Department for Business & Trade

Analysis

Understanding technology adoption among UK SMEs

Final report

Ipsos

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Ipsos

Analysis

This is a report of research carried out by Ipsos, on behalf of the Department for Business and Trade.

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Glossary

Included below are definitions of some key terms used throughout this report. The description of each term has been chosen to be relevant to the context in which they are referenced in this study.

Digital Technology	Basic digital tools that are used by businesses to improve productivity. They are usually software that a business will purchase. Examples include, but are not limited to, Customer Relationship Software (CRMs), Enterprise Resource Planning software (ERP), Cloud Computing, eCommerce Products, Cyber Security Products, Project Management Tools, Data Analytics Tools and e-Invoicing.
Artificial Intelligence (AI)	Software used to perform tasks or produce output previously thought to require human intelligence, especially by using machine learning to extrapolate from large collections of data.[1] Increasingly incorporated into digital technology or marketed as stand-alone products to enhance performance and efficiency in business tasks.
SME	Any business with fewer than 250 employees, excluding sole traders
Micro business	A business with 1 to 9 employees
Small business	A business with 10 to 49 employees
Medium business	A business with 50 to 250 employees

[1] Oxford English Dictionary, https://www.oed.com/dictionary/artificial-intelligence_n?tl=true

1 Executive Summary

1.1 Introduction and background context

This research project, conducted by Ipsos for DBT, investigates digital technology adoption among UK SMEs. For the purposes of the study, digital technology is defined as 'digital tools that are used by businesses to improve productivity'. The focus is mostly on established technologies, rather than advanced, cutting-edge digital technology. The study acknowledges the crucial role of digitalisation in boosting productivity, creating new opportunities and driving economic growth, particularly given SMEs' significant contribution to the UK economy (52% of private sector turnover and 60% of private sector employment).[2]

The study primarily aims to map the digital adoption journey taken by SMEs, and to understand the challenges, barriers and enablers to adoption at each stage. The research employed a mixed-methods approach across two phases. Phase 1 involved a quantitative online survey of 2,000 SMEs (excluding sole traders) to assess tech adoption rates and 30 in-depth qualitative interviews to explore the digital adoption journey, behavioural barriers, and information gaps. Phase 2 comprised a telephone survey of 1,001 SMEs, delving deeper into the technology adoption process, information sources, decision points, and support needs.

1.2 Current technology use by SMEs

Both quantitative survey strands revealed high levels of digital technology adoption (94% online and 79% telephone). These were usually software that a business had purchased. Qualitative interviews emphasised the essential role of digital technology for SME success, with a focus on growth, efficiency, and maintaining operating stability. Half of the online survey respondents adopted new technology within the past year, with higher rates among larger SMEs and active technology users. Over 90% of online respondents reported positive impacts from technology adoption, primarily time savings, cost reductions, improved decision-making, and enhanced communication.

Finance-related software led in current technology use, with accounting, payroll, and electronic invoicing systems the most prevalent. While only a third (32%) of SMEs currently used AI-embedded technologies, qualitative interviews reveal a "cautious optimism" towards AI. SMEs recognised AI's potential for automation, data analysis, and administrative tasks, but acknowledged limitations and expressed a need for more information and understanding.

1.3 SME technology adoption journey

The research uses a phased customer journey model, acknowledging the iterative nature of digital adoption in practice. SMEs often refined their approach, learned from past experiences, and adapted to evolving needs. The journey's length varied

[2] DBT, Business Population Estimates 2024, https://www.gov.uk/government/statistics/business-population-estimates-2024/business-population-estimates-for-the-uk-and-regions-2024-statistical-release

depending on factors like investment level, complexity of technology, and internal resources available. The journey phases include:

- **Understanding Needs:** SMEs discovered technology options through diverse channels, including networking, trade publications, personal recommendations, and supplier outreach. Motivations for adoption primarily centred on time savings, business growth, and cost reduction. SMEs prioritised seamless integration, customisation, and scalability, favouring solutions that adapt to their existing workflows.
- **Choosing a Product:** Ease of use, cost, and compatibility were key factors influencing technology provider selection. Challenges of this phase included information overload, lack of tailored guidance, difficulty evaluating supplier claims, limited resources, and lack of technical expertise. These first two stages were found by SMEs to be the most challenging. They were also identified as the stages at which the government should target interventions to maximise efficacy.
- **Purchasing a Product:** This phase emerged as a relatively straightforward process, particularly for basic technology. Complex systems presented greater difficulty, requiring knowledge of both software technicalities and internal operations. SMEs preferred to purchase direct from suppliers for relationship-building and support, with 41% of those surveyed by telephone purchasing directly from suppliers.
- **Implementing a Product:** Implementation experiences varied, influenced by complexity, supplier support, staff buy-in, and training quality. Simpler technologies and support from external advisors often led to smoother implementations. Challenges highlighted included integration with existing systems, technical troubleshooting and lack of tailored support. Negative previous experiences underscored the need for thorough planning and scoping, and realistic expectations of timelines.
- **Ongoing Use and Support:** This phase involved continuous learning, advanced feature exploration, and workflow optimisation. Support and training are crucial, but SMEs often encountered challenges with supplier responsiveness and quality.

1.4 Digital adoption support and barriers

SMEs emphasised the importance of reliable, responsive support throughout the adoption journey, valuing human interaction and tailored guidance. Online resources were the most common form of support, followed by direct supplier interaction. While online resources offered easy access, challenges arose from information overload, technical jargon, and bias. Personalised demos and trusted recommendations are considered most useful. Free trials were valuable but not always feasible for complex integrations.

Cost was the primary barrier to technology adoption, particularly for micro-businesses. Lack of time, capacity, and resources are also significant constraints.

1.5 Future technology adoption plans

SME's primary focus for the future was on increasing sales, improving cash flow, maintaining current operations, and streamlining existing processes.

The online survey identified accounting software as the most sought-after technology. A quarter of respondents expressed interest in AI solutions, particularly among medium-sized businesses, those confident in digital adoption, and those in technology-driven sectors. Qualitative interviews confirmed the growing interest in AI, driven by perceived potential benefits and a need to keep pace with competitors.

Confidence in future adoption was higher for familiar or simpler technologies, while complex systems and AI generated hesitancy. Prior positive experiences and trusted recommendations boosted confidence. Conversely, lower technical literacy, negative experiences, and significant investment requirements contributed to uncertainty. Prior experience with technology adoption generally increased willingness to explore new options and emerged as a key enabler for the successful adoption of more advanced technologies.

1.6 Helpful interventions and role of government

Free trial opportunities and financial support (grants, tax incentives) were identified as key interventions, reflecting cost as a major adoption barrier.

SMEs viewed the government as a trusted resource, particularly for less tech-savvy businesses, emphasising the need for unbiased, simplified information on digital technology. SMEs also valued the government's role as a facilitator, connecting businesses with suppliers, experts, and peers through events and online platforms. However, scepticism existed regarding the government's ability to stay current and impartial, with a preference for a limited role focused on initial guidance. Clearer communication and a multi-channel outreach strategy are needed to raise awareness of existing government initiatives and their value.

1.7 Recommendations

Three key focus areas were identified where government support could have the biggest impact on future adoption of digital technology by SMEs. These areas are explored in further detail within chapter 8 of the main report.

1) **Focus by journey phase**: The early stages of the digital adoption journey (namely 'understanding needs' and 'choosing a product') were identified as particularly challenging stages for SMEs across both qualitative and quantitative research. Government initiatives are well placed to fill this role and could offer support to SMEs beginning their adoption journey.
2) **Focus by persona:** Government initiatives could have greatest influence on the group identified as 'reluctant adopters' in this study, who were found to struggle most with the adoption of digital technologies and required more hands-on support and guidance. Interventions designed to build confidence

and digital skills could enable this group to successfully navigate the adoption process on their own for more advanced technologies in future.

3) **Focus on AI:** AI was identified as the category that SMEs felt least confident and knowledgeable about, with some already beginning to explore the potential of this emerging technology and others more hesitant and fearful of the risks and unknown factors. Initiatives could be developed across UK government to specifically overcome such barriers to adopting AI technology as a key policy area for economic growth.

2 Introduction

2.1 Background

The role of digital technology adoption for driving business productivity and economic growth in the UK is becoming an area of increasing focus. Digital adoption can help SMEs in creating new products and services, accessing new markets, and adapting to changing consumer demands. Digital technologies can also streamline and automate tasks, for more efficient and productive operations. This is essential for both the businesses themselves, but also for growing the UK economy, particularly given that SMEs represent around half (52%) of private sector turnover and account for three-fifths (60%) of private sector employment.[3] Indeed, the link between digitalisation and productivity is well-established. The Enterprise Research Centre found that three years after adopting digital tools, productivity increased when measured via sales per employee, for example, CRM systems boosted growth by 18%. Digital adoption is also essential to harness the growth potential from AI. This is emphasised in policy documents such as the Innovation Strategy (2021) and Making Innovation Matter (2023).

Digital products and services make a significant contribution to the UK economy, generating £392.9 billion in 2020 according to the ONS.[4] SMEs recognise the importance of technology; research by Sage showed 92% of SMEs think technology is vital to their survival, yet they only planned to increase technology investment by 13%, which is below the European average of 18%. The UK also lags behind other G7 countries, currently ranking 6th in its level of digital adoption.

A complex range of barriers are at play in preventing SMEs from adopting technologies and there has been some limited research into these. A previous Government programme 'Help to Grow: Digital', that offered businesses a voucher to invest in approved digital technologies, highlighted that amongst numerous reasons, lack of information, guidance and bespoke advice was a key barrier to technology up take.

Two phases of research were designed to address the research objectives. Phase 1 consisted of a short quantitative online survey of SMEs to understand rates of tech adoption, and a round of 30 in-depth interviews with SMEs to understand the digital adoption journey, behavioural barriers and informational failures at each stage. Phase 2 consists of a longer telephone survey of SMEs to understand some of these issues in more depth. This report includes findings from Phase 1 and Phase 2.

2.1.1 Research aims and objectives

The project aimed to:

- Understand rates of technology adoption across products and by SME characteristic.

[3] DBT, Business Population Estimates 2024,
[4] This is the most up to date figure, released by the ONS in May 2023.

- Map the technology adoption journey and behavioural barriers at each stage of an SME's adoption journey.
- Understand what information gaps SMEs experience at each stage of the technology adoption journey and to what extent these influence successful adoption.
- Understand how SMEs need to receive advice in terms of nature, source and intensity at each stage to ensure successful adoption.
- Understand SME perceptions of adopting digital technologies, including the extent to which information failure determines their adoption outcomes.

The project objectives included:

- Evidence-based decision making – provide evidence on SMEs' approach to digital adoption, to inform the development of the Small Business Strategy, Industrial Strategy and wider policy development.
- Influencing business behaviours – because of government understanding more about business decisions and barriers around digital adoption it will be better placed to encourage businesses to invest in digital technologies.
- Improving DBT engagement – improve future DBT marketing engagement with businesses, based on the findings on informational barriers.

For the purpose of this research, digital technology has been defined as 'digital tools that are used by businesses to improve productivity'.

2.2 Methodology

2.2.1 Online survey

Ipsos worked with DBT to develop a set of questions suitable for an online survey. Alligator Digital, an online research provider, used their business panels to achieve the sample. The panels invite pre-screened individuals to join. To make sure the panels are high-quality, the panel providers continually check to make sure the panellists are real people. They use a variety of methods to do this, including LinkedIn searches and having experts review the panellists' information. All the panel providers keep their list of occupations up to date, using over 200 job categories and machine learning to make sure panellists are placed in the right category.

A screener questionnaire was used to ensure that respondents were in scope for the research, confirming that they were a senior decision maker within the business that was able to answer questions about the businesses use (or non-use) of digital technology, and that their business has between 1 and 249 employees (and they were not a sole trader).

In total, 2,000 surveys were achieved with SMEs that had between 1 and 249 employees. Fieldwork ran between 27th November and 11th December 2024. Surveys were completed by senior decision makers within SMEs and took around 10 minutes to complete on average. Quotas were set by SME size to ensure robust base sizes in each size bracket but to avoid over-skewing the total sample. Table 1 outlines the surveys achieved in each size band.

Table 2.1: Online survey completes by size band

Size band (number of employees)	Surveys achieved
Micro (1-9 employees)	1,400
Small (10-49 employees)	400
Medium (50-249 employees)	200
Total	2,000

2.2.2 Qualitative depth interviews

More detailed and nuanced insights were obtained via qualitative in-depth interviews with SMEs. A topic guide was used to steer the discussion where respondents were able to answer in their own words and talk about their experiences in detail.

In total 30 qualitative interviews were carried out with senior decision makers at SMEs, lasting around 60 minutes on average. Interviews were conducted by members of the Ipsos research team and took place either on Microsoft Teams or over the telephone. A full briefing took place for all interviewers before fieldwork started.

Recruitment was undertaken by our recruitment partner Central Fieldwork, who used a free-find approach to recruit SMEs in scope for the research. Incentives were offered to SMEs to encourage participation and to thank respondents for their time. The respondent was able to take the incentive as a cash bank transfer or to have a charity donation made on their behalf. The amount offered was £90 to SMEs with between 1 and 9 employees, £120 to SMEs with between 10 and 49 employees and £200 to SMEs with between 50 and 249 employees. The increase in incentive by SME size reflected the increase in difficulty in recruiting the larger SMEs, where it was more challenging to get in touch with somebody senior and where they were often time poor.

A recruitment screener was used to ensure that respondents were in scope for the research and were able to answer the questions in the topic guide. It was also used to ensure that our final sample of 30 interviews included a mix of SMEs by size, sector, turnover and region. In addition, the screener allowed SMEs to self-categorise into the groups of interest outlined in the table below. Table 2 also shows how many interviews were conducted with each group.

Table 2.2: Qualitative interviews by tech adoption status

Tech adoption status	Completed interviews
Successful adoption - SMEs with experience of adopting digital technology into their business	23
Considered adoption - SMEs that have considered adopting technology but have yet to do so	4
Failed adoption - SMEs that had tried to adopt digital technology and failed to do so	3

Total	30

Through the 'considered adoption' and 'failed adoption' categories, it was hoped that qualitative interviews could be completed with a sample of SMEs who had no previous experience of successfully adopting any form of digital technology. During fieldwork however, it became apparent that the majority of SMEs had successfully adopted at least some form of basic digital technology, such as videoconferencing or cybersecurity software, which made it hard to recruit SMEs in these categories. Interviews in this category instead focused on experiences of considering or attempting to adopt more complex technologies, ranging from off-the shelf HR and finance solutions to integrated CRM and AI systems.

Qualitative fieldwork ran between 9th December 2024 and 24th January 2025.

2.2.3 Telephone survey

Following the online survey and the qualitative interviews, Ipsos conducted an additional quantitative survey, this time over the telephone (also referred to as Computer Assisted Telephone interviewing – CATI) using Ipsos's in-house fieldwork team.

This survey focused on further exploring the process of technology adoption by SMEs. It involved establishing a technology they had recently adopted, then asking a series of follow-up questions about this product, including:

- information used to inform a purchase,
- key decision points at each moment, and
- any additional support that would have been useful to SMEs during their adoption process.

In this way, the CATI complements the qualitative depth interviews by providing quantitative insights into some of the key research questions explored there.

The sample in this case was provided by external provider Market Location. As with the online questionnaire, the sample frame was designed to reflect the profile of the wider SME population of the UK as derived from official statistics. However, the sample and quotas for small (10 to 49 employees) and medium businesses (50 to 249) were boosted to allow for viable results from these group.

Table 2.3: Telephone survey completes by size band

Size band (number of employees)	Surveys achieved
Micro (1-9 employees)	507
Small (10-49 employees)	303
Medium (50-249 employees)	191
Total	1,001

The telephone questionnaire aimed for 1,000 interviews and achieved 1,001. Fieldwork ran between 16th January and 13th March 2025. There was some crossover in questions asked between the online and CATI survey, and in cases

were the results differ between the two, this report presents these together and may discuss any reasons for variation (see section 2.1, for example).

Both the online and CATI surveys were weighted to be representative of the UK population of SMEs by size and sector, according to Department for Business and Trade Business Population Estimates 2024. Note that businesses named the sector to which they belonged from a standard list during both questionnaires, and this answer is used to analyse their answers by sector.

2.2.4 Reporting notes

Survey results are subject to margins of error, which vary with the sample size and the percentage figure concerned. The report only comments on subgroup differences where these differences were found to be statistically significant (at a p-value of 0.05).

Where figures in tables or charts do not add to 100 per cent, this is either due to rounding, because the question allowed more than one response or that not all response categories are shown. Where quantitative survey base sizes are less than 30, percentages have not been reported, and where base sizes are 30 or more but less than 100, percentages are reported but should be treated with caution. All quantitative findings are aggregated, and no individual participant can be identified. This report also contains the findings from the qualitative interviews. Qualitative approaches are used to explore the nuance and diversity of views and are not designed to be statistically representative.

Verbatim comments have been included in this report to illustrate key points. Where quotes are used, they have been anonymised and attributed with SME size (number of employees) and sector, with no identifiable individual or business characteristics included.

3 Current technology use by SMEs

This chapter covers the current level of digital technology adoption (as defined in the report glossary and introduction) among SMEs, how recently they have adopted this digital technology and the impact it has had on their business. It also explores SME perceptions of the current technology market. For ease, digital technology will be referred to as technology throughout the report.

3.1 SME's self-described level of technology adoption

The online survey found that four in ten (41%) SMEs reported that they actively used technology and that it was integral to their business, whereas the telephone survey found a slightly higher proportion saying this (53%) (Figure 3.1). At the other end of the spectrum only 4% of SMEs in the online survey said they were not currently using any digital technologies and had no plans to do so. This was higher among businesses in the telephone survey, where almost 1 in 5 (19%) were not currently using any technology and had no plans to do so.

Each survey used a different sampling approach and a different methodology, so these differences are likely to be due to a combination of methodological differences. In particular, it would be expected that those responding online would be less likely to be in the group using no digital technology given they were responding via a digital method. Some variation may also be down to differing samples sizes of sub-groups between the two questionnaires, for example the telephone survey, with a base of 1001, gathered 85 responses from businesses in London, against 376 responses from the same region in the online survey (out of 2000).

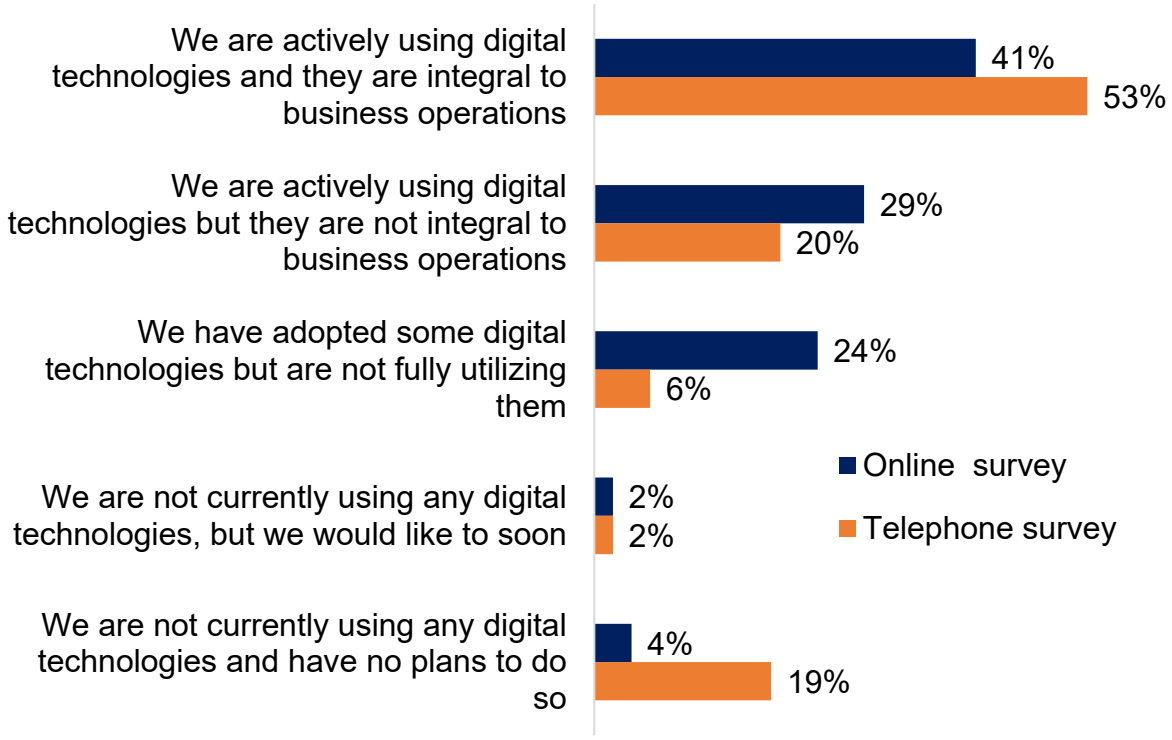
However, despite some variation between the two questionnaires, many of the overall trends are the same. As Figure 3.1 shows, the majority of SMEs in both surveys (94% online and 79% telephone) described themselves as currently using, or at least having purchased, some form of digital technology. The results show a range in the extent to which businesses are effectively utilising the solutions they have adopted. A number of respondents from each survey (24% online and 6% telephone) reported they had adopted but were not fully utilising digital technology.

Looking at the breakdown by firm size in the online survey, larger SMEs were more likely to be technology users than smaller SMEs (Medium 100% and Small 99% versus Micro 94%). Dissecting micro businesses further, those with 5 to 9 employees were more likely to be tech users (96%) than those with 1 to 4 employees (91%). SMEs based in London were also more likely to be tech users (97% versus an average of 94%).

The telephone survey corroborates these findings, with 91% of medium-sized businesses reporting they had adopted technologies and were using them, in addition to 84% of small and 70% of micro businesses. Larger micro businesses of 5-9 employees were also more likely in the telephone survey to be tech users (78%)

than those with 1-4 employees (62%). However, the telephone survey had businesses in Southwest England reporting the highest levels of technology use, on 79%, against 73% on average and 71% for London (though note the smaller base size compared to the online survey for this region).

Figure 3.1: How would you describe your business' current level of digital adoption? (Online and telephone surveys)



Online question: How would you describe your business' current level of digital adoption? (Q6_TECH_ADOPTION)

Telephone question: In your business, which of these statements, best describes your current level of digital adoption? (Q10_TECH_ADOPTION)

Base: All SMEs n=2000 (online) n=1001 (telephone)

Looking in more detail at the online and telephone survey results, SMEs in the following sectors were more likely than average to be tech-users:

- information and communications (online: 99%, telephone: 90%)
- professional, scientific and technical activities (online: 97%, telephone: 87%)

Businesses were asked which of the new industrial strategy sectors, announced by the government in 2024[5], they believed they were part of. Examining this data against tech adoption status, those in the following Industrial Strategy sectors were more likely than average to be tech-users:

[5] Invest 2035: the UK's modern industrial strategy - GOV.UK

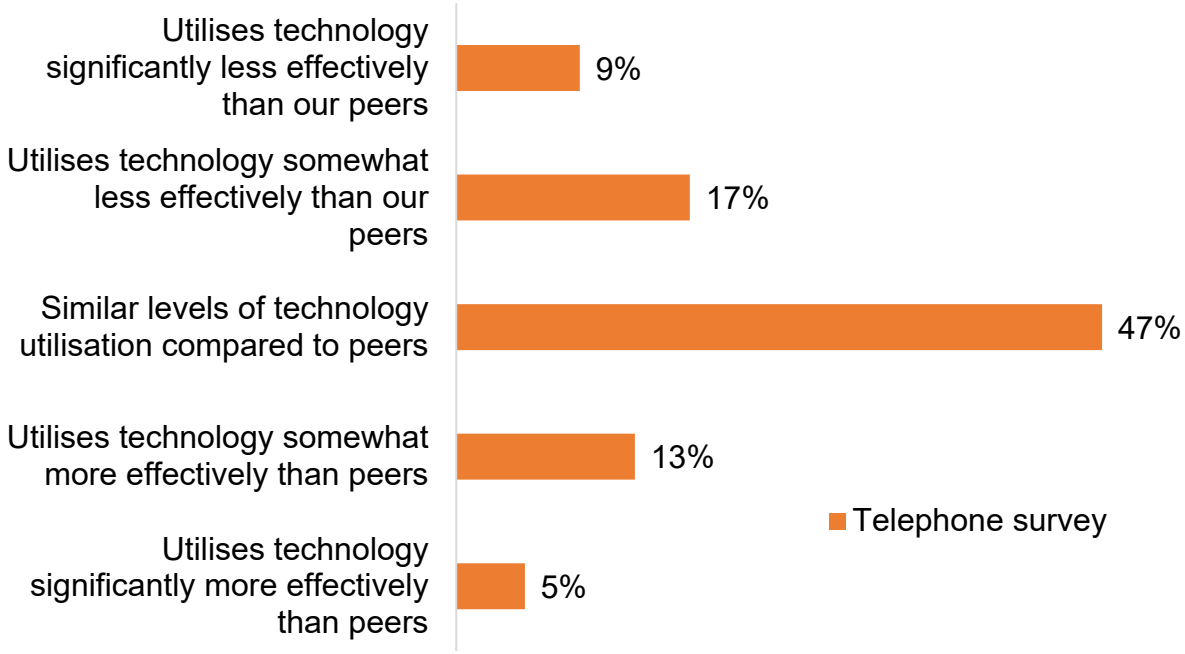
- clean energy industries (online: 98%, telephone figures omitted due to small base size)
- digital and technologies (online: 98%, telephone: 87%)
- financial services (online: 99%, telephone: 84%)
- life sciences (online: 100%, telephone: 92%)

On average, the telephone survey showed 21% of SMEs as “non-tech users” (not using any technologies currently), against only 6% for the online survey. Sectors in which SMEs were most likely to be non-tech users, included:

- Transportation or storage (online: 2%, telephone: 46%,
- Human health and social work activities (online: 2%, telephone: 38%)
- Other service activities (Online: 11%, telephone: 30%)

The telephone survey also asked respondents to compare their perceived level of digital adoption to their peers. Almost half, 47% said they utilised technology to a similar level compared to their peers. Fewer than one in five (18%) said they were using technology somewhat or much more effectively, though this was higher among medium-sized businesses, at 27%. Conversely, some micro and small business said they were using technology somewhat or significantly less effectively than their peers, on 27% and 22%, respectively.

Figure 3.2: Business views on their technology use compared to peers (telephone)



Q15_SECTOR_COMPARISON. Compared to other businesses in your sector, do you think your business utilises technology more or less effectively than your peers? Would you say your business…

Base: All SMEs n=1001 (telephone)

The integral nature of technology was also highlighted in qualitative interviews, with the vital role digital technology plays for SME's success broadly emphasised by interviewees. Digital technology was described as "essential", "crucial", and "the lifeblood" of SMEs. For many, the COVID-19 pandemic had accelerated the adoption and recognition of technology's importance, particularly for remote work and maintaining business continuity. Overall, there was a clear understanding that embracing digital technology was no longer optional but a necessity for survival and growth in the modern business environment. Looking ahead, interviewees anticipated the role of digital technology would only become more pronounced, driving a need for continuous adaptation and investment in new solutions to remain successful.

"I think in all honesty, anybody that's not going down that route is really going to struggle. I think, you know, if we really think about the pace of technological advancement over the past decade, it's nuts and it's only going to speed up."

Medium business (80 employees), Waste Management Sector

The adoption of digital technology was strongly aligned with overall business priorities. The most common priorities mentioned were business growth (through scaling up, expanding into new markets, or increasing sales), improving efficiency and streamlining processes, and maintaining stability during uncertain times. Interviewees specifically mentioned using technology to improve data analysis and monitor customer & market behaviour. This directly informed their strategic decision-making and contributed to long-term stability and growth. This alignment highlights the strategic importance of digital technology, not just as a tool for specific tasks, but as an integral component of overall business strategy and future planning.

"It's becoming more important every year... everything's online. We've all quickly transitioned into this world, so we're trying to get the business to follow suit."

Small business (11 employees), Real Estate Sector

3.2 Types of technology used by SMEs

The most used technologies among SMEs in the online and telephone surveys centred on finance, with the top 3 mentions including accountancy software (online: 47%, telephone: 72%), payroll software (online: 43%, telephone: 59%) and electronic invoicing systems (online: 28%, telephone: 59%). All types of technology used by SMEs are detailed in Figure 3.3

According to the online survey, around two thirds (68%) of SMEs used more than one type of technology. SMEs who were more likely to use more than one technology tended to be:

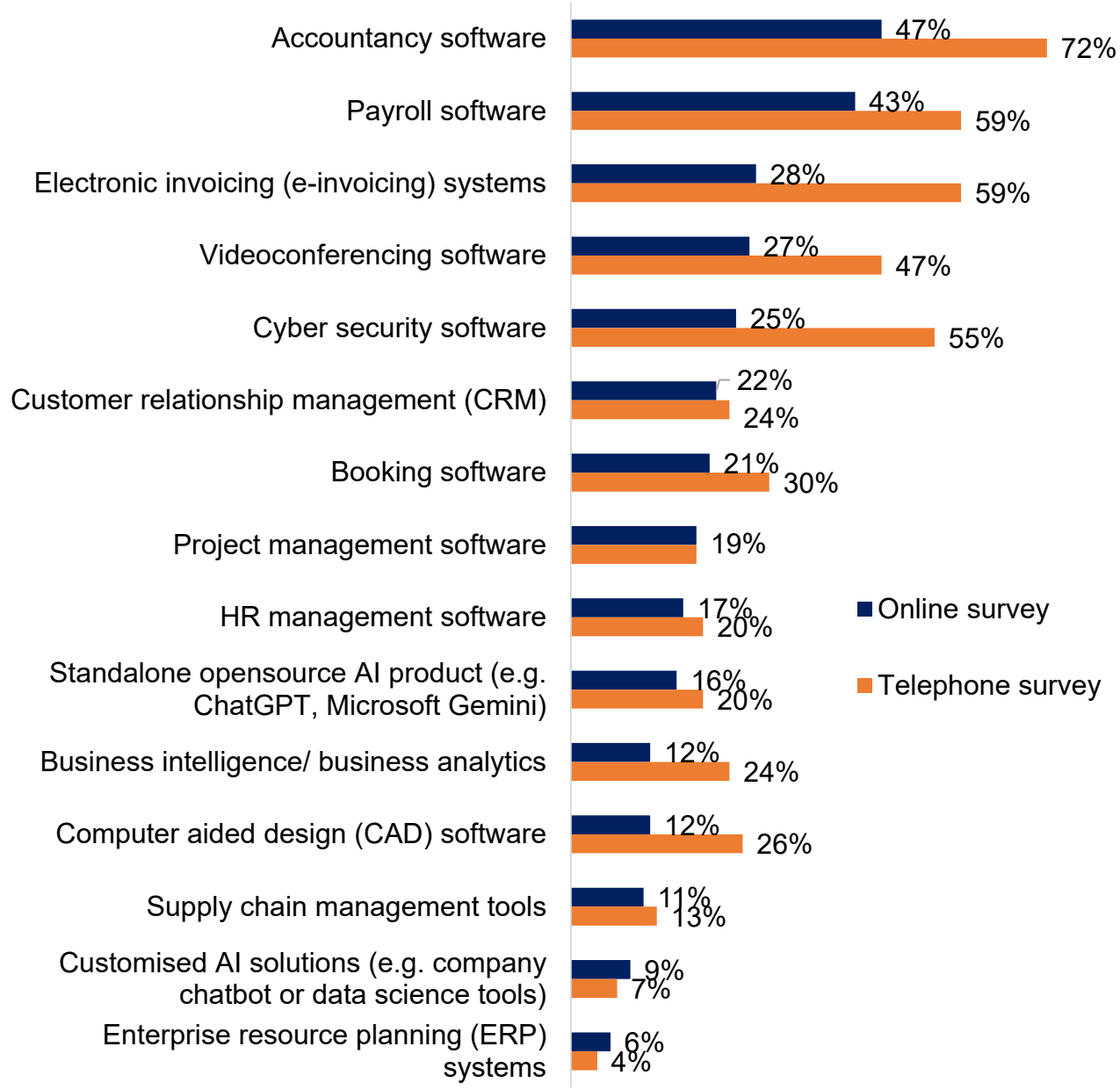
- small and medium (83% and 86% respectively compared to micro 64%)
- larger micro business with 5 to 9 employees (69% compared to those with 1 to 4 employees 61%)

- businesses that were confident in adopting new digital technology (74% compared to those who were not confident 39%)
- business that regarded their digital technology as integral to their business (78% compared to the average 68%)

A fifth (21%) of SMES reported that they used an AI technology. SMEs more likely to use an AI technology were:

- small and medium (30% and 41% respectively compared to micro 19%)
- business that regarded their digital technology as integral to their business (33% compared to the average 21%)
- businesses that were confident in adopting new digital technology (25% compared to those who were not confident 21%)
- businesses that had last adopted new digital technology in the last year (27% compared to total 21%)
- businesses in the information or communication sector (42% compared to the total 21%)
- businesses in Professional, scientific and technical sector (29% compared to the total 21%)
- businesses in the creative industries sectors (34% compared to the total 21%)
- businesses in the digital and technologies sector (42% compared to the total 21%)

Figure 3.3: Digital technologies currently being used (online and telephone)



Question: Q5A_CURRENT_TECH. Which of the following digital technologies do you currently use? (online)

Which of the following technologies do you currently use, or would your business be interested in using in the future? (telephone)

This was a multi-code question meaning participants could choose more than one option.

Base: All SMEs n=2000 (online) n=1001 (telephone)

Popular technology categories that emerged from qualitative interviews included Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and Project Management software that often integrated multiple of the standalone software systems detailed in the online survey. Some SMEs reported using

specialised industry software that better suited their individual needs, such as in the legal, construction and manufacturing industries.

Some interviewees had developed bespoke software solutions, tailored to specific business needs and existing tech ecosystems, which may be particularly relevant for SMEs with unique workflows or business offerings.

3.3 Prevalence of AI in technology SMEs use

Among the technologies that SMEs were currently using, as indicated by the online survey, AI was most often embedded in business intelligence/analytics software (52%). The technology which fewest SMEs reported as having AI embedded in was electronic invoicing systems, with a fifth who currently used this technology reporting it had AI embedded (20%).

Around a third of SMEs (32%) who currently use digital technologies reported that at least one of the technologies they were using contained AI.

Attitudes toward AI in qualitative interviews were mixed, converging in a general sense of 'cautious optimism'. Some SMEs expressed an interest in exploring potential applications, motivated by the "hype" surrounding AI and a desire to "see what the fuss was about". However, the limitations of the technology were acknowledged, particularly for specialised or highly technical sectors such as law where close human oversight of AI outputs is required to ensure compliance to regulations. While only one interviewee explicitly expressed concern about AI replacing human roles, it is likely this indicates the fear of job displacement is present in the wider SME population. In general, SMEs felt more information and understanding was needed before fully embracing AI.

The focus was primarily on the practical uses of AI and its ability to solve specific business problems, with limited interest in theoretical discussions about its capabilities. Examples of the tasks that SMEs were currently using AI for, or were considering its use for, included task automation, data management/analysis and assisting with administration and finance tasks.

3.4 How recently SMEs had adopted a new technology

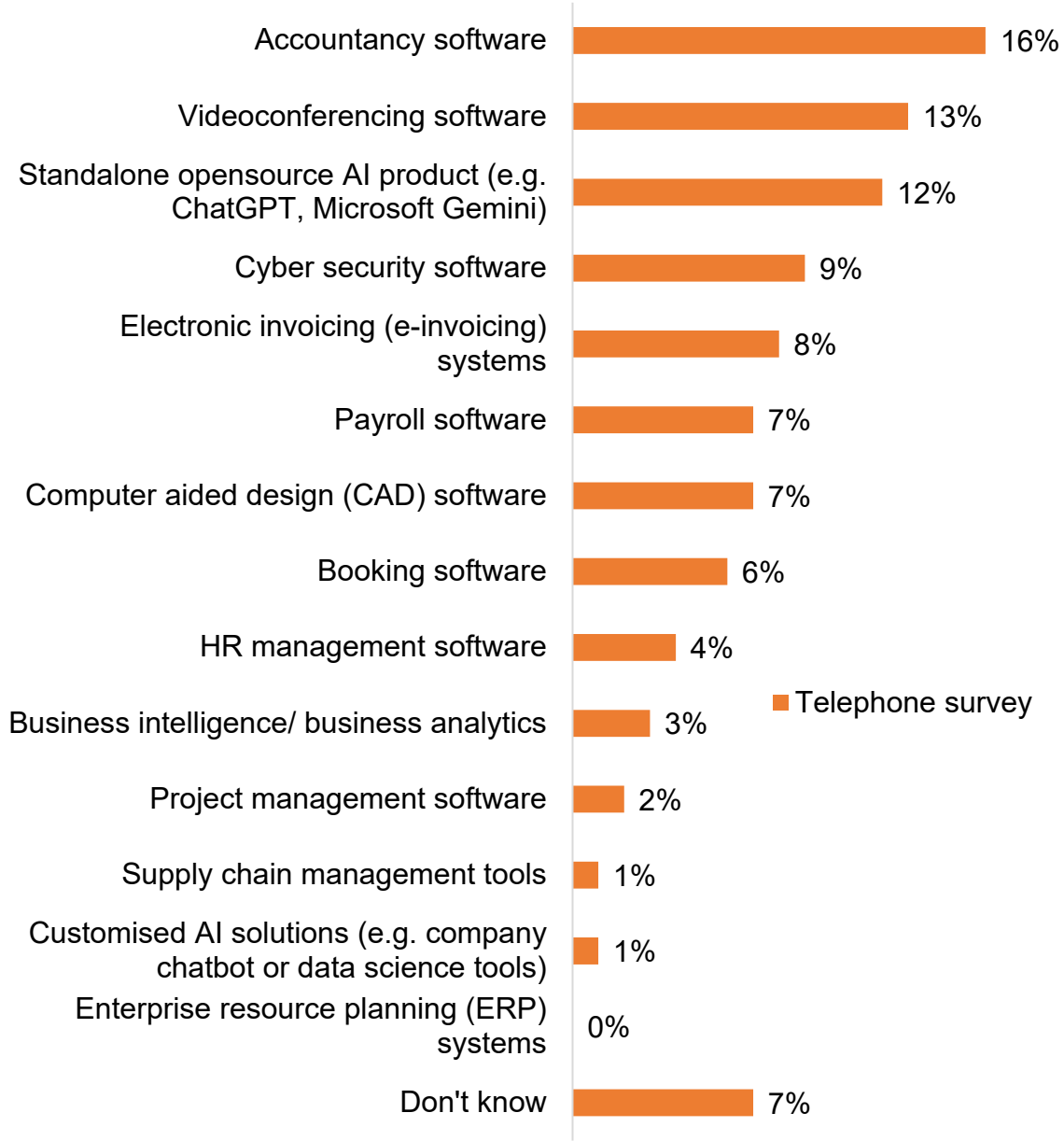
The online survey found that half of SMEs (51%) had adopted a new technology in the last year, 27% had most recently adopted a new technology between 1 and 2 years ago and 18% had last adopted more than 3 years ago.

SMEs who were more likely to have adopted a new technology in the last year were:

- small and medium businesses (57% and 64% respectively compared to micro businesses 50%)
- active users of technology who thought this technology was integral to their business (59%) compared to the average (51%)
- businesses that were confident in adopting digital technologies (54% compared to businesses who were not confident 38%)

The telephone survey gave insight into most popular technology categories for recent adoption, as outlined in Figure 3.4:

Figure 3.4: Most recently adopted technologies (telephone survey)



Question: Q13_MOSTRCNTTECH. Of the technologies you said you use in your business, which of them did you adopt most recently?

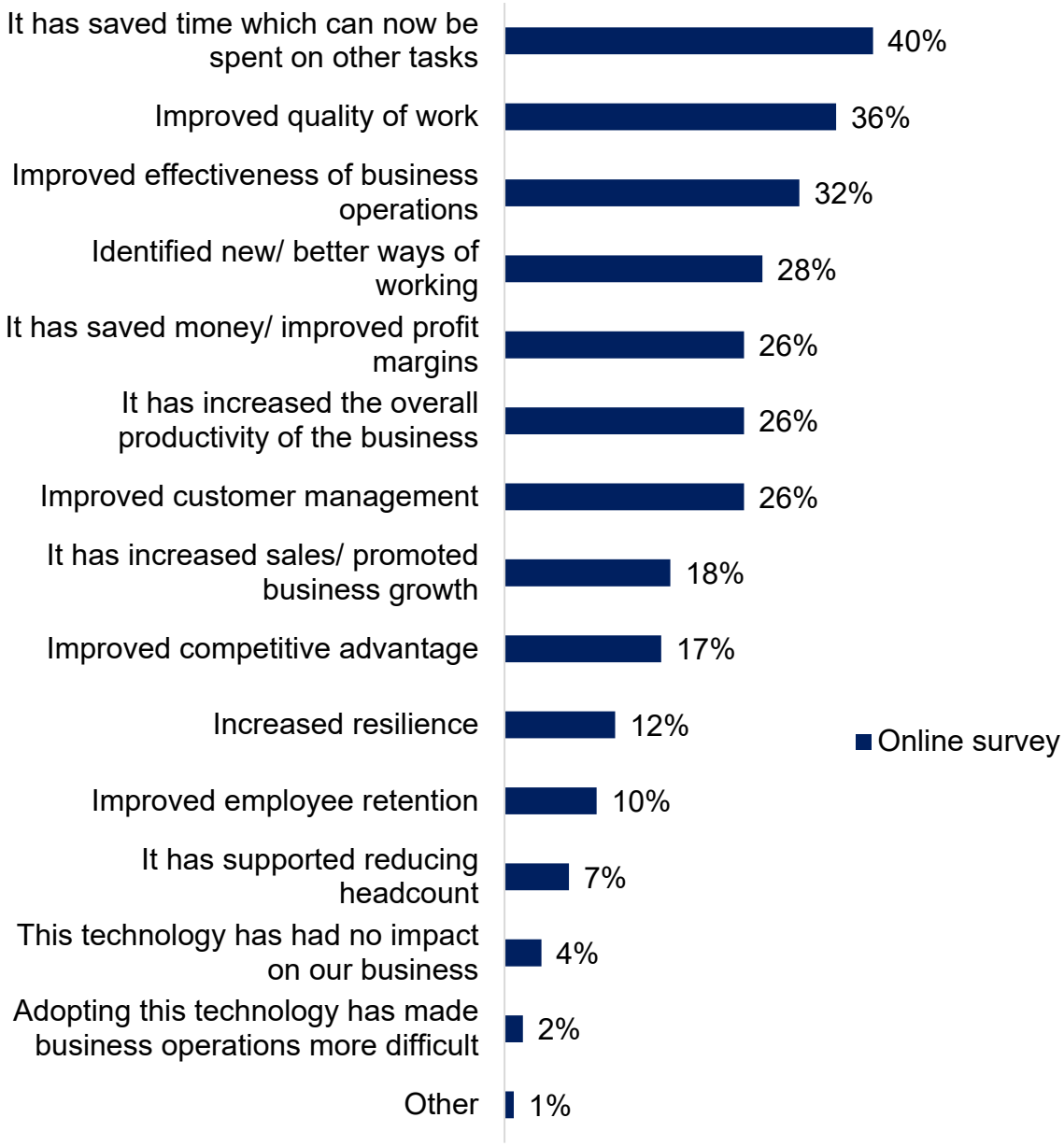
Base: SMEs using more than one technology n=900 (telephone)

3.5 Impact of adopting technology on SMEs

Around 9 in 10 SMEs (91%) in the online survey reported that adopting digital technology had made a positive impact on their business. A minority (4%) reported that adopting technology had had no impact on their business and a smaller minority still (2%) said that adopting technology had made business operations more difficult.

As shown in Figure 3.5, the most common impact SMEs reported was that it had saved time which could now be spent on other tasks (40%).

Figure 3.5: How adopting digital technology impacted business (online survey)



Q12_ADOPTION_IMPACT. How has adopting digital technology impacted your business? This was a multi-code question meaning participants could choose more than one option.

Base: SMEs currently using digital technology n=1890 (online)

SMEs more likely to report that digital technology had a positive impact on their business were:

- small businesses (95%, compared to 90% of micro businesses)

- businesses confident in adopting digital technology (94% compared to those who were not confident 79%)
- those who had adopted technology a year ago or between 1 and 2 years ago (93% and 94% respectively compared to 3+ years 86%)

The adoption of digital technologies has had a significant positive impact on SMEs interviewed in the qualitative research, transforming various aspects of their operations. This included:

- substantial time savings, allowing them to focus on strategic activities rather than administrative tasks
- cost savings resulting from reduced labour costs, minimised errors, and optimised resource allocation
- real-time access to large amounts of digital data, allowing for more accurate and insight driven decision making around business operations
- improved internal communication and collaboration, with technologies like project management software and video conferencing enabling better teamwork and information sharing
- enhanced customer relationships and improved customer service due to improved perceptions of professionalism, streamlined processes, personalised communication, and faster response times

Some SMEs noted how digital technologies had helped them to scale and grow, enabling them to manage increasing complexity and reach new markets. Others highlighted the positive impact on employee well-being, with technology enabling remote work, flexible schedules, and a better work-life balance.

“There is some talk about integrating our entire phone system onto our mobiles… We're also looking at our chat system… we want to bring it so we actually could do that on our mobiles as well. Any of us connect and respond to it… then we just don't have to be in the office as much... We're already on a four-day week here as a business and I think we've not seen any downturn in productivity and it's allowing us to have flexibility.”

Micro business (4 employees), Professional and business services sector,

“It's amazing what you can do with it... It's expensive, but... I thought it was essential if we wanted to continue working with that sort of customer.”

Micro business (2-9 employees), Manufacturing sector, adopted CAD software

3.6 How well SMEs are served by the current technology market

Around half (54%) of SMEs in the online survey agreed that their business was well served by the current market offering of digital technologies, a smaller but still considerable proportion (31%) were neutral in their opinion and only 9% disagreed with this statement. Those more likely to agree that their business was well served by the current market offering were:

- small and medium businesses (65% and 82% respectively compared to micro businesses, 51%)
- micro businesses with 5 to 9 employees (57%) compared to micro businesses with 1 to 4 employees (47%)
- business that regarded their digital technology as integral to their business (71% versus the average 54%)
- those confident in adopting digital technologies (67%) compared to those not confident (20%)
- SMEs based in London (65% versus 54% average)
- those in transportation or storage sector (68% versus 54% average)
- those in information and communication (64% versus 54% average)
- those in financial and insurance activities (73% versus 54% average)
- those in professional, scientific and technical activities (66% versus 54% average)
- those in digital and technologies sector (72% versus 54% average)
- those in financial services (69% versus 54% average)

Those more likely to disagree that their business is well served by the current market offering were:

- micro business (10% compared to small 5% and medium 0% businesses)
- business who had not adopted technology and had no plans to do so (43% versus the average 9%)
- those not confident in adopting new technology (31% versus 6% of those who were confident).
- SMEs based in the North of England (13% versus the average 9%)
- those in the administration sector (20% versus the average 9%)

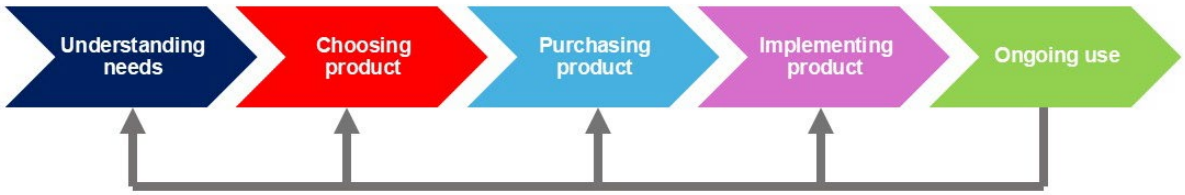
4 SME technology adoption journey

This chapter covers SME motivations for adopting technologies, their experience of adopting technologies and the potential barriers to doing so. Here, findings from the qualitative research are presented alongside statistics from both quantitative surveys. Presented together, qualitative and quantitative findings reveal more about the business technology adoption journey than results from one research strand alone.

4.1 Mapping the user journey

For this research project, Ipsos adapted the traditional customer journey model[6] as a framework on which research questions were mapped. Using desk research to better understand the typical digital adoption process, the research team identified five categories that they hypothesised SMEs engaged in this research would have broadly followed. The below diagram outlines a phased approach to digital adoption, with distinct challenges and behaviours evident at each stage.

Figure 4.1: The user adoption journey



Each of the three strands of research explore every stage of the process to some degree, but focus on different areas:

1. Qualitative findings focus on all five of the user journey stages in detail, mapping individual experience of choice, barriers and enablers along the way.
2. Telephone survey figures explore the prevalence of factors affecting business choice when choosing, purchasing and implementing a technology. The telephone survey also mapped a respondent's user journey, first by establishing their business's most recently adopted/only adopted technology (see figure 3.4 from chapter 3). This technology was then referred to by the interviewer in subsequent questions covering the business's adoption journey.
3. Online questionnaire statistics provide further detail on the perceived need businesses thought a technology might meet, as well as overall sentiment on the benefits of introducing a new technology.

[6] CIM, 'Five stages of your customers buying journey', https://www.cim.co.uk/content-hub/blog/five-stages-of-your-customers-buying-journey/

While the user journey above is presented in a linear manner, one key finding from our qualitative research was that, in practice, this is often a more iterative process. SMEs are regularly refining their approach as they gain experience or adding new elements as needs evolve and comfort with technology grows. They also learn from failed experiences, restarting the journey to adopt more suitable technologies and learning from mistakes as knowledge gaps are filled during each stage of the process.

Qualitative interviews indicated that the length of this journey is influenced by several factors, including investment levels, technology complexity, internal resources and other external pressures. The main factor impacting the length and difficulty of the adoption journey was the complexity of the technology. Simpler technologies tend to have quicker adoption timelines, sometimes as short as a few days or weeks. However, for technologies with significant impact or integration into overall business operations, it is often a lengthy and involved process. The research and evaluation phase for complex technology was extensive, implementation was more prone to technical difficulties, and staff training needed to be more comprehensive and ongoing. The risk of unforeseen challenges, hidden costs, and resistance to change was also higher.

Some SMEs reported timelines of up to 3-4 years between identifying a need and choosing a solution. Others take a phased approach to implementing different parts of the chosen technology as required by the business.

“I think it's depending, number one, if we're being pushed to do it or if we're doing it off our own accord. So I don't know if a customer says, we expect you to do this… then all of a sudden the process is much quicker. But if we are looking further ahead, then the process, we have more time, we consider more things.”

Medium business (60 employees), Manufacturing sector

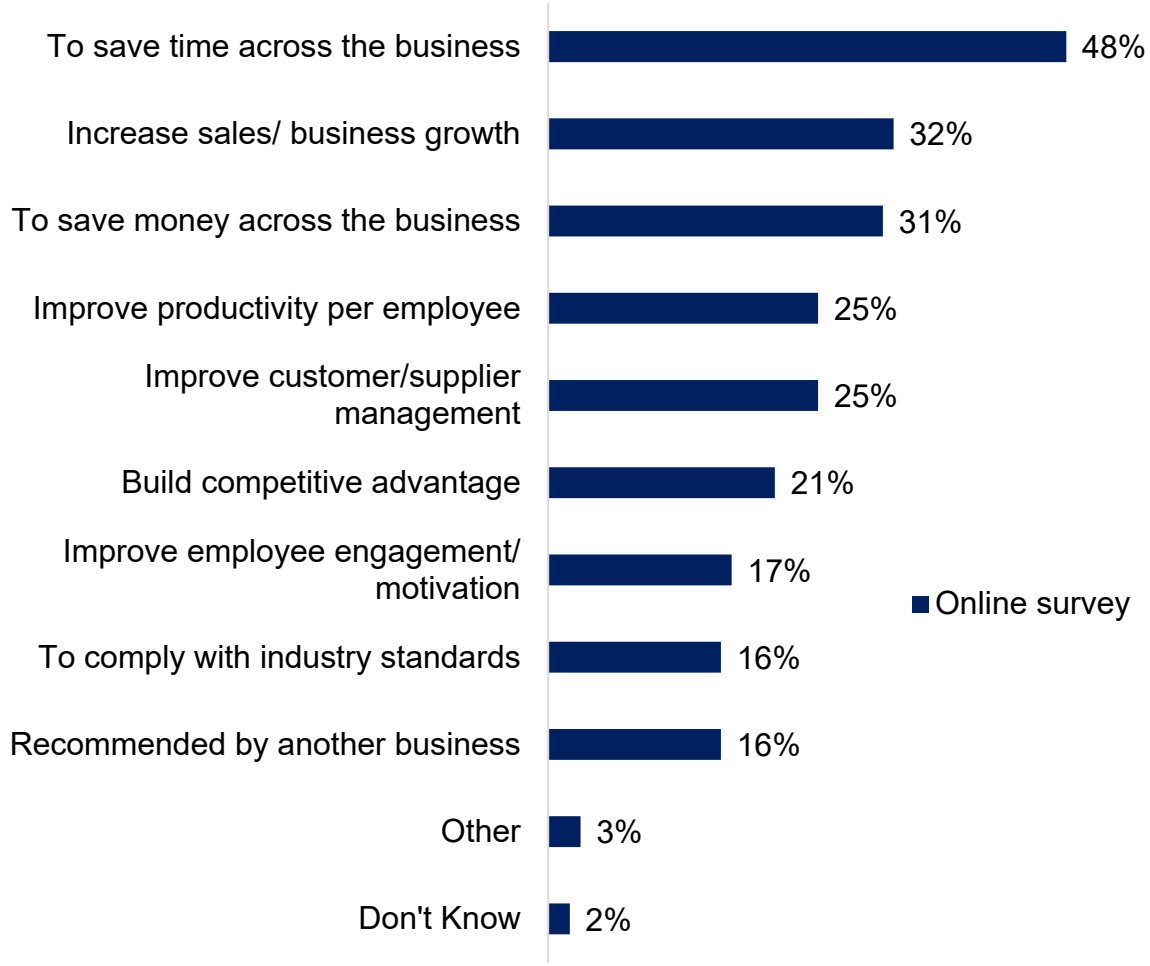
4.2 Understanding needs

SMEs interviewed in the qualitative research initially learned about digital technology options through a variety of channels, both formal and informal. Networking events and meetings, often within their industry or local business community, exposed them to what other businesses are using and often sparked initial interest. Trade publications and magazines also played a role, introducing new technologies through advertisements or articles. Personal recommendations from trusted sources, such as accountants, friends, family, and other businesses, are highly influential, and often provided the initial impetus to explore specific solutions. Some businesses became aware of new technologies through direct outreach and marketing efforts from suppliers. AI powered solutions emerged as top of mind for many SMEs due to general discussion in the media and amongst the business community.

The online survey asked, in broad terms, what motivated SMEs to take up new technologies. Around half of SMEs (48%) in the online survey reported their motivation for adopting their digital technology was to save time across the business

(figure 4.2). This aligns with the most commonly reported impact of adopting technology as named by SMEs in chapter 3 (figure 3.5), notably that it has saved time which could now be spent on other tasks. The next two most common motivations included an increase in sales/ business growth (32%) and to save money across the business (31%).

Figure 4.2: Motivations for adopting digital technology (online survey)



Q8_TECH_MOTIVATION. What motivated you to adopt this digital technology? This was a multi-code question meaning participants could choose more than one option.

Base: SMEs currently using digital technology n=1890 (online)

Qualitative findings offered further nuance to the categories outlined in the online survey. Internal motivators included the need for improved efficiency and streamlined processes, particularly as businesses scaled and faced increasing complexity. External motivators included regulatory requirements, customer demands for digital interactions and a need to keep pace with competitors adopting new technologies. A general awareness of technological advancements, particularly the rise of AI and automation, motivated some businesses to investigate how these tools could benefit their operations and enhance their competitive edge.

SMEs placed significant emphasis on the seamless integration of new technology with their existing systems and processes, and a smooth transition of data and workflows. SMEs sought solutions that minimised disruption and migration challenges, often prioritising technologies that offered pre-built integrations or easy-to-use APIs (Application Programming Interfaces). SMEs favoured digital solutions that directly addressed their specific needs, along with customisation options to tailor the technology to their unique workflows. This perception of unique business needs was a common thread across SMEs. A strong preference was expressed for technology that could be moulded to existing processes, rather than forcing the business to adapt to the technology. For niche industries or unique business cases, bespoke solutions may in fact be required. However, there is also evidence that some businesses expressing a desire for bespoke solutions do so out of lack of knowledge about existing offerings, often caused by lack of confidence in technology abilities and general low digital literacy.

“It's looking for a seamless system where all those softwares talk to each other. Otherwise if you're doing everything manually, then it defeats the objective.”

Small business (30 employees), Accommodation and Food service sector

“We have a lot of special cases… We like technology to fit what we need, as opposed to we fitting what the technology needs. So adaptability is a big thing for us”

Medium business (60 employees), Manufacturing sector

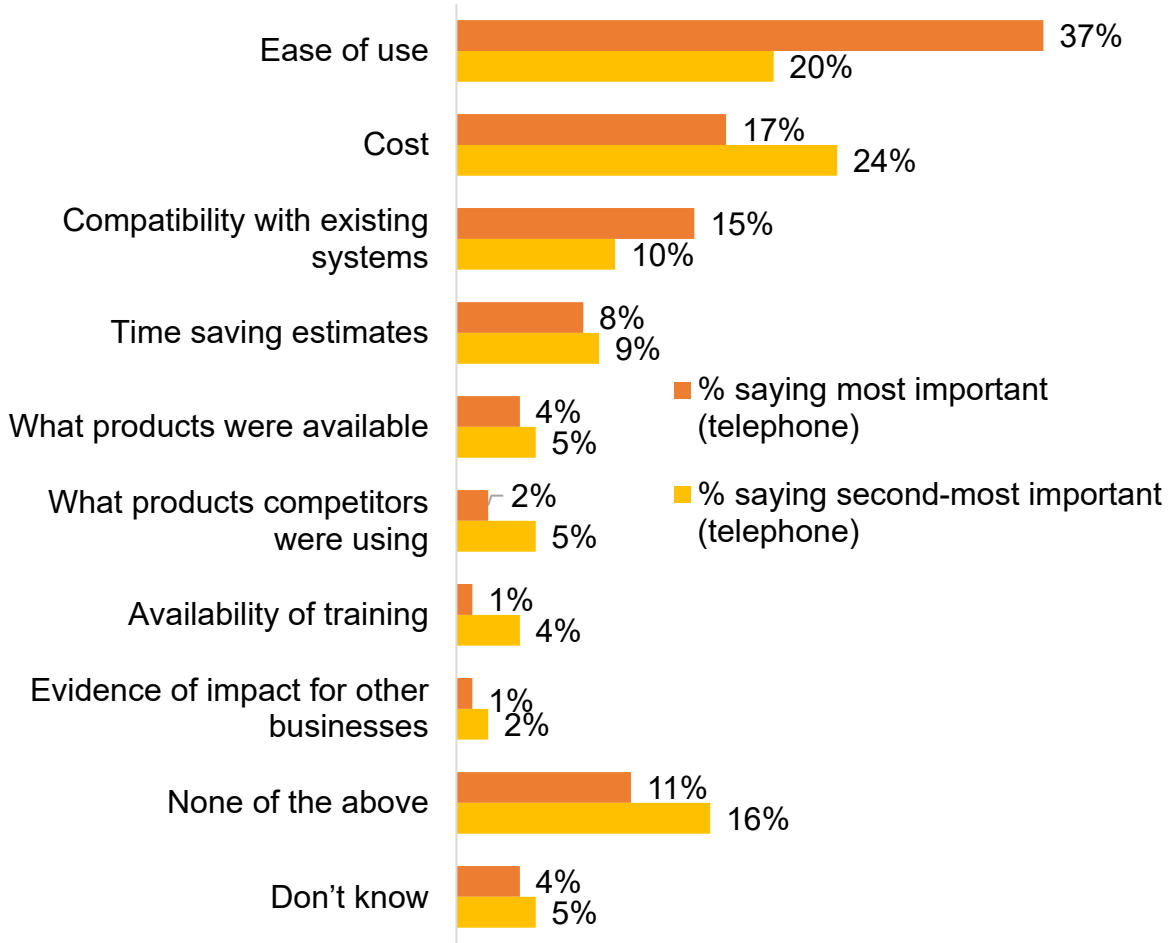
Scalability was also found to be important in the qualitative interviews, ensuring technology could grow alongside the business. Ease of use, particularly for less tech-literate management and staff, was essential. Cost was an important factor, with price sensitivity heightened for smaller companies (with limited resources) and for more basic technologies where a range of similar off-the shelf solutions were more likely to be on offer. Larger companies, and those considering more complex, holistic technologies were more likely to frame decisions in terms of cost-effectiveness and return on investment. A solution with transparent pricing, that demonstrates tangible benefits and long-term cost savings, was preferred to the cheapest option available in these cases.

Decision-making processes regarding what technology was adopted varied depending on SME size and structure. For smaller businesses and sole traders, the owner or director typically held primary responsibility for technology decisions, often consulting with staff and trusted advisors (like accountants, existing service providers, friends and family) for input. Larger organisations tended to involve a wider range of stakeholders, including sales teams, finance departments, IT personnel, and other relevant team members whose work will be directly affected by the new technology. This collaborative approach ensured that the chosen technology meets the needs of different departments and aligned with the overall business strategy.

4.3 Choosing a product

The telephone survey examined factors that were most important to SMEs once they had decided they needed a technology and had to choose a provider to purchase from. When asked to choose their first and second most important factors affecting this choice (see figure 4.3 for full details), 37% of respondents said “ease of use” was their most important factor (further confirming the significance attached to this in the qualitative insights, as identified in the section above). Next were cost (17%), and compatibility with existing systems (15%). When asked for a second most important factor (excluding their first choice), almost a quarter (24%) chose cost, and ease of use was once again a significant factor, with 20% saying it was second most important in influencing their decision.

Figure 4.3: First and second most important factors influencing choice of technology provider for SME (telephone survey)

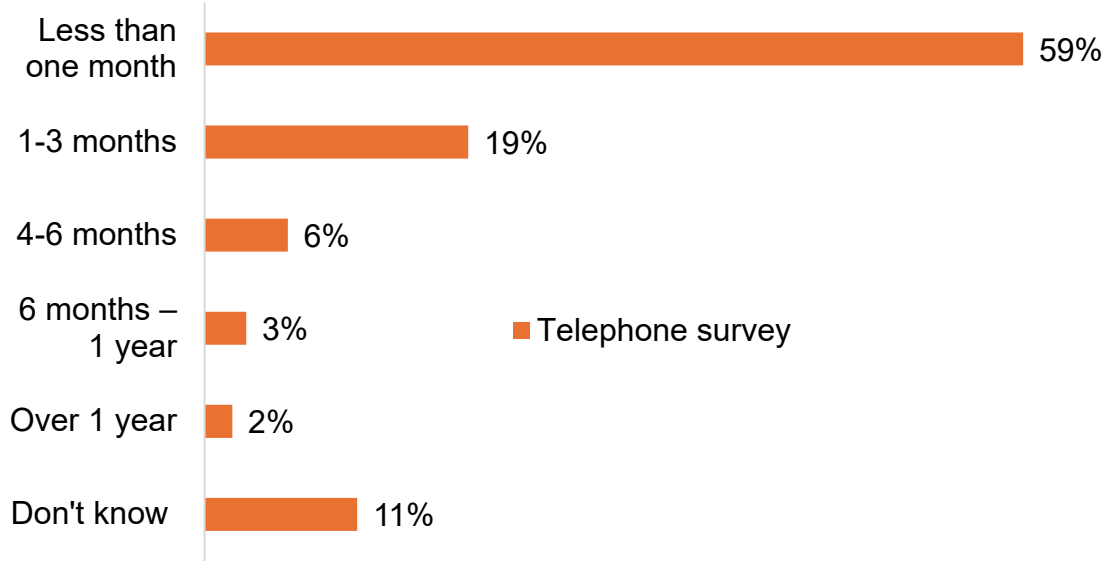


Q19_PURCHASE_INFO_1. Thinking about the following, which of these factors, if any, were most important when choosing your [your most recent technology] provider? Please rank the top 2 factors that influenced your decision. First, the most important factor.

Base: SMEs currently using digital technology n=866 (telephone)

The telephone survey revealed the average time it took businesses to choose a technology. In six in ten cases (59%) this took less than one month, but the process appeared to be slower for larger businesses, with over a quarter (27%) saying it might take them between 1 to 3 months to choose a technology.

Figure 4.4: How long did identifying the right product for their company take? (telephone survey)



Q23_IDENTIFY_TIME When you were considering adopting your most recent technology, how long did identifying the right product for your company take?

Base: SMEs currently using digital technology n=866 (telephone)

The main challenges faced by SMEs during the choosing phase, as reported during qualitative interviews, included:

- **information overload**: The sheer volume of information encountered during this phase could be overwhelming. SMEs struggled to filter through the noise and compare options effectively.
- **lack of tailored guidance**: Quantity vs quality of information was an issue. There is a lack of clear guidance or support to help identify the most relevant technologies for SME's needs, or for businesses like theirs.
- **difficulty evaluating supplier claims**: SMEs were wary of marketing hype and overselling, making it difficult to assess the true capabilities and limitations of different technologies. Finding unbiased reviews and independent comparisons was a challenge, as many online resources were either supplier-driven or lack the specific details needed to make informed decisions.
- **limited time and resources**: Many SMEs, particularly smaller businesses, had limited time and resources to dedicate to researching and evaluating

technology options. This led to rushed decisions and a reliance on readily available information (which may not be the most suitable).

- **lack of technical expertise and confidence**: Some SMEs struggled to understand technical jargon, evaluate complex features, or assess the long-term implications of their technology choices.
- **low understanding of technology needs:** It was reported in some cases that at the start of the process, SME's 'don't know what they don't know' and therefore struggled to accurately scope their technology requirements or brief technology suppliers on their needs. This led to delays and additional costs later in the journey, when the approach had to be changed, or alternative solutions were required.
- **perceived business uniqueness**: Some SMEs believed their business was so unique that off-the-shelf solutions wouldn't meet their needs, leading them to consider expensive and time-consuming custom software development. This perception may stem from a lack of understanding of how existing technologies could be adapted or customised.

"I always feel a little bit like I'm on my own. I don't know whether we're in the middle of everyone else or ahead of everyone else. Or we're behind everyone else. It'd just be interesting to see which company was using what. There's so much of it, it's almost hurts your head"

Micro business (4 employees), Professional, Scientific and Technical sector

"We had to go back to the drawing board on a number of other projects we'd already completed… We'd scoped the project out and written it up. And then when we were having the initial kind of talking to big businesses, we realised we were well off the mark and had missed out half these really important issues... we started realizing that we needed to get other software, change other aspects of the business."

Small business (30 employees), Agriculture, Forestry & Fishing sector

Some SMEs outlined how initial choices on technology proved to be unsuitable or presented issues later in the process that had not been considered. This incorrect or incomplete knowledge available during the choosing phase ultimately led to financial and time repercussions to fix these issues.

"We did have [one accountancy product] originally, but we just didn't like it to be honest… it didn't feel quite as user friendly for us and so we changed to [another accountancy product]… [initially] we just went off the fact that we were speaking to people that we knew had similar businesses… when actually, every business is different and everyone is different. So it was probably a little bit of an oversight from our side"
Micro business (8 employees), Electricity Supply Sector

“What started out as just a simple CRM move where we want to integrate with the website and our email marketing function actually ended up changing a lot of our accountancy software which we'd already done… we had to change it again because platforms we were using were not compatible with the system here. So well, this is probably a little bit wasted money… that was frustrating that we had to go back to the drawing board on a number of other projects we'd already completed”
Small business (30 employees), Agriculture, Forestry & Fishing sector

4.4 Purchasing a product

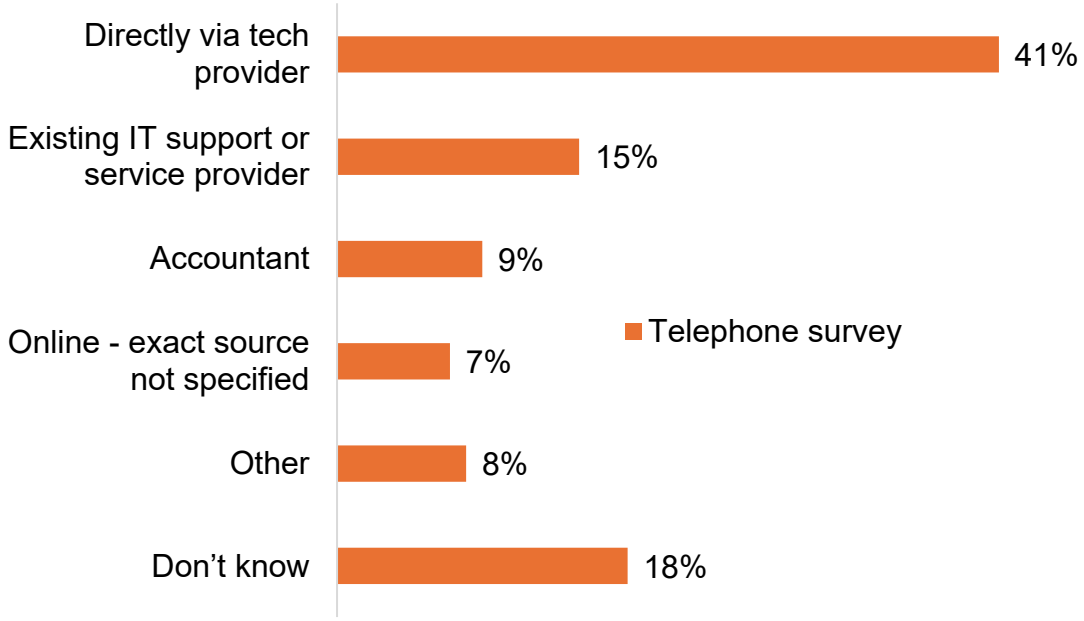
The purchase phase for most SMEs was reported as relatively straightforward during qualitative interviews, particularly for simpler technology with lots of information and support available. Where challenges existed, they did not differ from the consideration phase – SMEs struggled with a lack of tailored information and unbiased reviews, with a particular focus in this phase on cost transparency. Difficulty of purchase increased with more complex systems, where knowledge was needed not just on the software options but also on internal operations and how the two would integrate. Sources of information or practical case studies from real business users in these cases were limited, making it harder for companies to scope their requirements or accurately estimate total costs.

A strong preference for purchasing directly from the technology supplier was evident from the qualitative insights. This was driven by a desire for a direct relationship, faster support, and the avoidance of additional costs or "middlemen" like resellers or agents. Direct interaction with the technology supplier's sales and technical teams was highly valued for personalised demonstrations, tailored advice, and the ability to build an ongoing relationship for troubleshooting any issues.

Where third parties were involved in the purchase decision, this was more in an advisory role. Some SMEs relied on existing suppliers, such as accountants or web agencies, to act as an intermediary with technology providers. One interviewee hired an external ‘digital transformation’ consultant to help manage a complex and business wide CRM project.

Telephone survey findings provide further detail on where SMEs may purchase their chosen technologies. It found that 4 in 10 (41%) of SMEs had purchased directly from a provider, reflecting the preference businesses shared in the qualitative interviews. This was by far the most common method, with the next most popular vendors being “an existing IT support or service provider” (15%) and an “Accountant” (9%).

Figure 4.5: Where did SMEs purchase their most recent technology? (telephone survey)



Q18_TECHPURCHASEVENDOR Where did you purchase your most recent technology

Base: SMEs currently using digital technology n=866 (telephone). N.B. Codes with less than 5% have not been included in this chart.

4.5 Implementing a product

As in other phases of the adoption journey, qualitative findings outlined how several factors influenced the implementation experience, including the complexity of the technology, the availability of support, the level of staff buy-in, and the quality of training provided. Many SMEs reported easy implementation, particularly for simpler technologies or when assisted by experienced advisors such as accountants or IT professionals. User-friendly interfaces and direct support and training from developers contributed to positive experiences. Several SMEs highlighted the rapid realisation of benefits after implementation, such as improved efficiency, streamlined workflows, and reduced administrative burden.

"Like anything, with integrating new software you never get it right first time. It takes time to get right, it's quite time consuming but it's worth it once it's working and it doesn't take long before all the time you spent on it is saved by using it."

Small business (11 employees), Real Estate sector

A few interviewees reported particularly difficult implementations, often due to a lack of supplier support and specific integration advice, complex integrations, or data migration issues. These negative experiences highlighted the importance of thorough planning, adequate support, and realistic expectations during the implementation phase.

Some common implementation challenges across SMEs included:

- **encouraging staff engagement**: Getting staff on board with new technology and overcoming resistance to change was a recurring challenge. Varying levels of technical literacy among staff added to the complexity, necessitating tailored training approaches
- **integration with existing systems**: Integrating new technology with existing systems and processes proved challenging for many SMEs. Compatibility issues, data migration problems, and the need for custom integrations created technical hurdles and often required external support from IT professionals or developers
- **technical difficulties and troubleshooting**: Software bugs and other technical problems were common during implementation, requiring troubleshooting and support from suppliers or IT professionals. The responsiveness and quality of customer support played a significant role in the overall implementation experience
- **time and resource constraints:** The implementation phase often took longer and required more resources than anticipated. This included time for staff training, data migration, system integration, and troubleshooting. Smaller businesses with limited staff and resources found this particularly challenging.
- **lack of tailored guidance and support**: SMEs desired personalised guidance and support during implementation but often found available resources to be generic and unhelpful. The lack of proactive support from suppliers, particularly for smaller businesses, was a common frustration

4.6 Ongoing use of products

Qualitative interviews also explored SME's experiences of ongoing use of newly adopted technologies. There was a continuous learning curve associated with technology adoption, with some SMEs having utilised only basic functions while others explored more advanced features over time. Many acknowledged not using the software to its full potential, often discovering new capabilities and functionalities as they became more familiar with the system. Ongoing use often involved further integration with existing systems and optimisation of workflows. This highlighted the iterative nature of technology adoption and the ongoing need for refinement and adaptation.

Ongoing support and training were highlighted as crucial for maximising the benefits of technology and addressing any emerging challenges. Despite its importance, some SMEs experienced challenges with the quality and responsiveness of supplier support. Generic email responses, lack of communication on updates, long wait times, and difficulty getting specific advice were common frustrations.

"At the end of the day it's a continuous process. You buy it, then you know, your needs evolve, and they need to be able to recognise that it's not a kind of one stop sale. It's very much about how the relationship builds going forwards"

Medium business (80 employees), Waste Management sector

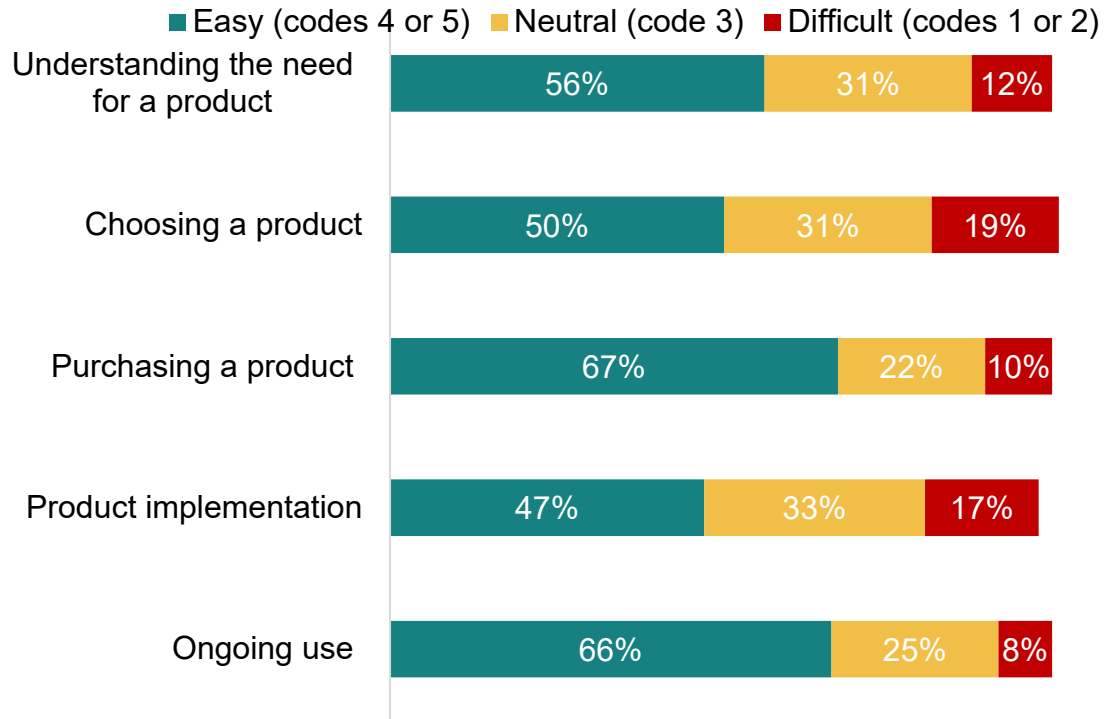
Some SMEs developed internal expertise in using the technology, often designating a specific staff member as the "go-to" person for support and training. This internal knowledge sharing helped overcome challenges, reduced reliance on external support, and facilitated ongoing optimisation of the technology within the business.

4.7 Anticipated vs actual difficulty of technology adoption

Results from the online survey shows that a minority anticipated that each stage of the technology adoption journey would be difficult (detailed in Figure 4.6). Choosing a product and product implementation were anticipated to be the most challenging stages (19% and 17% respectively thought they would be difficult). Over half of SMEs anticipated that understanding the need for a product would be easy (56%) and 12% thought this would be difficult.

Similarly, half of SMEs (50%) anticipated that choosing a product would be easy, compared to 19% who thought this would be difficult. Two thirds of businesses (67%) anticipated that purchasing a product would be easy, whereas only 1 in 10 (10%) imagined this would be difficult. Just under half of businesses (47%) anticipated product implementation would be easy (47%) while 17% thought it would be difficult. Finally, two thirds of business (66%) anticipated that ongoing use of a digital technology would be easy, while less than 1 in 10 (8%) felt it would be difficult.

Figure 4.6: Anticipated ease or difficulty of technology adoption at different stages (online survey)



Q10_TECH_DIFFICULTY_ANTICIPATED. How easy or difficult business anticipated adopting tech would be? On a scale of 1-5, (1 being very difficult, 5 being very easy)

Base: All SMEs n=2000 (online)

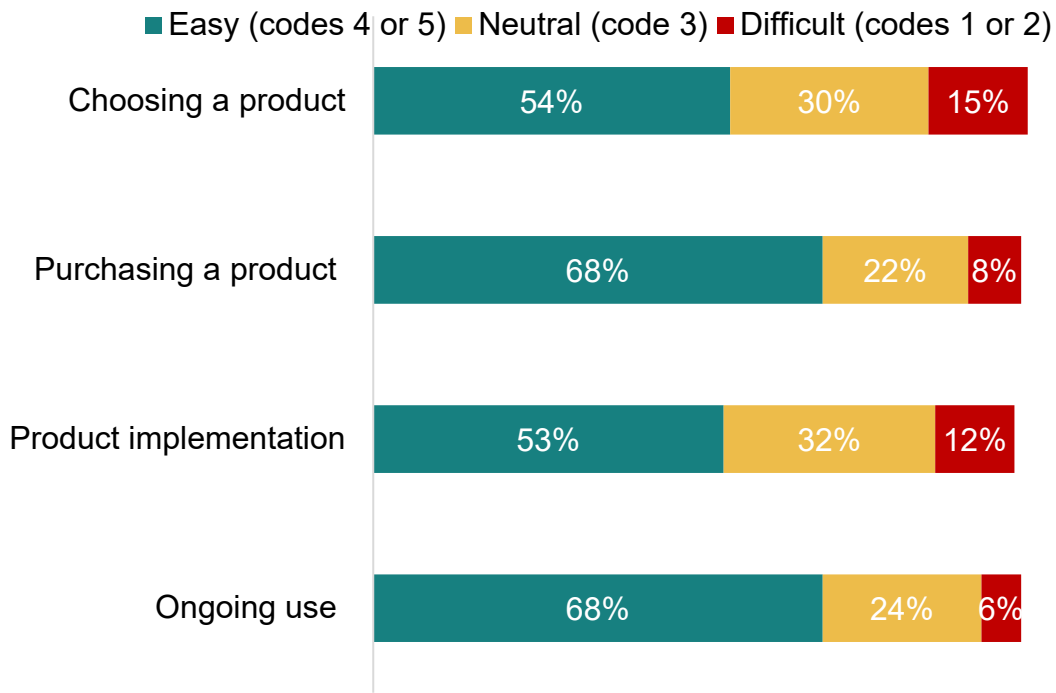
The types of SMEs that were more likely to anticipate that technology adoption would be difficult were micro businesses and businesses who were either not fully utilising their technology or had not adopted any technology so far.

Figure 4.7 illustrates that of the SMEs currently using digital technology in the online survey, only a minority found each stage difficult when actually going through the adoption process.

Over half of SMEs (54%) using technology reported that choosing a product had been easy, with 15% saying it had been difficult. Around two thirds (68%) reported that purchasing a product was easy, whereas only 8% found it difficult. Just over half (53%) reported that product implementation was easy while 12% found it to be difficult. Finally, around two thirds of these SMEs (68%) reported that ongoing use of a digital technology was easy, while 6% found this to be difficult.

Whilst the anticipated and actually experienced difficultly ratings typically aligned closely among SMEs, product implementation showed most disparity, with 17% anticipating difficulty and 12% finding it difficult in practice.

Figure 4.7: Ease or difficulty with which businesses found adopting technology at different stages (online survey)



Q11_TECH_DIFFICULTY_ACTUAL. On a scale of 1-5, (1 being very difficult, 5 being very easy) how easy or difficult has adopting digital technology been in the following areas so far?

Base: SMEs currently using digital technology n=1890 (online)

As with anticipated difficulty, micro businesses and those who were not fully utilising technology were more likely to have found the different stages of technology adoption difficult when undergoing the journey. The exact percentages of these types of businesses who found each stage difficult were as follows:

Choosing a product

- Micro: 16% versus 7% for both small and medium businesses
- User, not fully utilising technology: 22% versus 15% average

Purchasing a product

- Micro: 9% versus 4% small and 2% medium businesses
- User, not fully utilising technology: 12% versus 8% average

Ongoing use

- Micro: 7% versus small 4%
- User, not fully utilising technology: 10% versus 6% average

SMEs interviewed in the qualitative strand identified the choosing stage as the most overwhelming (as supported by the online survey, see figure 4.7), due to an overload of conflicting information and a lack of knowledge to support confident decision making. SMEs struggled to find independent sources of unbiased information on their available options. Once a technology had been chosen, the technology supplier of the chosen product often stepped in as the expert source of advice and information on specific implementation and use issues (with varying degrees of responsiveness).

“Starting off was probably the most challenging because you get a little bit overwhelmed with what you may or may not need. You go down a rabbit hole and suddenly think you need a lot more. You need someone to pull you back again to go, no, you don't.”
Small business (10-49 employees), Professional, Scientific and Technical sector

5 Digital adoption support and barriers

5.1 Support used by SMEs during the adoption process

The availability of reliable and responsive support, both during and after implementation, was a key consideration coming through in the qualitative interviews. This included access to technical experts, training resources, personalised guidance, and clear documentation. SMEs valued human interaction over chatbots and preferred direct relationships with suppliers for faster issue resolution. Ease of implementation and staff training were also important factors.

“I've got my free trial where I can actually have a play around, but I need a sort of another stage in between those two things, or to supplement that, where someone's actually going, right, you know, that tech, that functionality. Well, let me help you set it up for you.”

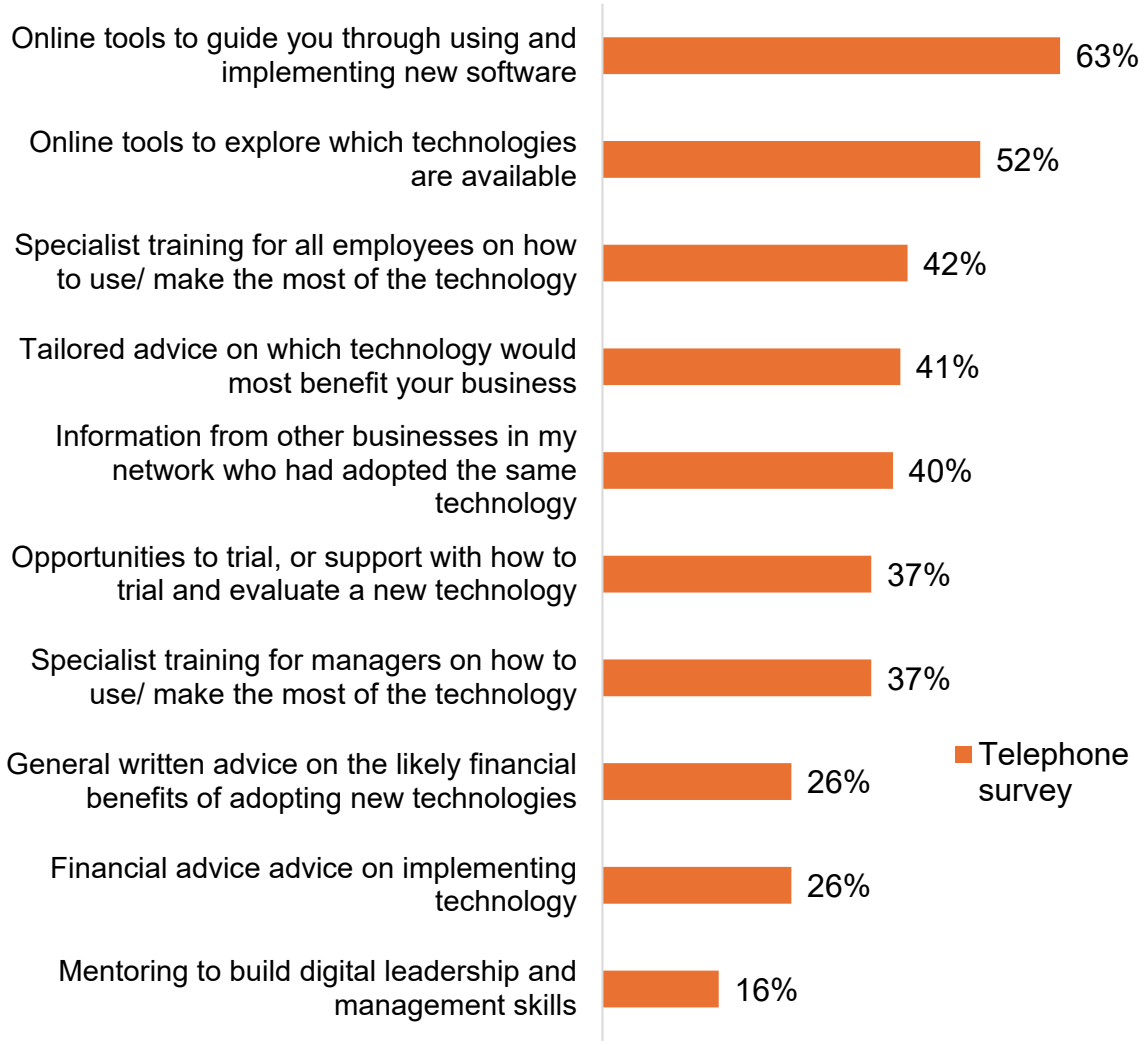
Micro business (3 employees), Creative Industries Sector

We arranged for an online call with their developers and they went through online tools with us and what the package could do… we were just sort of amazed... they just shared their screen with us, asked us what we required and he was like, yep, this can do everything you require it to do... it sort of ignited us all again. Yeah, we got excited about it.”

Small business (15 employees), Construction Sector

The telephone survey found that those who had accessed some form of support or advice before adopting a technology most often did so online. Almost two thirds (62%) had used online tools to guide them through using an implementing the new software, and around half (52%) had used online tools to explore which technologies are available. Fewer respondents said they had used mentoring to build digital leadership and management skills (16%).

Figure 5.1: Support accessed by SMEs before adopting their most recent technology (telephone survey)



Q20_SUPPORT Thinking about types of advice you accessed, if any, before adopting your most recent technology did you access any of the following?

Base: Current tech users, who said they accessed any form of support n=701 (telephone)

Small and medium business were more likely to have accessed the following support than micro businesses:

- general written advice on the likely financial benefits of adopting new technologies (micro 24% versus small 32% and medium 36%)
- opportunities to trial, or support with how to trial and evaluate a new technology (micro 34% versus small 47% and medium 51%)
- specialist training for managers (33% micro versus 48% small and 65% medium)

- mentoring to build digital leadership and management skills (14% micro, 23% small and 25% medium)

Moving on to the implementation phase, the telephone survey found the most popular types of support accessed during this stage of the process were online resources / handbooks (48%), customer support helplines (47%) and Specialised software support from their provider (online) 44%.

Figure 5.2: Advice received by SMEs during the technology implementation phase (telephone survey)

Q24 When it came to implementing your most recent technology. What advice, if any, did you receive during this process? Select all that apply.

Base: SMEs currently using digital technology n=866 (telephone)

Small and medium business were more likely to have received almost all of the options listed in Figure 5.2 than micro businesses:

- Customer support helplines (micro 45% versus small 54% and medium 61%)
- Specialised software support from provider online (micro 41% versus small 56% and medium 58%)
- Training from provider for specific individuals (micro 27% versus small 41% and medium 54%)
- Trial period for adjustment to product / service (micro 29% versus small 42% and medium 45%)

- Specialised software support from provider in person (micro 24% versus small 32% and medium 35%)
- Company-wide training from provider (micro 23% versus small 33% and medium 36%)
- Medium but not small business were more likely to have used online resources / handbooks (micro 46% versus medium 62%)

Micro businesses were more likely to have not received any of the option of advice listed in Figure 5.2 (20%) than small (11%) and medium (11%) businesses. This rises to just over a quarter (26%) of micro businesses with 1 to 4 employees.

5.2 Sources of information

As reported in qualitative interviews, the most frequent forms of information used stayed consistent across all phases of the adoption journey:

- **online research (supplier websites, YouTube, reviews sites)**: This was consistently cited as the most frequent information source. SMEs used supplier websites to learn about features, pricing, and support options. Online reviews and comparison sites helped evaluate different options and assess user experiences. Google searches were frequently used for general research and finding specific information
- **independent reviews:** Case studies and recommendations from actual users of the technology were highly valued for their unbiased insights and practical demonstrations. SMEs sought real-world examples and feedback from similar businesses over generic marketing materials from suppliers. This included businesses in their personal networks, or other businesses found through online review sites and business forums.
- **personal recommendations**: Recommendations from trusted sources, including existing suppliers, friends, other businesses, and industry networks, were highly influential throughout the journey. Accountants played a particularly significant role in recommending financial software and providing ongoing support
- **external consultants/experts:** A small number of businesses engaged external consultants or specialists for complex projects or when lacking internal expertise. One SME hired an independent technology consultant to manage a CRM implementation, another relied on a website agency for integration and bug fixes, and another included their accountancy firm in sales calls for industry knowledge. In these examples, it was acknowledged that this is not a feasible or cost-effective solution in all cases, particularly for small businesses with limited budget or when the technology being adopted was not crucial to the business.
- **direct supplier interaction**: Direct engagement with suppliers, including sales calls, demos, presentations, and ongoing support interactions, was a frequent source of information. SMEs valued the opportunity to ask specific

questions, see the technology in action, and build a relationship with the supplier's team
- **internal resources**: As SMEs gained experience with the adopted technology, they increasingly relied on internal resources, such as user guides and designated in-house experts. This internal knowledge sharing and development of expertise became a valuable source of ongoing support and optimization

"It was more the fact that it was real life sort of recommendations. People that are in similar businesses, similar sizes from business owners, from directors, you know, people that were using the software. It was just important to know what they thought of it."

Micro business (8 employees), Electricity Supply Sector

"I have to say they had like a very good sort of virtual tour of the package on their website that you could look at before you'd even kind of made any further investigation. I found that really helpful and their customer support is really good."

Medium business (80 employees), Waste Management Sector

General online searches or direct supplier interactions often provided easy access to information. This was particularly the case for well-known brands where lots of reviews and information exists, and where the supplier website provides lots of resources to potential buyers to explain their offering. However, many found the process challenging and even "overwhelming" due to the sheer volume of information available, the complexity of technical jargon, and the difficulty of finding unbiased, relevant content. Lack of transparency from suppliers and difficulty navigating government websites (HMRC and Government Gateway service highlighted in particular) also added to the challenge.

The usefulness of the information discussed in the qualitative interviews also varied. Personalised demos, case studies from similar businesses, and recommendations from trusted sources were generally considered highly useful. Generic marketing materials, overly simplistic explanations, and biased reviews were seen as less helpful. Free trials were particularly valuable in allowing SMEs to test the software and assess its suitability for their specific needs; however, this was not always feasible for technology that required significant buy-in before using. This included cases where significant integration of existing technologies and data import was required before it could be used effectively (e.g. CRM) or where transitioning between multiple systems could impact accurate reporting (e.g. accounting software)

Similarly to the qualitative findings, the telephone survey confirmed that SMEs may access many different information sources to inform their adoption journey. Figure 5.3 below shows that while online sources of information, including review portals and vendor sites, were amongst the most frequently used. Existing networks within and without businesses were also commonly cited, with accountants, business

networks and recommendations from trusted peers all being chosen by at least 9% of businesses.

Figure 5.3: Before adopting their most recent technology, where did they seek information about it (telephone survey)

Q22_SEEK_INFORMATION. Before adopting [your most recent technology], where did you seek information about it?

Base: SMEs currently using digital technology n=866 (telephone). N.B. Codes less than 5% have not been included in this graph apart from “none of the above”.

5.3 Format of information

The qualitative interviews highlighted that many SMEs preferred digital formats, such as email, online portals, webinars and videos, appreciating the ability to access information at their own pace and revisit it as needed. Some specifically highlighted the value of YouTube for unbiased individual reviews and tutorials. Others preferred in-person interactions, such as seminars, face-to-face meetings, and consultations with experts, valuing the opportunity for personalised advice and direct engagement. However, in-person events were often seen as less practical due to time constraints and travel costs. Ultimately, the preferred format depends on the individual SME's learning style, technical literacy, and the complexity of the technology being considered.

“We prefer face to face because again, we're big on relationships and there's kind of face to face. You can really explain what you're trying to achieve.”

Medium business (60 employees), Manufacturing Sector

"I am not a massive lover of the phone, although I do like a chat. So if I can find something online beforehand and not need to bother somebody, I'll always try that group first"

Medium business (80 employees), Waste Management Sector

5.4 Additional support desired by SMEs

SMEs were also asked during qualitative interviews what additional information and support they would have liked during different phases of the adoption journey, and this can be summarised as follows:

5.4.1 Choosing phase

- **proactive outreach and awareness campaigns:** readily available information about relevant technologies and government grant opportunities, rather than having to actively search. This could include newsletters, targeted advertisements, or simplified resources highlighting potential benefits for different business types
- **tailored resources and tools from suppliers:** Such as online integration tools, tailored demos, and options to filter information based on their specific business characteristics. Generic information is often unhelpful, and they value a more personalised approach
- **independent comparisons and expert advice:** A trusted source of comparative information would significantly aid decision-making.
- **real-world examples and peer learning:** Other SMEs using similar technologies, case studies. SMEs often felt isolated in the decision-making process and benefit from seeing how others have successfully adopted technology
- **project scoping and planning:** Expert guidance in the early stages of a technology project, including help with project scoping, assessing internal skill sets, and understanding the sales process, can help navigate implementations of more complex technologies

5.4.2 Purchase phase

- **greater cost transparency and simpler pricing models**: SMEs wanted to avoid hidden costs, complex pricing structures, and unexpected price increases. Simplified pricing models and transparent contract terms are highly valued
- **improved communication from suppliers**: Prompt responses to inquiries and personalised guidance, is crucial during the purchase phase. SMEs value suppliers who take the time to understand their needs and offer tailored solutions

5.4.3 Implementation phase

- **personalised training and support:** Tailored training programs, step-by-step guides, and readily available support from technical experts are

essential for successful implementation. SMEs need personalised assistance to address their specific questions and concerns, particularly those with lower technical literacy or facing complex integrations

5.4.4 Ongoing use

- **24/7 support for small businesses:** With limited resources, small businesses need readily available and responsive support options, ideally round-the-clock, to address urgent issues and minimise disruption to their operations
- **proactive communication from suppliers:** Proactive support from suppliers, including regular check-ins, clear communication about updates and new features, and readily available technical assistance, can significantly improve the implementation experience
- **accessible documentation:** Easy-to-understand tutorials and FAQs for ongoing support and troubleshooting

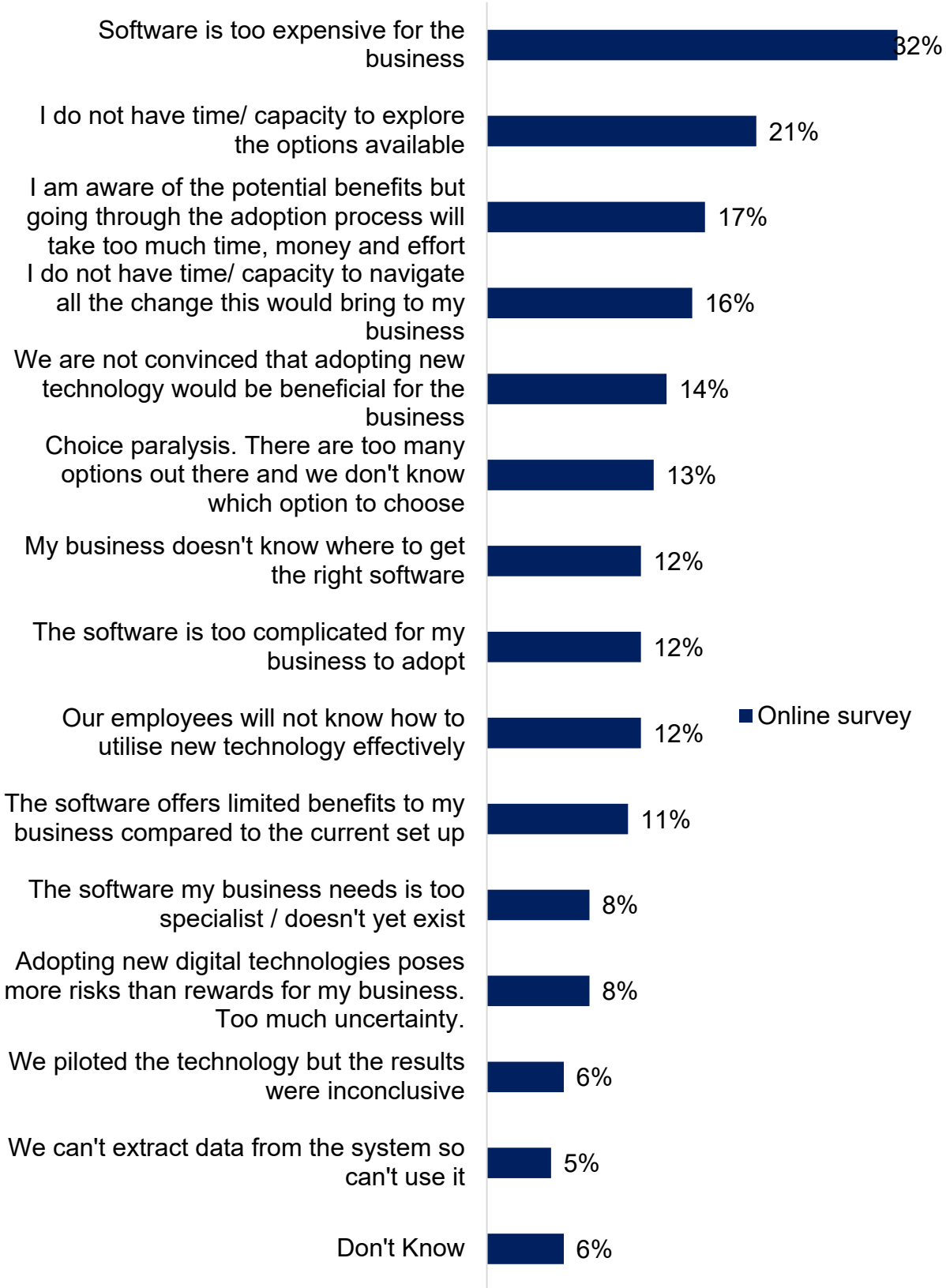
"Our knowledge was top line, and I think we needed someone with that information. Somebody who's not going to sell us something, he's just going to talk us through and support us on that."
Small business (30 employees), Agriculture, Forestry & Fishing sector

"The key thing is to understand that the users of these things, they know what they want out of it, but they don't necessarily know how to go about it. And therefore any kind of support that kind of backs that up is really invaluable to the user."
Medium business (80 employees), Waste Management Sector

5.5 Barriers preventing SMEs from utilising or investing in technology

The most common reason stopping SMEs from investing in or not fully utilising digital technology, in the online survey, was cost. A third of SMEs said that software was too expensive for the business (32%). This was higher for micro businesses (33%) compared to small (25%) and medium (23%) businesses. As detailed in Figure 5.4, after cost, the most common reasons centred around a lack of time, capacity and resources.

Figure 5.4: Factors stopping business from investing in digital technology so far or not fully utilising it (online survey)



Q16_ADOPTION_BARRIERS. What has stopped you from investing in digital technology so far or not fully utilising it? This was a multi-code question meaning participants could choose more than one option.

Base: All SMEs n=2000 (online)

The challenges and barriers SMEs faced at each phase of the journey has been covered in detail in Chapter 4. The following is a summary of what SMEs highlighted as the biggest constraints and barriers to digital technology adoption during qualitative interviews:

- **cost:** Financial constraints were a major barrier, particularly for smaller businesses. The cost of software, implementation, training, and ongoing maintenance could be prohibitive, especially when the return on investment is unclear
- **time:** Lack of time was a significant constraint, particularly for smaller businesses with limited staff and resources. Finding time for research, evaluation, implementation, training, and ongoing management of new technologies was a major challenge, especially when balancing these demands with daily operations and reactive tasks
- **staffing/skills:** Lack of technical expertise and internal IT capacity created significant barriers. Staff resistance to change, varying levels of technical literacy, and the need for extensive training also created staffing challenges. Finding and retaining skilled employees who can manage and utilize new technologies effectively was also a concern
- **keeping up with technological change:** The rapid pace of technological advancement made it difficult for SMEs to stay current and choose future-proof solutions. The fear of investing in technology that quickly becomes obsolete or inadequate for their evolving needs created hesitancy and could lead to a preference for short-term solutions
- **perceived uniqueness of business:** Some SMEs hesitated to adopt off-the-shelf technologies due to a belief that their business is unique and requires a highly personalised solution.

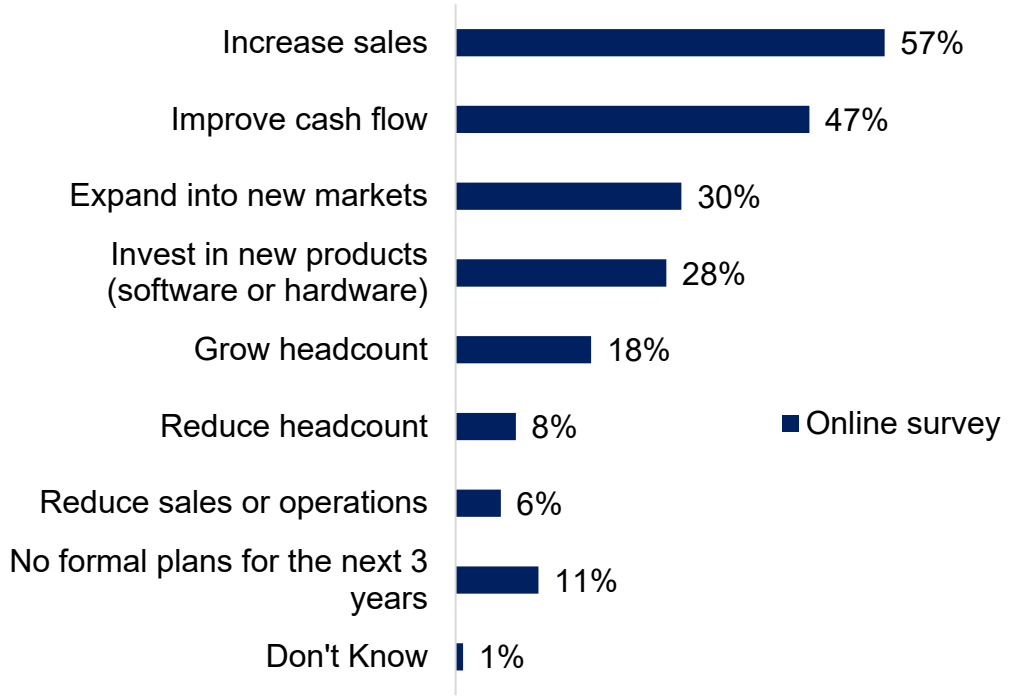
6 Future technology adoption among SMEs

This chapter covers SMEs future plans for technology adoption, exploring the types of technology being considered and why. It also looks at attitude and confidence levels around future adoption.

6.1 Future business plans

The online survey highlighted that, in terms of business plans over next 3 years, SMEs were most commonly focussed on increasing their sales (57%) and improving cashflow (47%) (figure 6.1). Those businesses that were not currently using technology and had no plans to do so were more likely to report they had no formal plans for the next 3 years, 4 in 10 (43%) of these businesses answered in this way versus 1 in 10 (11%) of SMEs on average. Furthermore, those that were confident in adopting new digital technology were more likely than those who were not confident to be planning on increasing sales (62% confident vs. 37% not confident), improving cash flow (51% confident vs. 32% not confident), expanding into new markets (36% confident vs. 17% not confident), investing in new products (34% confident vs. 15% not confident) and growing headcount (22% confident vs. 11% not confident).

Figure 6.1: Plans for your business over the next 3 years (online survey)



Q9_BUSINESS_PLANS. What are your plans for your business over the next 3 years? This was a multi-code question meaning participants could choose more than one option.

Base: All SMEs n=2000 (online)

Qualitative findings regarding business priorities for the next 3 years also commonly focused on growth, however this was not always the case. SMEs also outlined a

desire to maintain current operations, with digital technology adoption helping them to keep up with the evolving business landscape or to streamline existing operations.

"It's critical really [tech adoption], isn't it? If you want to be part of the future, you need to be looking at app development and streamlining processes through automation."

Micro business (3 employees), Real Estate Sector

The telephone survey further investigated what factors encourage SMEs to adopt new technology in the future. Corroborating the qualitative findings, the most popular choice was "Efficiency – saving money", chosen by 69% of respondents overall and as many as 84% for medium businesses (67% of micro businesses chose this option, as well as 74% of small businesses).

The next most chosen factors in the telephone survey were "industry recommendations or regulations" (64%), "improving the quality of our work" and "efficiency – saving worked time" (both 62%) and "cyber security threat" (60%).

6.2 Technologies SMEs are interested in purchasing

Figure 6.2 details which technologies, in the online survey, SMEs were interested in purchasing (of the technologies they didn't currently have). Almost half of these SMEs (48%) were interested in purchasing more than one technology. The most popular option was accountancy software (24%), while Enterprise resource planning systems was the least coveted (7%). A quarter of these SMEs (25%) reported that they were interested in purchasing either opensource AI products or a customised AI solution.

Those more likely to be interested in purchasing an AI technology included:

- medium businesses (59% compared to small 40% and micro 22% businesses)
- business that regarded their digital technology as integral to their business (37% compared to the average 25%)
- those confident in adopting digital technologies (31% compared to those not confident 8%)
- businesses that had adopted technology in the past year (36% compared to the average 25%)
- SMEs based in London (32% versus the average 25%)
- those in the professional, scientific and technical activities sector (36% versus 25% average)
- those in the digital and technology sector (56% versus 25% average)
- those in the professional and business services sector (31% versus 25% average)

Figure 6.2: Digital technologies business would be interested in purchasing (online survey)

Q5C_PURCHASE_INTEREST. Which of the following digital technologies would your business be interested in purchasing? This was a multi-code question meaning participants could choose more than one option.

Base: SMEs who did not select they currently used all technology listed in the survey n=1994 (online)

AI in particular was noted in qualitative interviews as a technology of future interest. SMEs were interested by the potential benefit and felt a need to stay up to date with developments so as not to be left at a competitive disadvantage.

“We started looking like a lot of businesses at what AI was and what it can do for us as a small business… what can I do now to keep up with my bigger competitors?... if we don't make the decision now, in 12 month’s time businesses like ourselves are going to be struggling because the big boys are already well onto this.”

Micro business (6 employees), Information & Communication Sector

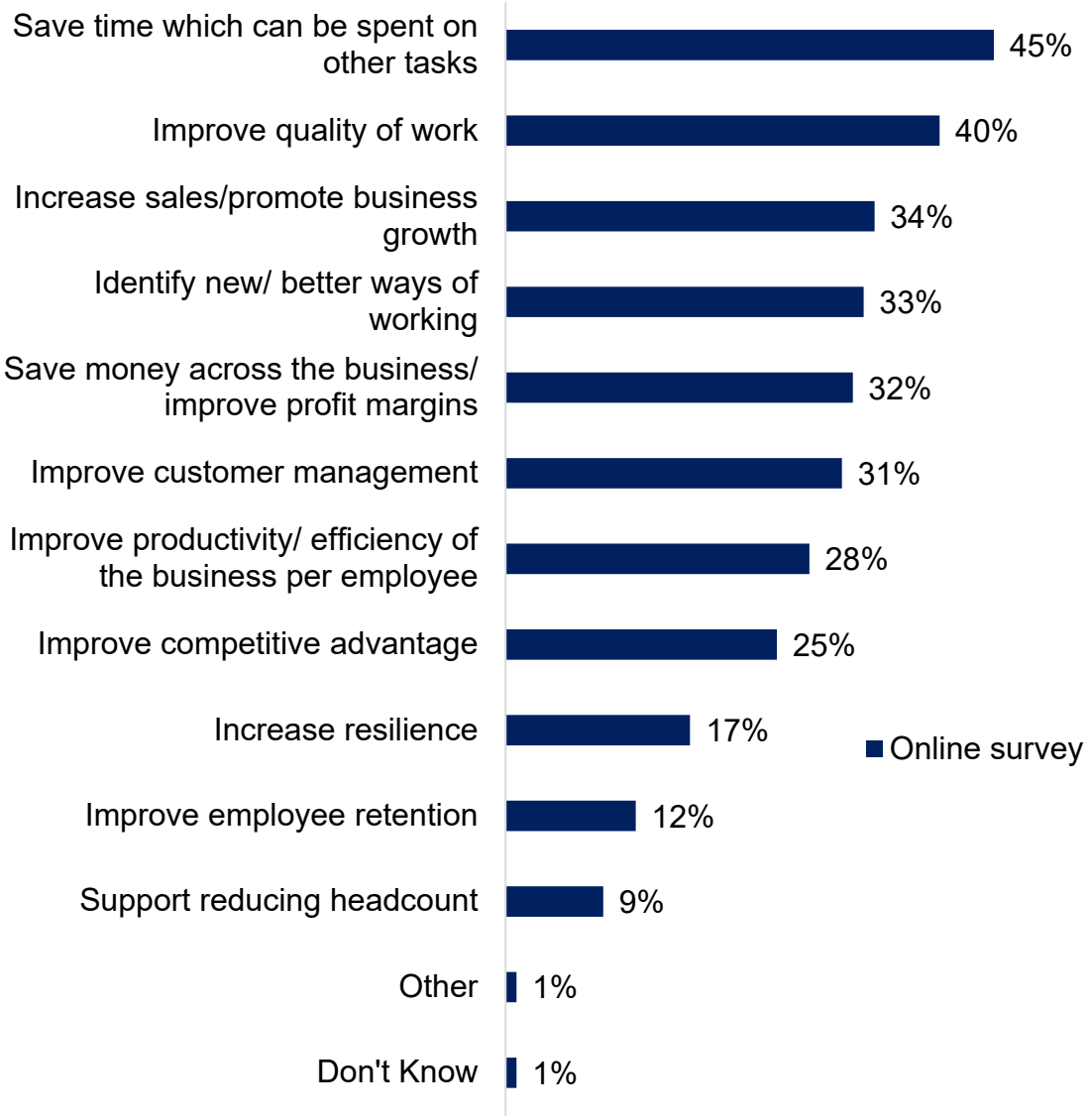
“There's a lot of talk and interest in AI and how we can implement that in what we do. We are a bit niche.. so we have to temper that a little bit. Probably we can't just jump in. But I think AI is the next step in terms of improving the repetitive tasks that we do… within the next year or two”

Medium business (200 employees), Energy Engineering Sector

6.3 How do SMEs think this technology will benefit their business

Just under half of SMEs in the online survey thought that the technology they were interested in purchasing might benefit their business by saving time which could be spent on other tasks (45%), 40% expected that it would improve the quality of their work. Figure 6.3 details the other expected benefits, showing that around 1 in 10 (9%) expect it to support in reducing headcount.

Figure 6.3: Expected benefits of digital technology SMEs are interested in purchasing (online survey)



Q14_BENEFIT_HOW. Thinking about the digital technology that you were interested in purchasing, how do you think they might benefit your business? This was a multi-code question meaning participants could choose more than one option.

Base: SMEs who were interested in purchasing technology n=1554 (online)

Micro businesses were more likely than average to pick out saving time as an expected benefit (46%), whereas larger SMEs, users where technology was integral to the business and those more confident with digital technology, were more likely to expect a range of benefits.

Around three quarters of SMEs (77%) responded that adopting a new digital technology would transform their business operations for the better compared to a small minority (2%) who thought it would not benefit their business.

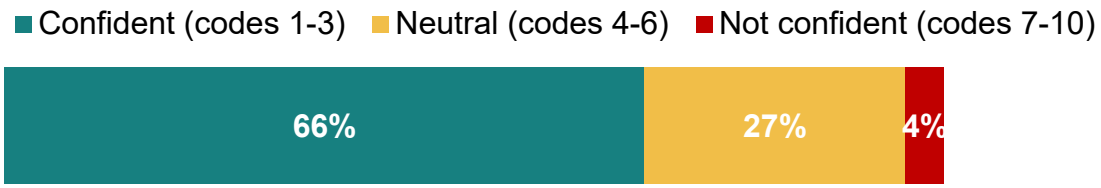
SMEs more likely to think that adopting this technology would transform their business for the better were:

- small and medium businesses (84% and 94% respectively)
- active users for whom technology was integral (84%)
- those confident in adopting new digital technology (89%)
- SMEs who had adopted technology in the last year (80%)

4.5 How confident are SMEs in adopting new technology

Two thirds of SMEs (66%) were found in the online survey to be confident in their business ability to adopt new technology, compared to only 4% that were not confident (figure 6.4).

Figure 6.4: Confidence in ability to adopt new digital technologies



Q17_ADOPTION_CONFIDENCE. How confident are you in your businesses' ability to adopt new digital technologies?

Base: All SMEs n=2000 (online)

SMEs more likely to lack confidence in adopting new digital technologies were:

- micro businesses (5% compared to medium businesses, 0%)
- businesses who have adopted technology but are not fully utilising it (7% versus average 4%)
- businesses who have not adopted technology and have no plans to do so (32% versus average 4%)

Within the qualitative research, confidence levels around adopting new technologies were explored in greater detail. Confidence varied significantly, influenced by factors like technical literacy, prior experience, and the perceived risk involved. Most SMEs felt confident adopting familiar or simpler technologies, but less so when faced with more complex systems or unfamiliar areas like AI. High confidence was most likely from those with prior positive experiences, technical backgrounds, or strong recommendations from trusted sources. They often made quick decisions based on brand recognition or a clear understanding of their needs. Thorough research, including online reviews and demos, built confidence in the selected solution.

Others expressed hesitancy and a desire for more information and support before committing, especially those with lower technical literacy, previous negative

experiences, and those facing significant investment and integration requirements. Concerns about hidden costs and lack of transparency made decision-making daunting. Overselling or oversimplification by salespeople can breed mistrust, while the overwhelming amount of information, and difficulty finding unbiased reviews fuelled uncertainty. The rapid pace of technological change and the constant emergence of new options also contributed to a sense of needing to continuously adapt and learn. Confidence levels were considered not only from the perspective of the management team during adoption phase, but for other staff who would be end users of the technology. Positive reports were given on how user-friendly interfaces, and clear guidance can quickly increase staff confidence.

“I would say it was a minefield - we knew what we wanted. But dealing with the companies, understanding the technology, you know, it was just so over our heads and so we had to seek external support in doing that.”

Small business (30 employees), Agriculture, Forestry & Fishing sector

“It's kind of daunting sometimes. Because the differences, everything may look the same between each software provider but it's normally the bits that you don't see which are the bits that cost you the money.”

Medium business (60 employees), Manufacturing sector

In general, prior experience adopting digital technology led to greater willingness to explore new technology. Interviewees felt better equipped to ask the right questions, assess supplier claims, and anticipate potential challenges. Some respondents felt more comfortable with technology in general, having become more tech-savvy through prior adoptions. The constant emergence of new options also contributed to a sense of needing to continuously adapt and learn.

“I think everyone sometimes feels a little bit, you know, uncertain or a bit not as confident as you'd hope you'd be with adopting new things. But you know, kind of suck it and see and once you get used to it… it's kind of second nature really.”

Micro business (2 employees), Financial & Insurance sector

“I think naturally we're going to spend more and more on technology, and I think because we've invested in technology before in terms of software, we're not so scared anymore of the potential costs of what software is.”

Medium business (60 employees), Manufacturing sector

SMEs who had successfully adopted technology outlined changes they would make to the process going forward. This included more thorough research and planning, trialling the technology before committing to buy and taking a more holistic approach to digital adoption in contrast to a piecemeal implementation approach.

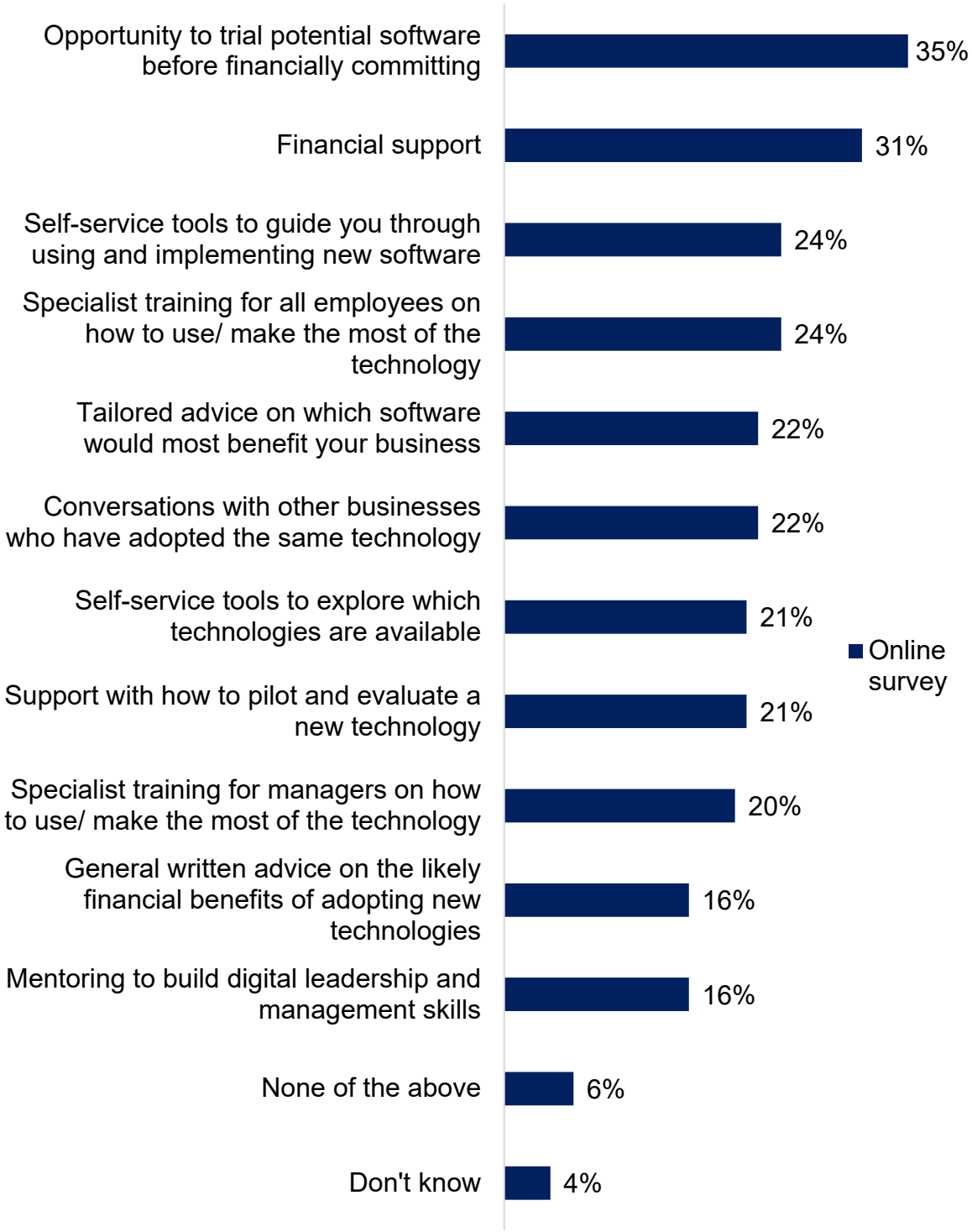
7 Helpful interventions and the role of government

This chapter covers the interventions SMEs reported would help them adopt new technologies and how they perceive the role of government in this process.

7.1 What interventions would help SMEs adopt new technologies

In the online survey, SMEs favoured a range of interventions to support their business with adopting digital technology (Figure 7.1). The two most popular interventions included an opportunity to trial potential software before financially committing (35%) and financial support (31%). This is noteworthy given that the most common barrier to digital adoption identified by SMEs was that software was too expensive (32%).

Figure 7.1: Which of the following interventions would help to enable your business to adopt new digital technologies (online)



Q18_HELPFUL_INTERVENTION. Which of the following interventions would help to enable your business to adopt new digital technologies? This was a multi-code question meaning participants could choose more than one option.
Base: All SMEs n=2000 (online)

7.2 Role of government in supporting SMEs

In the qualitative interviews, SMEs saw a multifaceted role for government in supporting digital technology adoption, going beyond simply providing information. The government was seen as a trusted, supplementary resource, particularly for businesses less familiar with technology, offering unbiased education and awareness-building. This included demystifying digital technology and showcasing how technology can augment, not replace, human capabilities. Financial assistance, such as grants or tax incentives, is desired for smaller businesses interviewed struggling to afford technology investments.

"If it's from the government, then you're probably more likely think it's correct. Like obviously then, if it comes from the suppliers that it's biased to their product"
Micro business (3 employees), Real Estate Sector

"I think it is giving people confidence. A lot of people are scared of digital technology so it's just showing people the huge benefit and it can make your life easier"
Small business (30 employees), Agriculture/Professional Services Sector

"If they sort of viewed themselves as like, almost like an initial search engine and they structured their information according to your needs. If you could go in and say, this is what I'm trying to solve and they could give you kind of your initial stage of your research"

Medium business (80 employees), Waste Management Sector

Beyond resources, SMEs valued the government as a facilitator and connector. Sponsoring or supporting trade shows, conferences, online seminars, and networking events can bring businesses together with relevant suppliers, experts, and peers, fostering valuable knowledge exchange and personalised guidance.

"It's bringing the right people together in the room that makes that magic happen… the role that DBT plays in that it's a conductor really, because we're all moving parts, we've all got our own different instruments. And I would say, you know, create the environment where those conversations happen"

Small business (15 employees), Clean Energy Sector

However, scepticism persisted regarding the government's ability to maintain up-to-date knowledge and impartiality, with preferences emerging for a more limited role focused on initial guidance and awareness-raising, leaving more specialised support to technology suppliers. Demonstrating the government's own successful use of technology was considered crucial for building credibility and trust, showcasing real-world applications and benefits rather than simply advocating for adoption. Some SMEs struggled to articulate the government's role in supporting digital adoption, suggesting a lack of awareness of existing government initiatives and support. Clearer communication and demonstration of the value of existing initiatives is needed. A multi-channel outreach strategy is essential, utilising online platforms, in-

person events, and social media to reach diverse audiences with varying technical comfort levels and communication preferences.

8 Recommendations for UK government

This research has outlined how the challenges faced by SMEs in adopting digital technology are varied, with many factors influencing successful adoption. It is not practical (nor expected by SMEs) for the government to provide comprehensive support and solutions for all challenges. Instead, the research findings can help identify key focus areas where government support could have the biggest impact on future adoption of digital technology by SMEs.

8.1.1 Focus by journey phase

The early stages of the digital adoption journey (namely 'understanding needs' and 'choosing a product') were identified as particularly challenging stages for SMEs across both qualitative and quantitative research. Key reasons for this, as shared in qualitative interviews, were an overwhelming amount of complex information and difficulty finding an unbiased, credible source to inform their decisions. The online survey supported these conclusions, with businesses frequently naming lack of time to assess options and think through the changes they would bring to the business, and choice paralysis as barriers to adoption. Government initiatives are well placed to fill this role and could offer support to SMEs beginning their adoption journey in the following ways:

- **Online information 'hub':** provide straightforward, jargon-free information that SMEs can confidently consider to be impartial and trustworthy. Key pitfalls outlined by SMEs where information would be valued included how to assess digital needs across the business in a holistic way, how to accurately brief suppliers on business requirements, understanding common pricing structures and hidden costs for digital services and understanding average timelines for implementation. Content preferences varied by SME but written and video content was noted as particularly useful. Information should be kept as clear and concise as possible, keeping in mind online survey findings that time investment was a significant barrier to adoption.
- **Case studies of SME success stories:** Recommendations from similar businesses was a key source of information and influence. SMEs wanted to see real life examples from companies of the same sector/size/challenge, with practical details on the process followed for each journey stage and key issues to be aware of.
- **Raise the profile of the cost-saving or profit-raising benefits of technology:** Concerns around cost were named as a significant barrier to adoption in both online and telephone surveys, but in these same surveys SMEs saw the potential of technology to increase productivity, cut overheads and raise sales. SMEs may be encouraged to invest if made aware of the

potential long-term payoffs. This could be done through targeted advice on the tangible benefits to their own business from new take up, which SMEs rated highly in the online survey as potential aid to adoption.

- **Interactive tool to provide tailored guidance:** SMEs highlighted in qualitative interviews how being able to identify a business problem did not always translate to knowing how to identify the best digital solution for them. The online survey also suggested that choosing a product was amongst the most difficult stages of adoption. This lack of knowledge to inform technology choice was a key barrier to adoption, with SMEs expressing a desire for an interactive tool where information on the business and their problem could be inputted and tailored results and suggestions returned based on the unique situation. Through this tool, knowledge gaps could be filled, and potential challenges could be avoided.
- **Facilitated interactions between SMEs and technology suppliers to aid with product choice:** In qualitative interviews, SMEs also highlighted how DBT can play a role in connecting SMEs with relevant technology suppliers through in person and online showcase events. Supplier interactions in the early phases of adoption were noted as useful for prompting more detailed consideration of options and ultimately more informed decision making on what technology to adopt. These interactions could be especially helpful to SMEs in light of key insights from the telephone and online surveys, which showed a strong preference to purchase technology and to receive training during implementation directly from the provider.
- **Raise awareness of software trials and encourage experimentation:** In the telephone survey SMEs named “ease of use” as their number one priority when choosing a technology. Further, they said in the online survey that opportunities to trial a software before financially committing would be amongst the most likely interventions to aid adoption. With this in mind, government initiatives could aim to make them more aware of trial periods for technology they may be considering, encouraging risk-free experimentation to find solutions that could fit their business and user experience needs.

Given the desire for building direct relationships with technology suppliers for long term support and collaboration, there are limits on the role that government can have further along the adoption journey. Focusing on initiatives that address challenges of these initial phases will have most impact on overall ease and success of digital adoption.

8.1.2 Focus by persona

From the detailed insights gathered during qualitative interviews, three key ‘adoption personas’ emerge. Personas are a useful research tool that take learnings from a sample of a particular audience to create semi-fictional characters representative of key segments of the wider population. In this instance, insights drawn from

qualitative interviews have been used to create profiles of three distinct categories of SMEs according to their primary motivational driver for adopting digital technology.

Table 8.1: Reluctant Adopters (Necessity-Driven)

Characteristics	Key Needs	Sample quotes
• Often micro-businesses or solo • Motivated by necessity (compliance, failing existing systems, external pressure). • Basic functionality and cost-effectiveness. • Often adopt technology reactively, driven by necessity rather than a proactive desire for innovation • May struggle more with initial scoping phase • Less concern for integration needs	• Simplified guidance • Rely heavily on personal recommendations • Readily available human support • Reassurance about cost and ease of use • Clear explanations of benefits. **Technology Type** • Basic technology for **essential functions** e.g. videoconferencing, accounting software, mobile payments, website platforms, bookings software	***"I don't know if there's any real benefits other than the accountant doesn't have to come in and see us. I miss that a bit because I think you need to chat. I would like a bit more hands on human contact and chat about how the businesses [are going] and other things"*** *Small business (15 employees), Construction sector*

Table 8.2: Scaling Adopters (Competitive-Driven)

Characteristics	Key Needs	Sample quotes
• In a growth phase, struggling with scale up issues e.g. keeping track of more staff and admin tasks, using multiple different software providers • Motivated by a desire to stay competitive, manage increasing complexity, and improve internal processes	• Expert advice on integration and scalability • Tailored solutions • Support with data migration and analysis • Clear cost transparency • Value personalised support **Technology Type** • Tools for **integration and collaboration** e.g. CRM, Project Management, Cloud Computing, e-	***"It's getting the efficient edge over our competitors... I believe that harnessing the right solutions now and being open minded to incorporating them will mean that we can stay as nimble and agile as possible"***

• Focus on integration, scalability, and data-driven insights	commerce, marketing automation	*Small business (15 employees), Clean energy sector*

Table 8.3: Advanced Adopters (Innovation-Driven)

Characteristics	Key Needs	Sample quotes
• Established businesses looking to optimise operations and enhance service offerings • Motivated by a desire to innovate, improve efficiency, and gain a competitive edge • Often early adopters, driving industry innovation and pushing the boundaries of what's possible with technology • Willingness to invest in bespoke solutions	• Access to specialised expertise • Support with implementation and training • Information on emerging technologies. • Value proactive supplier engagement **Technology Type** • Custom solutions e.g. advanced CRM and ERP systems, AI powered tools, facial recognition, bespoke software, specialised industry solutions	***"As a business, it's all about digital and we've been slowly moving in the process of being a digital first organization… to, you know, streamline things, save costs*** ***and just embrace the technology."*** *Small business (30 employees), Agriculture, Forestry & Fishing sector*

Of these three personas, government initiatives could have most influence on the 'reluctant adopters' group, with interventions with this group having the biggest impact:

- **General promotion of technology benefits:** This group were least likely to view digital technology as a positive addition to their business. The research outlined how hesitancy to adopt technology, or perceptions of high technology complexity were often influenced by a general lack of knowledge or awareness of available solutions. Awareness raising on the benefits and practical applications of technology could be very impactful, through general marketing campaigns or targeted outreach to groups fitting this persona's characteristics.

- **Encourage initial adoption of basic technology:** This group were most likely to have low technical literacy and little or no prior experience adopting previous technologies. Insights from the quantitative surveys on the most popular technologies for businesses suggest focusing on technologies where adoption is likely to be most straightforward and can have the biggest positive impact on operations. This includes financial technology such as accountancy software, payroll and invoicing. As these technologies tend to be off-the-shelf solutions with simple implementation and user-friendly interfaces, they are a good starting point for less digitally literate SMEs.
- **Further promote "best-in-class" solutions:** Reluctance to engage with the overwhelming technology marketplace and concerns over ease-of-use (named as significant barriers to adoption across quantitative and qualitative research) could be assuaged for this group with a directory of "go-to" technologies designed to solve simple business problems and be accessible to beginners (building on work already being done by the government's Digital Adoption Taskforce).
- **Digital literacy training:** Low digital literacy is a key barrier to both adoption and successful use of technology. The UK government could offer training courses for those wishing to broadly upskill on digital skills. Such courses would benefit both decision makers with low digital literacy themselves, and companies where digital literacy of wider workforce is a barrier to uptake. SMEs said in the online survey that concerns around lack of staff skill with technology made them reluctant to adopt, and that access to training could be a key intervention to aid take-up.
- **Human helpdesk:** While online resources and chatbots were valued for quick answers to simple questions, SMEs outlined how the ability to speak to a human about certain issues would also be valued. For 'reluctant adopters' particularly, with lower confidence in using digital tools, access to a human advisor who can provide unbiased advice would likely give needed reassurance and encouragement as they begin their adoption journey.
- **Financial support:** As demonstrated in both depth interviews and the online survey, cost of technology was a particularly significant barrier to technology adoption for micro-businesses, who were also more likely to sit in the 'reluctant adopters' persona. There is an opportunity to provide information on where financial grants can be accessed for such micro-businesses, or any other SME where cost is a significant barrier.

The research outlined how confidence in adopting technology was influenced by prior experience, familiarity with technology and recommendations from a trusted source. Through implementing measures as outlined above, 'reluctant adopters' can build confidence and skills to successfully navigate the adoption process on their own for more advanced technologies in future.

8.1.3 Focus on AI

While barriers to adoption and use of technology were observed across almost all categories of technology, AI emerged as the category that SMEs felt least confident and knowledgeable. Government initiatives could be developed to specifically overcome barriers to adopting AI technology:

- **Practical use cases:** Through case studies or other means, showcase how SMEs can practically apply AI technology to their operations. As outlined in section 5.3.1, SMEs valued real life examples of similar businesses using technology, to demonstrate and build confidence in its relevance and practicality. Given how unfamiliar most SMEs were with AI, practical and actionable examples of business use cases will be important to encourage uptake.
- **Myth busting and information provision:** Most SMEs had only a general understanding of AI technology and there was often hesitance and mistrust due to its rapid emergence and complex nature. SMEs were unclear on the specifics of how this technology is developing, how it can be used and whether it can be or is already incorporated into basic technologies they are utilising. The UK government can offer informational resources, webinars, etc, to dispel fears and educate SMEs on this important growing technology in a way that is directly applicable to business uses.

While these recommendations have been structured by key focus area here, it must be noted that many would have a positive impact across multiple categories and can be viewed as a holistic list of recommendations for how the UK government can support SMEs in adopting digital technology.

The UK's Department for Business and Trade (DBT) has overall responsibility for promoting UK trade across the world and attracting foreign investment to our economy. We are a specialised government body with responsibility for negotiating international trade policy, supporting business, as well as developing an outward looking trade diplomacy strategy.

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