Pax8 Pulse

SMB AI Report

Q2 2026

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The AI Advantage Belongs to Small Business

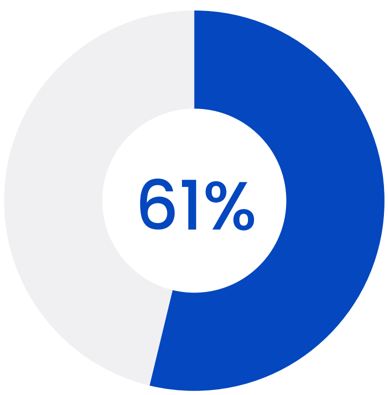
Based on a survey of 402 U.S. small business leaders, the Q2 2026 Pax8 SMB AI Pulse Report finds that AI adoption among small and midsized businesses (SMBs) has moved beyond the hype phase and into something more consequential. The small businesses using AI are pulling ahead, and the data makes clear that the gap is growing.

Key Metrics at a Glance

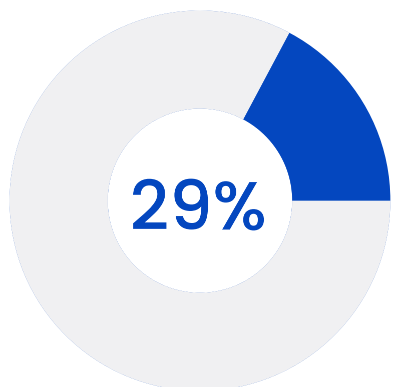
Finding	Result
SMBs actively using AI	61%
SMBs experimenting with AI	29%
SMBs expecting AI use to increase in the next year	60%
SMBs saying AI will be necessary to remain competitive	50%
SMBs agreeing AI helps SMBs compete with larger firms	59%
AI users confident AI is delivering measurable value	68%
AI users ahead of competitors on technology	31%
AI users proactive on technology decisions	65%
Businesses with documented AI policies	23%
SMBs confident in business growth over the next year	62%

The Shift Has Already Happened

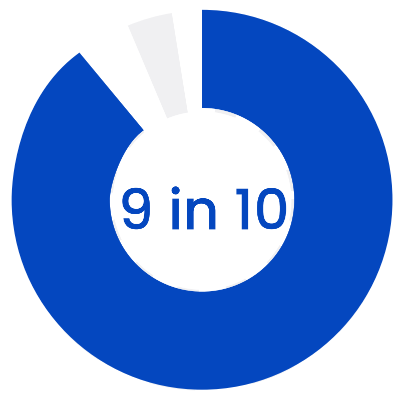
For the past several years, the conversation about AI and small business has been framed as a question of readiness. Are SMBs prepared? Will they be able to compete? The Q2 2026 Pax8 SMB AI Pulse shows SMBs are moving from the questions to creating a competitive edge. The adoption has happened. The results are measurable. The advantage is real.



61% of SMBs are actively using AI tools in their operations.



Another 29% are experimenting.



Nine in ten small and midsized businesses are somewhere on the AI adoption curve right now.

Sixty-one percent of SMBs are actively using AI tools in their operations. Another 29% are experimenting. Nine in ten small and midsized businesses are somewhere on the AI adoption curve right now. And the companies that have committed to AI are measurably more competitive and more growth-oriented than their peers who haven't.

This quarter's survey also tells a broader story about market maturation. The urgency that defined in the Q1 survey has given way to something more demanding: SMBs want results, not promises. Fewer businesses describe AI as an existential competitive requirement, because the ones already using it have moved past that framing entirely. They are measuring AI's value, building governance around it, and deploying it with increasing deliberateness. The hype is cooling. The work is beginning. And the gap between those doing the work and those waiting it out is widening.

AI Is Separating Winners from the Rest

The most consequential finding in this quarter of the Pax8 SMB AI Pulse is about what AI use predicts.

Businesses currently using AI look fundamentally different from those that aren't, in their confidence, their competitive posture, and their approach to growth.

Sixty-five percent of AI users describe their organization as proactive and forward-planning on technology decisions, compared with 33% of non-users. Thirty-one percent of AI users say they are ahead of competitors on technology, versus 12% of non-users. Sixty-five percent of AI users are very or extremely confident in their business's ability to grow over the next 12 months, compared with 56% of non-users.

31%

of AI users say they are ahead of competitors on technology, more than 2.5 times the rate of non-users at 12%. The competitive gap tied to AI use is measurable and growing.

71%

of AI users say AI gives small businesses the ability to compete with larger companies. For the businesses living that advantage, the equalizer effect is already operational.

The investment patterns reinforce the same picture. **Fifty-three percent of AI users say their technology spending increased over the past year, compared with 24% of non-users. And when the economic environment created pressure to pull back, AI users responded differently: 29% accelerated their technology investment, compared with just 9% of non-users.**

The divergence is self-reinforcing. AI users invest more, plan more deliberately, and grow more confidently, and that momentum compounds with every passing quarter. For the businesses not yet using AI, the gap will only grow harder to close.

The businesses already using AI aren't waiting on proof of concept. Sixty-eight percent of AI users are confident that AI is delivering measurable value for their organization. For many, they responded that the proof shows up in daily workflows, customer interactions, and the time reclaimed from tasks that used to slow everything down.

That confidence has a direct competitive expression. Seventy-one percent of AI users say AI gives small businesses the ability to compete with larger companies, a 12-point jump over the broader population.

From Concept to Competitive Differentiator

The reasons SMBs adopted AI are written in their own words. Saving time. Automating repetitive work. Helping employees focus on higher-value tasks. Improving customer service. Moving faster. Making better use of data.

The most common AI use cases reflect this pragmatism. **Among businesses currently using AI, data analysis and business intelligence leads at 52%, followed by customer service and support and marketing and sales, both at 50%. Operations and logistics follow at 45%, content creation at 42%. Finance, accounting, HR, and cybersecurity round out the picture at 37% and 33%, and 27% respectively.**

This breadth of application, across functions that span the entire organization, signals something important: AI is becoming part of the operational fabric of the small business. For organizations with lean teams and constrained resources, that kind of cross-functional leverage is exactly the kind of advantage that historically only larger companies could access.

What's equally significant is how SMBs are using AI, not just where. The businesses getting the most from AI are deploying it deliberately, with human oversight built into the process. In open-ended responses, business leaders described checking AI-generated output for accuracy, requiring manager review of AI-assisted work, and ensuring employees remain accountable for final decisions. Several emphasized that AI should not replace the human side of their business, that customer relationships, judgment in high-stakes decisions, and critical thinking remain the domain of people.

For many SMBs, responsible AI use is a business philosophy. Accuracy concerns haven't driven businesses away from AI, but instead have resulted in the development of guardrails: approved tool lists, usage guidelines, human review processes, and employee training programs that allow organizations to capture AI's speed while managing its risks. The most effective AI users are the most demanding ones.

68%

of AI users are confident AI is already delivering measurable value. The businesses seeing the strongest results are the ones holding AI to the highest standard of human oversight.

Governance Is Catching Up

AI use has outpaced AI governance, and that gap is one of the defining management challenges of 2026 for small and midsized businesses.

Only 23% of SMBs have a documented AI use policy. Another 28% report having informal guidelines in place, and 24% say they are actively working on a policy but haven't completed one. The majority of businesses using or experimenting with AI are doing so without a formal governance structure.

Technology adoption has historically moved faster than the organizational systems designed to manage it. For AI, a technology that touches customer data, business intelligence, communications, and daily operations, the absence of clear guidelines creates real exposure.

Open-ended responses paint a practical picture of what informal governance looks like. Some businesses rely on manager oversight and employee judgment. Others have developed approved tool lists or restrict AI access by role or department. Some use monitoring software to track usage. Still others are working through the foundational questions: which tools are safe to use, what data can be shared, and how to validate AI-generated output.

For technology partners working with SMBs, the governance gap is a service opportunity as much as it is a risk story. The businesses building governance infrastructure now will be better positioned to scale AI use responsibly. The partners helping SMBs close that gap are providing guidance that goes well beyond tool implementation, and that distinction is exactly what builds lasting client relationships.

23% | of SMBs have a documented AI use policy, even as **90%** are using or experimenting with the technology. The governance gap is where risk concentrates.

Security and Expertise: The Twin Barriers

The momentum behind AI adoption is real, and so is the friction.

The two most commonly cited barriers to adopting or expanding AI use are closely matched. **Twenty-three percent of SMBs cite security or privacy concerns as the single biggest barrier. Twenty-two percent cite a lack of internal expertise. Cost and unclear ROI follow at 21%.**

The security concern carried prominently in Q1 this year and remains the leading barrier in in Q2. The rise of internal expertise as a near-equal friction point is the more significant development. It marks a shift in the nature of the challenge. Earlier in the adoption cycle, the central question was whether to use AI at all. The question SMBs are asking now is how to use it well, and many don't yet have the internal knowledge to answer that confidently.

Open-ended responses give texture to both concerns. Business leaders described specific risks: customer data exposed, confidential information processed without proper safeguards, and employees using the wrong tools. These are operational concerns, and they point directly to the kinds of guidance that trusted technology partners are positioned to provide.

Security concerns are shaping adoption more than stopping it. **Fifty-three percent of respondents say security worries have not affected their adoption pace.** But those concerns are influencing which tools businesses choose, how broadly they deploy AI, and whether they seek outside expertise before moving further.

22%

of SMBs cite a lack of internal expertise as a top barrier to AI adoption, nearly equal to security concerns at 23%. The knowledge gap has become as significant as the risk gap.

For technology partners, these two barriers define the value proposition in this quarter's results. Security competence addresses the risk concern. Deep implementation expertise addresses the knowledge gap. The partners leading with both are the ones SMBs will trust with their most consequential AI decisions.

The Channel Opportunity

For MSPs and technology partners, the Q2 2026 Pax8 AI Pulse is a map of where your clients are and where your highest-value conversations need to happen.

The AI-user versus non-user gap creates two distinct client profiles, each with distinct needs. Clients already using AI have moved past the adoption question. **The 68% of AI users who say AI is delivering measurable value are the businesses most likely to want help formalizing their approach, closing the policy gap, integrating AI with existing systems, and measuring outcomes more precisely.** These clients are ready for a more sophisticated conversation.

Clients still experimenting or on the sidelines need a different kind of engagement. The divergence in confidence, spending, and competitive posture between AI users and non-users is now documented and measurable, and that data changes the nature of the conversation. Partners who can show clients what the gap looks like in concrete terms, growth confidence, technology investment, competitive positioning, and are providing something more valuable than a product recommendation.

Leadership alignment data sharpens the picture further. **Forty-two percent of SMBs say the owner or founder is most responsible for driving AI adoption, and among current AI users, 91% say leadership is fully or mostly aligned on AI's role in the business.** That alignment is an achievement, but alignment on vision and execution on strategy are different things. Many SMBs are still navigating the distance between the two, and that navigation benefits directly from outside expertise.

The highest-leverage opportunities for channel partners in the Q2 results follow the data. Governance is the emerging frontier: most SMBs are already using AI, most don't have formal policies, and the partners helping clients build that infrastructure are solving the problem that will define the next phase of adoption. **The expertise gap is a direct service opportunity: 22% of SMBs have explicitly identified a lack of internal knowledge as their primary barrier, which is a precise description of what a capable partner can provide.** And the concentration of AI decision-making at the owner and founder level means that partners who engage at that level, with strategic framing and governance-forward guidance, are building advisor relationships rather than vendor relationships.

The Advantage Window

These Q2 results tell a more deliberate story than the Q1 results. The urgency has softened. The early-adoption sprint has given way to something more considered. And in that shift, a consequential dynamic has emerged: the businesses that acted early are consolidating advantages that will grow increasingly difficult to overcome.

The gap in competitive posture, investment behavior, and growth confidence between AI users and non-users is the compounding result of early decisions to adopt, to experiment, and to build internal knowledge. Every quarter that passes without action widens that gap.

For SMBs still on the sidelines, the window remains open. Sixty percent of businesses expect their AI usage to grow. Fifty percent believe AI will be necessary for competitiveness within three years. The market is still moving, and the opportunity to build real advantage is still available to businesses willing to commit.

For technology partners, the message is direct. Clients using AI are ready for the next conversation about governance, integration, and measurable outcomes. Clients who aren't using AI are watching the distance between themselves and their competitors grow. Both situations call for engagement, and neither will look the same next quarter.

The AI advantage belongs to small business.
But only to the ones that claim it.

Methodology

The Pax8 Pulse is a survey series tracking technology adoption, investment, and sentiment among U.S. small business leaders. The Q2 2026 survey was conducted online and fielded to 402 U.S. business owners, executives, and department leaders involved in technology decision-making at companies employing between 5 and 499 employees, across a range of industries and geographic regions. The margin of error at the 95% confidence level is ±4.9 percentage points for the total sample. Subgroup results should be interpreted as directional. Percentages may not total 100% due to rounding; multi-select questions may exceed 100% by design.