



Pax8 Pulse

SMB Technology Report

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Small Businesses Are Adopting AI Faster Than They're Building Strategies to Manage It

Based on a survey of 400 U.S. small business leaders, the inaugural Pax8 Pulse finds that AI adoption has reached a tipping point among small-midsized businesses (SMBs), and that the gap between adoption and strategy is emerging as the defining challenge of 2026.

Key Metrics at a Glance

Finding	Result
SMBs currently using AI tools	62%
SMBs experimenting with AI	25%
SMBs expecting AI use to increase in the next year	67%
SMBs saying AI will be required for competitiveness	62%
SMBs believing AI helps small firms compete with larger companies	74%
SMBs willing to trust an outside advisor to implement AI	84%
SMBs reporting technology spending increased or held steady	97%
SMBs confident in their company's growth over the next year	73%

The Moment Has Arrived

For years, the question facing small businesses was whether to take artificial intelligence seriously. That debate is over. According to The Pax8 Pulse, a report focused on SMB technology adoption and spending trends, 62% of small businesses are already using AI tools in their operations, though only 18.5% report doing so extensively across multiple functions, while 43% are applying it selectively in a few areas and another 25% are actively experimenting. That leaves just 4% of SMBs with no plans to adopt AI at all.

The more pressing question now isn't whether SMBs will adopt AI. It's whether they can build the strategies, partnerships, and internal alignment to make that adoption stick.



Small businesses are adopting AI faster than they're building strategies to manage it. That gap is the defining challenge of 2026."

The data shows genuine momentum, though complexity remains. Technology spending is nearly universal: **48.5% of SMBs increased tech spending last year, with another 48.5% holding steady; only 2.5% decreased**, and confidence in business growth is high at 73%. Yet beneath the optimism, a more nuanced perspective appears; employees closest to daily operations perceive AI's urgency more strongly than owners and founders.

AI Adoption Is Already Widespread – and Accelerating

Data analysis and business intelligence

56%

Marketing and sales

54%

Customer service

47%

Operations

43%

Content creation

39%

The adoption numbers alone are striking. Nearly nine in ten SMBs are either using or experimenting with AI right now. And the trajectory points sharply upward: 67% expect their AI usage to increase over the next 12 months, while only 1% anticipate pulling back.

This widespread adoption isn't limited to one area. AI is showing up across nearly every function of the small business. Among current users, the most common applications include:

This breadth of application matters because it demonstrates that AI is not being treated as a single-purpose tool. SMBs are deploying it across the organization, which means the downstream implications, such as the need for more extensive employee training programs, challenges in integrating AI across varied business processes, and the necessity for robust governance frameworks, are becoming more complex as adoption rates rise.

Alongside this expansion, the competitive framing is also striking. Nearly two-thirds of SMB leaders (62%) say that without AI, their business will not remain competitive within three years, highlighting a sense of urgency and the perceived necessity of AI adoption for survival. That's a remarkably direct statement from business leaders who are often slow to make categorical predictions about technology. Additionally, 74% believe AI gives small businesses the ability to compete with larger companies, suggesting that AI is seen as an equalizer, helping level the playing field between organizations of different sizes and aligning with the democratization promise of this technology.

74%

of SMBs say AI gives small businesses the ability to compete with larger companies, making it one of the most cited reasons for urgency around adoption.

Adoption also scales with company size and revenue. Businesses generating \$5 million or more annually are roughly twice as likely as sub-\$1 million firms to report extensive AI use. And businesses spending \$100,000 or more on technology annually are more than 15 times as likely to report extensive AI use compared to those spending under \$10,000. The technology gap between companies of different sizes is widening, and AI is the primary driver.

The People Doing the Work See It Differently

One of the most consequential findings in the Pax8 Pulse, often missing from other SMB technology surveys, is that staff members closest to daily operations feel a stronger sense of urgency about AI than the owners and founders setting strategic direction.

Seventy percent of functional leaders, like operations managers, department heads, and others who manage daily execution, believe AI will be essential to competitiveness within three years. In contrast, only 56% of owners and founders, who are responsible for setting overall strategy, share this urgency. This reveals a 14-point gap between those driving business decisions and those implementing them.

14 pts

The gap between functional leaders (70%) and owners/founders (56%) who say AI will be required for competitiveness; a disconnect between operational reality and executive strategy.

The urgency gap is equally pronounced. Seventy-three percent of functional leaders say their business must act

on AI within the next six months. And 69% of operational leaders report that AI investments are already delivering measurable results for their business.

The employees closest to the work aren't just early adopters, they're the ones experiencing AI's value firsthand. That creates a bottom-up pressure that SMB owners may be underestimating.

This dynamic poses immediate strategic risks. When operational leaders drive AI adoption and achieve results while owners and founders hesitate, the danger goes beyond slow adoption. It leads to fragmented, ad hoc deployments; tools without strategy; integrations that cause chaos; and a widening gap between business capabilities and leadership understanding. Inaction now exposes organizations to significant setbacks.

For technology partners working with SMBs, this finding is a clear sign. The AI conversation must happen now across all organizational levels, not only with the owner, or critical alignment will be lost.

SMBs Are Looking for Partners, Not Just Products

If there is one finding that cuts across every segment of the Pax8 Pulse, it's this: small businesses don't want to navigate the AI era alone. The demand for trusted outside guidance is strong, specific, and growing.

84%

of SMBs say they would trust an outside technology advisor to help their business implement AI; a clear mandate for MSPs and technology partners.

Ninety-four percent of SMB leaders say they are confident they could find trustworthy external support to help implement new technology. Eighty-four percent say they would actively trust an external technology advisor to guide their AI implementation. And 70% agree that small businesses need outside technology partners to fully benefit from AI.

These numbers signal something important: SMBs want partnership, not just products. They seek advisors to help implement AI responsibly, integrate it with existing systems, and build confidence in its use.

Findings in the Pax8 Pulse reinforce this view: among smaller businesses, cost and rapid change are the primary technology obstacles. As businesses grow, challenges shift to integration and system complexity; issues that often require experienced outside guidance. As a result, partnership demand goes beyond sentiment and reflects a genuine operational need.

Security and Trust Remain Barriers to Full Adoption

Momentum and caution are not mutually exclusive. The same SMBs racing to deploy AI are also increasingly worried about what they might be exposing themselves to in the process. Security and data protection have emerged as meaningful friction points in the adoption story. While the concerns won't stop the momentum, they will impact how quickly businesses move.

Twenty-two percent of SMBs say security or privacy concerns are the single biggest barrier to adopting or expanding AI use, making it the most commonly cited obstacle in the survey. Security considerations ripple into broader technology decisions as well: 14% say security or risk concerns are the biggest factor influencing their overall technology spending, and 13% identify security and data protection as their greatest technology challenge.

These numbers don't suggest paralysis. Most SMBs are moving forward with AI regardless of security concerns. But they do suggest something important about how SMBs are thinking about adoption: speed and safety are increasingly in tension, and businesses that feel exposed may slow down or seek outside help before going further. For many, the ability to adopt new technologies securely may become just as important as the ability to adopt them quickly.

This finding connects directly to the demand for trusted partners. If SMBs are worried about security risks but determined to adopt AI, they won't slow down. They're going to look for someone they trust to help them move safely. That's a specific opening for MSPs who lead with security competence alongside AI implementation capability.

The Channel Opportunity

For managed service providers (MSPs), the Pax8 Pulse is not just a market research report. It's a description of the clients currently in your pipeline.

The 62% of SMBs already using AI are not necessarily using it strategically. Many are deploying tools without a governance framework, without an integration strategy, and without a clear view of how AI investments connect to business outcomes. The 25% experimenting with AI are making real-time decisions, which will be difficult and expensive to undo. And the 4% who haven't started using AI will be looking to begin soon.

The owner-employee gap is especially relevant here. MSPs who engage only at the owner level may miss the operational leaders already driving change and seeing results. While broadening the conversation within client organizations is a good sales strategy, it also reflects the reality that AI decisions are being made there.

Three themes from the data point to specific opportunities for channel partners:

Strategy before tools

Seventy percent of SMBs say they need outside partners to fully benefit from AI; but benefit requires a plan. Partners who lead with assessment and roadmap conversations will be better positioned than those leading with product pitches.

Integration is the next frontier

As SMBs grow and adopt more technology, system integration displaces cost as their primary challenge. MSPs with deep expertise in connecting AI tools to existing infrastructure are solving the problem most critical for businesses to scale.

Trust is the product

Eighty-four percent of SMBs say they'd trust an outside advisor to help implement AI. That trust is not given to vendors; it's given to partners. The distinction matters, and the channel has an opportunity to own it.

The SMBs who will get the most from AI in 2026 are not the ones with the biggest budgets. They're the ones with the best partners.

The Window Is Open — But It Won't Stay That Way

The story emerging from this data is not one of cautious experimentation. It's one of real momentum colliding with genuine complexity. Small businesses are adopting AI at a pace that outstrips their ability to govern it, integrate it, and align their organizations around it. That gap between adoption and strategy is the defining challenge of this moment.

The numbers are instructive. Sixty-two percent of SMBs are already using AI. Sixty-seven percent expect their usage to grow over the next year. Among businesses over \$1 million in revenue, more than six in ten say they must act on AI within the next six months. This is not a slow-building trend. The decisions being made right now about which tools to deploy, which partners to trust, and which internal processes to redesign will shape how competitive these businesses are for years to come.

And yet the owner-employee gap tells a cautionary story. When the people closest to the work are more convinced of AI's urgency than the people setting strategy, something is out of alignment. The businesses that get this right won't be the ones with the deepest pockets or the fastest adoption. They'll be the ones that close the internal gap, turning individual experimentation into organizational capability.

That's where the 84% who say they'd trust an outside advisor to help implement AI becomes the most important number in this report. There is a massive, stated, and underserved demand for trusted guidance. The SMBs that find the right technology partners to help them build strategy alongside capability will be the ones who turn this momentum into a durable competitive advantage.

Methodology

The Pax8 Pulse is a monthly survey tracking technology adoption, investment, and sentiment among U.S. small business leaders. The March 2026 survey was conducted online and fielded to 400 U.S. small business leaders involved in technology decisions within companies employing 5–499 employees across

a range of industries and geographic regions. The margin of error at 95% confidence 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.