEMP is a French AI research laboratory and software company, founded around eight years ago by Raphaël-David Lasseri, PhD. Its motto is "AI that enlightens without dazzling", and it helps organisations from SMEs to public bodies take AI from opportunity to everyday use.

Work begins with a strategic AI diagnostic that shows where to start, weighs costs against benefits and sets a roadmap. The team then designs, tests and integrates tailored solutions, from experiment to production, in the cloud or on-premises, including in sensitive environments with stringent data-security and sovereignty requirements.

Magic LEMP also develops multimodal AI technologies, offers practical training to build skills and confidence, and pairs human AI strategists with reusable software modules.

Lasseri sees organisational readiness as the main barrier for SMEs:

> **"If I had to highlight three barriers for SMEs, the first is not having a clear definition of the return you want on your investment, so you do not know what to measure. The second is that most SMEs treat AI as something that can simply be outsourced, when it actually needs the time and expertise of people inside the company, and that is very hard for SMEs to give. The third is internal ownership: governance, and what a safe AI really means.**
>
> **I think the biggest obstacle to AI adoption is not artificial intelligence complexity. It is organisational intelligence.**
>
> **Europe has the ingredients for AI to succeed. The challenge now is execution: turning those strengths into widespread adoption and measurable economic impact."**
>
> – **Raphaël-David Lasseri, PhD,** Founder and CEO, Magic LEMP



Trust: as AI moves into consequential work, trust and foundations become critical

As AI moves deeper into the business, trust becomes the condition for scaling it. 30% of SME AI users already apply it to accounts and finance (compared with 44% of startups and scale-ups), where mistakes can carry legal or financial consequences.

92%
want control over their data

91%
want strong security

90%
want a human in control of important decisions

SMEs want answers they can check

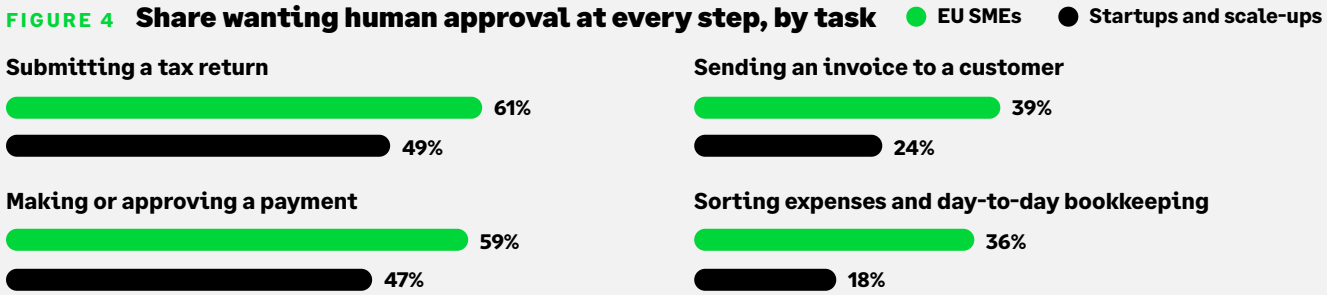
SMEs' expectations are consistent across the EU: control over their data (92%), strong security (91%) and a human in control of important decisions (90%). These are not features that distinguish one provider from another – they are baseline expectations.

What follows is a demand for answers that are both transparent and auditable. Transparency means a business can understand what an AI tool has done and why, in terms it can follow without technical expertise, while auditability means the business, its accountant or a tax authority can verify an output against the records and controls behind it. SMEs want both: before acting on an AI-generated figure such as a tax calculation, 53% would want to see the documents it used and a plain-language explanation of how it was reached, and fewer than one in ten would trust the answer alone. Providers can build this in from the start. Logging each AI recommendation alongside the data and reasoning behind it, and recording who approved it, gives a business an audit trail it can show an accountant or tax authority and makes errors easier to trace and correct.

SMEs want more human oversight where mistakes are costly

SMEs are open to letting AI handle routine work, but want a person involved when the stakes are high. Six in ten say a human should approve every step when AI files a tax return or makes a payment. For day-to-day bookkeeping, only around a third want that level of oversight. This suggests AI agents are best suited to start in the back office: with routine tasks that are easy to check and correct, while a person keeps the final say on payments, tax and other decisions with financial or legal consequences. This will matter more as AI moves from recommending actions to taking them on a business's behalf, such as chasing payments, processing approvals or preparing tax submissions. The more autonomy a system has, the more important it becomes that it stays within the limits the user has set, records what it has done, explains its reasoning and knows when to hand a decision back to a person. In finance, an answer that is almost right is still wrong, and as AI takes on more complex workflows, finance teams need to be able to trace how each output was reached without spending hours working backwards from it. Building that in from the outset will be easier than adding it later, and it is a useful test for any assurance framework designed for the next generation of business AI.

FIGURE 4 **Share wanting human approval at every step, by task**



Source: Sage SME AI Research 2026. EU-15 SMEs n=7,500; startups and scale-ups n=1,020.

SMEs need simple ways to tell which AI tools meet the standards

Most small businesses don't have a compliance team to interpret AI rules and standards for them, and many are unfamiliar with them. Three in ten SMEs have never heard of the AI Act, and two-thirds have never heard of ISO 42001 or the OECD AI Principles. This means that it is critical to make assurance visible and recognisable. 60% would use more AI if providers proved their tools met recognised standards, rising to 69% for startups and scale-ups. To be credible, SMEs place the greatest value on independently verified AI capabilities (55%) and assessment against a recognised international standard (49%). German SMEs set the bar highest. 44% would pay more for AI that is independently certified (EU-15: 36%), the highest of the fifteen markets; 54% say a trust label is credible when it is based on a recognised international standard (EU-15: 49%), and 51% say independent testing would raise their confidence that AI is reliable (EU-15: 45%). With only 18% of German SMEs using AI in a structured way, visible assurance could be an important lever for adoption in Europe's largest economy.

Cybersecurity is part of the same picture. Strong security sits alongside data control and human oversight among SMEs' baseline expectations of AI. Almost half (46%) have seen more convincing scams in the past year, and three in ten have delayed or dropped an AI tool over security concerns. For SMEs, the answer is not more complexity but more assurance: they want clear signals that show which tools meet recognised standards, with stronger safeguards where AI is used in consequential financial workflows. These findings point to a gap that regulation alone will not close. Most everyday business AI sits outside the AI Act's high-risk rules, and few SMEs know the standards that apply to it, so they have little to go on when choosing a tool. A voluntary framework building on Article 95 of the AI Act, with independent checks against recognised international standards and security built in, would give them a simple signal to look for.

IN PRACTICE

Sage's AI Trust Label

Sage's AI Trust Label is one example of what greater transparency can look like for small businesses. First launched in Sage Intacct for UK and US customers in November 2025, it has since been rolled out across additional Sage products and markets, including products in Germany, France and Austria. The Trust Label, which has been published on the UN's AI Dialogue Partnerships Hub, provides clear, accessible information about how Sage develops and uses AI, including regulatory compliance, customer data use and the safeguards and monitoring in place around accuracy and ethical considerations.

Its purpose is to help SMEs make more informed decisions about the AI they use, without requiring specialist technical expertise. A common, independently checked framework under Article 95 could build on approaches like this by enabling consistent and comparable trust signals across providers, giving SMEs a stronger basis for choosing between them.

Strong digital foundations make AI more useful

Trust in AI also depends on the quality of the systems and data around it. Half of SMEs spend three hours or more a week on regulatory paperwork, and 65% agree that the more admin is digitised, the more value they get from AI.

E-invoicing shows how those digital foundations can support wider AI adoption. By turning invoice information into structured, machine-readable data, it reduces manual administration and makes financial data easier to reuse across accounting, tax and reporting workflows. Sage's earlier research[5] also found a strong link between e-invoicing and wider digital adoption, with 9 out of 10 businesses that introduce e-invoicing going on to invest in advanced technologies such as AI and cloud.

EU policy is increasingly reinforcing that foundation. Under VAT in the Digital Age (ViDA), mandatory e-invoicing and digital reporting will apply to intra-EU B2B transactions from July 2030, based on the European e-invoicing standard. Several Member States are already further ahead. Italy has required B2B e-invoicing since 2019, and 78% of Italian SMEs now use it (EU-15: 46%), while since September 2026 every business in France has had to be able to receive e-invoices. The European Commission is also revising the e-invoicing framework for public procurement, with a focus on greater interoperability and harmonisation across Member States. Together, these reforms can help create the structured, reusable business data that makes more advanced automation and AI possible.

FIGURE 5 **From digitised admin to AI value**

DIGITISED ADMIN

46%

of SMEs already use e-invoicing; 22% are preparing to

→

STRUCTURED DATA

31%

of e-invoicing users say it made starting with AI easier

→

MORE VALUE FROM AI

65%

agree: the more admin is digitised, the more value they get from AI

Source: Sage SME AI Research 2026. EU-15 SMEs n=7,500; startups and scale-ups n=1,020.

Digital identity and interoperability connect those foundations

SMEs want these foundations to work hand in hand: common standards so tools share data automatically (71%), government services that link directly to business software (66%), and a secure business identity reusable across providers and government (64%) – what the European Business Wallet is designed to deliver. For SMEs, the value of digitalisation lies in making interactions across software, providers and government simpler and more interoperable – in creating the foundations for a connected digital economy.

Sweden suggests how these foundations and AI adoption reinforce each other. 87% of Swedish SMEs reach at least a basic level of digital intensity, against 71% across the EU, and the Commission puts Swedish businesses among the EU leaders on AI uptake, with 35% of enterprises using AI against 20% EU-wide. In our survey, 34% of Swedish SMEs use AI in a structured way, and demand for connected foundations is above average: 68% want a secure digital business identity (EU-15: 64%) and 70% want government services that connect directly to their business software (EU-15: 66%).

By enabling businesses to reuse verified information and credentials across services and borders, the Wallet could help reduce duplication and simplify interactions with public authorities, while also supporting core business processes such as invoicing, payments, authorisations and the exchange of company information.

Its potential goes beyond digital identification alone. By linking trusted business information to the systems and services companies already use, the European Business Wallet could help make the once-only principle work in practice and reduce the administrative friction businesses face when dealing with different authorities and markets. Its potential also extends to cross-border trade by streamlining how companies interact with each other – helping SMEs operate across the Single Market without having to navigate different digital requirements in each country.

71%

want common standards so tools share data automatically

66%

want government services that link directly to business software

64%

want a secure business identity reusable across providers and government



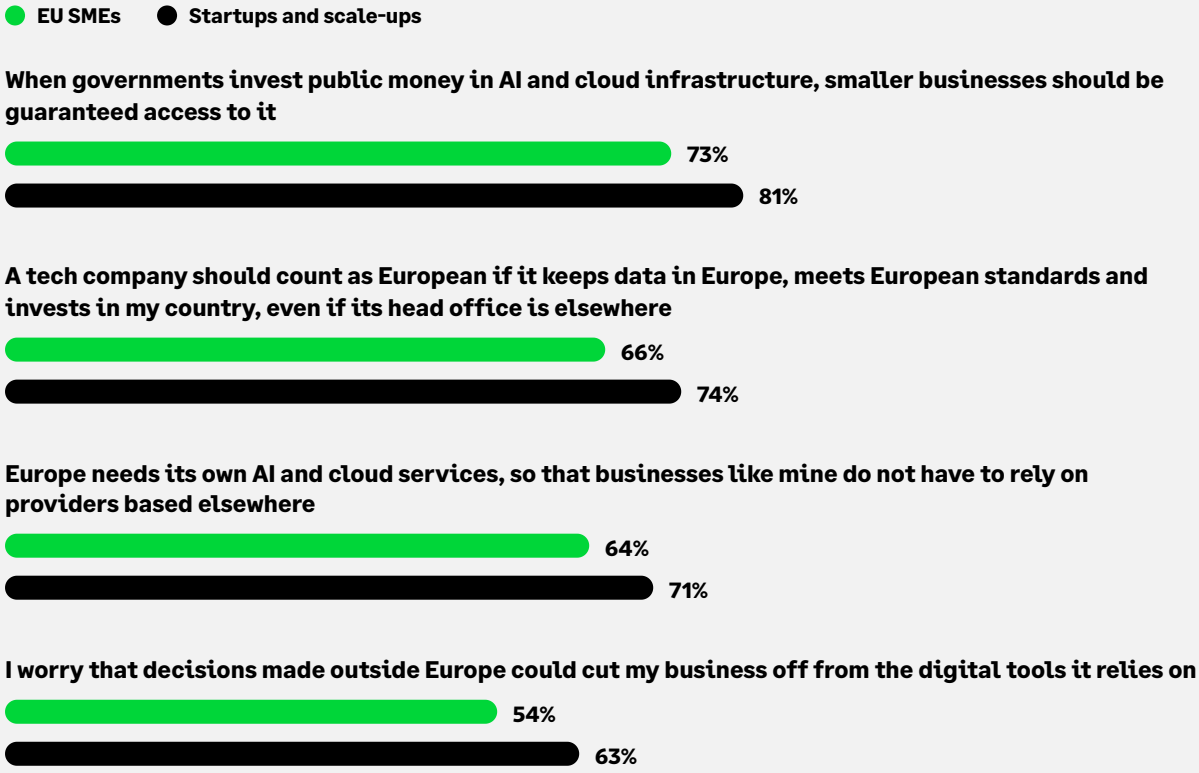
For SMEs, sovereignty is about access and how providers handle their data

For SMEs, trust starts with knowing what happens to their data and having control over how it is used. Nearly two-thirds (64%) say their data should never be used to train an AI model without explicit permission, rising to 68% in Germany and France, while only 3% accept unconditional use. However, there remains a gap between the control SMEs want and the visibility they have over their data: just 14% are very confident they know where it is stored. This uncertainty matters more as AI moves into consequential areas such as tax, payments and financial reporting, and SMEs do not expect to carry the risk alone: if an AI-generated tax figure were wrong, 35% say responsibility should be shared between the provider and the business, and 29% say it should sit with the provider alone.

SMEs' concerns about data control also sit at the centre of Europe's debate on digital sovereignty, which increasingly focuses on AI as policymakers consider how far Europe should rely on non-European providers for the cloud infrastructure and models that AI runs on. This matters for adoption because the AI tools SMEs use are usually built into business software that runs on cloud infrastructure and draws on models from a range of providers, many of them based outside Europe. Rules on where providers are headquartered or who controls them could therefore affect which AI tools SMEs can use. SMEs themselves care more about how a provider handles their data than where it is based: they place the most trust in the business software providers they already use (65%) and rank a provider's headquarters last among ten factors (43%). Two-thirds say a company should count as European if it keeps data in Europe, meets European standards and invests in their country.

The message is clear. SMEs are willing to use AI, but their confidence depends on meaningful control over their data, transparency about where it sits and how it is used, and safeguards that make it easy to challenge or correct an error. For small businesses without dedicated compliance or technology teams, those protections need to be built into the software itself. As EU policymakers debate the Cloud and AI Development Act (CADA), Sage encourages them to reflect this. Sovereignty requirements that focus on how data is protected and controlled would match what SMEs value, while broad nationality or control requirements could limit their access to the trusted AI tools that support adoption. The aim should be a framework that keeps strict requirements for genuinely sensitive areas, enables SME participation in public sector work, and allows trusted technology providers to continue delivering against Europe's digital agenda.

FIGURE 6 **Sovereignty in practice: share agreement with each statement**



Source: Sage SME AI Research 2026. EU-15 SMEs n=7,500; startups and scale-ups n=1,020.

For SMEs, trust is built through a combination of control, visibility and strong foundations. Once those conditions are in place, the question becomes what businesses can do with AI at scale – and whether the gains translate into productivity and growth.

CASE STUDY

Shakers

Shakers is the home of Europe's AI Builders: a Madrid-based platform, founded in 2021, that connects companies with certified senior experts in AI, tech, data and product. It works with more than 600 companies and has a team of more than 120 people.

Shakers has made AI part of the everyday running of the business. Every team uses the same AI platform, connected to the company's CRM, data and documentation, and 94% of staff use it each month. Around seven in ten code changes now come from engineers working with an AI coding agent, while in sales, replacing two weekly meetings with an AI-built report has saved the team 250 hours a month. Adoption started with the leadership team, and every employee now has an AI-related goal each quarter.

Connecting AI to its own data made the output reliable enough for daily work, and the company set clear rules for what agents could do before scaling their use. Its principle is that AI prepares and a person decides, so someone on the team reviews anything that reaches a client or goes into production.

Shakers believes that most SMEs already have plenty of reasons to adopt AI, and what they need now is fewer reasons to wait. Its experience of Spain's AI regulatory sandbox showed how practical guidance can turn compliance into a clear set of steps, and it sees the biggest gains in support that helps smaller companies move from experimenting with AI to putting it to work.

POLICY PRIORITIES

Recommendations

1. **Develop a practical voluntary assurance framework for everyday business AI.** Building on Article 95 of the AI Act, the AI Office should support common criteria for non-high-risk business AI, aligned with recognised international standards, and voluntary guidelines and principles that make it easy for SMEs to understand and verify how providers protect customer data, maintain appropriate human oversight, and ensure reliability and security.

2. **Set a higher trust standard for AI used in consequential financial workflows.** Voluntary assurance for everyday business AI should give SMEs clear, understandable information on how systems are tested, how customer data is handled and where human oversight remains necessary, with stronger safeguards for uses such as payments, tax submissions and financial reporting. These commitments should be capable of being reflected through trusted provider signals such as AI trust labels. This will become increasingly critical as more agentic AI capabilities are introduced. With many stakeholders concerned that international governance is not keeping pace with technological development, acting now can establish the foundations for trusted adoption as these systems become more autonomous.

3. **Keep sovereignty requirements proportionate and workable across global tech supply chains.** The Cloud and AI Development Act (CADA) should promote consistent assurance levels across Member States, avoid disproportionate nationality or control requirements cascading through suppliers, preserve workable routes for trusted partner-country providers, and avoid extending public sector sovereignty requirements into private-sector software markets. More broadly, these goals should not restrict international cooperation, but rather ensure that businesses remain connected to international markets and innovation frameworks. EU tech policy should strengthen European capabilities while preserving SME access to secure and innovative global cloud, AI and software supply chains.

4. **Make the European Business Wallet work through the business software SMEs already use.** The final framework and standards should support seamless machine-to-machine integration with business systems, structured e-invoices, and related business documents, aligned with EU Inc., the Business Registers Interconnection System (BRIS) and the VAT in the Digital Age (ViDA) e-invoicing and digital reporting framework. This would reduce administrative friction and strengthen the digital foundations SMEs need to get more value from AI.

Scaling: the prize is productivity and growth

SMEs using AI are already seeing returns, but they are uneven and show up more clearly in productivity than in growth. Startups and scale-ups show what changes when AI moves into the core of the business.

Returns are real, but uneven

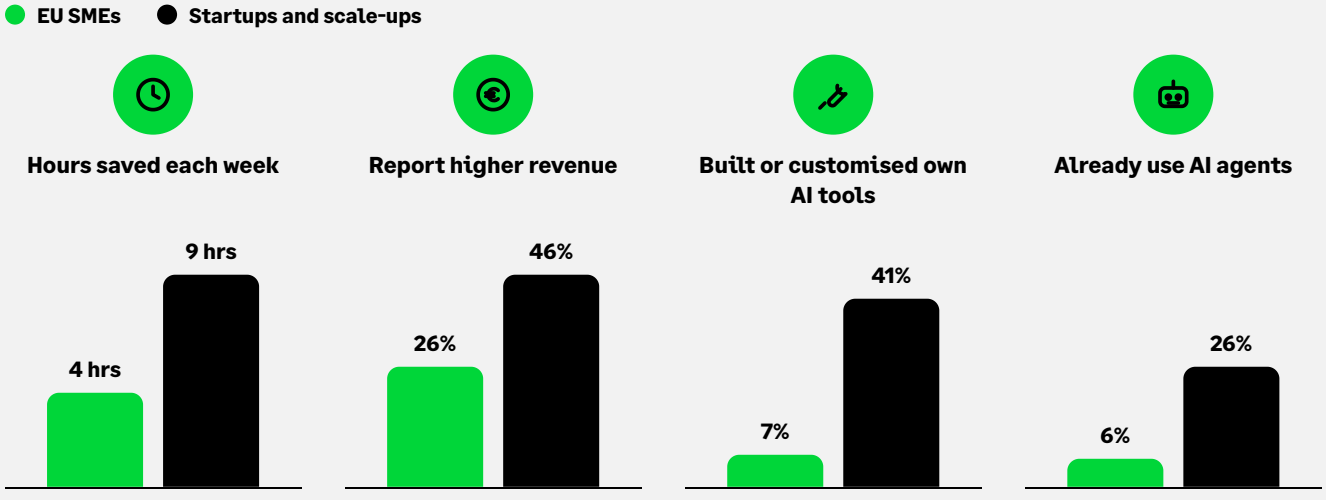
SME AI users save around four hours a week. One in five saves six hours or more; a similar share saves less than an hour. The benefits are mostly operational: 35% report lower costs and 30% fewer errors, while 26% report higher revenue. For many SMEs, AI is paying back through efficiency gains instead of expansion. Spain shows what wider access can and cannot achieve. Its Kit Digital programme, with around €3 billion in EU recovery funding, has awarded some 860,000 digitalisation grants to small businesses and the self-employed, and fewer Spanish SMEs are outside AI altogether (49% use none, against 53% across the EU-15). Spanish AI users also save around five hours a week (EU-15: around four). Yet structured use sits exactly at the EU-15 average of 25%, which suggests that broad support can widen experimentation without necessarily deepening it.



Deeper use brings bigger gains

The situation looks different for startups and scale-ups. Startups and scale-ups save around nine hours a week, 46% report higher revenue, and 41% serve more customers. The difference is that they use AI much more deeply than SMEs: they are far more likely to build their own tools and use AI agents, and to apply AI in product development (63%) and sales (58%). The benefits broaden as AI moves closer to the core of the business. This makes depth of use a better guide to Europe's progress than uptake alone, which is why the recommendation at the end of this chapter asks the Commission to measure it.

FIGURE 7 **Deeper use, bigger gains: SMEs and startups and scale-ups compared**



Source: Sage SME AI Research 2026. EU-15 SMEs n=7,500; startups and scale-ups n=1,020. Base: AI users, except AI agents.

Saved time can become growth

What businesses do with freed-up time and money decides whether productivity becomes growth. SMEs would mostly use these gains to strengthen the business: new equipment and technology (41%), cash reserves (39%) and new customers or markets (39%). Meanwhile, startups and scale-ups look outward: 63% would pursue new customers and markets, 61% would create new products, and 52% would hire. SMEs tend to consolidate their gains, while startups and scale-ups reinvest them in growth. Support that helps SMEs see AI as a route to new customers and markets, and measures success in those terms, is what will turn time saved into growth for the wider economy.

SMEs see the prize, and fear missing it

Half of SMEs say AI helps them compete with bigger companies, and six in ten say that with the right support it could be their biggest ever productivity boost. But 71% think the AI gap between large and small businesses is growing, and 62% think Europe risks falling behind other regions. That concern has some basis. In the United States, in part of the same global study, 41% of SMEs use AI in a structured way and 40% use none, against 25% and 53% across the EU-15. US SME AI users save almost six hours a week, and 39% report higher revenue (EU-15: 26%). That sense of urgency is an asset for policymakers. SMEs are already persuaded of AI's value and are looking for practical support to act on it before the gap widens further.

FIGURE 8 **What businesses would do with the time and money AI frees up**



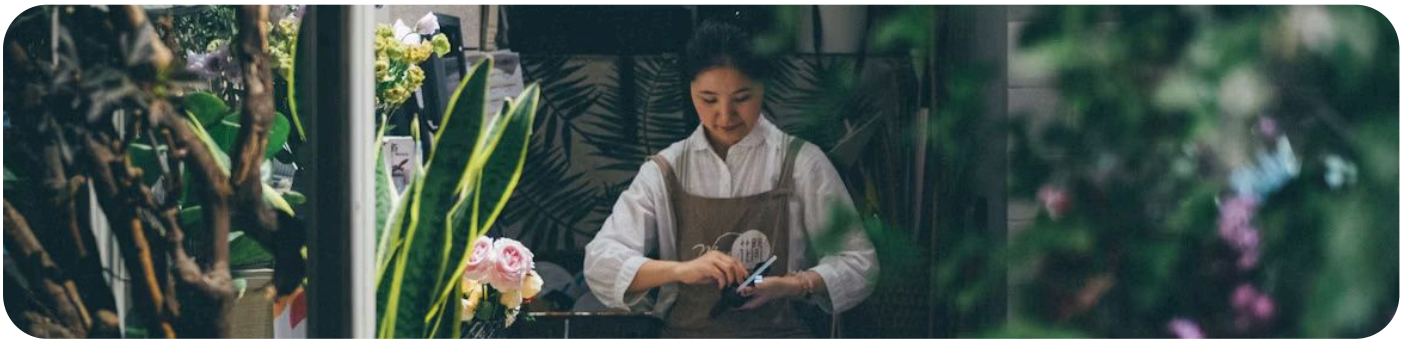
Source: Sage SME AI Research 2026.
EU-15 SMEs n=7,500; startups and scale-ups n=1,020.

Growth brings new constraints

The experience of startups and scale-ups shows that more advanced adoption brings a different set of challenges. As AI becomes part of how a business runs, the barriers change. For startups and scale-ups, accuracy is now the top concern (39%), reflecting AI's growing role in products, sales and customer service, where errors can reach customers directly.

Cost also matters more than it does for SMEs (34% against 26%), as heavier use means bigger bills. And the more a business depends on AI, the more it values the freedom to switch providers (71%), so that it is not locked into one supplier's pricing or tools. Beyond this survey, access to compute capacity is also a recurring concern for Europe's scale-up community.

The lesson for Europe is that adoption is only the first step. These constraints matter for Europe's wider ambitions. Startups and scale-ups are the clearest proof that AI can drive growth, and the SMEs that climb the adoption ladder will meet the same issues as their own use deepens. Turning AI into sustained growth depends on whether businesses can scale their use with reliable tools, affordable capacity, genuine provider choice and stable rules.



POLICY PRIORITIES

Recommendation

1 **Measure the depth of AI adoption, not uptake alone.** As part of the Digital Decade review, the Commission should complement the existing AI uptake KPI with a measure of the depth of adoption, distinguishing experimentation from AI embedded in established business processes. Future updates to national Digital Decade roadmaps should reflect this approach, with AI adoption measures assessed against the outcomes they create for businesses – such as time saved, costs reduced and new customers or markets reached – rather than the number of trials or vouchers supported.



Conclusion

Europe's small businesses already see the value of AI. Two-thirds expect it to become as normal as the internet within five years. The challenge is helping more of them move from trying AI to using it in the everyday running of their business.

This research shows what would help. SMEs need practical support to build their skills and confidence, ideally through the software and advisers they already rely on. As they use AI for more important tasks, they need to be able to check its answers, keep a person in charge of decisions that carry real consequences, and see clear evidence that their provider meets recognised standards. They also need strong digital foundations to underpin a connected digital economy, with interoperable systems, e-invoicing and secure digital identity, such as the European Business Wallet. Where these are in place, the time AI saves can go into new equipment, new customers and new markets, as many of Europe's startups and scale-ups are already showing.

The seven recommendations in this report are designed to help more of Europe's 34 million SMEs make that progress. Sage looks forward to working with EU policymakers, advisers and partners to put them into practice.

Annexes

Annex A. The Digital Decade benchmark

What the target measures. The Digital Decade Policy Programme sets a 2030 target of 75% of EU enterprises taking up cloud computing, big data or artificial intelligence. The Commission reported progress in the State of the Digital Decade 2026, published in June: 46.7% of EU enterprises use cloud computing, 39.9% use data analytics and nearly 20% deploy AI, with AI adoption up 48% in 2025 on the year before. The same report notes that SMEs continue to face barriers linked to skills, data access, infrastructure and resources, and calls for support for businesses, especially SMEs, to adopt advanced digital solutions through better access to skills, infrastructure and innovation ecosystems.

Comparability. The Digital Decade figures come from Eurostat's enterprise statistics, which cover businesses with ten or more employees and measure use of any of the three technologies. This study covers businesses with fewer than 250 employees, including micro-businesses, is self-reported by decision-makers, and distinguishes informal use from structured use, AI deployed in at least one part of the business. The two measures are therefore set side by side in this report without being treated as the same thing. Structured use is the stricter test, and the more useful one for policy, because it is the difference between a business that has tried AI and one that runs on it. The adoption figure in Sage's 2024 Manifesto came from a differently worded question and is treated as directional.

The review. The Commission will review the Digital Decade targets in 2027 so that they reflect the changing digital landscape, and Member States are to adjust their national roadmaps in December 2026. The targets may be recast; the direction will not.

Projected trajectories. The Commission also projects where each indicator will stand in 2030 if recent trends continue, and compares that with the path needed to reach the target. The 2026 projections put AI take-up at 54.3% of EU enterprises by 2030, around 72% of the 75% target, and do not expect the target to be reached before 2035 without further action. In 2025, AI take-up stood at almost 20%, roughly half of the 39.1% the ideal path required. Take-up of intermediate or sophisticated cloud services is projected at 60.6% by 2030, with the target not expected before 2040. On the combined measure of enterprises using at least one of the three technologies, the EU is close to being on track, at 63.2% in 2025 and a projected 71.5% by 2030. The shortfall is sharpest for AI, and the Commission links much of it to SMEs, which adopt AI more slowly than large firms and find it hardest to turn interest and pilots into deployment across the business. [Sources: European Commission, State of the Digital Decade 2026 (June 2026) and Annex 1, State of EU digital transformation in 2026: Progress and EU-level recommendations; Digital Decade Policy Programme 2030.]

Annex B. Methodology

Strand Partners surveyed 7,500 senior decision-makers in businesses with fewer than 250 employees across fifteen EU Member States, with a fixed quota of 500 per market: Germany, France, Italy, Spain, Poland, Romania, the Netherlands, Belgium, Greece, Czechia, Portugal, Sweden, Hungary, Austria and Ireland. Respondents were screened for decision-making or budget authority. A boost sample of 1,020 founders and senior leaders of startups and scale-ups across the same markets answered the same questionnaire and is reported at EU-15 level only, since bases by market are thin. Startups and scale-ups are currently defined on the OECD basis, innovative businesses operating for less than ten years or demonstrating rapid growth.

Fieldwork ran in July and August 2026 as part of a 28-market global study of 14,000 businesses covering the EU-15, the UK, the US, Canada, South Africa, Australia, New Zealand, Brazil, Mexico, Japan, Singapore, Malaysia, India and other key international markets. EU-15 figures are unweighted means of the fifteen market results. Strand Partners is a member of the British Polling Council and abides by its rules.

References

1 Digital Decade – EU-level trajectories (2026)

2 European Commission, State of the Digital Decade 2026 (June 2026)

3 European Commission, State of the Digital Decade 2026, Annex 1: projected AI take-up of 54.3% of EU enterprises by 2030.

4 The Digital Decade target counts enterprises with ten or more employees using any of cloud, AI or big data (Eurostat). This study covers businesses with fewer than 250 employees, including micro-businesses, and structured AI use is a stricter measure, so the two are shown side by side rather than treated as equivalent.

5 Sage, E-Invoicing: Paving the Way to a Connected, Real-time Economy



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