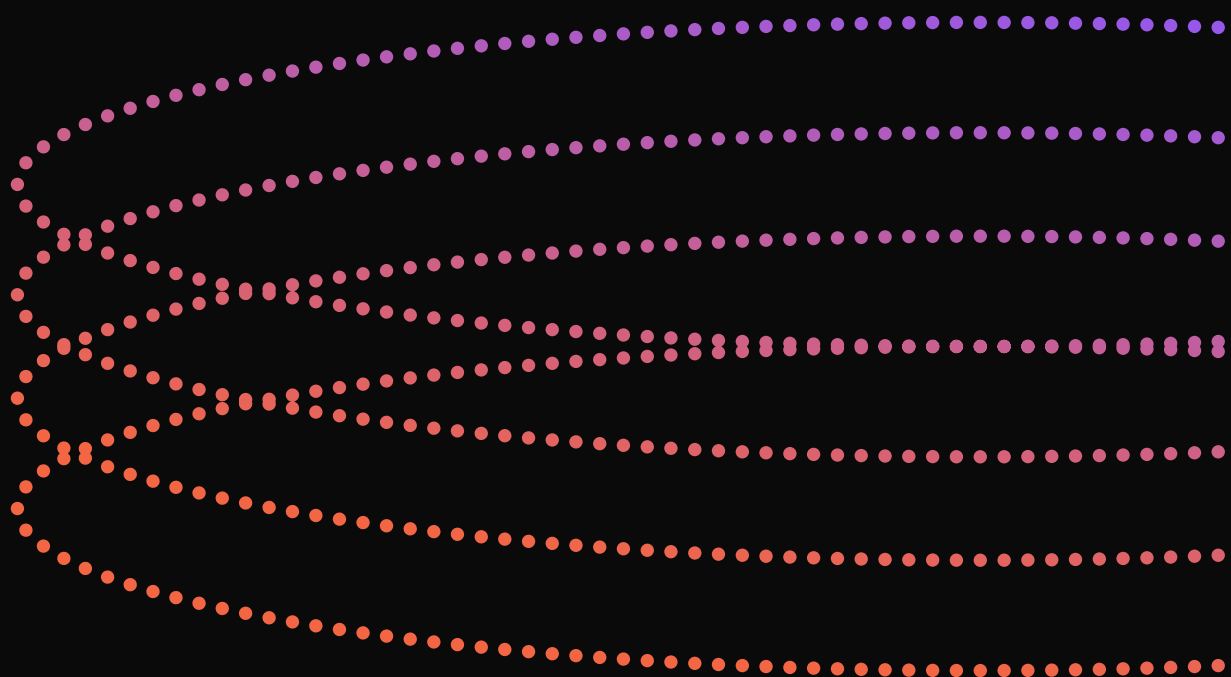


The state of AI in Australian business 2026



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Australia's AI inflection point

In 2026, Australia has taken a bold step towards a new AI public policy compact. The establishment of a world first regulatory framework by the Office of AI has the potential to fast track the meaningful adoption of AI across the Australian economy.

But it also presents serious risks. Being the global first mover in AI standard-setting, if done poorly, may lock Australians into an offshore AI ecosystem, and restrict access to the technology we need to protect our sovereign knowledge.

This year's State of AI report, drawing on data from over 1,300 Australian businesses, reveals that AI sovereignty has become critical. Data security and location are Australians' number one fear when it comes to AI: between 78 and 90 per cent of surveyed Australian businesses say it's important that AI tools store and process their data in Australia.

At Decidr, sovereignty goes beyond data location. For Australian businesses, it's also about control over the knowledge and decision logic that make them unique and valuable. This knowledge is for the first time, exposed to artificial intelligence providers wholly and completely.

Every organisation has accumulated their unique knowledge through years of operating: customer context, pricing judgement, internal processes, exceptions, relationships and lessons learned the hard way.

Foreign AI providers can capture this knowledge by having businesses enter prompts into their tools and turn it into reusable capability. This same knowledge also diffuses across external tools and platforms the business doesn't own or govern.

Australia cannot afford to become a major consumer and host for foreign AI providers who accumulate

critical IP and value offshore, and rent this back to the Australian businesses who created it for increasing cost.

We need Australian businesses to build systems that preserve their knowledge, strengthen their capability and retain control over what they create.

Australians see that AI is keeping their businesses competitive: 71 percent of SMEs say AI has significantly enhanced operations and growth over the past year. But only 31 percent have a clear AI strategy and roadmap. Half of SMEs still say implementing AI into their existing business processes will be difficult.

Australian businesses are moving quickly, but many are building on foundations that remain incomplete.

And so 2026 is a turning point for all of us. The year ahead will see the most critical technology policy initiative in our lifetime play out.

Our leaders must put AI sovereignty front-and-centre to allow Australian business knowledge to be protected, and allow us access to global AI platforms while retaining control over our data and intellectual property.

And they must avoid prescriptive restrictions on use of AI – restrictions that stifle investment, dissuade Australians from building their AI capability and cause us to fall behind the rest of the world.

This will determine whether AI becomes an outsourcer of Australian intelligence, or a lasting source of Australian capability and value.

David Brudenell

Executive Chairman and Co-CEO, Decidr

“These findings are enormously encouraging: Australian businesses are moving from experimentation to real investment. The next step is to back that ambition with meaningful budget allocation and build AI into the core of every business.”

Paul Chan

Founder and Co-CEO, Decidr



“Australia has everything it needs to lead the next chapter of AI: capital, talent, and now the confidence to build instead of just adopt. The businesses that get there first won't be the ones with the most tools. They'll be the ones brave enough to rebuild how they work from the ground up.”

David Brudenell

Executive Chairman and Co-CEO, Decidr

Overview

Australian businesses are in a very different stage with AI than they were a year ago. This year's data shows a market busy with AI, increasingly confident, yet underbuilt for what comes next.

The story of 2026

Australian businesses are using AI. The next challenge is to build the strategy, systems, governance and sovereign capability to make that use safe, scalable and more valuable over time.

Key findings

More businesses are seeing real impact

Confidence has risen, urgency has increased and 71% of SMEs say AI has significantly enhanced operations and growth over the past 12 months. More than half now rate AI investment as urgent. Businesses are feeling pressure to adopt AI from the market and most are responding through investment and strategic prioritisation.

AI has moved from interest to execution

Businesses are using AI across customer support, marketing, operations, reporting, planning, finance and decision-making. Efficiency still matters, but the ambition is getting bigger. More businesses now want AI to help them make better decisions, move faster and operate with more flexibility.

Strategy is improving, but remains thin

Thirty-one percent of SMEs now have a clear AI strategy and roadmap. Almost half are still experimenting with no formal strategy. Risk can creep in, not because businesses are ignoring AI, because they're adopting it before they've decided how it should be governed, integrated or scaled.

Smaller businesses risk being left behind

AI tools are more accessible than many previous waves of enterprise technology, creating the potential for smaller businesses to compete with greater speed and capability. Yet the smallest businesses in the survey are trailing on almost every measure of readiness.

Tools are spreading faster than systems can support

SMEs use an average of 2.6 AI tools or AI-enabled platforms, yet only 23 percent say those tools are fully connected to other business systems. General assistants such as ChatGPT, Claude and Gemini remain the most common tool type, used by 66 percent of SMEs. Fifty percent of SMEs say implementing AI tools into their current business processes would be difficult.

Sovereignty has become a commercial issue

Seventy-nine percent of SMEs say it's important that AI tools store and process organisational data in Australia. Seventy percent would pay more for Australian-hosted AI services. This is about more than hosting. It is about control over the data, context, judgement and operating knowledge that AI turns into intelligence.

For Australian businesses, sovereignty is no longer a niche policy issue. It is becoming part of the commercial reality of AI adoption. This is about more than data location. It reflects a growing concern about control: over data, compliance, business knowledge and the intelligence created through AI use.

Importance of Australian data storage and processing, by business size



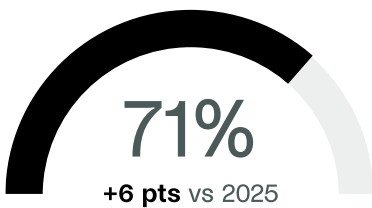
Business knowledge is still too fragmented

More than half of SMEs regularly lose time collecting, checking or re-entering information before it can be used or fed to AI. Fewer than one in four have current and complete information about people, processes, customers, rules or governance in a single connected system. AI cannot compound knowledge the business itself cannot see.

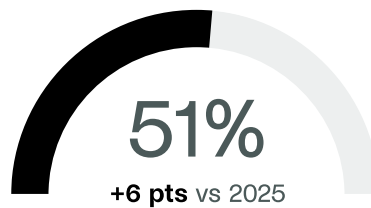
Key questions include D3a: "How impactful has AI been in enhancing your business operations and driving growth over the past 12 months?", B3: "Which of the following best describes your organisation's point of view on AI?" and D5: "How important is it to your business that AI tools store and process your organisation's data within Australia?"

At a glance: The report in numbers

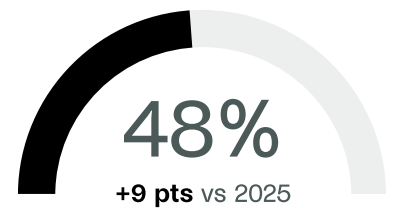
Momentum is rising



say AI has significantly enhanced operations and growth over the past year

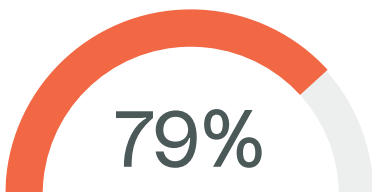


rate AI investment as an urgent priority

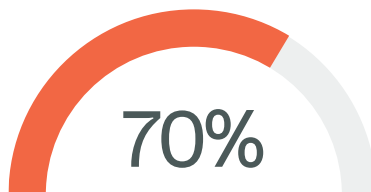


are very confident in their ability to implement AI

Sovereignty is now a commercial concern



say it is important that AI tools store and process organisational data in Australia



would pay more for AI services hosted entirely in Australia

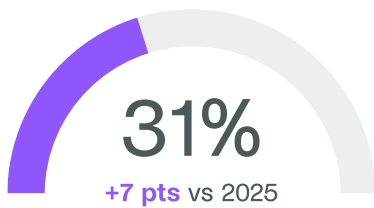
Security & compliance

is now the leading barrier to further AI adoption

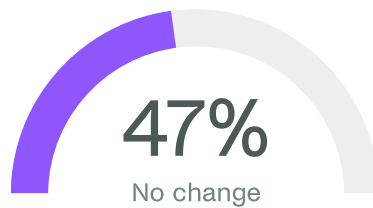
+4 pts from 2025

The next question is whether the value AI creates stays inside your business. That depends on who controls your data, but also who captures your IP: the knowledge, decision context and learning that make your business unique.

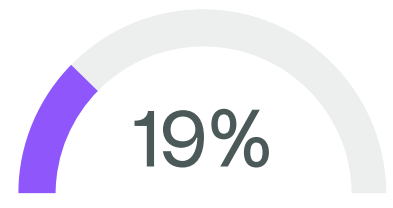
Strategy is still catching up



have a clear AI strategy and roadmap

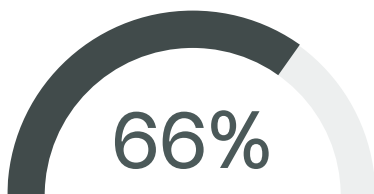


are experimenting with AI without a formal strategy

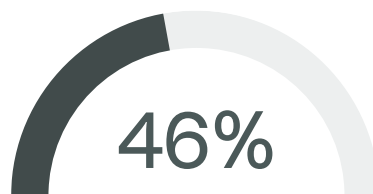


say AI strategy is regularly discussed at executive level and informs key decisions

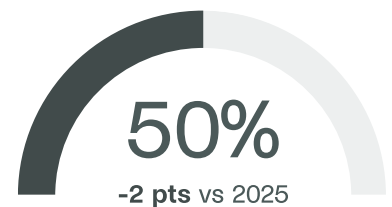
AI use is advancing



use general AI assistants such as ChatGPT, Claude or Gemini

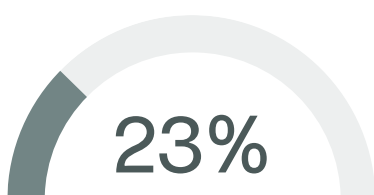


use some form of agentic AI, including AI agents or custom-built AI models and agents

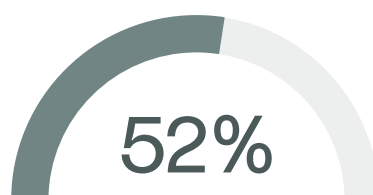


of SMEs say implementing AI tools into their current business processes would be difficult

Systems are not ready for the next phase



say their AI tools are fully connected to other business systems



regularly lose time collecting, checking or re-entering information before it can be used or fed to AI



average number of AI tools or AI-enabled platforms used by SMEs

Fewer than 1 in 4 have current and complete information about people, processes, customers, rules or governance in a single connected system. AI can only act with the context it's given, and a business running on scattered, incomplete information is asking AI to make good decisions from a partial view.

What changed in 12 months

What moved forward

Confidence rose sharply

48% of businesses are now very confident in their ability to implement AI, **+9 pts** vs 2025

Urgency also increased

51% now rate AI investment as an urgent priority, **+6 pts** vs 2025

More businesses are seeing impact too

71% say AI has significantly enhanced operations and driven growth over the past year, **+6 pts** vs 2025

The most engaged segment of the market is growing

Trailblazers now account for 24% of businesses, **+7 pts** vs 2025

The reasons for adopting AI are shifting

Making better decisions using data rose, **+3pts** vs 2025
Efficiency and cost reduction fell, **-6pts** vs 2025

What stayed stuck

Implementation remains hard

50% of businesses say implementing AI-powered tools into current business processes would be difficult, **-2pts** vs 2025

Integration remains shallow

Only 23% say their AI tools are fully connected to other business systems, while 53% say they are only partially connected.

AI strategy is still thin on the ground

While more businesses have adopted an AI strategy, **+7pts** vs 2025, that number is still the minority, at just 31%.

Experimentation is still outpacing strategy

Forty-seven percent are experimenting with AI without a formal strategy, unchanged from last year.



Businesses are moving toward AI, but the operating foundations underneath AI are not moving at the same speed.

"AI has the potential to sift data at a higher rate meaning decisions can be taken and implemented sooner."

Enterprise, Natural resources and utilities



2026 findings

FINDING 1

AI adoption has moved from curiosity to execution

Australian businesses are no longer experimenting with AI. They're using it, feeling it, and funding it accordingly. Confidence, urgency and impact have all risen sharply since 2025, and the reasons businesses give for adopting AI are shifting from pure cost-cutting toward decision-making and speed.

The shift in why businesses want AI is showing up in where they expect it to help too, the easy, front-line wins of 2025 are giving way to higher-value functions.

What this means

Adoption is becoming more strategic, but still uneven. The risk is urgency turning into tool accumulation rather than capability building. The next step is connecting AI investment to measurable business outcomes, not just the functions where it's easiest to plug in. Businesses recognise the challenges. Less than half feel confident implementing AI.

71%

Say AI has enhanced operations & growth**+6 pts vs 2025**

73%

Expect greater impact next 12 months**+9 pts vs 2025**

51%

Rate AI investment as urgent priority**+6 pts vs 2025**

48%

Very confident implementing AI**+9 pts vs 2025**

Main Drivers for adopting AI

2026 2025

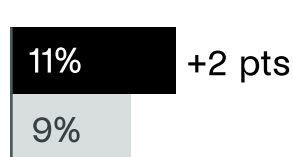
Efficiency/Reduce costs



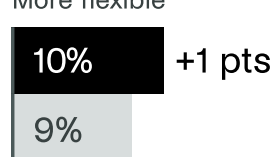
Making better decisions using data



Faster reporting and insights



Making faster decisions/
More flexible



Better customer experience



Functional area shift for AI adoption

Customer support



Marketing



Operations/logistics



Sales



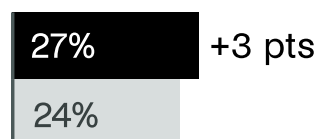
Human resources



Product/service development



Finance



Strategy & planning/leadership



The easy wins are giving way to the strategic ones.

Questions: D3a, "How impactful has AI been in enhancing your business operations and driving growth over the past 12 months?"; D3b, "In the next 12 months, how much do you expect the impact of AI on your business to change?"; C1, "How urgent is investment in AI for your business?"; D1, "How confident are you in your company's ability to implement AI across your business within your desired timeframe?"; B5b, "What is the primary reason for your organisation's interest in exploring AI?"; B4, "Which areas of your organisation do you think would benefit the most from the use of AI? Please select up to 3 options." Note: D3b year-on-year comparison is indicative due to changed question wording. "Strategy & planning/leadership" was a new response option in 2026 in the B4 question; no direct 2025 comparison is available for that item.

FINDING 2

Sovereignty, security and compliance are becoming the constraint

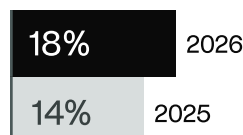
Security and compliance is now the top barrier to AI adoption, ahead of cost, data quality and integration. And sovereignty has moved from policy talk to business decision: most businesses want their data kept in Australia, and most would pay more for it.

What this means

Business needs to know what it can safely access, where information goes, who is accountable and whether the value created stays under their control.

Where Australian SMEs stand

Cite security/compliance as the #1 barrier (now leading barrier)



Say it's important AI tools store/process their data in Australia



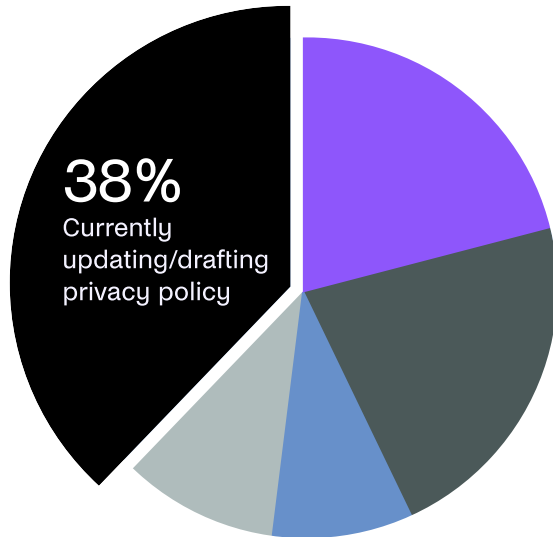
Would pay more for AI services hosted entirely in Australia



"We'd need clear security certifications, vetted vendor directories, expert implementation consultants and robust data privacy guarantees to confidently choose and integrate trusted platforms."

Enterprise, Manufacturing and trade

Readiness to disclose personal information use in privacy policies



23%

Already updated privacy policy

22%

Plans to, not started

7%

Aware, no plans to change

9%

Not aware

* Categories total 99% due to rounding

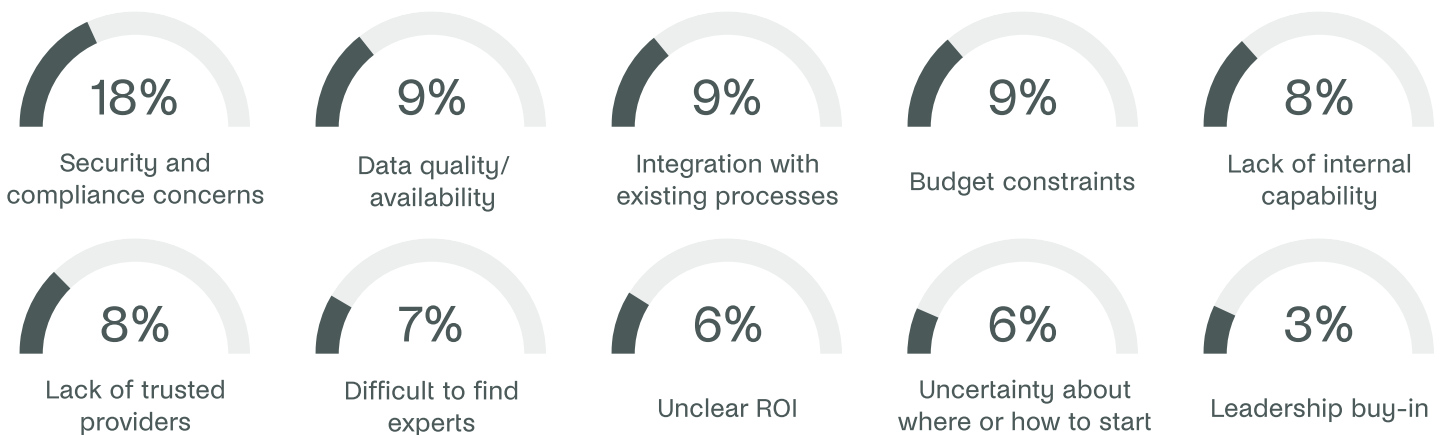
A new privacy deadline

Under the Privacy Act, Australian businesses must update their privacy policy by 10 December 2026 if AI changes how personal information is collected, used, stored or shared. The rule applies to businesses with annual turnover above \$3 million, government agencies and some smaller businesses, including health providers and those trading in personal information.



91% of businesses surveyed are aware of coming regulatory change.

Barriers to further AI adoption



Questions: B6b, "What is the main reason preventing or delaying you from using AI (more) in your business?"; D5, "How important is it to your business that AI tools store and process your organisation's data within Australia?"; D5 follow-up, "How likely would your organisation be to pay more for AI services hosted entirely in Australia?"; D7a, "What is the main reason your organisation would be willing to pay more for AI services that are hosted entirely in Australia?"; and D8, "How prepared is your organisation to meet automated decision-making privacy disclosure requirements?" Base for willingness-to-pay reasons: n=758 among those willing to pay more.

FINDING 3

Strategy is improving, but most businesses are still improvising

Confidence in AI is up, but formal strategy hasn't caught up. Only 31% of businesses have a clear AI strategy and roadmap, leaving most still experimenting without one. Fewer still have that strategy shaping decisions at the top.

What this means

Without a roadmap connecting AI to operational priorities, activity outpaces capability. Businesses become more AI-active, not more AI-capable.

19% say AI strategy is regularly discussed at executive level and informs key decisions

"Our business needs to get their AI strategy in place. Currently we have none."

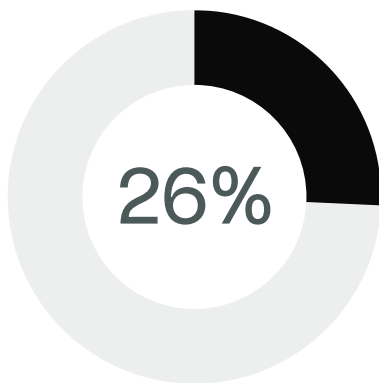
Enterprise, Manufacturing and trade

31%**Clear AI strategy and roadmap****+7 pts** vs 2025**47%****Experimenting, no formal strategy****No change** vs 2025**19%****Exploring options, not started****-3 pts** vs 2025**4%****Nowhere / don't know where to start****-4 pts** vs 2025

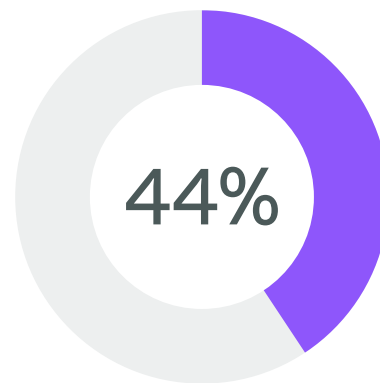
Business size vs percentage that have a clear AI strategy and roadmap

Roadmap ownership does grow with size, jumping from 26% among the smallest businesses to over 40% once a business passes 50 employees. But the growth stalls there. Even at 250 to 500 employees, the largest band in this sample, only 53% have a clear strategy and roadmap in place, still barely a majority.

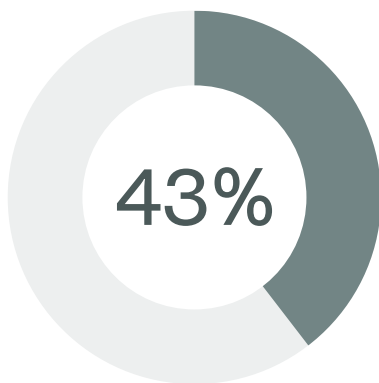
 20-49 employees



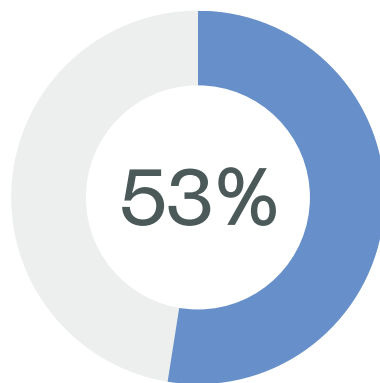
 50-99 employees



 100-249 employees



 250-500 employees



Even the most prepared business size still leaves nearly half without a roadmap.

Questions: B3, "Which of the following best describes your organisation's point of view on AI?" and C5, "Which of the following best describes your organisation's current strategy in AI?"

FINDING 4

Tools are multiplying, but integration is shallow

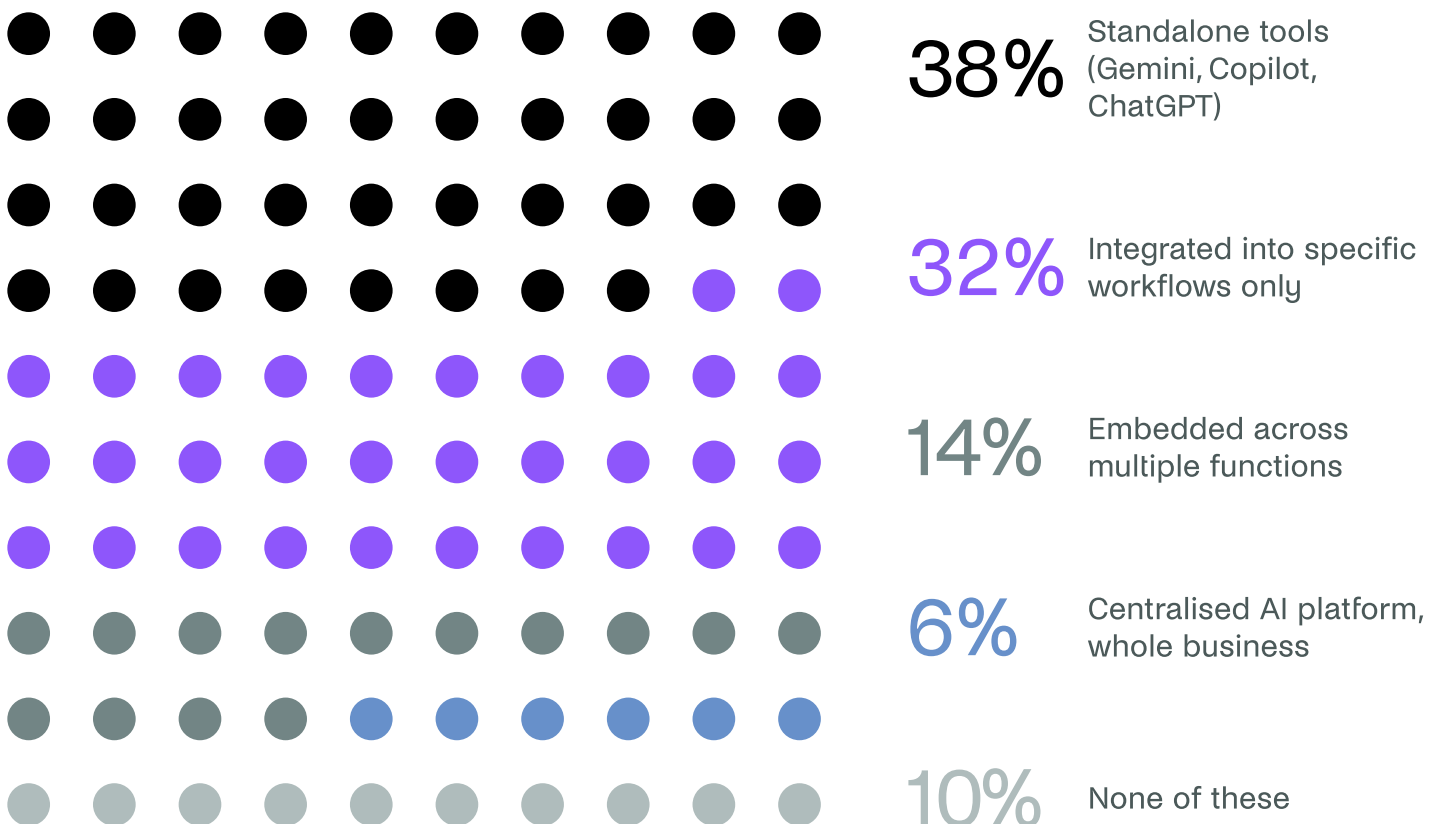
Businesses are using more AI tools, but those tools rarely work in concert. Most AI use still sits with individual employees rather than the business's core systems.

2.6 average number of distinct AI tools or platforms in use per business

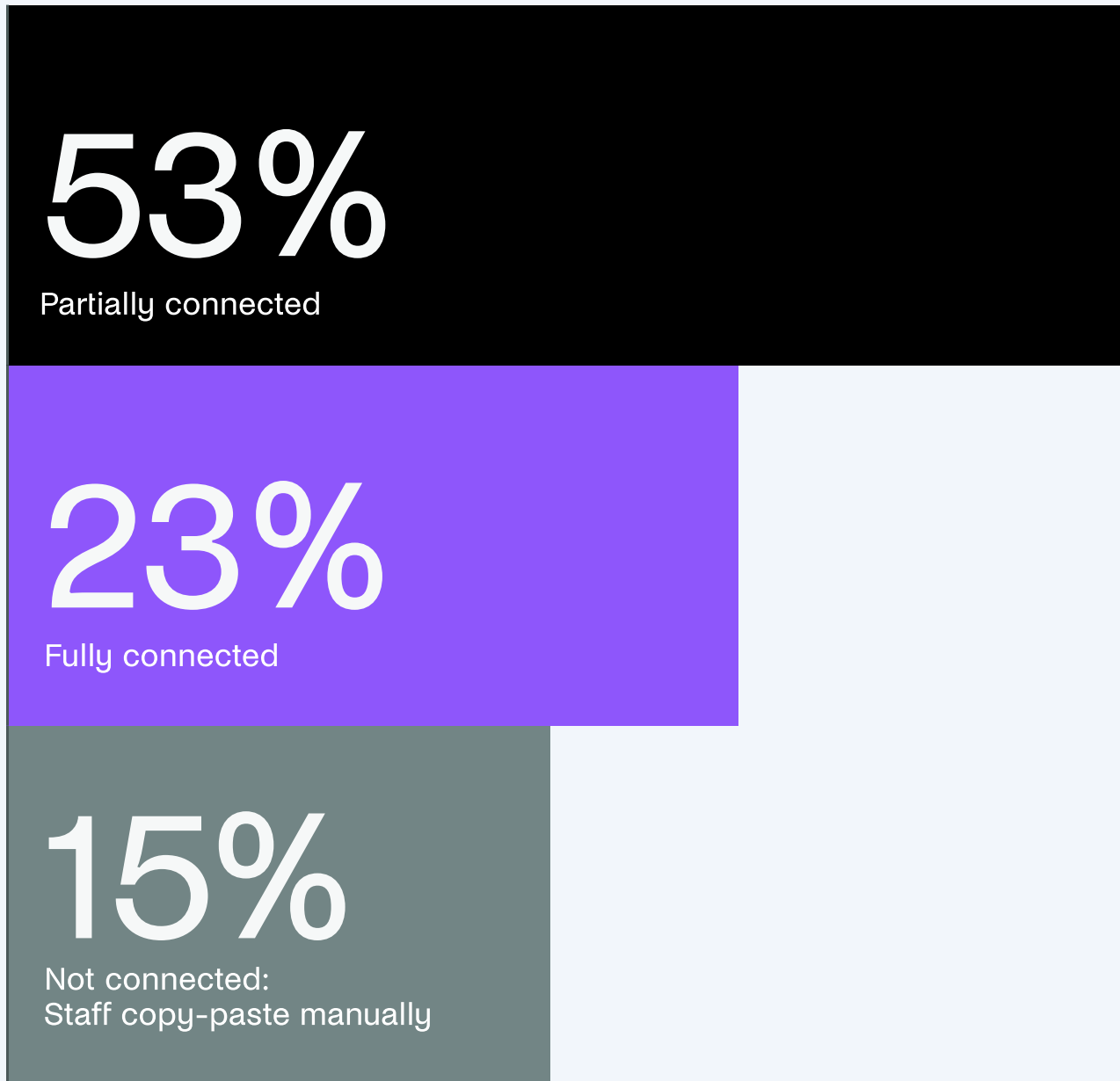
What this means

The next stage of value isn't more tools, it's connecting the ones businesses already use to the systems, data and workflows that run the business.

Deployment of AI within organisations



How connected are AI tools to business systems?



**Standalone AI tools can make individual tasks faster.
Connected AI makes the whole business smarter.**

When AI isn't connected to across the business, it can't carry context, support decisions across the organisation or help the business retain what it learns.

Questions: C6, "Approximately how many distinct AI tools or AI-enabled platforms does your organisation currently subscribe to or actively use?"; C4, "How is AI currently deployed into your business operations?"; and Z4, "How well do the AI tools your organisation uses connect to your other business systems?"

FINDING 5

Human workarounds are masking system gaps

Most AI use still depends on people compensating for messy systems. Over half of businesses regularly lose time preparing data before AI can even be used, and no domain of business knowledge is reliably held in one connected place. Meanwhile, AI is spreading through the business whether leadership sanctioned it or not.

52% say time is regularly lost collecting, checking or re-entering information before it can be used or fed to AI

13% say many processes (more than 30%) are handled end-to-end by AI without human checking

What this means

AI can only reason well from a business if the business itself is legible, and right now, most businesses can't fully see their own data, their own workflows, or their own AI use. That's three compounding blind spots, not one. Cleaning up fragmented information matters, but so does simply knowing where AI is already running inside the organisation before adding more on top of it.

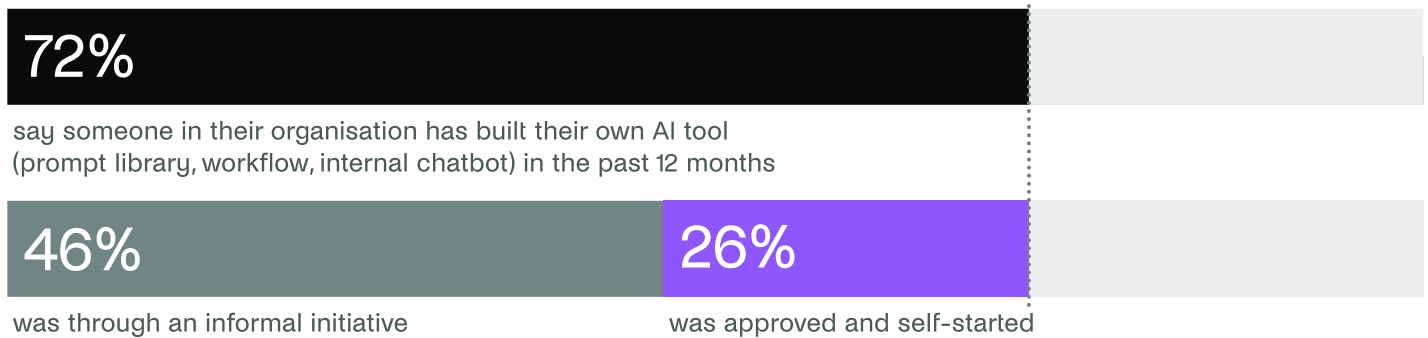
Percent of each domain held in a single connected system



"We need experts to audit our mess of data, clean it up and set up better pipeline systems so the AI actually has decent info to learn from."

SME, Manufacturing and trade

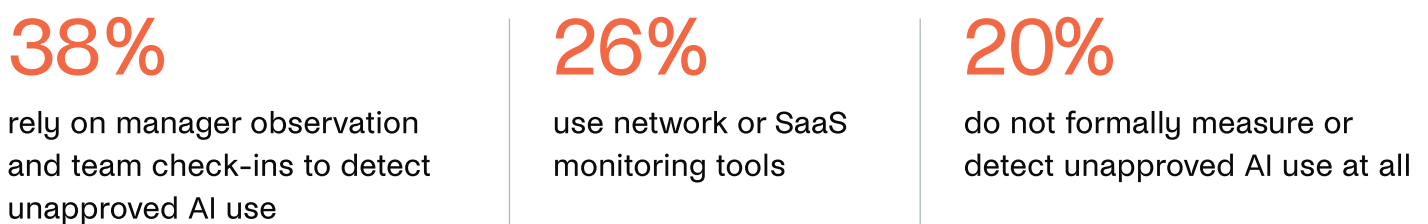
Individual creation of AI-powered tools



Unapproved AI tool use or shadow AI



Most AI governance still relies on people noticing



AI is already in the business, whether leadership sanctioned it or not.

Employee AI use is often moving faster than formal approval, leaving businesses unable to see, govern or capture the value being created.

Questions: E4: "In a typical week, how often is your organisation's time spent collecting, checking, or re-entering information from different systems before they can use it or feed it to AI?" Z5: "Thinking about the processes in your organisation today, roughly what proportion are handled end-to-end by AI tools or agents, without a human checking or approving each step?" E3: "Thinking about each area in your organisation below, where is the current and complete information about them held?" Z6: "In the past 12 months, to your knowledge, has anyone in your organisation created or configured their own AI-powered tool using platforms such as ChatGPT, Claude, or similar? Examples could include a custom prompt library, an automated workflow, or an internal chatbot." Z7: "Which of the following best describes the use of AI tools in your organisation that have not been formally approved by IT or leadership?" Z8: "Which, if any, of the following does your organisation do to measure or detect the use of unapproved AI tools by employees?"

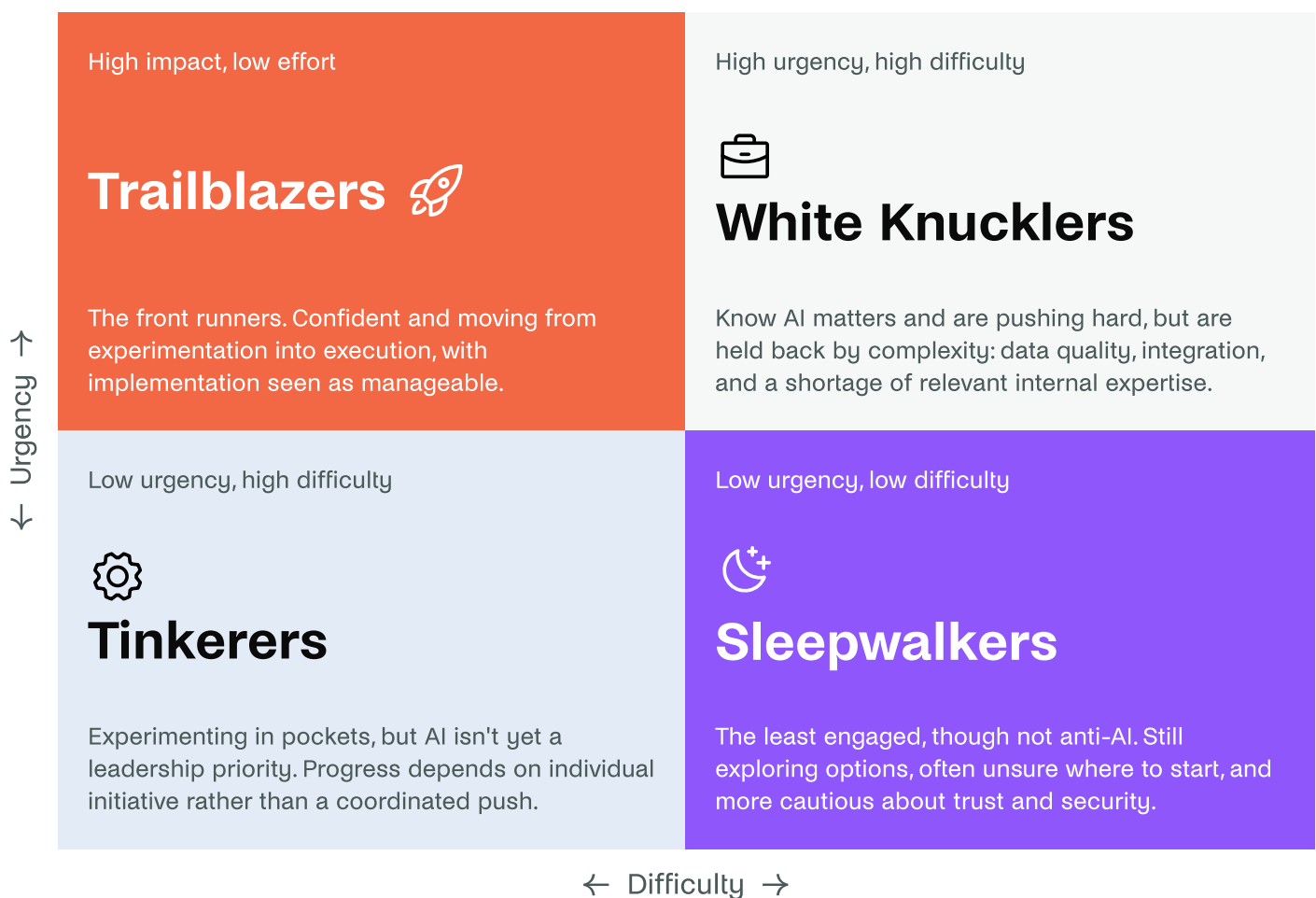
FINDING 6

The AI readiness gap is widening

The market is splitting by readiness to act, not by interest in AI. Trailblazers are pulling ahead fastest; Tinkerers and Sleepwalkers are shrinking as a share of the market, but not because they're catching up: many are simply consolidating into White Knucklers, still stuck on execution.

What this means

A single AI message won't work across the market. Each segment needs a different kind of support.

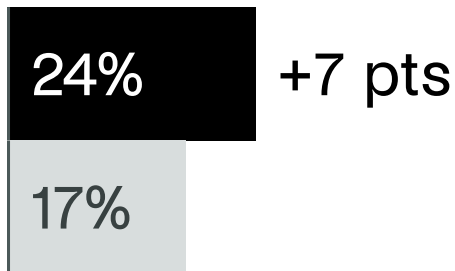


Based on C1: "How urgent is investment in AI for your business?" and C3: "How difficult would it be to implement AI-powered tools into your current business processes?"

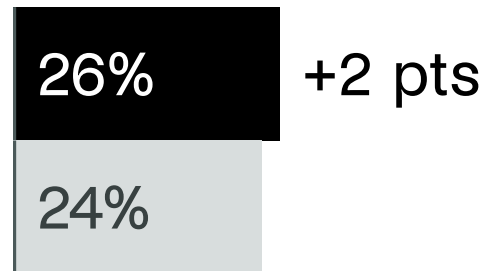
Segment changes

■ 2026 ■ 2025

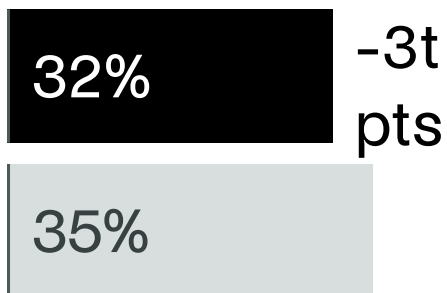
Trailblazers 🚀



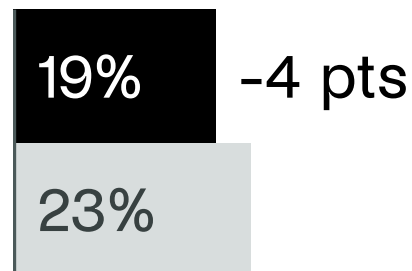
White Knucklers 📁



Tinkerers ⚙️



Sleepwalkers 🌙+



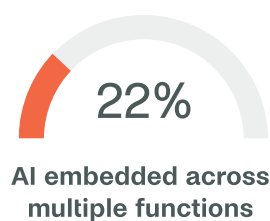
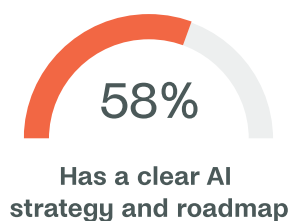
The market is no longer divided by interest in AI.
It is divided by readiness to act.

Segments based on C1: "How urgent is investment in AI for your business?" and C3: "How difficult would it be to implement AI-powered tools into your current business processes?"

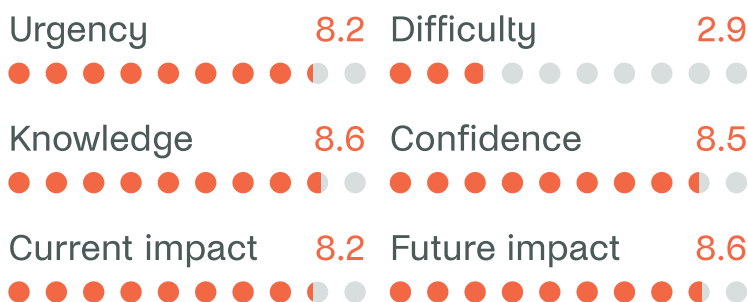
Trailblazers

High urgency, low difficulty

Confidence and urgency around AI investment is growing, driven by the need to make better decisions, faster. Most have a clear strategy, AI embedded across multiple functions and see few barriers ahead.



Readiness metrics (average)



Top 3 drivers

- 49%**
Make faster decisions / become more flexible
- 58%**
Making better decisions using data
- 51%**
Better customer experience and personalisation

Top 3 barriers

- 39%**
There is nothing preventing my organisation from using AI
- 23%**
Data quality / availability
- 22%**
Budget constraints

	2026	vs 2025
Turnover		
<\$10m	73%	+9 pts

>\$10m	27%	-9 pts
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Business size

20-49 employees	31%	-11 pts
-----------------	------------	---------

50-99 employees	48%	+9 pts
-----------------	------------	--------

100-249 employees	9%	-3 pts
-------------------	-----------	--------

250-500 employees	12%	+6 pts
-------------------	------------	--------

Industry

Natural resources and utilities	3%	+1 pts
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Manufacturing and trade	24%	-4 pts
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Retail and logistics	35%	-2 pts
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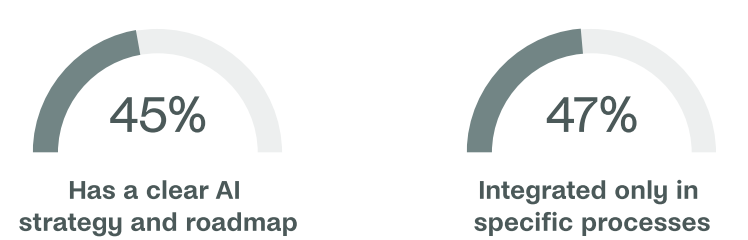
Tech and professional services	27%	+4 pts
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Education and public services	11%	no change
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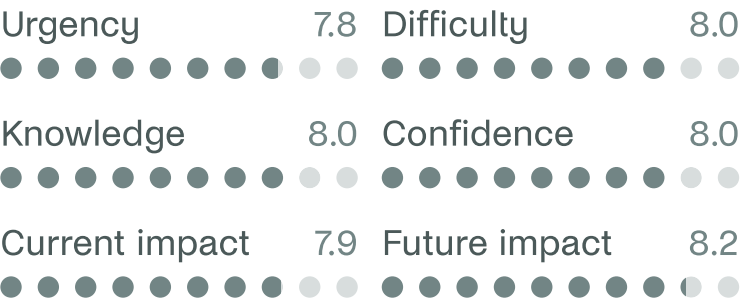
White Knucklers

High urgency, high difficulty

AI understanding is growing, but implementation is held back by a lack of relevant experts and data quality. Strategies are forming, though execution remains limited to specific processes.



Readiness metrics (average)



Top 3 drivers

- 33% Improved collaboration across different departments
- 28% Competitive pressure
- 29% Risk management/ compliance

Top 3 barriers

- 23% Difficult to find relevant experts familiar with our type of business
- 31% Data quality / availability
- 14% Leadership buy-in

	2026	vs 2025
Turnover		
<\$10m	67%	-6 pts
>\$10m	33%	+6 pts

Business size

20-49 employees	33%	-6 pts
50-99 employees	48%	+6 pts
100-249 employees	10%	-4 pts
250-500 employees	8%	+2 pts

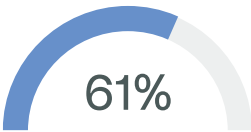
Industry

Natural resources and utilities	4%	-1 pts
Manufacturing and trade	31%	+5 pts
Retail and logistics	28%	+2 pts
Tech and professional services	26%	-4 pts
Education and public services	10%	-4 pts

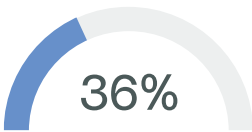
Tinkerers

Low urgency, high difficulty

AI experimentation is underway but remains a lower priority. Use is limited to specific processes, with scepticism around current AI platform providers is growing.

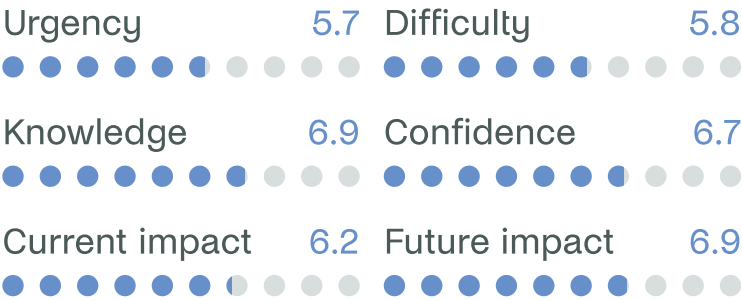


Experimenting but no formal strategy



Integrated only in specific processes

Readiness metrics (average)



Top 3 drivers

- 44% Making better decisions using data
- 27% Improved collaboration across different departments
- 21% Top line growth / new revenue

Top 3 barriers

- 30% Lack of trusted providers/ AI platforms
- 30% Challenges integrating to our business processes
- 27% Data quality / availability

	2026	vs 2025
Turnover		
<\$10m	74%	no change
>\$10m	26%	no change

Business size

20-49 employees	43%	-2 pts
50-99 employees	45%	+5 pts
100-249 employees	7%	-3 pts
250-500 employees	5%	no change

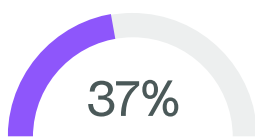
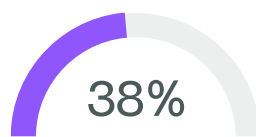
Industry

Natural resources and utilities	6%	no change
Manufacturing and trade	27%	no change
Retail and logistics	33%	-2 pts
Tech and professional services	17%	-3 pts
Education and public services	16%	+3 pts

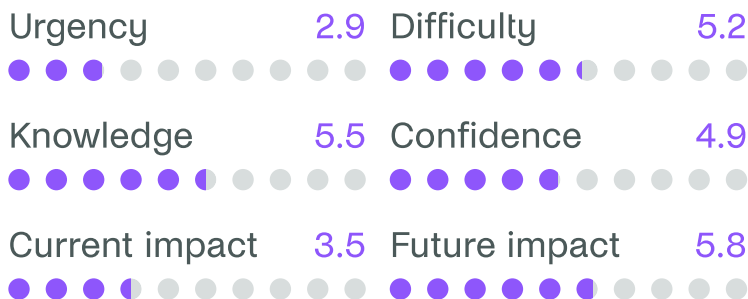
Sleepwalkers

Low urgency, low difficulty

Despite being the least engaged segment, they're more active than last year. They're exploring options but yet to act, held back by a lack of trust in AI providers and security concerns.

Exploring options
but not startedWe have not
integrated AI yet

Readiness metrics (average)



Top 3 drivers

- 52% Efficiency/ reduce costs
- 39% Faster reporting and insights
- 37% Making better decisions using data

Top 3 barriers

- 27% Lack of trusted providers/ AI platforms
- 39% Security / compliance concerns
- 14% Leadership buy-in

	2026	vs 2025
Turnover		
<\$10m	69%	-6 pts

>\$10m	31%	+6 pts
--------	-----	--------

Business size

20-49 employees	46%	-7 pts
-----------------	-----	--------

50-99 employees	44%	+9 pts
-----------------	-----	--------

100-249 employees	6%	-2 pts
-------------------	----	--------

250-500 employees	4%	no change
-------------------	----	-----------

Industry

Natural resources and utilities	3%	-3 pts
---------------------------------	----	--------

Manufacturing and trade	26%	+3 pts
-------------------------	-----	--------

Retail and logistics	35%	-1 pts
----------------------	-----	--------

Tech and professional services	13%	-5 pts
--------------------------------	-----	--------

Education and public services	22%	+6 pts
-------------------------------	-----	--------

AI readiness by industry:

Same interest, different speeds

Interest in AI spans every sector, but the breakdown shows industries are moving on AI at different speeds and facing different pressures along the way. Tech and professional services lead on urgency. Manufacturing and trade feel the same pull but hit a harder implementation gap. Education and public services remain largely in exploration. Retail and logistics span the full range, from still deciding to already scaled, suggesting the constraint isn't the sector. It's what each business has already built underneath AI.

Where industries sit across the AI readiness landscape

Share of each readiness segment	Trailblazers	White Knucklers	Tinkerers	Sleepwalkers
Natural resources and utilities	3%	4%	7%	4%
Manufacturing and trade	24%	31%	27%	26%
Retail and logistics	35%	28%	33%	35%
Tech and professional services	27%	27%	17%	13%
Education and public services	11%	10%	16%	22%

The industry breakdown shows which sectors make up each readiness segment and, when compared with their share of the overall market, where AI urgency and implementation difficulty are most concentrated.

Readiness segments are based on perceived urgency and implementation difficulty. Industry results shown in the segment matrix describe the composition of each segment.

Tech and professional services: Urgency has arrived

AI is already influencing how businesses in this group analyse information, make decisions and deliver services. More advanced organisations are moving beyond general assistants towards tools connected to business data and processes. Rapid adoption can also create overlapping tools, fragmented knowledge and reliance on platforms the organisation doesn't fully control. The next stage is making AI use connected, inspectable and commercially useful.

The dividing line is execution: some have the systems, skills and leadership alignment to act with confidence, while others feel the same urgency but remain constrained by data quality, integration and access to relevant expertise.

The challenge: Turning urgency into a durable operating capability.

Manufacturing and trade: Opportunity is clear, execution is harder

Manufacturing and trade show strong representation among both White Knucklers and Tinkerers, the two segments defined by high perceived difficulty. The business case is often tangible: production planning, quoting, maintenance, inventory, quality, reporting and coordination all involve repeated decisions and information flows that AI could improve.

Progress becomes harder when those opportunities depend on older systems, uneven operational data or specialist knowledge held by experienced employees. Useful applications depend on accurate data and a detailed understanding of how work is performed, including its exceptions and judgement calls.

The challenge: Connecting AI to operational reality.

Retail and logistics: Readiness varies widely

Retail and logistics contains businesses at every stage of readiness. The broad category covers very different operating models, from digital retailers and hospitality operators to transport and warehousing networks. AI can support customer service, marketing, pricing, demand planning, fulfilment and reporting, creating many possible entry points. This range can also lead to isolated adoption across functions, with one team using advanced tools while another relies on manual transfers, disconnected systems or knowledge held by employees.

The challenge: Building coherence across a fragmented use-case landscape.

Education and public services: Interest is ahead of implementation

Education and public services account for more than one in five Sleepwalkers, almost twice their representation among Trailblazers. They are also more prominent among Tinkerers, suggesting that interest is present while more organisations remain in exploration or limited implementation. Potential applications are broad, but these organisations also manage sensitive information, complex stakeholder expectations and decisions that may require explanation or human accountability. Findings for this sector reflect SME and enterprise-scale education and public-service organisations surveyed for this report, not federal or state government policy leadership.

The challenge: Creating value while maintaining trust.

AI can support administration, reporting, knowledge access, employee development and service delivery. Its use needs to sit within clear rules around data, review and responsibility, particularly where outcomes affect students, employees, customers or citizens. Progress depends on establishing the governance and confidence required to adopt AI without weakening accountability or stakeholder trust.

Natural resources and utilities: Experimentation is growing, but the stakes are higher

Natural resources and utilities appear most strongly among Tinkerers, suggesting active experimentation alongside continued implementation difficulty. Potential applications include maintenance, field operations, asset information, planning, safety and environmental reporting. Many depend on specialised operational data and must function across physical assets, remote environments and industry-specific systems.

The challenge: Applying AI in specialist, high-consequence environments.

Incomplete information or incorrect decisions can carry significant operational, safety and regulatory consequences. AI applications therefore need reliable data, close alignment with specialist processes and clear human oversight. The opportunity may be substantial, but the small industry sample means the pattern should remain directional rather than a firm sector-wide conclusion.

Readiness segments are based on perceived urgency and implementation difficulty. Industry results shown in the segment matrix describe the composition of each segment.

AI access is broad, but the gap is widening for small businesses

Business size shapes how widely AI use spreads, how connected it becomes and what is required to govern it. Smaller businesses are already active users, but often rely on individual tools and informal oversight. In the middle of the market, adoption is spreading across teams faster than central controls. Among the largest SMEs, AI is beginning to connect directly to systems and processes, increasing both its potential value and the need for stronger governance.

20-49 employees: active adoption, informal foundations

The smallest businesses are already using AI, but formal readiness remains low. Only 26% have a clear AI strategy, 19% have fully connected AI to other business systems and half have updated or are updating their privacy policies.

Their challenge is turning accessible tools into a shared business capability, with clearer ownership, stronger governance and better connections to existing systems.

2.3 AI tools used on average

26% have a clear AI strategy

19% have AI fully connected

50-99 employees: readiness steps up

The largest jump occurs once businesses reach 50 employees. Among those with 50-99 employees, 44% have a clear strategy, 31% have fully connected AI to other systems and 72% have updated or are updating their privacy policies. These businesses use almost as many AI tools as the largest group surveyed.

The challenge is coordinating adoption and directing investment towards the tools and use cases that create the most value.

31% have a clear AI roadmap

67% acting on privacy

73% would pay for local hosting

100-249 employees: Adoption spreads faster than control

The middle of the market shows the clearest signs of distributed AI use. Tools, prompts and workflows are likely to have emerged across several departments, sometimes through formal programs and sometimes through employee initiative. More than half report unapproved AI use in pockets of the organisation, significantly above the overall result.

The defining challenge is bringing fragmented activity into a more coherent operating model without slowing useful experimentation. Data quality, systems integration, security and access to relevant expertise make scaling harder.

52% report unapproved AI use in some teams

67% have updated or are updating their privacy policy

81% say Australian data storage is important

250-500 employees: AI is becoming business infrastructure

The largest businesses show the strongest movement from standalone tools towards connected and operational AI. They use slightly more platforms, are more likely to connect AI to other systems, while one in four already has more than 30 percent of processes handled end to end by AI. Governance is also more developed, with greater use of policy audits, technical monitoring and formal privacy preparation.

The defining challenge is scaling connected AI safely as it gains access to more systems, data and decision making authority. These businesses have more AI capability, alongside more complexity, risk and accountability to manage.

39% have AI fully connected to other systems

26% have more than 30% of processes handled end to end by AI

83% would pay more for Australian hosted AI

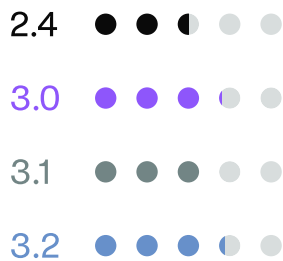
Businesses of all sizes have access to similar tools and models

The wider gap is in the expertise, capacity, systems and governance needed to make those tools work across the business.

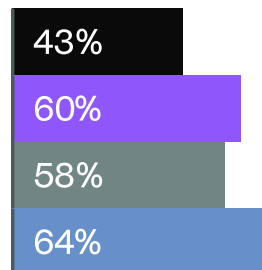
AI readiness by business size

■ 20-49 employees ■ 50-99 employees ■ 100-249 employees ■ 250-500 employees

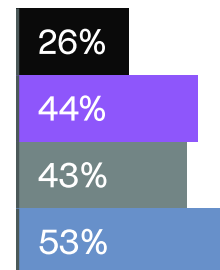
AI tools used, on average



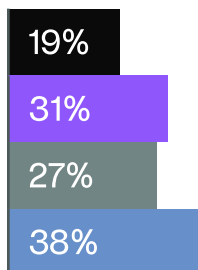
AI investment is urgent



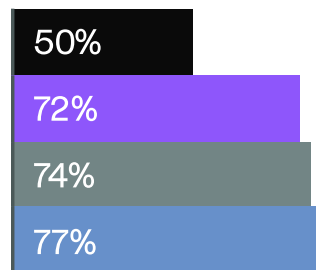
Clear AI strategy



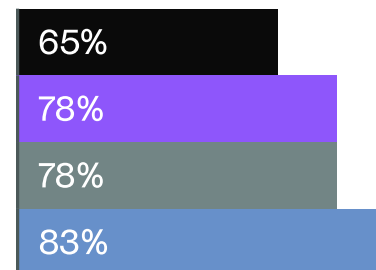
AI fully connected to business systems



Privacy policy updated or in progress



Would pay more for Australian-hosted AI



 **25%**

have no formal way to identify unapproved AI use

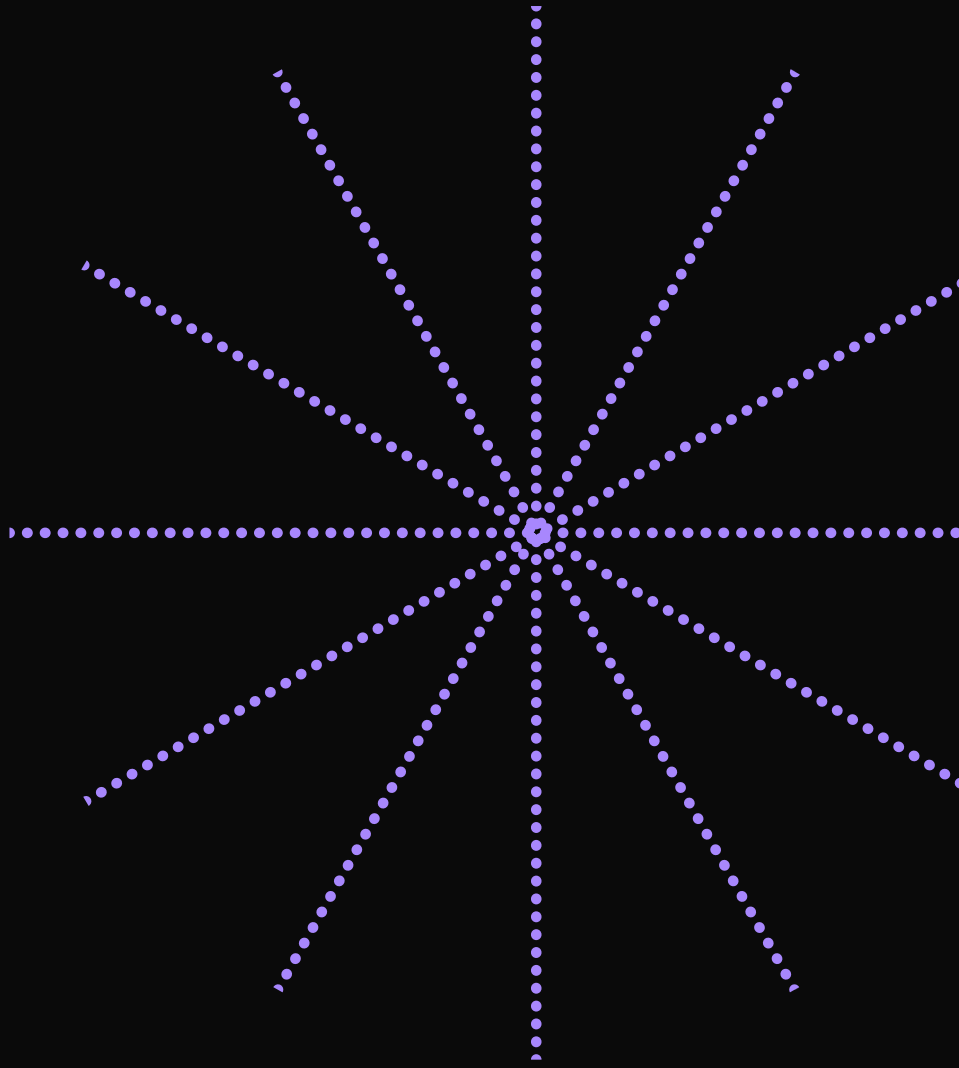
 **52%**

report unapproved AI use in some teams or pockets of the organisation

 **26%**

have more than 30% of processes handled end to end by AI, around twice the overall SME result

Key questions include D3a: "How impactful has AI been in enhancing your business operations and driving growth over the past 12 months?", B3: "Which of the following best describes your organisation's point of view on AI?" and D5: "How important is it to your business that AI tools store and process your organisation's data within Australia?"



Enterprise findings

Enterprise AI is moving from strategy into operations

The results show an enterprise market moving deeper into execution

49%

have a clear AI strategy and roadmap

57%

have moved beyond standalone tools

76%

report a significant impact on operations and growth

However, execution is still being constrained by security and compliance requirements, integration with existing processes, budget pressures, data quality, limited internal capability and difficulty accessing trusted providers and relevant expertise. Scaling AI will also require stronger sovereignty controls over where data is stored and processed, who can access it and how the organisation's business knowledge is governed.

For enterprise, sovereignty is less a single hosting question and more a control question: how to govern the data, systems and institutional knowledge AI increasingly depends on.

"I have no confidence in the data security capabilities of AI companies. I would require absolute proof of an AI company's security capabilities before I worked with them."

Enterprise, Retail and logistics

Overall source note for the following data: the enterprise sample comprises 318 Australian decision-makers from organisations with more than 500 employees. Introduced in 2026, these findings provide a standalone enterprise snapshot.

Enterprise is moving into execution

Enterprise businesses show high levels of understanding, confidence and urgency. Almost half now have a clear AI strategy and roadmap, while most of the remainder are already experimenting. The focus is now shifting from establishing intent to executing consistently across complex systems, processes and business units.

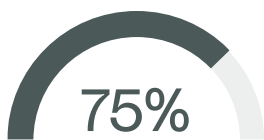
What this means

Enterprise leaders increasingly understand where AI can create value. The test now is turning strategy into coordinated execution across the whole organisation.

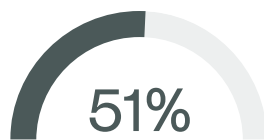
49% have a clear AI strategy and roadmap

76% say AI has significantly enhanced operations and growth

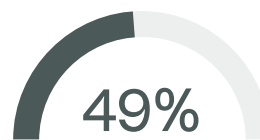
Measure



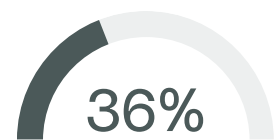
Strong understanding of what AI can do



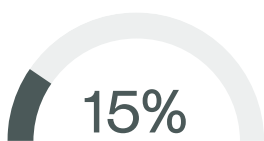
Very confident in ability to implement AI



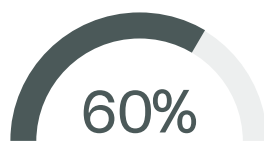
Clear AI strategy and roadmap



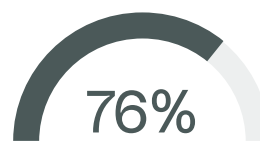
Experimenting with AI



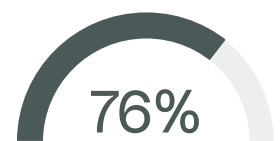
Exploring or without a clear starting point



Rate AI investment as urgent



Report significant impact over the past year



Expect AI's impact to increase over the next year

Questions: B1, "On a scale of 1 to 10, how well does your organisation understand what Artificial Intelligence can do for the business?"; D1, "On a scale of 1 to 10, how confident are you in your organisation's ability to implement AI across your business within your desired timeframe?"; B3, "And which of the following best describes your organisation's point of view on AI?"; C1, "On a scale of 1 to 10, how urgent is investment in AI for your business?"; D3a, "On a scale of 1 to 10, how impactful has AI been in enhancing your business operations and driving growth over the past 12 months?"; and D3b, "In the next 12 months, how much do you expect the impact of AI on your business"

Deployment is scaling, the knowledge behind it still lives in people's heads

More than half of enterprise organisations are moving beyond individual AI tools into connected workflows and business processes. That's an important step, but workflows only describe what should happen. They rarely capture why decisions are made, how exceptions are handled or the judgement experienced people apply every single day.

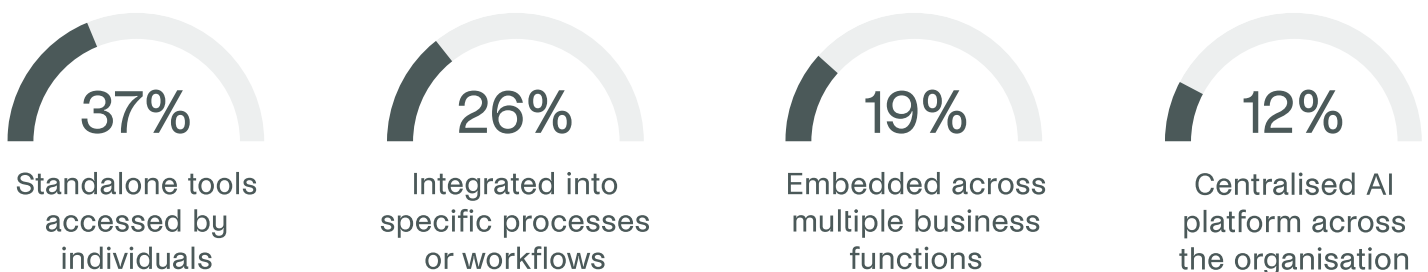
That knowledge is the operating system of the business. It's built over years, rarely documented and often walks out the door when people leave. Until businesses capture it, AI can automate processes, but it can't truly replicate how the business works.

What this means

This is where the real risk sits, not in the tools, but in what's never been written down. Businesses that document how work actually happens, not how the org chart says it should, are the ones who can put AI on top of it and trust what comes out.

57% have moved beyond standalone tools into processes, functions or a central platform

Current form of deployment



Question C4: "How is AI currently deployed into your business operations?". Percentages may not total 100 due to rounding or other response categories.

Enterprise AI is being funded for broader outcomes

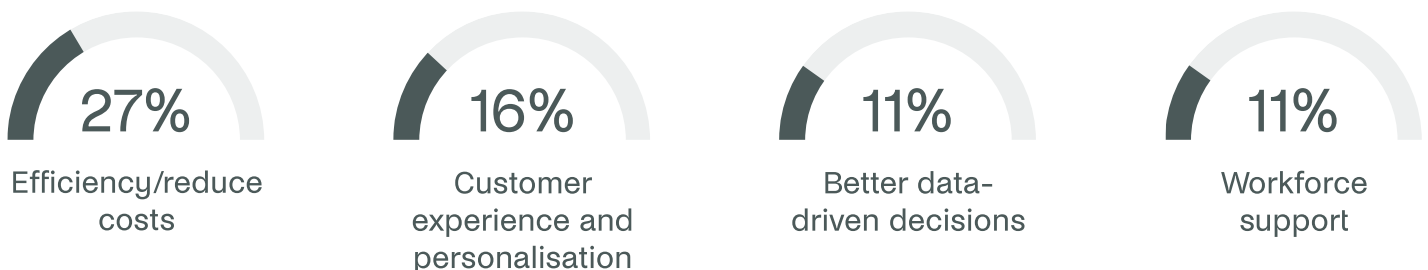
Efficiency remains the leading motivation, but enterprise investment now spans decision-making, reporting, workforce support and customer experience.

This broader value agenda increases the potential reach of AI across the organisation. It also creates a greater need to coordinate use cases, information and investment across functions, rather than allowing separate initiatives to develop in isolation.

What this means

Enterprise businesses are pursuing portfolios of AI use cases across several functions and outcomes. Realising that value requires shared priorities, reliable information and coordination across the business.

Single biggest driver



Questions B5a. What are the main reasons for your organisation's interest in exploring AI? B5b. And what is the primary reason for your organisation's interest in exploring AI?

The main constraints sit in security, data and systems integration

More than half of enterprise decision-makers expect difficulty implementing AI within their existing business processes. The barriers show that the challenge lies largely in the operating environment around the technology: security requirements, integration, data quality, skills, budgets and access to trusted providers.

Leadership buy-in and uncertainty about where to begin rank lower. Enterprise businesses understand the opportunity, but many still need the systems, information, capability and controls required to execute safely and consistently.

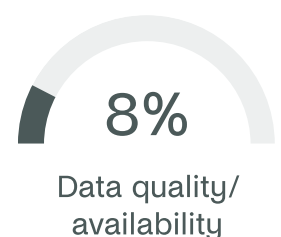
What this means

Scaling enterprise AI depends on connected systems, trusted information, captured processes, specialist capability, clear governance and control over critical business data and knowledge.

52% expect implementation within current processes to be difficult

30% cite security and compliance as a barrier to further adoption

Single biggest barrier



Questions C3, B6a. Which, if any, of the following are the main reasons preventing or delaying you from using AI in your business? B6b. And what is the main reason preventing or delaying you from using AI in your business? Sovereignty is included here as a wider operating requirement identified throughout the 2026 report, rather than as a separate enterprise-specific result.

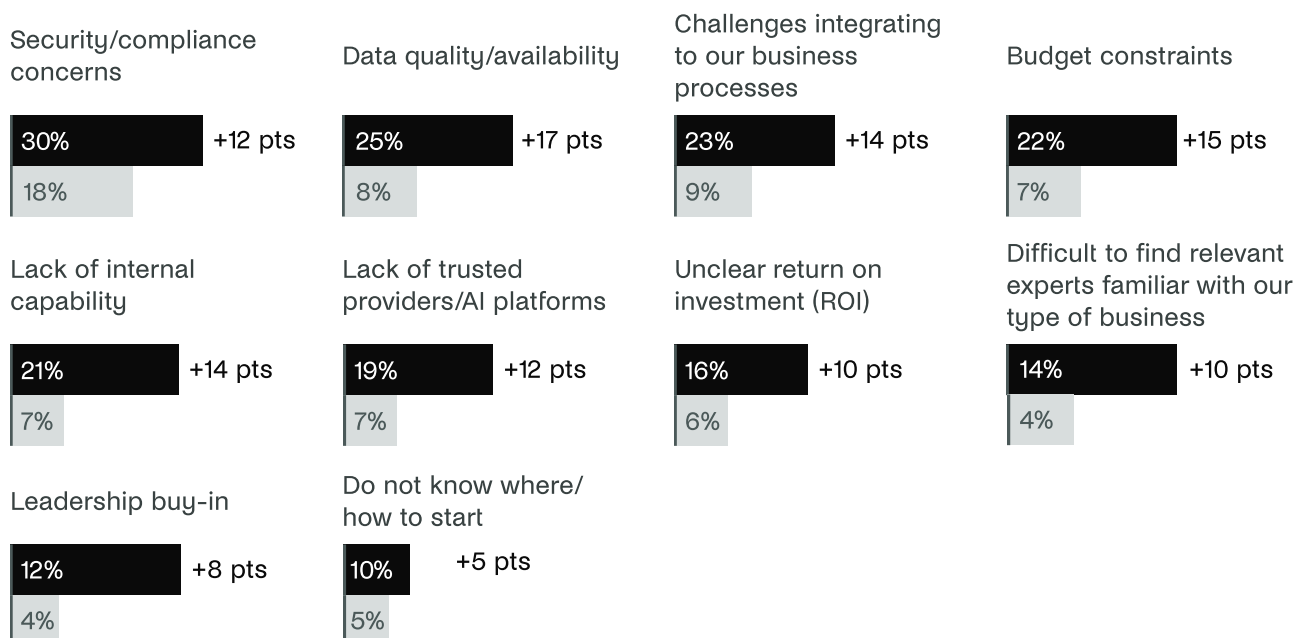
Drivers of AI investment

■ Drivers ■ Top Drivers



Barriers to AI investment

■ Barriers ■ Top Barriers



Questions B5a. What are the main reasons for your organisation's interest in exploring AI? B5b. And what is the primary reason for your organisation's interest in exploring AI? Questions C3, B6a. Which, if any, of the following are the main reasons preventing or delaying you from using AI in your business? B6b. And what is the main reason preventing or delaying you from using AI in your business? Sovereignty is included here as a wider operating requirement identified throughout the 2026 report, rather than as a separate enterprise-specific result. In this section, participants were able to name more than one response

Enterprise vs SME comparison: Confidence is common. A real AI plan isn't.

Enterprise and SME leaders are almost equally confident about implementing AI. But confidence alone isn't enough. Fewer than half of enterprise organisations have a clear AI strategy and roadmap, and barely a third of SMEs do.

What this means

Confidence was never the constraint. Planning is. Businesses believe in AI at nearly the same rate across the board, but belief hasn't turned into a plan for most of them, enterprise included. That's the real story, and the opportunity, half the market is confident and directionless at the same time.

Head-to-head

■ Enterprise ■ SME

Understand what AI can do for the business



Very confident implementing AI



Have a clear AI strategy and roadmap



Rate AI investment as urgent



Say AI has enhanced operations & growth



Expect greater impact next 12 months



Enterprise doesn't out believe SMEs by much. It out plans them by a lot, and even then, barely half have a plan at all.

AI strategy maturity

■ Enterprise ■ SME

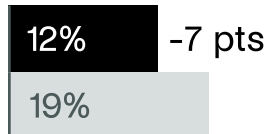
Clear AI strategy and roadmap



Experimenting, no formal strategy



Exploring options, not started



Nowhere / don't know where to start



AI deployment model

Standalone tools used by individuals



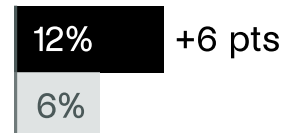
Integrated in specific workflows only



Embedded across multiple functions



Centralised AI platform, whole business



For both groups:

Difficulty implementing is near identical

52% **50%**

for Enterprise

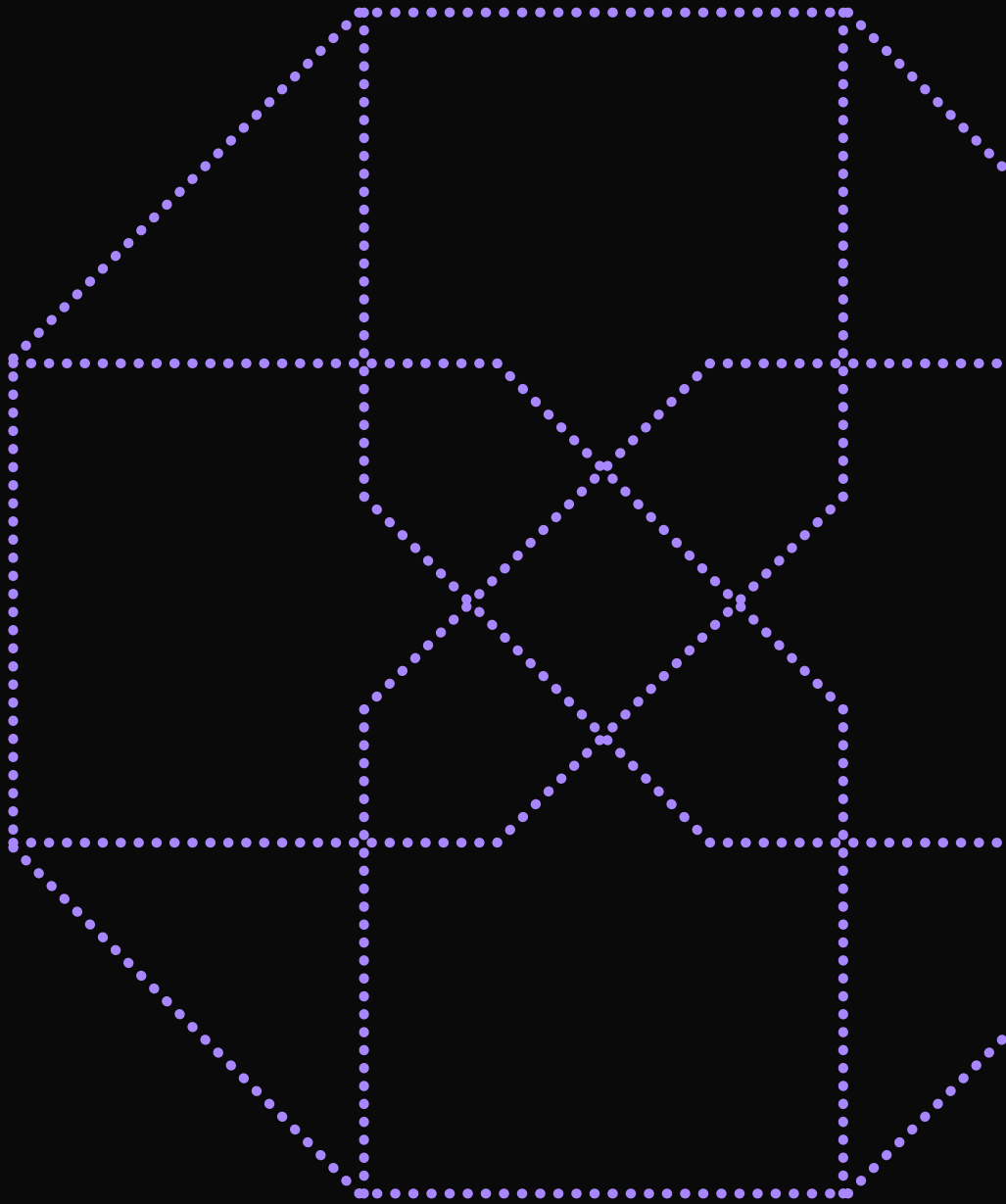
for SMEs

Security/compliance is the #1 barrier

18%

for both Enterprise and SMEs

Questions: B1, "How well does your organisation understand what Artificial Intelligence can do for the business?"; D1, "How confident are you in your organisation's ability to implement AI across your business within your desired timeframe?"; B3, "Which of the following best describes your organisation's point of view on AI?"; C1, "How urgent is investment in AI for your business?"; D3a, "How impactful has AI been in enhancing your business operations and driving growth over the past 12 months?"; D3b, "In the next 12 months, how much do you expect the impact of AI on your business to change?"; C4, "How is AI currently deployed into your business operations?"; C3, "How difficult would it be to implement AI-powered tools into your current business processes?"; B6b, "What is the main reason preventing or delaying you from using AI in your business?"



Key
takeaways

Looking ahead: Realising AI's full potential

The findings show a clear gap. Australian businesses are using AI, seeing value from it and investing further. But many are still scaling AI on top of fragmented systems, informal knowledge and limited governance. The next step is building the operating foundations that let AI work safely and at scale.



Good governance doesn't slow AI down. It makes AI reliable to trust with the parts of the business that matter.

What Australian businesses should do now

The businesses best placed to benefit are the ones moving from tool adoption to operating capability: building a roadmap, mapping business knowledge, fixing structural gaps, connecting AI to core systems, meeting sovereign AI requirements and governing autonomous action. Done well, this creates a business where knowledge is captured instead of lost, workflows improve instead of multiplying manual work, and AI agents operate with context, control and accountability.

Address sovereignty requirements from the start

Sovereignty is now a practical business issue: where data is stored and processed, who can access it, and what happens to the intelligence created from it. Businesses need to know how to protect their IP, which data should stay under local or organisational control, which AI tools meet their risk requirements and how sovereignty expectations will shape procurement, governance and customer trust.

Put governance around autonomy

As AI moves from answering questions to taking action, governance matters more: clear permissions, audit trails and human review points for what AI can access, change or recommend, and when a human needs to approve the next step. Two things make that real: inspectability, so every output carries a signal for how much to trust the data behind it, and deterministic outcomes, so the same inputs produce the same traceable result every time, not a probability that shifts on each run.

Address the structural gaps first

AI struggles where the business underneath it is unclear. Fewer than one in four businesses have current, complete information about key areas held in a single connected system, and many still lose time collecting, checking or re-entering data before it's usable. Fixing these structural gaps, such as fragmented data, unclear workflows, manual steps, slow approvals, often does more for AI performance than adding another tool.

Connect AI to the systems that run the business

Most AI value comes when AI connects to the business's actual operating environment: its data, systems, workflows, roles, rules and decisions. That takes more than standalone assistants or productivity tools. Real AI transformation means AI becoming part of a governed operating system for the business, not sitting outside it as a separate tool.

Build so that value compounds back to the business

Each workflow, decision, customer interaction and exception can create new intelligence, but that value disappears if it's trapped in individual prompts or personal accounts. Businesses should capture what they learn and feed it back into the organisation, so AI doesn't just answer questions. It strengthens the business's systems, knowledge and decision-making over time.

Build an AI roadmap

Businesses need a clear plan for where AI creates value and how that value gets measured: which workflows and decisions matter most, and whether the business has the data, clear processes and connected systems to support them. The priority is choosing use cases by business value, readiness, risk and feasibility, not by whichever tool is easiest to trial.

Map the knowledge AI depends on

AI is only as useful as the knowledge it can access. Some of that knowledge is explicit (policies, processes, customer records), much of it is tacit (pricing logic, judgement calls, exceptions, workarounds, relationships). Tacit knowledge is often what makes your business valuable, and it's the knowledge most likely to get lost or exposed when AI runs through disconnected tools. Businesses need to capture it, then make it visible, structured and usable by AI, with control over how it's accessed and governed.

Methodology

This report is based on independent research commissioned by Decidr and conducted by Nature. The 2026 research was conducted as a 10-minute online survey of Australian business decision makers between 15 May and 1 June 2026. Participants were key decision makers involved in choosing IT or AI-related tools for businesses with annual revenue greater than \$200,000. The sample was drawn from an established Australian online panel dedicated to survey research.

A total of 1,324 participants took part in the study, comprising:

1,006 decision makers

from small and medium-sized businesses
with 20-500 employees

318 decision makers

from enterprise businesses with more than
500 employees

In this report, “AI tool” refers to any distinct AI product, platform, or capability in active use, including standalone chatbots, embedded copilots, and custom-built agents.

Unless otherwise stated, findings in this report refer to the main SME sample of 1,006 Australian businesses with 20-500 employees. Enterprise findings are reported separately and are based on the sample of 318 decision makers from businesses with more than 500 employees.

Selected 2026 findings are compared with Decidr’s 2025 Australian SME AI Readiness study, conducted in May 2025 with 1,042 SME respondents. Where questions were new in 2026 or materially changed from 2025, year-on-year comparisons have not been shown, or have been clearly noted as indicative.

Results shown for the SME sample have been weighted to reflect Australian Bureau of Statistics data on business size, industry and location, to represent individual SME businesses in Australia.

Percentages may not total 100 due to rounding, multiple-response questions or the exclusion of “don’t know” and “none of these” responses in some charts. Where a chart is based on a subset of respondents, the relevant base is noted.

The research was conducted in accordance with ISO 20252:2019 and ISO 27001:2013.

Glossary

Agentic AI

AI that can pursue a goal across several steps, systems and decisions using business context, rules and controls.

AI agent

Software that can plan and complete a defined task, use tools and take action within set boundaries.

AI assistant or copilot

AI that helps a person complete a task through prompts and human review.

AI governance

The rules, responsibilities and controls that guide how AI is selected, used and monitored.

AI integration

The connection of AI to the systems, data and workflows a business already uses.

AI literacy

The ability to understand what AI can do, where its limits sit and how to use it responsibly.

AI operating system

A shared environment that connects a business's data, applications, workflows and goals so AI can support work across the organisation.

AI readiness

A business's ability to use AI effectively and responsibly, based on its strategy, skills, data, systems and governance.

AI tool

Any distinct AI product, platform, or capability in active use, including standalone chatbots, embedded copilots, and custom-built agents.

AI sovereignty

A business's ability to control where its AI runs, where its data is stored and who owns the knowledge, logic and capability created through its use.

Artificial intelligence (AI)

Technology that can interpret information, identify patterns, create content, make recommendations and take action.

Deterministic workflow

A clearly defined process that follows set rules, permissions, approval points and expected outcomes. For example, Decidr places probabilistic generative AI within deterministic workflows so businesses can use AI flexibly while keeping actions consistent, governed and under their control.

Generative AI (GenAI)

AI that creates new content in response to a prompt, including text, images, audio, video, software code and analysis, like ChatGPT, Claude, Gemini, etc.

Golden record

A single trusted view of an important business entity, created by resolving duplicated or conflicting information.

Human in the loop

A process where a person reviews, approves or intervenes in selected AI decisions or actions.

Ontology

A shared map of what exists in a business, what each element means and how those elements relate.

Orchestration layer

The layer that coordinates work across people, AI agents, applications and business systems.

Probabilistic AI

AI that generates outputs based on patterns and likelihood rather than fixed rules. For example, Generative AI is probabilistic, which means its responses can vary depending on the prompt, context and information provided.

Schema

The structure used to organise business information so systems and AI applications can interpret it consistently.

Shadow AI

The use of AI tools without the business's approval, visibility or governance



Helping businesses move from AI tools to real business results

Founded in Sydney in 2018, Decidr helps businesses see what's possible with AI and build the capability to make it real.

We're a team of founders, innovators and disruptors who understand what AI-enabled businesses will be capable of and are passionate about helping businesses build the systems, knowledge and operating discipline needed to get there.

Its platform, DecidrOS, connects a business's data, applications, processes, knowledge, goals and governance in one intelligent environment. This gives people and AI agents the context they need to make better decisions, coordinate work across functions and act in line with business's priorities.

Decidr's ambition extends beyond making existing tasks faster. It is helping businesses rethink how they operate when intelligence can move across the organisation, systems can respond to changing conditions and AI can contribute to decisions and execution at every level.



"CEOs and founders universally accept that AI will be transformational for their businesses. What many businesses struggle with is knowing where to start, what is actually useful, and how to make AI work within their organisation to create real value."

Duncan Brett
COO, Decidr



Turning the knowledge in people's heads into something the business can use

Sugarwork is a Decidr company that captures the 'invisible' knowledge and processes held across an organisation. It turns the judgement, experience and informal practices that keep work moving into structured knowledge the business can retain, improve and use to support AI.

Together, Decidr and Sugarwork help businesses build AI capability grounded in their own data, operational knowledge and decision making, while protecting business sovereignty by keeping that knowledge and the intelligence built from it within the business.



"Every business has a version of itself that only exists in the heads of its best people - the shortcuts, the judgement calls, the things nobody wrote down. The next decade of AI isn't about replacing that. It's about finally giving it a place to live."

Vanessa Liu
CEO, Sugarwork

Closing remarks

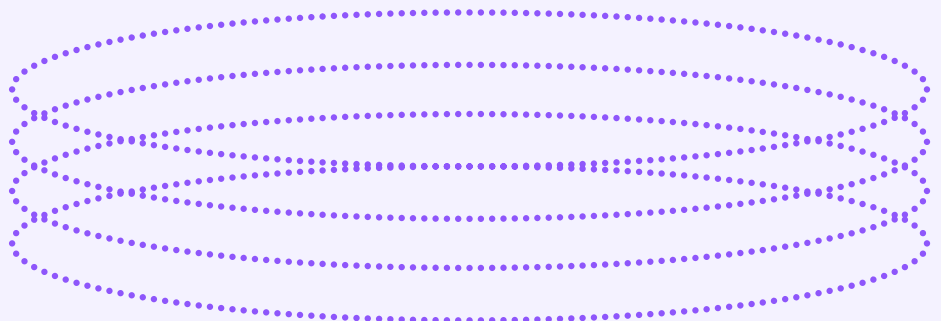
Decidr commissioned this research because the questions it asks are the ones Australian businesses are facing now. What is actually happening with AI adoption? Where is the gap between intention and impact? What does it take to close it?

The findings confirm what Decidr sees in the market: the businesses getting real value from AI are not simply the ones using more tools. They're building the operating foundations underneath AI.

Decidr helps businesses connect AI to the way work actually happens: across data, systems, workflows, decisions and governance. The infrastructure gap described in this report is not inevitable. It is the result of tools arriving faster than foundations were built.

The next step is building that foundation.

To learn more, visit decidr.ai





You're building something big

Decidr helps your business capture what it knows, connect how it works and turn that knowledge into lasting competitive advantage. Whether you're exploring AI functions, documenting expertise or scaling your operations, we help you build a business that's ready for what's next.

Explore how Decidr can work for you.

