

In their words: SMEs using AI

This report is authored by the UTS Human Technology Institute and is delivered as part of the Safe Artificial intelligence Adoption Model (SAAM) project.

SAAM will provide a set of simple online tools and practical resources to help Australian Small and Medium Enterprises (SMEs) capitalise on the benefits of AI while minimising exposure to risks.

SAAM is funded by the Australian Government Department of Industry, Science and Resources through the AI Adopt program and is delivered by a consortium led by specialist consultancy elevenM, in partnership with the UTS Human Technology Institute, the Australian Computer Society, Atlassian, KPMG, Microsoft and TDC Global.

You can learn more about SAAM by visiting saam.com.au

















Contents

"[It would help] if the Al didn't make stuff up"

Amari, a man in his 50s from the education and training sector

Exe	ecutive summary	05	4	Bus	siness leader perspectives: Al risk	23
1.1	Right now, generative AI is the use case for our respondents	06		4.1		23
1.2		07			(though not by that name)	24
1.3		07			Exposure to data risk is front of mind for many respondents	25
1.4	Our respondents are not talking about Al governance standards	08			Ethical and societal risk is not front of mind for respondents	26
1.5	•				Some perceive no risk from Al	27
	·	09		4.2	. •	
1.6	We can do more to provide support	10			in the risk space?	28
Bad	ckground and approach	11			Respondents want better generative AI solutions	29
	· · ·	16			Potential SME support avenues have emerged	30
3.1	General AI use	16		4.3	Managing risk	31
	Content generation, research and analysis are the leading Al use cases	17			Respondents are managing output quality risks through human review processes	32
	Use of AI may be narrower				Few data controls are applied	33
	than previously thought	18			Training is viewed as a risk	
3.2	Specific AI use cases	19			management strategy	34
	Al is just generative Al (and, maybe even, just large language models)	20			Risk management has little focus on many of the ethical dimensions of risk	35
3.3	Realised benefit	21			Help may be needed	36
	Respondents are satisfied with Al	22				
	1.1 1.2 1.3 1.4 1.5 1.6 Bus of / 3.1	is the use case for our respondents 1.2 Our respondents are fighting against issues with accuracy and Al output quality 1.3 Our respondents are worried about data 1.4 Our respondents are not talking about Al governance standards 1.5 Our respondents would benefit from enhanced responsible Al practices 1.6 We can do more to provide support Background and approach Business leader perspectives: the use of Al within SMEs 3.1 General Al use Content generation, research and analysis are the leading Al use cases Use of Al may be narrower than previously thought 3.2 Specific Al use cases Al is just generative Al (and, maybe even, just large language models) 3.3 Realised benefit	1.1 Right now, generative AI is the use case for our respondents	1.1 Right now, generative AI is the use case for our respondents 06 1.2 Our respondents are fighting against issues with accuracy and AI output quality 07 1.3 Our respondents are worried about data 07 1.4 Our respondents are not talking about AI governance standards 08 1.5 Our respondents would benefit from enhanced responsible AI practices 09 1.6 We can do more to provide support 10 Background and approach 11 Business leader perspectives: the use of AI within SMEs 16 3.1 General AI use 16 Content generation, research and analysis are the leading AI use cases 17 Use of AI may be narrower than previously thought 18 3.2 Specific AI use cases 19 AI is just generative AI (and, maybe even, just large language models) 20 3.3 Realised benefit 21	1.1 Right now, generative AI is the use case for our respondents 06 1.2 Our respondents are fighting against issues with accuracy and AI output quality 07 1.3 Our respondents are worried about data 07 1.4 Our respondents are not talking about AI governance standards 08 1.5 Our respondents would benefit from enhanced responsible AI practices 09 1.6 We can do more to provide support 10 Background and approach 11 Business leader perspectives: the use of AI within SMEs 16 3.1 General AI use 16 Content generation, research and analysis are the leading AI use cases 17 Use of AI may be narrower than previously thought 18 3.2 Specific AI use cases 19 AI is just generative AI (and, maybe even, just large language models) 20 3.3 Realised benefit 21	1.1 Right now, generative Al is the use case for our respondents 1.2 Our respondents are fighting against issues with accuracy and Al output quality 1.3 Our respondents are worried about data 1.4 Our respondents are not talking about Al governance standards 1.5 Our respondents would benefit from enhanced responsible Al practices 1.6 We can do more to provide support 10 Background and approach 11 Business leader perspectives: the use of Al within SMEs 1.6 General Al use 1.7 Content generation, research and analysis are the leading Al use cases 1.8 Use of Al may be narrower than previously thought 1.9 Specific Al use cases 10 Al Risk Respondents are aware of hallucination (though not by that name) Exposure to data risk is front of mind for many respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind for respondents Ethical and societal risk is not front of mind

In their words: SMEs using AI

Contents

Business leader perspectives:		6	Considering the Responsible Al Index
barriers to adoption	37		6.1 Accountability
5.1 Barriers	37		6.2 Safety and resilience
Initial technical maturity levels are key barrier to adoption	38		6.3 Fairness
Cost is perceived as a barrier	39		6.4 Transparency
Concerns around data privacy and security are inhibiting uptake	40	7	6.5 Explainability and contestability Employee perspectives: use of Al at work
Other inhibitors	41		7.1 Use of Al at work
5.2 Business leader perspectives: help to overcome barriers	42		Content generation remains key
Respondents would value education and training opportunities	43		7.2 Pathways for adoption of AI SME support may drive employee adoption
Beyond education, respondents called			7.3 Assessing the benefit of AI
for a diverse range of supports	44		Employees mostly feel that Al
5.3 Business leader perspectives:	4.5		has had a positive impact 7.4 Assessing the risk of AI
why SMEs do not adopt Al	46		· ·
Respondents report diverse reasons for not adopting AI	46		Employees are also concerned about data risk and data quality
			7.5 Workplace rules for AI

"Always get a human to check!"

Kai, a man in his 40s from the services sector

Many SMEs do not have rules

Supporting SME workers

in place for AI use

7.6 Supporting workers

47 47

50 51

52

54

55

61

As part of the Artificial Intelligence (AI) Adopt Program funded by the Australian Government Department of Industry, Science and Resources, and with the support of key project partners elevenM, the Australian Computer Society, Atlassian, KPMG, Microsoft and TDC Global, the UTS Human Technology Institute delivered online surveying in November 2024 to explore the perspectives, experiences and practices of Australian Small and Medium Enterprises (SMEs) adopting AI.

Focusing on more open-ended free-text questions than seen in prior work in this space, the intent of the study is to complement existing quantitative analyses with a qualitative review of what is front-of-mind for leaders and employees of Australian SMEs, and to hear what these key members of Australia's economy and society worry about, think about, act on, and need with respect to Al in their own words. Our intended audience are those looking to support Australian SMEs in the responsible and effective adoption of Al.

Our findings explore responses from 133 SMEs¹ (100 small enterprises with fewer than 20 employees, and 33 medium enterprises with between 20 and 199 employees). We focus particularly on the analysis of 300 free-text responses; more than 260 from leaders of SMEs and 40 from employees.

The work is best thought of as being akin to a focus group – providing detailed perspective and opinion from a relatively small cohort of respondents.

Our findings should be viewed in that light: they capture rich information from a diverse range of SME stakeholders, but they do not pretend to capture all SME experiences or perspectives.

A number of key themes emerge from across our diverse cohort of respondents.

1. For reference, the 2024 Responsible AI Index surveyed around 175 respondents from business with between 20 and 249 employees.

1.1 Right now, generative Al is <u>the</u> use case for our respondents

Across hundreds of free text responses, respondents consistently refer to practices, use cases, risks, and opportunities which suggest that, when leaders of SMEs think about AI, they think almost exclusively about generative AI, and, in the majority of instances, about large language models in particular. When asked about how AI is used within the business, two thirds of leaders pointed to activities related to content development, and while some referred to opportunities related to optimisation and productivity, none explicitly discussed commonly cited AI use cases like predictive analytics, sales forecasting, supply chain optimisation, recommender systems, and robotics. When asked to describe a specific use of AI, 34 of 36 leaders² discussed examples related to generative AI. In short, for our cohort, when AI is happening, it is generative AI that is happening.

" [I use AI] to develop reports specific to different recipients. I provide the data and request a report. I then read through it and go back to AI and request refinement or explanations which I then copy and paste into a Word document, put it together in the best way I think it needs to be presented and then give it back to AI and request any refinement. I then go back and explain how I would [like] the report changed to suit [a] specific recipient..."

Leeroy, a 60+ man in the service sector

2. You will see response counts vary across our report. This reflects the fact that 1) different respondent groups see different question sets (e.g., a business leader who is deploying AI receives different questions to an employee who has never used AI at work) and 2) respondents may choose to answer only a subset of questions within each set (e.g., a business leader may choose to answer a question about AI use, but decline to answer a question about their approach to risk management).

1.2 Our respondents are fighting against issues with accuracy and Al output quality

Hallucination – where models produce compelling but false information – is the prevailing scourge of generative Al. Given the ways it can undermine trust and opportunities for automation, hallucination is perhaps the key inhibitor to realising the surface-level promise of generative systems. While the technical term 'hallucination' was rarely mentioned by survey respondents, analogous concerns were expressed nonetheless: 15 of 32 leaders² pointed to concerns around accuracy when asked to discuss Al risk.

Encouragingly, when an organisation is aware of issues relating to hallucination, they are deploying practical controls. For example, 13 of 31 respondents described using oversight and review practices to monitor, manage and/or correct issues related to quality. Elsewhere, SME leaders called for improvements in models that increased accuracy, provided further insight into accuracy, or which better highlighted content sources (presumably to enable more efficient content validation and human oversight).

"Always get a human to check!"

Kai, a man in his 40s from the services sector

1.3 Our respondents are worried about data

As a technology built around prompting and conversation, generative AI is dependent on information flows to and from the user. Though less pervasive than the concerns around hallucination, many SME leaders are aware of at least some of the risks attached to these data flows.

When asked about risk, 8 of 32 leaders pointed to data, and 6 of these responses noted concern about privacy specifically. Elsewhere, 5 of 35 respondents listed concerns around data as inhibiting their uptake of AI.

Where data risk management approaches were deployed, they were diverse, including access controls, data modification, and strategies related to model hosting and platform account settings.

"We just need to be mindful of not putting... confidential information into Chat GPT."

Leah, a business leader in her 50s

1.4 Our respondents are not talking about Al governance standards

The ISO AI Management System Standard and the Australian Voluntary AI Safety Standard are designed and delivered to guide businesses adopting AI towards best practice in what is a complex and rapidly evolving space. However, across our full set of responses from SME leaders who have adopted AI, there is no mention of either standard, nor of relying on, referring to, or grounding practice in any standard. This suggests that more could be done to raise awareness and to support smaller Australian enterprises to adopt these standards. It may also suggest an absence of formal governance practices; a possibility supported by the fact that, when asked if their workplace had rules about the use of AI, 19 of 30 SME employees were not aware of any. In short, supporting SMEs to build awareness of, and skills in, good AI governance is clearly a key opportunity.

"[I think Australian SME workers would value clear] rules and guidance, like checklists, on what they need to check to ensure they're complying with relevant regulations."

Jessie, an SME employee in the professional, scientific or technical services sector

1.5 Our respondents would benefit from enhanced responsible Al practices

The Australian AI Ethics Principles and the factors discussed in the Responsible AI Index call out the need for adopters to consider the wider impacts of their AI use. For SMEs, this implies a consideration of how AI may deliver goods and harms to and for employees, customers, and community. Beyond privacy, however, the wider ethical dimensions of AI application are very seldom discussed by our cohort of SME leaders. Core concepts such as wellbeing, fairness, accessibility, the environment, rights, and discrimination are never mentioned, while only 2 of 31 leaders mentioned ethics as part of their risk management process. Similarly, there is no discussion of transparent communication of AI with customers, approaches for tracking and managing bias, nor of strategies for managing if things do go wrong (e.g., reporting, remediation and contestability practices).

Given the daily pressures facing SMEs and the local contexts in which they often work, an absence of wider ethical and societal risk consideration is not inexplicable, but it does suggest that there is a real opportunity for uplift if simple, practical, and actionable advice can be provided to SMEs, and particularly so if that advice supports wider business objectives (as effective ethical practice so often can).

"We discuss risks and ethics but don't have a policy at this stage." Aditi, a business leader in her 50s

"[I want a] 'one stop shop' providing benefits and risks as well as training in how to maximise the technology and all supplied from a reputable source."

Grace, a 60+ year-old woman in the professional,

scientific and technical services sector

1.6 We can do more to provide support

When asked about barriers to Al adoption, the most common responses were related to a lack of Al awareness or understanding. When asked about what would help Al adoption, the most common responses were related to a need for education, training and support. In other words, fundamental capability uplift is viewed by SME leaders as being key to overcoming adoption barriers. Leaders called variously for support on getting the most out of Al, access to examples and use cases, further information on Al products and tools, and guidelines and frameworks for navigating Al risk (including ethical risk). Employees similarly pointed to guidelines, product advice, and use cases when asked about which supports workers would find valuable.

There is a clear opportunity here: provision of tailored support for SMEs will assist leaders and employees alike overcome barriers, while also lowering organisational and wider risk. SMEs appear open to the mode of delivery to achieve this end, with diverse options proposed which range from guides, workshops and information sessions, through to a "community of shared insights" and a reputable "one stop shop" for support. Al Adopt Centres seem particularly well positioned to act here.

Background and approach

There has been much recent surveying about the place of artificial intelligence in Australian business. The National AI Centre and Fifth Quadrant, for example, have been conducting quantitative research via the Responsible AI Index³ and the SME AI Pulse (see, for example, the pilot study⁴). These studies have been critical in providing a quantitative foundation for understanding uptake and usage trends across a broad range of organisations, as explored through multiple-choice questions.

We look to complement this existing work by delivering a smaller-scale qualitative survey with a particular focus on the use of free-text questions to explore perceptions and practices related to uptake, use and management of Al. The benefit of this form of qualitative surveying is that we can investigate what is front-of-mind for SMEs and learn more about the language and terminology used by SMEs when discussing Al.

- 3. Australian Responsible Al Index 2024, Fifth Quadrant and National Al Centre, September 2024, available online at: https://www.fifthquadrant.com.au/responsible-ai-index-2024.
- 4. In this report, we occasionally compare our findings with data from the May-June 2024 SME AI Pulse pilot. You can see more recent data from the SME AI Pulse at:https://www.industry.gov.au/news/exploring-ai-adoption-australian-businesses.



It is worth underlining that this type of qualitative surveying provides depth, but far less breadth. Our sample size is smaller than in more quantitative surveys and while our analysis will point to themes and trends across responses, care must be taken not to extrapolate too widely from these. Where we say something like "75% of respondents used generative AI", it should be understood as indicating that this was a common theme across our participants and not that 75% of all Australian SMEs are using generative AI. The larger samples of surveying from Fifth Quadrant are far better suited to that form of generalisation, and is why it is important that both surveying forms exist.

Our surveying was open to participants 18 years and older, with promotion via the South-by-Southwest (SXSW) festival, through our consortium partners and their professional networks, via social media, and on the SAAM website. We offered both a long-form and short-form survey, the latter of which provided a smaller set of open-ended questions and was intended for those visiting the SXSW festival. Both surveys provided distinct question sets based on whether the respondent was a business owner/manager or not, and whether they were deploying/using Al in a work context. Full survey texts are available upon request.

217 respondents in total completed surveys (excluding clearly spurious and blank responses). 141 respondents completed the long-form survey and 76 completed the short-form survey. Respondents were diverse with respect to organisational role, age, gender, and industry. There is a strong skew towards respondents who were deploying/using AI, and a skew towards businesses located in capital cities. No re-weighting of responses/results has been performed.

133 respondents were from SMEs⁵ (100 small enterprises with fewer than 20 employees, and 33 medium enterprises with between 20 and 199 employees). Given the focus of our work, the findings discussed in this report are based exclusively on this respondent set.

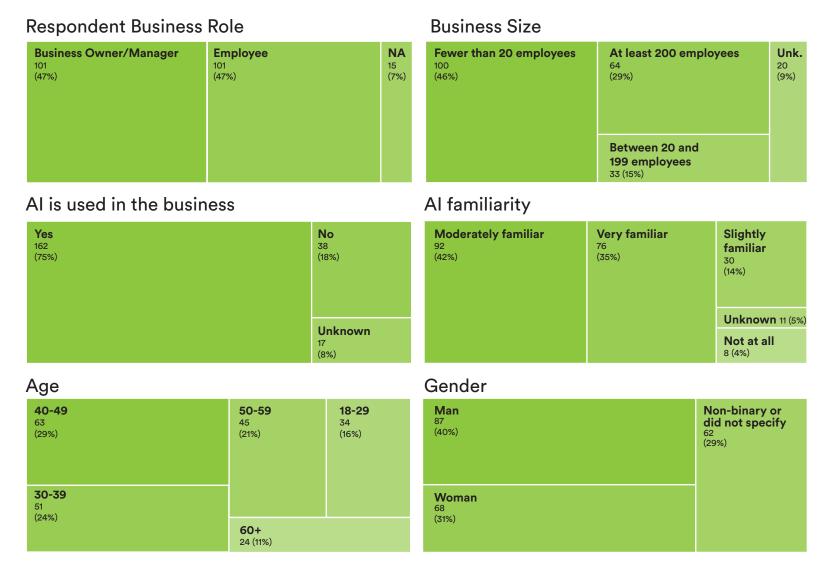
There were more than 300 free text responses provided by SME survey participants across surveys (more than 260 from leaders of SMEs and 40 from employees of SMEs). Free-text responses were manually coded into themes for key topic areas/questions. Where we quote respondents, we use pseudonyms. We occasionally make minor edits to quotes to improve clarity without impacting meaning.

Chapters 3, 4 and 5 focus on analysis of responses from SME owners and managers (SME leaders), Chapter 6 is centred on an analysis of SME leader responses against the 2024 Responsible Al Index, and Chapter 7 examines responses from SME employees.



5. For reference, the 2024 Responsible AI Index surveyed around 175 AI strategy decision makers (including CIOs, CTOs, CDOs, and heads of data) working in organisations with between 20 and 249 employees that have deployed or are in the process of deploying AI in their organisations. The SME AI Pulse has a minimum of 400 monthly respondents from business owners and financial decision makers from businesses with between 1 and 500 employees.

There were more than 300 free text responses provided by SME survey participants



A note on sectors:

Sectors are based on self-reported top-level ANZSIC codes. The industrial sector includes businesses working in agriculture, forestry, fishing, construction, electricity, gas, water, waste, manufacturing or mining fields; the services sector includes businesses who deliver accommodation, food, administrative, support, pest control, arts, recreation, building cleaning, financial, health care, social assistance, retail trade, or rental, hiring or real estate services; the professional, scientific or technical services sector is wholly described by the top-level professional, scientific and technical services ANZSIC category; the education or training sector is wholly described by the top-level education and training sector; the other category captures public administration or safety and those responding "other" to the business sector question; unknown covers all respondents who provided no answer to the business sector. auestion.

Sector

Professional, scientific or technical services 46 (21%)	Unknown 38 (18%)	Other 30 (14%)
Other services 40% (18%)	Education or training	Information media or telecommunications 21 (10%)
	(14%)	Industrial sector 11 (5%)

Business location/headquarters

Capital city 135 (62%)	Remote of regional 44 (20%)	Unknown 38 (18%)

Long-term health condition, disability, or impairment that affects daily activities

No 149 (69%)	Unknown 52 (24%)
	Yes 16 (7%)

Language other than English spoken in daily life

No 115 (53%)	Unknown 53 (24%)
	Yes 49 (23%)

A note on charts:

A response may be assigned to multiple categories if it expresses distinct themes. For example, a response like "we use generative AI to develop our ad copy and also to help our coders" would be assigned to both the content development category and the coding category. Note also that there will be different respondents shown for each chart/question. This reflects the fact that different participants see different questions and some participants may choose to respond and others may not.

3.1 General Al use

How is Al Used in Your Business?

Business type: SMEs; Respondent type: Business owner/manager

Content Development 32 responses out of 51 (63%)	Analysis 10 responses out of 51 (20%)	Research 9 responses out of 51 (18%)	
Other 14 responses out of 51	Developing and Delivering A 5 responses out of 51 (10%)	Coding 3 responses out of 51 (6%)	
(27%)	Optimisation, automation and productivity 5 responses out of 51 (10%)	Image analysis and generation 3 responses out of 51 (6%)	

3.1 General Al use

"[We use it] to create copy for website, social media and advertising."

Larry, a 30-something from the industrial sector

"[We use AI for] marketing and content creation."

Jane, a person in her 40's working in the professional, scientific and technical services sector

"Generative AI is used to support writing projects, case studies, proposals, etc."

Jim, a 60+ man in the professional, scientific and technical services field

"[We use AI for] aiding skilled workers. [We] reduce/remove repetitive laborious, low skill tasks that are intertwined within a highly skilled or specialised worker's role"

Jim, a man in his 30s from the services sector

Content generation, research and analysis are the leading AI use cases

When describing how AI is being deployed within their businesses, SME leaders consistently refer to content development (nearly two-thirds of all responses), with a particular focus on applications in the marketing space (more than a third of all responses). Examples in the marketing space range from generating social media content, writing of ad copy, generation of creative imagery, and development of website content and blogs, through to creative ideation, refinement of key marketing messages, and development of campaigns. Wider uses for content development include development of formal reports and proposals, production of case studies, writing and responding to emails, development of presentations, and training course development.

Outside of content development, use cases related to research and analysis are common (nearly a third of responses)⁶. While most respondents refer reasonably generically to these topics, specific examples include subject matter research, planning, collation and summarisation of content, data analysis, fact checking, document proofing, and the transcription and summarisation of meetings.

As we will see again later, the centrality of content generation, analysis and research in these responses (together with responses related to coding) suggest that SME leaders are primarily focused on generative AI products and large language models in particular (noting that only 4 responses referred to image generation specifically).

Finally, it is worth noting that only 5 respondents (10%) explicitly called out uses cases targeting optimisation, automation and productivity (though, of course, efficiency benefits are clearly an aspect of the wider push towards content development).

6. The division between research and analysis is debatable and likely permeable. If a respondent explicitly cites research or analysis, we assign categories accordingly, otherwise we make the simplifying assertion that analysis is primarily about the processing, synthesis or translation of known/supplied materials, while research is primarily about discovering and leveraging new/previously unknown sources of information. If research and analysis were combined into a single category, then approximately one third of all unique responses to this question would fall within that category.

Use of AI may be narrower than previously thought

In the May-June surveying of SMEs conducted by Fifth Quadrant⁷, of those who were using Al in their businesses, 6% were deploying Al for fraud detection. Additionally, predictive analytics, sales forecasting, HR, and supply chain optimisation were each mentioned by around 20% of respondents. These applications of Al are not once mentioned by respondents to SAAM's online survey⁸. The differences between the results of the Fifth Quadrant survey and our SAAM survey suggest that these use cases are not front of mind for our participants.

Also worth noting is that many common use cases identified in the 2024 Responsible Al Index survey (which included a mix of medium enterpises and larger organisations) did not appear in our freetext responses.

Recommendation/recommender systems (akin to those used in Amazon book recommendations) were used by 36% of organisations in the Fifth Quadrant survey, while robotic solutions were being adopted by 25%, but neither of these use cases were mentioned by respondents in our SAAM survey. Most of the use cases flagged by our participants were generative AI applications.

- 7. Data based on May-June 2024 SME AI Pulse pilot. You can see more recent data from the SME AI Pulse at: https://www.industry.gov.au/news/exploring-ai-adoption-australian-businesses.
- 8. As noted earlier, optimisation is discussed, but not in the supply chain space.

3.2 Specific Al use cases

What is a specific use of AI within your business?

Business type: SMEs; Respondent type: Business owner/manager

Creating content 17 responses out of 36 (47%)	Proofing or improving documents 4 responses out of 36 (11%)	Research 4 responses out (11%)	of 36
	Ideation and prototyping 3 responses out of 36 (8%)	Other 2 responses out of 36 (6%)	Process improvement 2 responses out of 36 (6%)
Summarisation 6 responses out of 36 (17%)	Coding 2 responses out of 36 (6%)		
		Compliance 1 response out of 36 (3%)	

"ChatGPT specifically, enhances & optimises my consultants' abilities to break down technical descriptions quickly. We are also able to scientifically provide comparison reports between two entities technical attributes. With supervision, this saves hours of manual interrogation and analysis."

Muhammad, a man in his 40s from the information media and telecommunications sector

Al is just generative Al (and, maybe even, just large language models)

As alluded to in preceding sections, it is clear that (in our survey at least) when leaders of SMEs think about artificial intelligence, they primarily think about it in terms of generative Al. Indeed, of the 36 specific examples of AI use provided by SME owners/managers, at least 34 (94%) reflected use of generative AI, and the vast majority of these strongly imply large language model usage (no responses explicitly discuss the production of images or graphics). By contrast (and potentially reflecting that surveys skew towards larger organisations), when looking at the Responsible Al Index, only 62% of respondents were using generative Al. Equally, that survey saw an average of 3.4 Al technologies being deployed within a business - we see nowhere near that degree of diversity across our survey.

It is worth noting that standard AI terms of art were never mentioned: "deep learning", "data science", and "algorithm", for example, were wholly absent from all responses from SME leaders (and this is true across all questions). Despite the centrality of large language models in responses, they were only once called-out by name. This both speaks to the term set that SME leaders are comfortable with (largely, end-use focused and "generative AI" as a synonym for AI) and perhaps a wider shift away from generative AI as a technical term of art and towards its use as a (narrow) product category.

"[We use AI] to develop reports specific to different recipients. I provide the data and request a report. I then read through it and go back to AI and request refinement or explanations which I then copy and paste into a Word document, put it together in the best way I think it needs to be presented and then give it back to AI and request any refinement. I then go back and explain how I would [like] the report changed to suit [a] specific recipient...

Leeroy, a 60+ man in the services sector

"[We use AI for] creation of blog and news articles for our clients website, optimising copywriting for search engines and conversions"

Connor, a man in his 50s working in the professional, scientific and technical services sector

"[We use AI for] writing social media posts and blogs. We have a significant amount of content and AI has been great to repurpose it."

Mai, a woman in her 40s in the professional, scientific and technical services sector

3.3 Realised benefit

Did [Al/this particular use of Al] deliver the set of benefits you expected?

Business type: SMEs Respondent type: Business owner/manager

Met expectations 22 responses (39%)	Somewhat exceeded expectations 14 responses (25%)
Significantly exceeded expectations 18 responses (32%)	
	Somewhat failed to meet expectations 3 responses (5%)

Respondents are satisfied with AI

SME leaders consistently reported that AI met or exceeded their expectations. Indeed, nearly a third of respondents felt that AI significantly exceeded their expectations, while only 5% reported that AI somewhat failed to meet expectations. For those respondents that were very familiar with AI, 72% reported that AI exceeded their expectations, while that number dropped to 46% for those less familiar. This may be indicative of AI expertise within leadership driving improved outcomes, though much more work is required here to draw definitive conclusions.

reported that Al exceeded their expectations

What, if any, risk does this particular use of Al bring to your business?

Business type: SMEs; Respondent type: Business owner/manager

Quality 21 responses out of 32 (66%)	Data risk 8 responses out of 32 (25%)		Nil 4 response (13%)	s out of 32
	Bias 2 responses out of 32 (6%)	Financial 1 response o (3%)		Unsure 1 (3%)
		Other		
	Dependence 1 response out of 32 (3%)	1 response of (3%)	out of 32	

Respondents are aware of hallucination (though not by that name)

Two-thirds of SME leaders in our surveying noted that the quality of outputs from AI constituted a risk. Again, the focus here was on generative AI outputs, and the vast majority of quality concerns were related to accuracy (15 of the 21 responses about quality spoke specifically about accuracy). Though hallucination was only mentioned by one respondent to this question and by only three SME business leaders across all questions, the concept is clearly front of mind, and reflects a maturity of generative AI product use (where frequent use begins to reveal performance deficiencies).

It is worth noting that some SMEs specifically discussed quality in terms of content style, noting "bland" outputs and potential brand damage associated with content that does not "sound like" the business. Given the prevalence of marketing use cases discussed earlier, risks associated with content style are likely to be material for many organisations.

"[There is a risk that] poor accuracy [leads] to mistrust from our client."

Dwayne, someone in their 40s in the professional, scientific and technical services sector

"[I worry about the] accuracy of the information provided - [it is not yet] 100%, so have to double-check"

Amari, a man in his 50s from the education and training sector

"[There is risk of] potential brand damage from spelling and grammar that doesn't sound like us."

Mai, a woman in her 40s from the professional, scientific, and technical services sector

Exposure to data risk is front of mind for many respondents

Though far from ubiquitous, there is an awareness of the risks related to, in particular, sharing of data with Al platform and solution providers. Indeed, a quarter of all SME business leaders discussed data risks and three-quarters of these responses underlined privacy specifically, often calling out the need to protect sensitive, confidential and customer data.

Less discussed were potential risks associated with copyright (2 respondents). Given the focus on public-facing marketing and communications use cases seen earlier, this is worth underlining, as copyright infringement resulting from generative AI outputs may present a material risk in these cases (noting, of course, the unsettled nature of copyright law in this space makes such an appraisal difficult).

"[I am worried about the risk of] data privacy primarily. Many of our staff, especially beyond the technical units are Tech Laggards. AI will be forced upon them at some point. A lack of desire to understand benefits & risks means that at some point someone is going to use it badly, possibly leading to data breaches.

(Our primary commodity is information)."

Muhammad, an information media and telecommunications sector business leader in his 40s

"We just need to be mindful of not putting... confidential information into Chat GPT."

Aditi, a business leader in her 50s

"[We] need to check the accuracy and copyright permissions."

Olivia, a business leader in her 50s working in the education and training sector

Ethical and societal risk is not front of mind for respondents

The Australian AI Ethics Principles, the Responsible AI Index, and the Voluntary AI Safety Standards all provide context for understanding AI risk within a wider (societal) ethical framework. It is clear that, outside of privacy, this framing is not front-of-mind when our respondents discussed risk. Indeed, no business leader directly discussed community, society, wellbeing, fairness, accessibility, rights, discrimination, or the environment. Bias was at best tangentially discussed twice: once in a comment about information not being relevant to local contexts (which is stretching the definition quite thin) and another time in a response which flagged the need to align with "diverse value perspectives". Job displacement was only mentioned in passing by one respondent (who viewed it as a "solvable issue").

In short, respondents are primarily viewing risk in terms of their direct interactions with AI systems (e.g., output quality and data sharing), rather than wider contexts around how models are developed, how those models represent diverse populations, and how their use may impact different customer/stakeholder groups in different ways.

Equally, it is clear that our respondents did not perceive a material risk related to public perceptions about business use of AI (beyond the quality of outputs produced). Risks associated with transparency, explainability, contestability, disclosure and accountability are never mentioned.

"[There is risk in] alignment (dynamic) to diverse value perspectives, and more broadly, Al safety concerns around hallucinations/factuality and ensuring consistency in outputs. Funding is always an issue, and we have found it difficult to convince industry partners to jump on board (who are mostly concerned with what I would consider fairly basic/solvable issues around IP and PR/social issues with job displacement, etc.)"

Asher, a man under the age of 30 from the professional, scientific and technical services sector

"[There is a risk of] wrong information or that [information] is not relevant to a local context."

Dimitri, a man in his 40s from the professional, scientific and technical services field

Some perceive no risk from Al

More than 10% of respondents felt there was no risk related to the use of Al in their businesses. Indeed, one respondent noted that since they were using a paid version of a (presumably generative) Al product, they were not exposed to risk. While subscription to, for example, ChatGPT may provide tighter limits on how OpenAl may access and use business data, it alone does not obviate a host of other risks, including those related to hallucination, the transfer and hosting of sensitive data, ethical risk, etc.

"[There is no risk] that I am aware of as we have a paid version so our data should not be shared with general public."

Ava, an educator in her 40s

What would help (re: risk)?
Business type: SMEs; Respondent type: Business owner/manager

Model improvement 11 responses out of 29 (38%)	Improved data control 4 responses out of 29 (14%)	Prompt engineering 4 responses out of 29 (14%)		
Other Frameworks out of 20	Clearer model data sourcing 2 responses out of 29 (7%)	Nothing 3 responses out of 29 (10%)	Guidelines 1 response (3%)	
5 responses out of 29 (17%)	Educational support 2 responses out of 29 (7%)	Peer supports and networks 1 response out of 29 (3%)	Unsure 1 response out of 29 (3%)	

"[It would help] if the Al didn't make stuff up."

Amari, a man in his 50s from the education and training sector

"[I want] up front sourcing info; AI to cross-check info across accurate sources."

Olivia, a business leader in her 50s working in the education and training sector

Respondents want better generative AI solutions

More than a third of respondents felt improvements to available Al solutions would assist in lowering risk, and almost two-thirds of those responses were related to improvements in model accuracy. Interestingly, while many respondents were looking for general accuracy uplift, respondents also proposed improvements designed to boost confidence through reporting of an "accuracy rating", up-front/clearer data sourcing information, or constraining model outputs to times when it was "telling the truth". Other suggested generative Al system improvements included better interoperability with business applications, model training on local contexts/business data, and sovereign/on-premises solutions/hosting.

SMEs also suggested changes to improve control of data, including clearer mechanisms for limiting access to and use of data, and a way to screen sensitive information. Given that platforms have diverse approaches to data retention and use, calls for improved mechanisms here are reasonable, and Al Adopt centres may provide additional support by guiding SMEs to ask the right questions and to look in the right places to understand how different vendors think about and manage business-supplied data.

"More obvious ways to stop the platform from learning from my information [would help]"

Caleb, a man in his 50s leading a business in the services sector

"[It would be helpful to have] a way to screen sensitive information."

Caleb, a man in his 50s leading a business in the services sector

"[I would like an] AI trained on a local context."

Dimitri, a man in his 40s from the professional, scientific and technical services field

Potential SME support avenues have emerged

While only mentioned once each, proposals for "a community of shared insights" and a "guidelines document of risk areas" each represent potential avenues of value creation for Al Adopt centres and wider government initiatives designed to support SMEs.

Similarly, 4 respondents pointed to support in prompt engineering as a way to address risk. This suggests that business leaders (rightly) are seeing a connection between the prompting strategies used and the quality of the generative AI outputs produced. Again, initiatives like AI Adopt could deliver value by providing simple prompt templates and guides for SMEs (though care must be taken here as the rate of generative AI product change would complicate the delivery of static/evergreen content).

"[I would like a] community of shared insights into model creation, training, innovation of models (e.g. beyond GPT models)."

Alexandre, a man in his 40s working in the professional, scientific and technical services sector

"[It would be good to have] training on how to craft appropriate prompts."

Connor, a man in his 50s working in the professional, scientific and technical services sector

"[It would be helpful to have a] guidelines document of risk areas when using Chat GPT"

Aditi, a business leader in her 50s

"...instructions that help you word requests to get the most out of it [would be useful]"

Florence, a 60+ year-old business leader

How do you manage these risks?
Business type: SMEs; Respondent type: Business owner/manager

Human oversight and review 13 responses out of 31 (42%)	Other 3 responses out of 31 (10%)	Access controls 2 responses of of 31 (6%)			cal etices conses out	
	General improvement req 2 responses out of 31 (6%)		Audit 1 respo out of 3 (3%)	nse	Data mod 1 response out of 31 (3%)	
	Governance and tracking 2 responses out of 31 (6%)					
Training and education 5 responses out of 31			Help required		Model hosting 1 response	
(16%)	Not required or not delivered 2 responses out of 31 (6%)		out of 3 (3%)		out of 31 (3%)	

Respondents are managing output quality risks through human review processes

Likely in response to the AI performance concerns raised earlier, SMEs are deploying pragmatic output review practices as a core part of their risk management approach (42% of respondents). The responses suggest largely informal practices, are clearly framed in response to generative AI use cases, and are not framed as part of a wider risk management or AI governance strategy⁹. Indeed, where human oversight is provided as a risk management approach, it is the sole risk management strategy discussed.

9. Noting that two responses discussing "internal audits" and "vigilance" are categorised elsewhere and that these are accompanied by training initiatives.

"Always get a human to check!"

Kai, a man in his 40s from the services sector

"[To manage risk we] ensure the process includes a QA component."

Amari, a man in his 40s from the services sector

"Complex scripts require a second person to review before it can be used. This somewhat negates any productivity benefits gained. Sometimes we just don't use AI."

Carlos, a man in his 40s in the professional, scientific and technical services sector

"[We manage risk by] checking and referencing what it produces"

Florence, a 60+ year-old business leader

"[We control our risk by spending] time to double-check, through other sources."

Gustavo, a man in his 50s from the education and training sector

Few data controls are applied

Though 25% of responses to our question about risk flagged data as an area of concern, around half that (13%) discussed proactive approaches to managing that risk. Where mitigations were discussed, they were diverse, including access controls, data modification, and strategies related to model hosting and platform account settings.

Noting the differences between risk identification and risk mitigation, it is conceivable that while businesses view data as a risk to be aware of, they do not believe those risks materialise in practice (perhaps because they feel adequately covered by license agreements with AI solution providers and/or because their standard data handling and sharing practices are sufficient to mitigate any risk here). Interrogating drivers for risk management practices and identifying pathways to maximise alignment between risk and response for SMEs would be a valuable area of future research.

"[We have many approaches for managing risk:] following best practices; using self-hosted models; using unshared instances of models (e.g. Azure open ai); opting for business accounts on cloud based AI solutions that offer a higher grade of security and privacy."

Alexandre, a man in his 40s working in the professional, scientific and technical services sector

"[To manage risk we] de-identified the content as much as possible"

Giovanni, a 60+ year-old man in the professional, scientific and technical services sector

"[To control risk we use] careful selection and access control, with the loading of limited [documents]"

Rhys, a man in his 50s working in the professional, scientific and technical services sector

Training is viewed as a risk management strategy

Around one-in-six respondents saw training as a component of risk management. This connects with wider calls for training and educational support, though it is worth noting that responses here do not offer detail regarding the type, breadth or depth of training being offered (beyond one reference to the management of hallucination). It is therefore difficult to gauge the maturity and value of these training initiatives. Further research is required.

"[We address risk through] internal audits and continuous training."

Freya, a woman in her 40s working in the services sector

"[We manage risk] with passwords and staff training."

Oliver, a man in his 30s also working in the services sector

Risk management has little focus on many of the ethical dimensions of risk

Outside of privacy, there is little discussion of management strategies designed to tackle ethical risk. Two respondents flagged the deployment of ethical practices as their (singular) approach to risk management. Interestingly, one highlights an informal conversation-based method, while the other looks at a more comprehensively integrated approach to ethics.

Beyond these two references, none of the SME leaders discussed approaches to test or control bias, engage with their customers/stakeholders, monitor or measure community/individual impacts, or maintain records of use. Given limited ethical risks were identified by respondents earlier, this is not surprising, but it does suggest that the recently released Voluntary Al Safety Standard is not yet resonating with SMEs (or, at least, not resonating in a way that has given rise to aligned risk management practices).

The lack of responses that related to deeper responsible AI management strategies and practices is significant given recent Fifth Quadrant surveying of SMEs, which reported that 26% of respondents were confident in managing the regulatory compliance and governance issues related to AI. Equally, the Responsible AI Index research suggested that 67% of organisations were aware of Australia's AI Ethics Principles and 68% were aware of the ISO AI Management Standard, and yet neither are mentioned by SME leaders in their responses here.

"We discuss risks and ethics but don't have a policy at this stage."

Aditi, a business leader in her 50s

"[We address risk by ensuring] Al ethics in, for and by design."

Asher, a man younger than 30 in the professional, scientific, and technical services field

Help may be needed

While only two respondents noted difficulties in delivering risk management, their responses do underline that not all SMEs feel comfortable with the (potentially new) set of risks that AI is materialising. One respondent noted that their approach has been poor, while another noted that they are simply not aware of the right questions to ask when considering AI usage. Providing support to exactly these types of businesses will be critical for the AI Adopt program.

"[We manage risk] poorly."

Mai, I woman in her 40s leading a business in the professional, scientific and technical services sector "[When thinking about risk, we] carry out research to the best of our ability but at this early uptake stage we may not be aware of the important questions to ask that may need to be answered prior to use."

Grace, a 60+ year-old woman in the professional, scientific and technical services sector

5.1 Barriers

What if anything was difficult about bringing Al into the business?
Business type: SMEs; Respondent type: Business owner/manager

Understanding 12 responses out of 35 (34%)	Institutional support and uplift 6 responses out of 35 (17%)	Data and privacy risk 5 responses out of 35 (14%)	Other 5 responses (14%)	out of 35
Financial barriers 7 responses out of 35 (20%)	Model performance 4 responses out of 35 (11%)		Ethical barriers 2 responses out of 35 (6%)	Finding products 2 responses out of 35 (6%)
	No barriers 5 responses out of 35 (14%)			

Initial technical maturity levels are a key barrier to adoption

More than a third of respondents identified barriers related to initial depth of knowledge about Al use, benefits and risk. It is clear from these responses that there is a ramp from awareness of (particularly generative) Al to understanding how best to (safely) capitalise upon the technology in practice. Relatedly, business leaders cited the need to uplift and ready their staff through education and training, and, critically, to foster acceptance and wider usage within the business.

"Not knowing all the benefits or how to get the most out of AI [is a barrier]."

Maya, a woman in her 30s leading a business in the industrial sector

"[It was difficult to understand] how to implement it and risks associated."

Noah, a man in his 40s running a business in the field of education and training

"[There were many things that made adoption difficult.]
Understanding the risks involved, and where the information is coming from & going to. Creating the correct rules to produce quality information being provided through Al. Training staff that are not tech-savvy and unsure of change."

Freya, a woman in her 40s working in the services sector

"[I found it hard to get] people to understand how it will work and aid them in their job."

Mateo, a man in his 40s working in the education and training sector

Cost is perceived as a barrier

20% of responses referred to financial barriers. While respondents pointed primarily to generic (presumably financial) costs, subscription fees, or Al provider pricing models as key inhibitors, it is worth noting that one respondent discussed the wider time and financial costs associated with embedding a new process. Indeed, it is likely that the transformation of work delivery modes, decision making practices, oversight and review requirements, the need for training, and initial teething inefficiencies will all contribute to up-front and early-stage indirect adoption and integration costs. Since those costs stretch beyond the more immediate subscription fees seen at the point of technology acquisition, future work would do well to test whether SMEs are aware of the wider set of indirect costs and, if not, to deliver processes and practices that support SMEs in estimating (and controlling) such costs.

"Costs to subscribe to licences [were a barrier for us]"

Gustavo, a man in his 50s from the education and training sector

"[Barriers:] like with anything, the time and cost it takes to manually embed a process; having staff accept, adopt and use Al"

Alexandre, a man in his 40s working in the professional, scientific and technical services sector

Concerns around data privacy and security are inhibiting uptake

5 respondents pointed to concerns around data safety, including where data is being sourced for models, where data is going to when supplied to models, and generalised concerns around data privacy. A sixth respondent noted that they were unwilling to use AI when it impacts creators (presumably through unauthorised use of their intellectual property in generative AI model training). It is clear that greater clarity around data flows and sourcing would provide SMEs with increased confidence when making adoption decisions.

"[I had] privacy concerns."

Emily, a business leader in her 30s working in the professional, scientific and technical services sector

"[Key inhibitors were] the pricing models and [worries about] security [and that] the data/prompts will remain within Australia or our business tenant."

Rhys, a man in his 50s working in the professional, scientific and technical services sector

"[The need to educate] laggards on safe practices. Ensuring data privacy"

Muhammad, a man in his 40s from the information media and telecommunications sector

Other inhibitors

There are a diverse range of other barriers expressed by respondents, including the evolving nature of AI, issues related to under- and over-reliance on the technology, poor model performance (and failing to meet the hype), identifying the right AI products for the business, and friction caused by interfacing with IT departments. 5 respondents noted that they faced no barriers to adoption.

"[We have had] no issues as yet, other than our IT department restricting what apps we can use." Ava

"[We find that there is either an] over or under reliance [on Al]. Those that trust it too much, and allow errors or those that don't trust it enough and work slowly (methodically needing to double check results)."

Jo, a 40-something leading business in the service sector

"The constantly evolving nature of AI [can complicate adoption]"

Isaiah, a man in his 40s from the professional, scientific, and technical services sector

"[It can be difficult to adopt Al because of] the over-hyped nature of Al It is probabilistic not deterministic."

Jamal, a man in his 30s from the industrial domain

"[I find it difficult to find] the right tool for the right purpose."

Dimitri, a man in his 40s from the professional, scientific and technical services field

What would have helped [you to bring Al into the business]? Business type: SMEs; Respondent type: Business owner/manager

Education 20 responses out of 50 (40%)	Nothing required 5 responses out of 50 (10%)	Financial support or lower costs 4 responses out of 50 (8%)	Improver in Al fund or performa 4 responses out of 50 (8%)	tion nce	support, engagement	
	Frameworks, guidelines and certification 3 responses out of 50 (6%) Better data controls 2 responses out of (4%) Communicati		of 50	out of 50 (4%)		Other 1 resp. out of 50 (2%)
Need for more knowledge 5 responses out of 50 (10%)	Reduced hype 3 responses out of 50 (6%)	2 responses out of 50 (4%) Ethical considerations 2 responses out of 50 (4%)		Peer networks 1 response out of 50 (2%) Further		
				exploi	oration onse out	

Respondents would value education and training opportunities

When asked about what would have helped SMEs in their adoption of AI, 20 respondents (40% of those answering this question) discussed education, training or educational materials. While 7 responses referred to a generic need for education and/or training, businesses also called for more specific forms of support: 3 sought support in how to get the best out of AI (including tips and tricks); 3 called for examples and use cases (including sector-specific use cases); and another 3 highlighted a need for more information on available AI tools/products. Others referred to, for example, the need for a reputable "one stop shop" that supports greater understanding of risks and benefits, more information on AI opportunities across different parts of business (e.g. marketing, HR, and accounting), and the importance of education in the context of ethical considerations. Delivery modes suggested by respondents included workshops, information sessions, and guides.

"[It would help to have] a 'one stop shop', providing benefits and risks as well as training in how to maximise the technology and all supplied from a reputable source."

Grace, a 60+ year-old woman in the professional, scientific and technical services sector

"[I would like to see] more examples, case studies"

Giovanni, a 60+ year-old man in the professional, scientific and technical services sector

"[I would like to have] more information for each area of the business - marketing, design, HR, accounting, administration." Aditi, a business leader in her 50s

"[It would be useful to have] more free training and more time to learn how to build Al solutions."

Aisha, a woman in her 50s leading a business in the information media and telecommunications sector

"[It would be useful to have] tips & tricks to get the best out of Al."

Freya, a woman in her 40s working in the services sector

Beyond education, respondents called for a diverse range of supports

Echoing comments seen throughout survey responses, respondents discuss addressing financial barriers (via, for example, government subsidies, lower rates, and clearer pricing models), requiring greater institutional readiness (including technical readiness, ability to develop solutions quickly, and stronger support within the organisation), and access to better models (including references to higher quality outputs, better data controls, improved interoperability, and image manipulation).

We also see calls for clear guidelines/frameworks for navigating safety, risk, and/or benefit (including guidelines for AI developers). This aligns well with the emerging set of AI standards in Australia, though the fact that only three respondents mentioned this need, and none mentioned support related to the Voluntary AI Safety Standard specifically, perhaps suggest it is not widely front of mind.

"[I would like to see] cheaper rates."

Gustavo, a man in his 50s from the education and training sector

"Good question. [What would have helped Al adoption would have been] greater support within the business; a desire to understand was lacking..."

Muhammad, a man in his 40s from the information media and telecommunications sector

"[I would like to see] more of a framework to understand risks, opportunities and application."

Imogen, a woman in her 50s working in the professional, scientific and technical services sector

"[I would like models to be] more reliable, [with] less hallucinating."

Caroline, a business leader in her 40s

Why hasn't the business adopted AI so far? Business Type: SMEs: Respondent Type: Business Owner/Manager

Not considered or not relevant: 4 out of 11 responses (36%) Low levels of performance: 3 out of 11 responses (27%)	Data risk: 2 out of 11 responses (18%)	Governance standards: 1 out of 11 responses (9%)
	Product awareness: 1 out of 11 responses (9%)	
	Time: 1 out of 11 responses (9%)	

Respondents report diverse reasons for not adopting Al

11 SME leaders provided feedback on why they had not yet adopted AI. The range of responses are broad, including concerns around data risk, a lack of awareness of AI products, a lack of clarity about where AI could assist within an organisation, a lack of time to pursue AI, a lack of awareness of governance standards, and feeling that AI would not deliver the required level of performance. 4 respondents felt that AI was not required or not relevant to their organisations (including one respondent who did not know areas where AI could help).

Interestingly, when looking across themes, 4 responses pointed to a lack of awareness, knowledge or clarity as reasons for not adopting AI, again suggesting that educational uplift could deliver material value here.

"[We haven't adopted AI so far because of a] lack of knowledge and training to know applicable areas where it may help. Seems too overwhelming."

Loretta, a woman in her 40s in the services sector

"[We are] not aware of what Al is available to support the business."

Zak, a man in his 40s in the services sector

"[I haven't adopted AI because] I'm somewhat cautious and suspicious. I also hold a lot of confidential information so I'd be apprehensive regarding trusting those technologies with [for example] AI dictation or file notes or letters."

Leanne, a woman in her 40s, also in the services sector

Our findings suggest that aspects of the Responsible Al Index¹⁰ are not front of mind for leaders of SMEs surveyed in our research. Looking at open-ended responses from all SME leaders across all questions, while many respondents are clearly aware of the potential privacy implications of using (generative) Al and the inherent risks of hallucination, there appears to be much work to raise awareness, provide support and enable responses in other key areas.

6.1 Accountability

The Index includes consideration of whether organisations are monitoring industry standards, establishing an AI risk/governance committee, monitoring outcomes for customers or employees, and assessing risks and opportunities related to human rights. None of our SME leaders discussed any of these topics (beyond, perhaps, outcome monitoring in the form of manual quality checking of outputs, but even here an extension to wider impacts on customers is not discussed).

Earlier, we saw that none of the business leader respondents discussed the use of standards nor considered Australia's AI Ethics Principles when managing risk. This finding extends across all SME leader responses. Across more than 250 free-text responses from 58 SMEs, no mention is made of standards (including responses to questions on risk identification, risk management, barriers to adoption, and potential business supports). It is apparent, then, that work needs to be done to raise awareness of these frameworks and the value they bring to practical and responsible management of AI *specifically for SMEs*. Given the recency of the Voluntary AI Safety Standard and its ongoing development, there is an opportunity to embed this SME focus into the continuing development and promotion of the Standard.

^{10.} The Responsible AI Index, sponsored by the National AI Centre and delivered by Fifth Quadrant, measures responsible AI practice within business against dimensions of fairness, accountability, transparency, explainability and safety. You can read more about the Responsible AI Index at: https://www.fifthquadrant.com.au/responsible-ai-index-2024.

6.2 Safety and resilience

SME leaders surveyed here are often both aware and responding to privacy and (to a lesser extent) data security risk. While stronger support would enhance, deepen and formalise practices, SMEs will often be building from a more secure foundation here than in other areas captured by the Index.

6.3 Fairness

Awareness of risks, impacts and controls related to fairness appear low. Equally, while a small minority of SME leaders discussed concepts related to fairness (including bias, job displacement, a need for training to reflect local contexts, and potential impacts on creators/data sources), discussion of formal practices were absent. The Index looks for the use of fairness metrics, external review, and rigorous project management and bias monitoring; none of these were discussed by our respondent pool.

Enabling simple and standardised approaches for how SMEs communicate with their customers about AI would appear to be a valuable area of future work.

6.4 Transparency

Outside of one mention of engagement with industry partners, SME leaders did not discuss how they communicate their use of Al with their customers/ clients. This is particularly noteworthy given the prevalence of generative AI use cases flagged by our respondents, and the frequent use of such models for the creation of customer-facing content. The Responsible Al Index notes that responsible practices should include informing end users "when an Al system is used and/or that content is Al generated" and informing "relevant stakeholders... about the use of AI and AI-generated content". This is clearly a gap for our respondent pool. Enabling simple and standardised approaches for how SMEs communicate with their customers about AI would appear to be a valuable area of future work.

Organisational transparency does appear stronger, however, with discussion of internal training and education, suggesting, at least, that there is some measure of institutional awareness of Al applications. Formal internal communication practices, however, are not mentioned. Again, enabling simple strategies for discussing how, why and what type of Al is being used within an organisation could be helpful.

6.5 Explainability and contestability

The Responsible AI Index identifies five practices to ensure that AI use is explainable and contestable, including the maintenance of comprehensive documentation and support materials, use of version control systems, solicitation of stakeholder feedback, and development of recourse mechanisms. No SME leaders surveyed in this research discussed these practices. This is notable as many respondents underlined their concerns about hallucination and both the need for, and efforts to, address related risks. An important continuation of that thinking is to consider response and remediation strategies for when risk controls (e.g., human review of generative AI outputs) fail. Simple, practical risk management strategies related to the use of generative AI, and particularly strategies which extend to mitigating harms from risk management failures, is likely to provide value to Australian SMEs.

66 Simple, practical risk management strategies related to the use of generative Al... Is likely to provide value to Australian SMEs. 99

While the focus of our surveying was primarily on leaders of SMEs, we also collected a small number of responses from employees of Australian small and medium enterprises. Results provide a glimpse of the employee experience, but further research is required to build a more complete picture.

7.1 Employee use of Al

How do you use AI at work?

Business type: SMEs: Respondent type: Employee

Content development 7 responses out of 8 (88%)	Analysis 3 responses out of 8 (38%)	Research 2 responses out of 8 (25%)
	Other 1 response out of 8 (13%)	

Content generation remains key

In keeping with the trends seen across responses from owners and managers of Australian SMEs, staff are also pursuing use cases related to content generation and, to a lesser extent, research and analysis. Indeed, 7 of the 8 SME employees responding here described use cases specifically related to the development of content (including for email, formal writing, brainstorming, presentation, and marketing purposes).

It is worth noting that all responses posit use cases or provide descriptions that strongly imply the exclusive use of generative AI.

"[I use AI at work to suggest] menu ideas based on seasonality."

Cameron, an employee in their 40s working in the services sector

"[I use AI for] grammar checks; rewriting prose for various content."

Jessie, an SME employee in the professional, scientific or technical services sector

"More broadly, AI is a large part of the products we use for marketing, content creation, etc. Generative AI like Microsoft Copilot is now used daily for summaries, preparation of work, creation of documentation, etc."

Santiago, a man in his 40s working in the information media and telecommunications space

"[I use it] mostly to better understand some topics and do some research."

Luna, a woman in her 30s working for an Australian SME

7.2 Pathways for employee adoption of Al

How did you come to use Al at work? Business type: SMEs; Respondent type: Employee

Use of AI was encouraged by my workplace 16 responses (53%)	I independently decided to start using AI 9 responses (30%)
	It was a mix of both
	5 responses (17%)

SME support may drive employee adoption

70% of respondents came to use AI at work after encouragement by their workplace. This is at least suggestive of the fact that workplace support is important for driving employee adoption of AI. Interestingly, though, of the 9 respondents who independently decided to start using AI (without workplace support), we found that 7 were unaware of any related workplace rules (see later for wider findings about the presence of rules). In these instances, independent adoption suggests use that may be largely unregulated by the SME.

70% of respondents came to use AI at work after encouragement by their workplace.



7.3 Employee assessment of benefit

Based on your experience, what impact do you think AI has had on small and medium workplaces? Business type: SMEs; Respondent type: Employee

Small positive impact 11 responses (38%)	Small negative impact 5 responses (17%)
Significant positive impact 9 responses (31%)	No particular impact 2 responses (7%)
	Significant negative impact 2 responses (7%)

Employees mostly feel that AI has had a positive impact

More than two-thirds of respondents felt that AI has had a positive impact on small and medium workplaces. Still, with almost a quarter of responses leaning negative, it is clearly far from a definitive finding. It is critical that further work explore employee perceptions of workplace harms and impacts if AI support solutions are to be designed which deliver business, customer and employee value. This is particularly important, given that, based on our surveying, SME leaders appear to be generally more positive.

It is worth noting that, unlike for SME leaders, familiarity with AI has little bearing on perceptions of impact/value here. Around 25% of respondents responded negatively whether they were "very familiar" with AI or less so.



7.4 Employee assessment of risk

Based on your experience, what if any risks do you think Al may pose for [small and medium workplaces/customers?]

Business type: SMEs; Respondent type: Employee

Data risk 5 unique respondents out of 9 (56%)	Quality 3 unique respondents out of 9 (33%)	Bias 2 unique respondents out of 9 (22%)	Customer service impact 2 unique respondents out of 9 (22%)
Other 3 unique respondents out of 9 (33%)	Lack of education or expertise 2 unique respondents out of 9 (22%)	e Nil 1 unique respon (11%)	dent out of 9
		Unsure 1 unique respon (11%)	dent out of 9

Employees are also concerned about data risk and data quality

Consistent with risk areas identified by SME owners and managers, staff discussed concerns related to data (particularly management and transfer of sensitive and private data), quality (including the limited accuracy of Al and quality impacts related to increased work pace), and bias (including concerns around a lack of diversity and potential for unconscious bias).

Beyond these areas, responses also noted potential erosion of customer relationships, the need for education to avoid potential misuse, inflated expectations, and a narrowing of Al use cases to generative Al (despite the availability of other Al opportunities).

"[I worry that AI may cause an] erosion of quality and trust in terms of services provided to customers. Less in person contact and ability to provide nuanced support"

Jessie, an SME employee in the professional, scientific or technical services sector

"[There are AI risks related to:] informationsharing policies; [the] limited accuracy of AI; [the] intensive use of GenAI but there are other methods to use AI."

Luna, a woman in her 30s working for an Australian SME

"...[I think there is a risk that a] lack of diversity, unconscious bias, without the right privacy in place it could pose a threat to valuable data."

Isabella, a woman in her 50s working in the services sector

"[There is a] lack of education and understanding of how [AI] works. Also, therefore, [it is] more susceptible to misuse... Education is critical. Inflated expectations may also see [business think] it can do more than it can and not recognise its limitations resulting in it being used when it's not appropriate."

Santiago

7.5 Rules around Al use

Where you work, are there rules in place about how you can and cannot use Al for work?

Business type: SMEs; Respondent type: Employee



Many SMEs do not have rules in place for Al use

57% of respondents were unaware of any workplace rules around the use of Al. Given that even basic rules around usage would constitute an important step in governing many key Al risks, this finding suggests that there is low hanging fruit available in enhancing current SME Al risk management practice. To this end, we recommend the development and promotion of a simple and pragmatic set of baseline rules for generative Al use.



57% of respondents were unaware of any workplace rules around the use of Al

7.6 Supporting SME workers

What information or support about AI do you think Australian workers in small and medium business would find helpful?

Business type: SMEs; Respondent type: Employee

Guidelines 5 responses out of 12 (42%) Providing use cases and examples 5 responses out of 12 (42%)	Education and training 2 responses out of 12 (17%) Finding product 2 responses out of 12 (17%)		
	Other 2 responses out of 12 (17%)	Unsure 1 response out of 12 (8%)	

"[It would be helpful to have] clear rules and guidance, like checklists, on what they need to check to ensure they're complying with relevant regulations."

Jessie, an SME employee in the professional, scientific or technical services sector

Responses indicate multiple avenues for providing employee support

7 out of 12 respondents suggested guidelines or use cases to support workers in Australian small and medium enterprises¹¹. Examples included practical/real-world use cases for AI, a simple checklist to ensure compliance with regulation, and employee-centric AI policies/documentation. Providing support across all these areas would appear to represent a valuable contribution from, for example, AI Adopt centres.

It is worth noting that one response discussed the voluntary guardrails associated with the Voluntary Al Safety Standard – this was the only reference to that standard across all SME responses.

Finally, while only discussed by a few participants, employees thought that support for discovering appropriate AI tools would be beneficial and that education/training would be helpful.

11. Looking at the chart, it may be tempting to think that the number should be 10 out of 12. But recall that a single response can express multiple themes and may therefore be placed into multiple categories (e.g., a response may discuss guidelines and the value of use cases, in which case it would appear in each of those categories).

What we are saying here is that are 7 distinct responses that discuss guidelines or policies or both.

"I often use theresanaiforthat.com, maybe an Aussie gov version of this would be helpful."

Anya, a woman under 30 working in the services sector

"The 10 voluntary guardrails on AI usage [may be helpful for Australian SME employees]"

Kendrick, a staff member under 30 who works in the professional, scientific and technical services sector

"[It would be useful to know] how to distinguish between real use cases and overhyped Al promises."

Ari, a man under 30 working in the professional, scientific and technical services field

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