



Pax8 Pulse

SMB AI Report

Q3 2026

United States, United Kingdom, Germany, Sweden

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Small Businesses Are Building AI Faster Than They Can Govern

The first global edition of the Pax8 SMB AI Pulse Report surveyed 1,150 small and mid-sized business (SMB) leaders across four markets and one thing is clear: businesses that are heavily leveraging AI feel they have an advantage over their competitors compared to those still in the experimentation phase. However, the data also highlights a concerning trend. While two-thirds of AI-engaged businesses have already built their own solutions, far fewer have a clear view of what is running, what it costs, or who approved it. Now that SMBs have moved out of the AI adoption stage, closing this governance gap is their next priority.

Key Metrics at a Glance

Finding	Result
SMBs currently using AI	71%
AI-engaged SMBs that have built AI solutions now in regular use	67%
AI builders developing or testing agents that complete multi-step tasks	46%
AI-engaged SMBs that discovered shadow AI in the past six months	35%
AI purchasers hit with an unexpectedly high bill or usage charge	49%
SMBs that would pay at least 6% more for greater control of their data	70%
SMBs whose AI approach was changed or slowed by security concerns, or who sought outside help	70%
Decision-makers spending 3+ hours a week reviewing AI-generated work	55%
AI-engaged SMBs that say AI has freed up time	69%
SMBs that maintained or accelerated technology investment	78%

SMBs Aren't Just Buying AI. They're Building It.

Picture a small business's AI footprint, and most people still imagine a chatbot subscription and a few employees experimenting with a writing assistant. According to the Q3 2026 Pax8 SMB AI Pulse Report, that perception is outdated.

Among AI-engaged businesses across the United States, the United Kingdom, Germany, and Sweden, 67% have built one or more AI solutions that are in regular use. Another 19% are prototyping. Only 13% rely exclusively on off-the-shelf tools. And the builders aren't just producing simple agents; they're designing comprehensive systems to deliver significant value. Of them, 52% are developing automated workflows that connect AI to other business systems, 47% are creating standalone tools for a specific business need, and 46% are building or testing AI agents that can complete multi-step tasks on their own. Thirty-nine percent have built custom integrations using an AI provider's API, and a third are customizing or fine-tuning models.

67%

of AI-engaged SMBs have built their own AI solutions that are now in regular use. Just 13% rely only on packaged tools.

Small businesses are no longer just technology customers. They're becoming technology builders. A company that deploys an agent or incorporates AI into its finance system has taken on work that used to belong to software vendors: maintaining what was built, securing it, deciding who can change it, and paying for the compute it consumes. Most SMBs completed that work without establishing the processes a vendor would have.

The momentum of AI adoption is expected to continue, seventy-one percent of SMBs already using AI, and another 23% experimenting with it. Sixty-five percent say they need to adopt AI immediately or within six months, and 78% maintained or accelerated technology investment despite economic uncertainty. SMBs are not slowing down to figure out governance. They are building without it.

COUNTRY SNAPSHOT: WHO'S BUILDING

- **United States:** 81% of AI-engaged businesses have built AI solutions now in use, and 35% have built several. Only 3% rely solely on pre-built tools.
- **United Kingdom:** 54% have in-use solutions and 25% are prototyping. Nearly one in five (19%) still use only pre-built tools, second only to Germany (22%).
- **Germany:** 52% have in-use solutions. Automated workflows are the most common build at 53% of builders, and 22% use only pre-built tools.
- **Sweden:** 76% have in-use solutions, and 39% have built several, the highest share of any market. 55% of Swedish builders are working on AI agents, the most of any market.

The AI Nobody Approved

When a business is building AI across multiple teams, some of it will inevitably be built by employees who were not asked to. More than a third of AI-engaged businesses (35%) discovered shadow AI, meaning tools, workflows, or agents operating without official approval, in the past six months alone.

While leaders might not have a clear view into all the AI running inside their businesses, they are aware of the risks and know what's at stake. Asked about the biggest risk resulting from AI tools built by employees, data security or privacy exposure tops the list in every market, cited by 30%–35% of businesses. Lack of oversight, legal and compliance exposure, and technical debt follow. Technical debt refers to the tools that become difficult to maintain once the person who built them leaves the company.

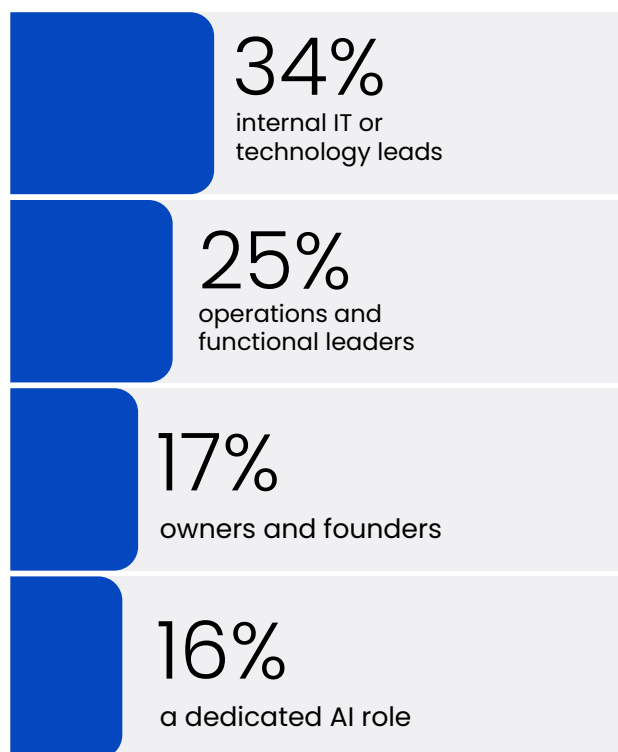
35%

of AI-engaged SMBs discovered unapproved AI running in their business in the past six months.

A standard review process for building AI tools has not kept up with the pace of development. Formal, documented review or approval of internally built AI ranges from 23% in the United Kingdom to 45% in Sweden. Measured against how much each market is building, the United States shows the widest gap: 81% of AI-engaged businesses have built solutions now in use, but only 36% have formal review, a 45-point difference. The most common approach in many markets is a consistent but undocumented review, leaving no record in its absence.

Employee-use policies are more widespread: 40% of businesses have a documented policy, and 35% have informal guidelines. But a policy governing how employees use AI tools doesn't cover the agents and workflows the business has built itself, and that is where much of the new exposure lies.

The data shows that positive signs on organizational alignment and that employees and leadership generally share a similar view on the need for AI. Eighty-four percent say their leadership is fully or mostly aligned on AI's role, and adoption is usually led by someone identifiable:

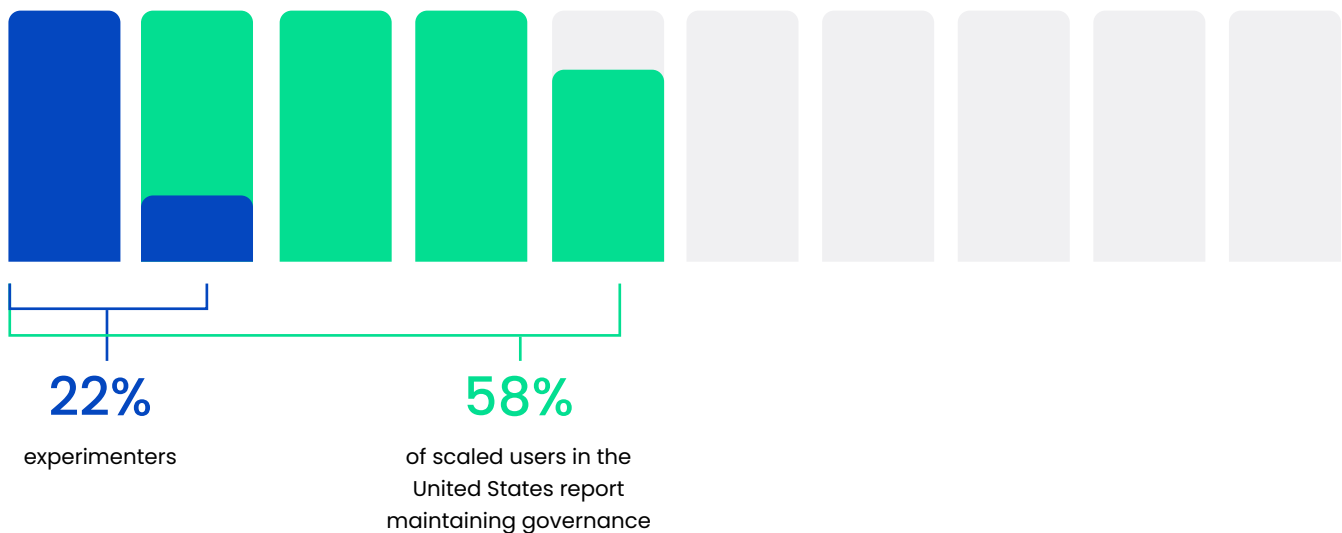


What's missing is a reliable inventory of what's actually running.

The AI Nobody Approved

Leadership agrees on where AI is headed. What most SMBs lack is a record of what's already running.

Scale doesn't eliminate the problem. Businesses that use AI extensively are more likely to have formal governance for the tools they build.



But scaled users and established builders also report more shadow AI. The more AI a business runs, the more it finds.

COUNTRY SNAPSHOT: GOVERNANCE AND SHADOW AI

- **United States:** 42% of AI-engaged businesses discovered shadow AI in the past six months, and 36% have formal documented review of the AI they build.
- **United Kingdom:** 23% have formal documented review, the lowest in the study. Another 13% aren't sure whether shadow AI exists in their business, the highest uncertainty of any market.
- **Germany:** 19% discovered shadow AI, the lowest rate in the study, alongside more measured adoption. More than a quarter (26%) are still developing an employee AI policy.
- **Sweden:** 45% have formal documented review of internally built AI, the highest in the study. Yet 55% discovered shadow AI, also the highest in the study. Sweden is building fastest and finding the most.

The Bill Nobody Expected

AI bill shock has become a familiar story at large enterprises. The Q3 Pulse shows small businesses are experiencing it too, with smaller budgets and fewer financial controls to absorb it.

Among businesses that paid for AI in the past year, 49% received at least one bill or usage charge that was higher than expected. In the United States and Sweden, the figure rises to 57% and 65%.

49%

of SMBs that paid for AI in the past year received at least one bill or usage charge higher than they expected.

Part of the problem is how AI is priced. Many SMBs are paying through several models at once. U.S. businesses, for example, report usage-based pricing (46%), fixed subscriptions (41%), and per-seat pricing (40%) in roughly equal measure. Usage-based charges are the hardest to forecast, and grow as businesses build more agents and workflows. In the United Kingdom, 52% of established AI builders received an unexpected bill, compared with 17% of businesses using only pre-built tools.

While multiple pricing structures contribute to billing surprises, uneven usage visibility is also a culprit. Seventy-nine percent of AI-engaged businesses can separately identify their AI spending within their technology budget, but dedicated AI budget lines are uncommon outside the United States and Sweden. The rest can't cleanly separate their AI costs, making it difficult to catch a surprise charge and hard to explain.

As a result of these factors, confidence in the return on investment of AI is broad but soft. Eighty-seven percent are somewhat confident they can determine what AI is delivering. Those who are very confident range from just 16% in the United Kingdom to 45% in Sweden. As a result, there is an appetite for a different pricing model: 69% would be more likely to expand AI if outcome-based pricing, where they pay for results rather than usage, were available and costs were similar.

COUNTRY SNAPSHOT: AI COSTS

- **United States:** 57% of AI purchasers received an unexpectedly high bill, including 25% who received more than one. 37% have a dedicated AI budget line.
- **United Kingdom:** 39% received an unexpected bill. Only 12% have a dedicated AI budget line, and 19% can't identify AI spending separately at all.
- **Germany:** 33% received an unexpected bill, the lowest in the study. Even so, 21% can't identify AI spending separately.
- **Sweden:** 65% received an unexpected bill, the highest in the study, and 30% received more than one. Sweden also shows the strongest appetite for outcome pricing, with 39% saying it would make them much more likely to expand AI use.

Data Control Has a Price, and SMBs Will Pay It

Security remains the single largest barrier to expanding AI, cited by 32% of businesses. More telling is how it's impacting the decision-making of SMBs. Seventy percent say security concerns changed their approach, slowed their adoption, or prompted them to seek outside help.

Security has also become a purchasing criterion. Seventy percent of businesses would pay at least 6% more for greater control over how their data is stored and used. Sixty-four percent have formal or informal rules about which AI companies or models they will use, and only 10% have no restrictions or preferences. Security or risk is now the second-biggest influence on technology spending at 17%, only behind improving efficiency (27%).

70%

of SMBs would pay at least 6% more for AI that gives them greater control over how their data is stored and used.

For a market often characterized as price-sensitive, that's a notable result. SMBs are not simply shopping for the cheapest capable model. They are pricing trust into the decision, and they're willing to pay a premium for it.

COUNTRY SNAPSHOT: SECURITY AND DATAL CONTROL

- **United States:** 81% would pay at least 6% more for data control, the highest in the study. Security is the top barrier to expanding AI at 34%, and 31% say security significantly slowed their adoption.
- **United Kingdom:** 58% would pay a data-control premium. Security is reshaping rather than stalling adoption: 49% changed their approach without slowing down. Legal and compliance risk (17%) ranks second among concerns about employee-built AI.
- **Germany:** 58% would pay a premium, and 19% say it would depend on the specific tool or use case, the most of any market. Germany is also the most likely to seek outside help because of security (11%).
- **Sweden:** 79% would pay a premium, including 44% who would pay 11% to 20% more and 17% who would pay more than 20% more. 39% say security significantly slowed their adoption, the highest in the study.

The Review Tax

One of the most tangible benefits SMBs are experiencing with AI is times savings. Sixty-nine percent of AI-engaged businesses say it has freed up at least some capacity, and the gains show up across the business. Data analysis and business intelligence are where businesses are seeing the greatest positive impact (19%), followed by finance and accounting (16%), customer service (15%), and marketing and sales (11%). Only 3% say it's too early to tell.

AI is saving time and freeing up capacity, but it is also redistributing that capacity to new projects. Fifty-five percent of decision-makers personally spend three or more hours a week reviewing, editing, or fact-checking AI-generated work, and 7% spend ten hours or more. AI is shifting where the work happens: less time producing, more time checking. The businesses spending the most hours reviewing AI output are often the same ones that later discover shadow AI. Heavy use is outpacing oversight on both fronts at once.

55%

of SMB decision-makers spend three or more hours every week reviewing, editing, or fact-checking AI-generated work.

That tax highlights what SMBs want AI to provide next. Asked which capability they would find most valuable in an always-active AI assistant, 33% chose continuous monitoring of inboxes, chats, and tickets to flag what needs attention. Twenty-six percent want proactive drafting of responses and next steps, 21% want AI to catch missed follow-ups and unanswered questions, and 15% want it to remove low-value noise. Only 3% said none of these would be useful.

The pattern is telling. SMBs aren't asking AI to produce more. They want it to decide what deserves a person's attention, which is exactly the part of the job the review burden is eating up.

COUNTRY SNAPSHOT: TIME SAVED AND TIME SPENT

- **United States:** 75% say AI has freed up time, and 68% spend three or more hours a week reviewing AI output, the heaviest review load in the study.
- **United Kingdom:** 44% spend three or more hours reviewing. 16% say AI has shifted time toward managing or reviewing work, the highest share of any market.
- **Germany:** 68% say AI has freed up time. Germany is the only market where proactive drafting (34%) outranks continuous monitoring as the most wanted assistant capability.
- **Sweden:** Finance and accounting is where AI has had its greatest impact for 36% of businesses, roughly double the rate of any other market. 64% spend three or more hours a week on review.

Four Markets, Four Speeds

This is the first edition of the Pax8 SMB AI Pulse Report to look beyond the United States, and the markets are moving at noticeably different speeds.

Measure	US	UK	Germany	Sweden
Very or extremely confident in growth	73%	45%	48%	74%
Currently using AI	86%	61%	58%	71%
Need to move on AI within six months	82%	56%	47%	62%
Built AI solutions now in use (AI-engaged)	81%	54%	52%	76%
Formal documented review of built AI	36%	23%	32%	45%
Discovered shadow AI (AI-engaged)	42%	24%	19%	55%
Unexpectedly high AI bill (purchasers)	57%	39%	33%	65%
Would pay 6%+ more for data control	81%	58%	58%	79%
More worried about falling behind	38%	23%	18%	28%
More worried about costly mistakes	32%	35%	30%	31%

The clearest differentiator is what concerns businesses the most. Globally, 33% are more worried about adopting AI too quickly and making costly mistakes, compared with 28% who worry more about falling behind competitors. The United States is the only market where falling behind comes out on top (38% versus 32%). In the United Kingdom and Germany, costly mistakes lead by double digits. Sweden is split almost evenly.

The United States is setting the pace. It leads on adoption, urgency, and internal building, and is also where the risks of broad deployment are most visible: heavy review loads, frequent bill surprises, and widespread shadow AI.

Sweden is building fast and governing seriously. It is the most confident market when it comes to growth (74%), has the highest share of businesses using multiple AI solutions, and has the most formal reviews. However, it also reports the most shadow AI and cost surprises, detailing that ambition and exposure are rising together.

The United Kingdom and Germany are in transition. Both have large groups using AI in a few targeted areas or still experimenting, lower confidence in growth, and a stronger preference for caution. In the United Kingdom, 24% slowed, paused, or reduced technology investment in response to economic conditions, and only 35% describe their technology decisions as proactive. Germany is the most measured market in the study, but its scaled users are among the most satisfied, with 90% highly confident that AI is delivering value.

One pattern holds everywhere: businesses that use AI extensively are more likely to feel ahead of competitors than those still experimenting. The gap is 63% versus 40% in the United States, 34% versus 10% in the United Kingdom, 41% versus 10% in Germany, and 80% versus 24% in Sweden. Scale pays off in every market, but it also presents more to govern, review, and pay for.

The Channel Opportunity

The AI landscape within a typical SMB client now includes capabilities not provided by a partner: internally built agents, workflows integrated into finance systems, and tools that employees connected on their own. Most of it is doing useful work. Much is undocumented. And some of it costs more than what was planned.

The findings suggest that SMBs have entered a new phase of AI adoption. Rather than purchasing a tool, many are now building workflows, integrations, and agents tailored to their own operations.

This is expanding AI's role from productivity aid to business infrastructure. SMBs already rely on outside help for AI: a mix of internal and external support is the most common model across markets (33% to 41%), and 17% to 23% rely primarily on an MSP or IT service provider. The support model makes a visible difference. In both the United States and the United Kingdom, businesses with hybrid support are the most proactive in technology decisions and the most likely to have formal governance over what they build. MSP and vendor-supported businesses report stronger confidence in measuring AI's return, but also more cost surprises. That tells partners exactly where to focus next. Vendor support alone is also no substitute for a partner: in Sweden, businesses relying on the AI vendor's own support report especially high rates of shadow AI and unexpected billing.

The partner's counterpart is also changing. Internal IT and technology leads are the most common drivers of AI adoption at 34%, ahead of owners and founders at 17%. In many clients, the conversation is less about replacing internal capability and more about co-managing what an internal technologist has already started.

Find what's running

35% of AI-engaged SMBs found shadow AI in the past six months. An AI inventory and review process for what's been built is a clear, concrete first engagement for any client.

Make AI spend predictable

49% of AI purchasers were hit with an unexpected bill. Helping clients separate AI spend, forecast usage-based charges, and weigh outcome-based pricing addresses a pain they have already felt.

Sell control, not just capability

70% would pay more for greater data control, and 64% already restrict which AI providers they use. Partners who can document where client data goes, and why, are offering something SMBs will pay a premium for.

The country data points to different openings. In the United States, the work is bringing order to broad deployment: governance, cost control, and a reduction in the review load. In the United Kingdom and Germany, where fear of costly mistakes outweighs fear of falling behind, partners will find more traction by leading with risk reduction and structured roadmaps than with speed. In Sweden, businesses are building aggressively and need oversight that keeps up with them.

The next thing SMBs need isn't another AI tool. It's someone who can tell them what their AI is doing, what it's costing, and who is accountable for it.

Visibility Is the Next Advantage

Small businesses in all four markets are doing more with AI than most observers assume. They are building agents, connecting AI to core systems, and seeing practical gains in analysis, finance, and customer service. That is the good news in the Q3 Pax8 SMB AI Pulse Report.

The harder truth is that visibility hasn't kept pace. More than a third of AI-engaged businesses found AI running that nobody approved. Nearly half of AI purchasers were surprised by a bill. More than half of decision-makers are spending hours each week checking AI's work. None of this is stopping adoption, but all of it is making AI harder to manage, budget for, and trust.

The businesses best positioned for what comes next are building structure alongside capability: inventories of what's running, review processes for what gets built, spending they can actually see, and control over where their data goes. The competitive edge is shifting from how much AI a business can deploy to how well it understands what it has deployed.

**The SMBs that pull ahead from here won't be the ones
that build the most AI.
They'll be the ones that know exactly what they've built.**

Methodology

The Pax8 Pulse is a quarterly survey tracking AI adoption, technology investment, and sentiment among small and midsize business leaders. The Q3 2026 survey was conducted online and fielded to 1,150 business owners, executives, functional leaders, and managers involved in technology decision-making at companies employing between 5 and 499 people in the United States (n=400), United Kingdom (n=350), Germany (n=200), and Sweden (n=200). The nominal margin of error at the 95% confidence level is approximately ± 2.9 percentage points for the combined sample, ± 4.9 for the United States, ± 5.2 for the United

Kingdom, ± 6.9 for Germany, and ± 6.9 for Sweden. Results for smaller subgroups within individual markets should be interpreted as directional. Several questions were asked only of businesses that use, build, or pay for AI. Percentages may not total 100% due to rounding; multi-select questions may exceed 100% by design. Because this edition expands the sample to four markets, results are not directly compared with prior U.S.-only editions.