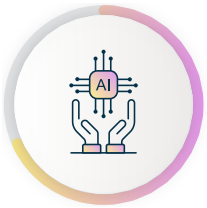
UNLOCKING AUSTRALIA'S AI POTENTIAL 2026

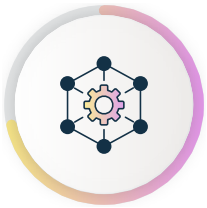
Strong momentum, uneven foundations: Making Australia's AI ambitions a reality

Australia enters the next phase of AI adoption from a position of momentum. Adoption is accelerating, with **61%** of businesses having adopted AI, up from **50%** last year, and most AI-adopting businesses are already seeing tangible productivity gains and faster innovation cycles. Australia is widely seen as a competitive global hub for AI, underpinned by high levels of education, strong data privacy protections, and a stable business environment. Leading organisations are pushing into advanced and transformative use cases, and investment is rising – on average, businesses say their AI investment has grown by **28%** in the last year.

Yet this momentum masks a more complex reality. Early adoption has unlocked real gains, but scaling those benefits requires more than enthusiasm and experimentation:



69% of businesses see AI as a competitive advantage



71% believe it will transform their industry

55% do not have a dedicated AI budget

As AI technologies become more capable and autonomous, governance, skills, and trust are not optional extras; they are the foundations on which businesses build leadership in AI.

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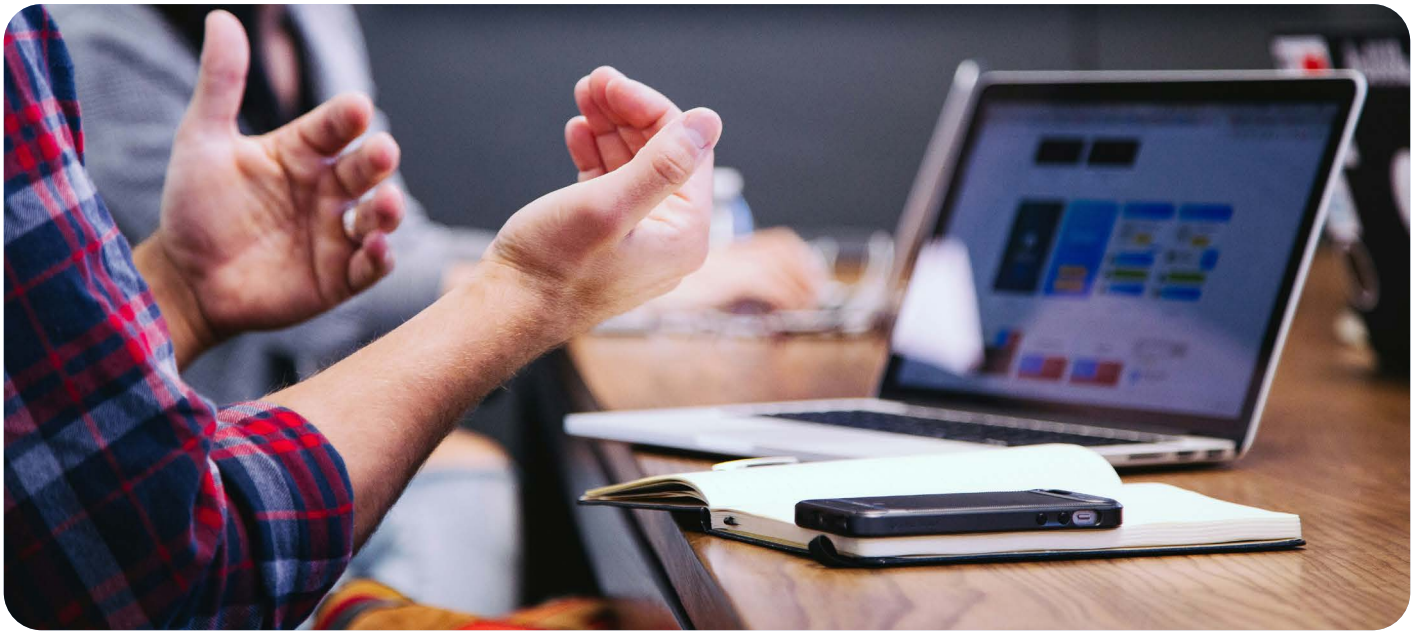
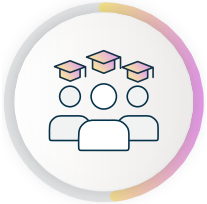
Most businesses expect AI to transform how they operate, yet many are still not investing at scale, building the skills, or putting the governance in place required to get there. On trust, the picture is more nuanced than a simple deficit: citizens see AI's transformative potential, but remain hesitant to rely on it in high-stakes applications. Businesses recognise reliability gaps in their own systems and remain heavily reliant on human oversight as a result. Yet investment in the governance, training, and responsible AI practices needed to close those gaps remains limited. The ambition is there; the foundations to support it are not.

This report explores four foundations that must be built for Australia to realise its AI ambitions: trust in AI remains fragile, while responsible AI practices lag; a skills and training gap that businesses are not investing to close; a lack of AI strategies and limited investment; and a public sector yet to play the leadership role businesses and citizens are looking to it to fill.



Australia is already seen as competitive on the global stage and has significant ambition for AI

Australia is widely seen as competitive on the global stage and starts from a position of strength. **56%** of businesses rate Australia as competitive or highly competitive as a global AI hub, pointing to clear advantages:



A highly educated workforce (**48%**)

Strong legal protections for data privacy and security (**44%**)

A stable, business-friendly environment (**42%**)

Businesses also value the choice and flexibility available to them – **68%** say they have adequate choice when selecting AI technology providers, and **73%** report adequate choice of cloud computing providers.

But businesses are equally clear that maintaining this position will require action. When asked what is holding Australia back, the most commonly cited constraints are a shortage of digital and tech talent (**44%**), limited access to growth funding and venture capital (**31%**), and a complex regulatory landscape (**28%**). Looking ahead, businesses are clear on the priorities: scaling and commercialising existing strengths (**44%**), building new national or regional AI infrastructure (**38%**), providing more funding for startups and SMEs (**37%**), and removing regulatory complexity (**32%**).

Australia is well-positioned today. Whether it remains so will depend on how effectively it addresses these structural challenges and builds the foundations that turn early momentum into lasting leadership.

Key findings at a glance

- AI adoption in Australia is continuing to increase, with **61%** of businesses having adopted AI, up from **50%** last year. This is a growth rate of **22%**, compared to **16%** last year
- Cloud adoption is similarly strong, at **71%**
- There is also significant investment in AI - over half (**52%**) of businesses have invested more than 10,000 AU$ in AI technologies and related costs, and on average, say their investment in AI has risen by over a quarter (**28.3%**) in the last year
- The majority of AI-adopting businesses are seeing tangible benefits – **79%** report moderate or better productivity gains from AI, and **75%** say these gains have clearly justified its investment
- **69%** of AI adopters are reporting an accelerated innovation timeline, with AI the number one driver of this change (**38%**)
- Despite high adoption, only **22%** of AI-adopting businesses have a formal and comprehensive AI strategy in place, unchanged from last year, and **55%** have no dedicated AI budget, meaning most are running AI without the strategic foundations to scale it effectively
- A shortage of digital skills is the single biggest barrier to AI adoption, cited by **41%** of businesses – yet only **44%** of employees participated in any digital training in the last year
- The next wave of AI technologies presents a significant opportunity, but most businesses are not yet ready to seize it: only **22%** feel fully or very ready to adopt next-generation technologies such as agentic AI, compared to **55%** of Information and Communications businesses and **41%** of startups
- The gap between leaders and the rest is widening: only **18%** of AI-adopting businesses have fully integrated AI into their operations, while Information and Communications (**31%**) and Financial Services and Insurance (**27%**) are significantly ahead – and startups (**34%**) continue to set the pace

Missing foundation 1: Trust gap holding AI back, yet investment in responsible AI trails

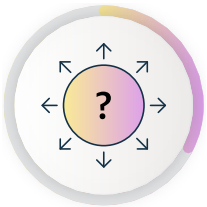
Citizens and businesses alike recognise the transformative potential of AI. Citizens see AI as having a meaningful societal role – **61%** believe it will be important in driving economic growth, and **62%** believe it can improve healthcare accessibility.

Businesses are even more convinced: **72%** say that responsibly deployed AI will deliver greater economic growth and productivity, **64%** say it will deliver benefits for society as a whole, and **75%** believe they have a direct role to play in using AI to address major societal challenges. The business case is also increasingly proven in practice. **67%** of AI-adopting businesses report positive returns on their investment, and among those seeing productivity gains (**79%** of AI-adopting businesses), three-quarters (**75%**) say those gains have clearly justified the investment.

Yet this belief in AI's potential, and the real returns businesses are already seeing, is not yet matched by trust in how AI is developed, governed, and deployed. Both businesses and citizens believe AI can be a force for good, but confidence in its responsible application is lagging behind, and risks slowing adoption in the very areas where AI could have the greatest impact.

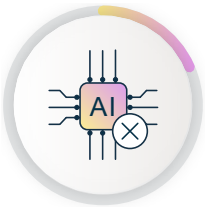
Trust plays a critical role in delivering this potential; however, among businesses, confidence in AI systems is mixed. While **54%** say their systems are mostly reliable, only **31%** describe them as highly reliable, and **11%** report that their systems are unreliable.

Among those experiencing challenges, the most common issues include:



33% cite inaccurate outputs

21% cite a lack of consistency



18% cite integration issues

As a result, human oversight remains central. **54%** of businesses say AI only provides recommendations, with humans retaining decision-making control, while just **8%** report minimal human involvement.

This caution is even more pronounced among citizens. While **77%** trust AI to detect fraud and **70%** to support customer service, trust drops sharply in higher-stakes contexts, with only **8%** trusting AI to assess job applications and **7%** to analyse medical test results. This highlights a clear "trust gradient", where acceptance is highest for low-risk tasks and lowest where outcomes have significant personal consequences.

Investment in responsible AI remains limited

The challenge is that the governance infrastructure needed to build this trust is, for most businesses, still absent. Only **15%** of businesses have a formal and comprehensive responsible AI strategy in place — and **12%** say they don't even know what a responsible AI strategy would look like. A further **18%** have no strategy and no plans to develop one.

A small number of sectors have been quicker to develop responsible AI strategies:

Information and Communications (**34%**)

Financial Services and Insurance (FSI) (**29%**)

Professional, Scientific and Technical services (**23%**)

On the other hand, Transportation (**8%**), Real Estate (**9%**), and Construction (**8%**) trail significantly behind.

The governance gap extends beyond strategy into structure. **86%** of businesses do not have a dedicated team whose primary responsibility is AI governance and regulatory matters. Of the **14%** that do, only **58%** feel their governance teams are sufficiently equipped to ensure AI use is fit for purpose and compliant with regulation. The workforce is not filling the gap either: businesses say only **32%** of employees feel confident in determining how and whether sensitive business data can be processed by AI in a compliant way, leaving businesses exposed not just strategically, but in their day-to-day operations.

Without governance frameworks, clear accountability, or adequate training, businesses have no structured way to identify what is going wrong, correct it, or build the confidence – internally and externally – needed to deploy AI more ambitiously. The irony is sharp: **72%** of businesses believe responsibly deployed AI will deliver greater economic growth and productivity, yet the majority are not investing in the responsible deployment practices that would unlock it.

Case study: FSI stands out as one of Australia's leading examples

Adoption in the sector is significantly ahead of the national average. **81%** of FSI businesses have adopted AI, compared to **61%** across the economy. A vast majority (**90%**) use cloud computing. Crucially, FSI businesses are not just adopting AI, they are using it in increasingly sophisticated ways. For **27%** of AI-adopting businesses in the industry, AI is fully integrated – one of the highest levels across any industry, exceeding the national average of **18%**.

The results are showing up in business performance. **89%** of FSI AI users report productivity gains, while **76%** report a positive return on their AI investment. **66%** expect AI to completely or largely transform their industry in the next five years.

FSI businesses are also investing more seriously in the foundations that sustain this performance. **55%** have a dedicated AI budget, compared to **38%** across all sectors. **39%** have a comprehensive data governance framework in place, and **29%** have a formal responsible AI strategy, both among the highest of any sector.

The sector also demonstrates stronger skills confidence, with businesses saying **40%** of the FSI workforce feel confident using advanced AI tools and **52%** feel confident handling sensitive data compliantly – a critical foundation for a sector where data security and regulatory compliance are paramount.

The sector's progress shows what becomes possible when AI adoption is backed by investment, governance, and strategic intent. As Australia looks to broaden its AI leadership beyond a small group of pioneering sectors, the FSI model, combining advanced use cases with serious investment in the foundations, offers a clear template for others to follow.

Missing foundation 2: Skills are an essential part of the puzzle, but training still lags

AI is expected to significantly reshape the workforce over the next five years, but businesses are broadly optimistic about the net impact: **34%** expect it to primarily create new roles or significantly reshape existing ones, and a further **28%** anticipate a mix of job creation and displacement. Only **6%** expect AI to mostly displace roles. Businesses also recognise that building capability is central to capturing this opportunity, with **70%** saying hiring new specialists is important to their AI strategy.

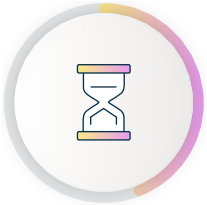
AI is fundamentally reshaping how work is done, with businesses preparing for a more AI-augmented workforce. However, optimism about AI's workforce potential is only valuable if it is backed by investment in building the skills to realise it. And on that measure, Australia has significant work to do.

While **45%** of businesses say employees are expected to be familiar with basic AI tools, and **42%** expect them to be comfortable using them, investment in building these capabilities remains uneven. A shortage of digital skills is the single biggest barrier to AI adoption, cited by **41%** of businesses.

The current skills baseline tells a stark story:

- Only **18%** of businesses describe their current AI skills level as strong – a figure that rises to **50%** in Information and Communications but falls to just **16%** in Healthcare, and even lower in Transportation (**11%**), Accommodation and Food (**11%**), and Construction (**7%**)
- A further **21%** say they are only just beginning to develop AI skills, and **12%** have no AI skills at all but recognise the need
- Across the workforce, businesses say only **28%** of their employees feel confident using advanced AI tools – with a wide divide between sectors: **59%** in Information and Communications versus just **26%** in Healthcare, **20%** in Transportation, and **19%** in Accommodation and Food

The skills gap is having tangible business consequences:



44% of businesses say skills gaps are causing delays in important projects

41% say gaps are hindering innovation

39% say gaps are slowing business growth

The gap is evident in hiring and training. **40%** of businesses say they struggle to attract local talent with the necessary digital skills, up from **38%** last year (and rising to **57%** in Information and Communications), while only **58%** are confident their current training efforts will meet future needs. At the same time, **32%** say training existing employees is difficult.

Businesses are increasingly relying on hiring over building from within: while **75%** say reskilling existing employees is important to their AI strategy, only a third (**34%**) say it is very important, and businesses are willing to pay a significant premium to bring skills in from outside – on average, a **42%** salary uplift for strong AI candidates. However, only a third (**33%**) of citizens say they feel clear on what AI skills businesses are looking for in their industry.

Practical barriers to upskilling compound the problem. **44%** of businesses cite cost as a challenge, **42%** cite time constraints, and **28%** struggle to identify the right training. While **44%** of employees have participated in digital training in the past year, these efforts are often fragmented, spread across in-house programmes, external courses, and online learning platforms with no dominant or coordinated approach. The result is a critical disconnect: businesses increasingly expect an AI-ready workforce, but many are not yet investing at the scale or consistency required to build one.

This raises broader questions about how Australia can build the talent pipeline needed for the next phase of AI adoption

Building a broader base of digital skills in Australia will require moving beyond a reliance on businesses to upskill and thinking about how to integrate digital skills into the curriculum. Yet citizens themselves are divided on when and how this should happen – a disconnect that points to the absence of a clear national framework for AI education.

Most citizens agree that developing digital and AI skills should not be left until the workforce, but there is no consensus on when to start:

- **48%** of citizens believe that children should start to develop their digital skills at primary school age - but **22%** believe that this should start earlier, and **18%** believe this should wait until secondary school
- While secondary school age is seen as the right time for training in AI, specifically by **42%**, almost a third (**32%**) think this should start at primary school or before
- Around two-thirds (**66%**) believe that children should be able to start using AI tools, such as chatbots, before they finish school. They see parents overwhelmingly (**78%**) as responsible for ensuring their children use these tools appropriately and responsibly, though **52%** feel AI platform providers themselves are responsible

The business data reinforces how urgent this pipeline question is. Looking ahead to the next three years, businesses estimate that **47%** of all new roles will require AI literacy and **17%** will require AI expertise.

These findings point to a disconnect on skills. **82%** of businesses believe AI skills will be very or somewhat important in their industry in the next five years, while only **18%** have a strong AI skills base today – a gap that current training levels are not closing fast enough. With **75%** of businesses saying government support is important to their AI adoption decision, there is a potential role for policy to play in subsidising the training infrastructure that businesses say they cannot fully fund on their own.

Missing foundation 3: Despite momentum, businesses lack AI strategies and budgets

Across Australia, businesses overwhelmingly recognise the importance of AI. **69%** agree that AI adoption is a competitive advantage in their industry, and many expect it to fundamentally reshape how they operate.

A small group of businesses is pushing at the frontier, harnessing AI's most advanced use cases. Among these leading organisations, AI is being used to personalise customer experiences (**29%**), incorporate live data into systems (**24%**), and support research and development (**20%**). More advanced use cases are also emerging, including AI-driven simulations or digital twins (**11%**) and autonomous decision-making (**8%**).

However, these examples remain the exception rather than the norm. Most businesses are still focused on foundational use cases, such as writing support (**57%**), administrative tasks (**48%**), content creation (**43%**), and data analysis (**41%**). While **73%** are using AI to improve internal efficiency, far fewer are using it to drive transformation, with just **28%** developing new products or services and **38%** enhancing existing ones.

This represents great untapped potential. To continue to build on and maintain this momentum, it is important that more businesses are empowered to move beyond initial AI adoption to harnessing the technology for transformation and innovation.

However, businesses currently lack the AI strategies that enable them to continue this momentum and a few key sectors emerge as leaders. Only **22%** of businesses have a formal and comprehensive AI strategy in place (unchanged from **22%** last year) – and a few leading sectors emerge. Among the leaders are:

Information and Communications (**47%**)

FSI (**39%**)

Professional, Scientific and Technical services (**30%**)

Accommodation and Food (**17%**) and Construction (**16%**) have barely begun. Without a clear strategy, businesses are unlikely to move beyond ad hoc experimentation toward the sustained investment and organisational change that transformation requires.

A formal AI strategy is what gives businesses a clear plan for how to use AI effectively. It defines where AI should be used, who is responsible for it, how it will be governed, and what investment is required — moving the organisation from a loose collection of tools to a purposeful, coordinated approach. Without one, businesses risk remaining stuck at basic use cases, limiting their ability to transform and keep pace with a rapidly evolving AI landscape.

This is also reflected in how businesses are investing in AI. Despite an understanding of and belief in the transformative impact of AI, investment in AI remains uneven and, in many cases, limited. While adoption is widespread, the level of commitment behind it often falls short of what is required to drive real transformation.

55% of AI-using businesses have no dedicated AI budget, meaning more than half are running AI on an ad hoc basis rather than as a strategic priority

17% of AI users have invested nothing in AI in the last 12 months

21% spent less than $10,000 and only **14%** spent more than $250,000

Investment in AI is increasing, up **28.3%** on average last year, but this headline figure masks significant unevenness. The Information and Communications sector increased investment by **60.2%**, pulling the average up and leaving most other sectors well behind. In Healthcare, growth in investment was **26%**; in Construction, lower still (**16.6%**).

Beyond the budget gap, AI is not yet being treated as a strategic priority across organisations. Where AI is discussed, it tends to stay in the boardroom:

- AI is discussed at the board or the C-suite level in **42%** of businesses – but this concentration at the most senior level means middle management and front-line staff, those closest to day-to-day operations, are often left out of the conversation
- In **10%** of businesses, AI is not discussed regularly at any level of the organisation
- Only **13%** of businesses make AI their top technology priority, compared to **34%** in Information and Communications
- **55%** treat AI as a moderate or low priority – despite expecting it to transform their industry within five years

This is not a technology gap – it's a strategic one. Without sustained investment, clear ownership, and organisation-wide prioritisation, ambition is unlikely to translate into impact.

Missing foundation 4: Businesses say they lack clear direction from the Government

There is also a strong expectation that the public sector should play a leading role in AI adoption. **68%** say they would be more likely to adopt AI if public sector organisations increased their use of the technology – this rises to **80%** of those in the healthcare industry.

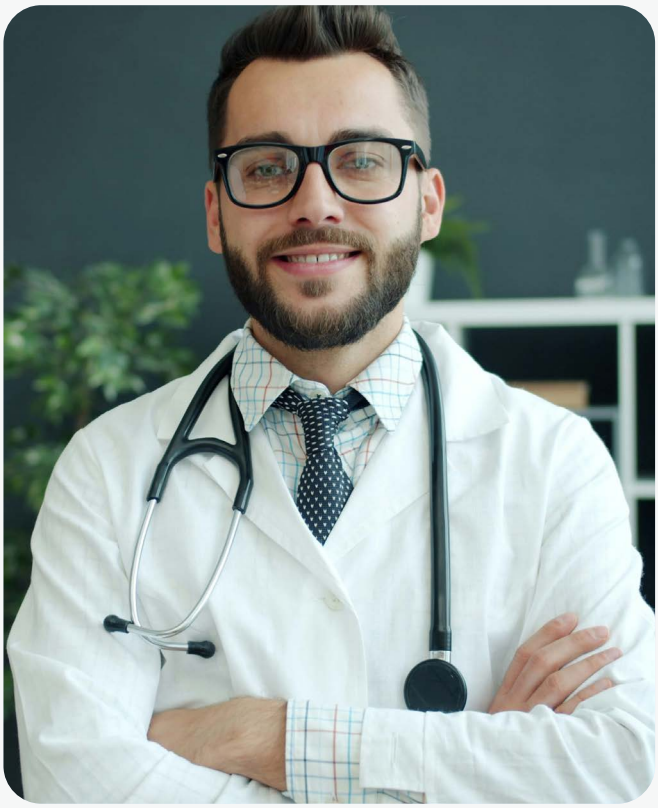
At the same time, citizens are looking to public institutions to set standards for responsible use – particularly in areas such as healthcare, governance, and education. This expectation extends to how the next generation is prepared for an AI-enabled world: **48%** of citizens believe children should start developing digital skills at primary school age, reflecting a growing public expectation that government should take an active role in building AI literacy from the ground up.

However, the current direction of travel is unclear. While there is near-universal recognition that clarity matters – **87%** of businesses say regulatory clarity is important to their adoption of AI – only **38%** say they actually understand the current regulatory frameworks in Australia, **33%** say they feel the Australian Government has a clear plan for the regulation of AI, and **35%** say they have confidence in the stability of AI regulation to make long-term business plans.

In response, businesses see compliance take up over a third (**34%**) of IT budgets, up from **30%** last year, signalling a growing cost burden associated with navigating the regulatory environment. The largest areas of spend include data privacy and protection (**55%**), cybersecurity measures (**46%**), and legal and external advisory services (**38%**).

While businesses recognise the potential impact of AI on their business, the current regulatory environment is often seen as complex, costly, and difficult to navigate – reinforcing the need for clearer, more consistent frameworks that can support both innovation and compliance.

Sector spotlight: Healthcare

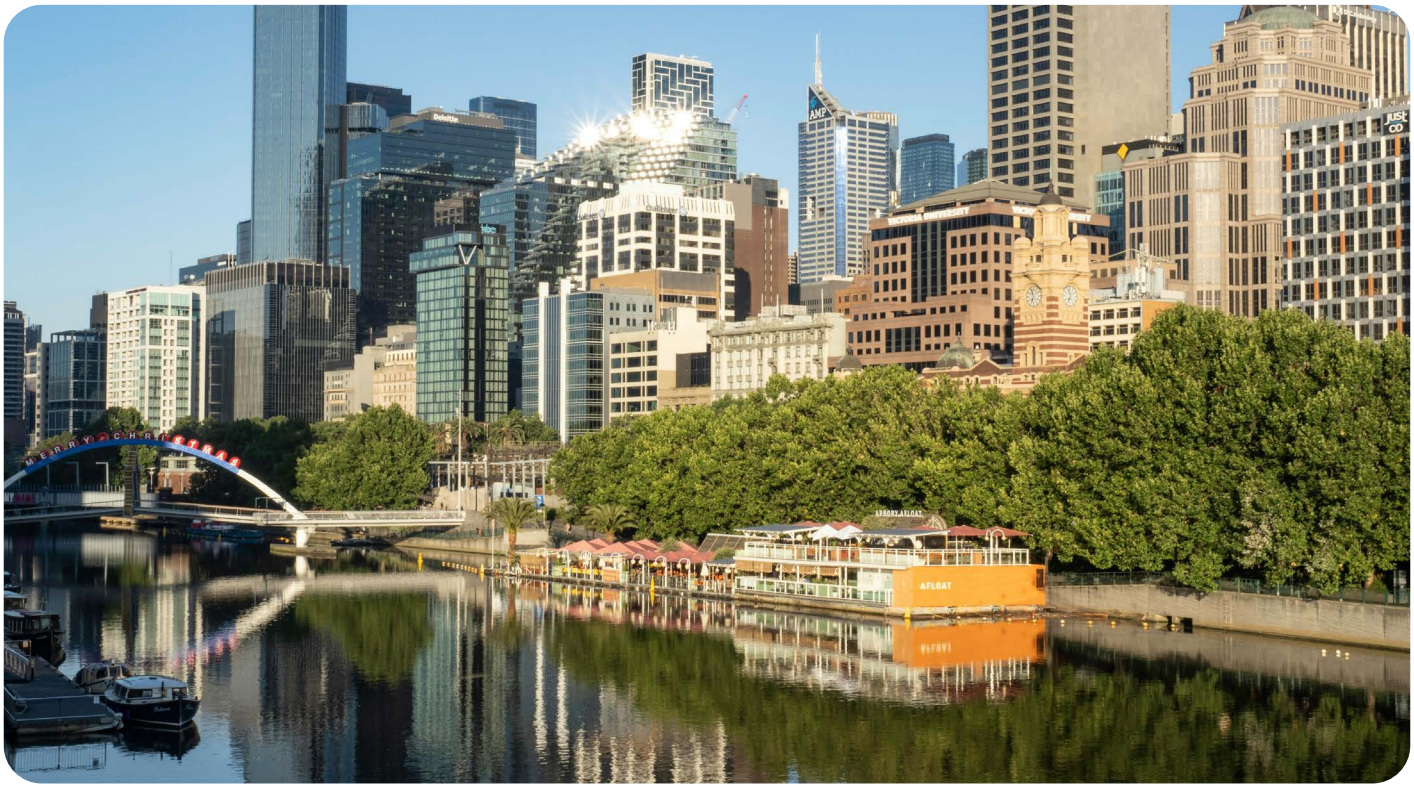


Healthcare stands out as one of the clearest examples of the gap between ambition and readiness when it comes to AI adoption in Australia

Expectations for AI's impact are high. **66%** of healthcare businesses believe AI will transform their industry, and **80%** of those already using AI expect it to drive productivity gains in the next year. Citizens also recognise the potential of AI in healthcare: **80%** believe it will transform healthcare in the next five years. This reflects a strong belief in AI's potential to reshape healthcare delivery, efficiency, and outcomes.

However, the sector is starting from a weaker position than many leading sectors. Only **10%** of healthcare businesses feel their industry is leading in AI adoption, compared to **42%** in Information and Communications and **30%** in FSI.

This gap is underpinned by challenges across skills, governance, and confidence. Just **26%** of workers in healthcare businesses are seen as confident using advanced AI tools, one of the lowest levels across sectors. At the same time, only **13%** of organisations report having a comprehensive responsible AI strategy in place – suggesting that the frameworks needed to deploy AI safely and effectively are still underdeveloped.

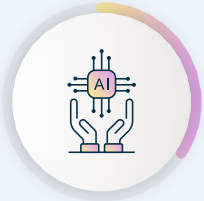


These missing foundations risk constraining strategic and safe scaling of AI, despite success in small pockets

These missing foundations are reflected in where businesses are on their AI journey – the majority are not yet harnessing the technology for transformation. While **37%** of businesses are still exploring or experimenting with AI, only **18%** have fully integrated it into their operations and strategies. In other words, while ambition is broad-based, success is far narrower and remains concentrated in small groups.

This divide is particularly evident across industries. Sectors such as FSI (**27%**) and Information and Communications (**31%**) are leading in full integration, while others lag behind – only **9%** of manufacturing businesses, for example, feel they are leading in AI adoption.

Businesses themselves recognise this imbalance, most frequently identifying Information and Communications (**28%**) and Financial and Insurance Services (FSI) (**22%**) as the sectors that are driving real AI transformation in Australia.



Startups continue to set the pace, with **34%** reporting full integration of AI, significantly ahead of the broader market. Their faster transition from experimentation to deployment highlights what is possible when investment, capability, and ambition are aligned.

Despite these strong instances of success, these missing foundations risk constraining the strategic and safe scaling of AI – demonstrated by the **72%** of AI-adopting businesses who have yet to fully integrate the technology into their strategies.

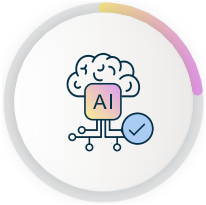
If these foundational gaps persist, Australia risks entrenching uneven AI adoption. A small group of leading sectors and businesses will continue to capture the productivity, innovation, and competitive gains, while the majority fall further behind. Over time, this could widen differences in growth, efficiency, and global competitiveness across industries.

The next wave of AI will amplify these missing foundations if they remain unaddressed

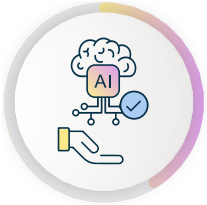
The next wave of AI technologies presents an exciting opportunity, but many say they are unprepared for it.

Australia has made significant progress in AI adoption, and the businesses leading the way are demonstrating what is possible. But the next wave of AI technologies, including agentic AI and physical AI, represents a step change in what the technology can deliver, and the opportunity to get ahead of it is now.

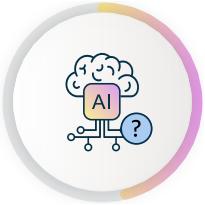
While many businesses are making huge strides, the majority of Australian businesses do not feel ready to adopt new and innovative next-generation AI technologies, such as physical AI or agentic AI, but startups emerge as a bright spot:



Only **22%** of businesses say they feel fully or very ready to adopt next-generation AI technologies



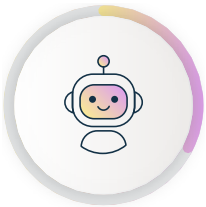
This is in contrast to the **41%** of startups that report they are ready, and the **55%** of Information and Communications businesses who say they are ready – demonstrating that Australia does have a strong core of businesses at the frontier



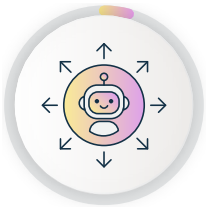
47% of all businesses say they are somewhat ready, and **22%** say they are slightly ready or not ready at all

A lack of readiness is most commonly reported due to a shortage of digital skills (**44%**), insufficient financial resources (**32%**), and an unclear business case or ROI (**28%**).

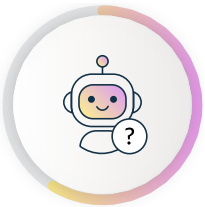
The potential of agentic AI illustrates this opportunity well – though the gap between ambition and capability is evident:



A third of businesses (**33%**) say they have heard of agentic AI



Of those who are familiar with the technology, only **4%** report that they have fully deployed agentic AI, while **13%** are experimenting or piloting the technology



When the technology was explained, a further **59%** say they have plans to use agentic AI or are considering it, while **19%** say they'd have no plans to adopt it

Those that have adopted agentic AI are realising benefits across their business: **53%** report increased operational efficiency or productivity, **49%** report the automation of end-to-end, multi-step workflows, and **46%** report that their employees are spending less time on repetitive or administrative tasks.

Physical AI tells a similar story of emerging opportunity: only **23%** of businesses have heard of it today, but Australia's strong foundation in AI adoption means it is well-positioned to move quickly as awareness grows.

The next generation of AI technologies represents a major opportunity for Australia to accelerate productivity, innovation, and global competitiveness, but only if businesses are ready to adopt them.

Without stronger foundations in skills, investment, and governance, this next wave will not close the gap between leading businesses and the rest; it will make it wider. Businesses already at the frontier are best positioned to adopt technologies such as agentic and physical AI, accelerating their advantage, while others risk falling further behind, unable to translate awareness into action.

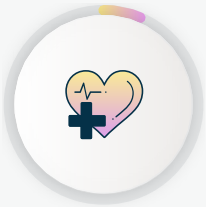
This creates a clear inflection point: Australia has the opportunity to lead in the next phase of AI adoption, but if the current gaps persist, much of this potential will remain unrealised.

Australia must build foundations to lead on AI and realise its high AI ambitions:

Australia has a clear opportunity to build on its strong momentum and translate rising AI adoption into broad-based economic transformation. The findings of this report point to a set of targeted actions that can help accelerate this shift and build these missing foundations – closing the trust gap, standardising responsible practices, building AI strategies and governance, and building the skills pipeline:

1. Create trust signals before expansion

Trust is a key foundation for the next phase of AI adoption. Only **15%** of businesses have a comprehensive responsible AI strategy, and **86%** have no dedicated governance function. Citizens remain cautious about AI in high-stakes settings:



Fewer than one in ten trust AI to analyse medical test results (**7%**)

Only **8%** trust AI to assess a job application they've submitted

16% say they'd trust AI in supporting teachers in grading or providing feedback

Building trust signals requires action on two fronts:

- Businesses must treat responsible AI not as a compliance overhead but as a competitive foundation, investing in governance frameworks, clear accountability structures, and workforce training in compliant AI use. The sectors furthest behind, including construction, transportation, and real estate, should be a priority for targeted support
- Government has a parallel role in setting clear, consistent standards for responsible AI deployment that give businesses the certainty to invest and citizens the confidence to engage

2. Standardise responsible practices

To build trust at scale, responsible AI cannot remain fragmented or optional. Today, approaches to governance, risk management, and ethical deployment vary significantly across sectors and organisations, creating inconsistency and uncertainty for both businesses and citizens.

Only **15%** of businesses have a formal and comprehensive responsible AI strategy in place

A further **12%** of businesses say they don't even know what a responsible AI strategy would look like

This leaves **86%** of businesses without a dedicated AI governance function

Businesses say only **32%** of employees feel confident they can determine how sensitive data should be processed by AI in a compliant way

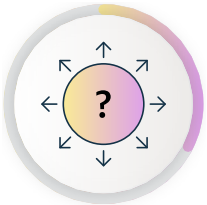
The business case for closing this gap is clear. **72%** of businesses believe that responsibly deployed AI will deliver greater economic growth and productivity, and **64%** say it will deliver benefits for society as a whole. The sectors that have invested most heavily in responsible AI practices are already seeing the results: FSI, which leads on responsible AI strategy (**29%**) and data governance (**39%**), also reports **89%** productivity gains from AI and **76%** positive ROI – significantly ahead of the national average. This is not a coincidence; it demonstrates that governance and returns go hand in hand.

Government and industry should work together to develop clear, practical, and standardised approaches to responsible AI. This includes common frameworks for transparency, risk assessment, and accountability that can be applied across sectors, while remaining flexible enough to support innovation. Aligning with international standards and best practices will also be critical to ensure interoperability and reduce regulatory fragmentation.

By standardising responsible AI practices, Australia can create a more predictable environment for businesses to innovate, while giving citizens greater confidence in how AI is being used.

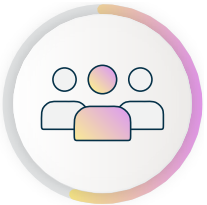
3. Build governance first

For many organisations, investment in responsible AI and governance is still an afterthought, but it should be the starting point. Today, **86%** of businesses do not have a dedicated AI governance team. The consequences are tangible among businesses experiencing AI challenges:



33% cite inaccurate outputs

21% report a lack of consistency



leaving **54%** reliant on full human oversight of AI decisions

Yet the evidence shows governance unlocks scale. FSI – which leads on data governance frameworks (**39%**) and responsible AI strategy (**29%**) – has achieved **27%** who have fully integrated AI, exceeding the national average of **18%**.

Organisations should prioritise establishing governance frameworks early in their AI journey – defining clear ownership, setting internal policies for responsible use, training workforces on compliant deployment, and embedding processes to monitor system performance.

Building governance first enables businesses to move faster and more confidently – reducing risk, improving reliability, and creating the conditions to scale AI safely and strategically.

4. Accelerate digital adoption through skills efforts and the facilitation of training

A key barrier to AI adoption is not ambition; it's capability. Four in ten (**40%**) report difficulty attracting local talent with the necessary digital capabilities. Only **18%** feel their workforce is currently prepared. This gap highlights an urgent need for industry-specific digital skills programs, certifications, and practical training pathways that align with real-world business applications. To close this gap, government and industry should expand partnerships on targeted, practical AI training aligned to workforce needs. Policymakers can also embed digital and AI literacy more systematically into school and university curricula, and broaden access to cloud and AI skills programs to ensure everyone can benefit from Australia's AI-driven growth.

Seven in ten (**70%**) believe children should begin developing digital skills at primary school or earlier

Three-quarters (**74%**) believe AI-specific training should start no later than secondary school

Yet today, only **17%** of working Australians have participated in any AI skills training in the past year

Just one-third (**34%**) feel clear on what AI skills employers are actually looking for

With **37%** citing cost and **26%** citing lack of information as barriers to training, there is a clear role for industry and government to provide accessible, curriculum-aligned pathways that build foundational AI literacy from the classroom to the workplace.

AWS is committed to providing people of varying backgrounds and experiences with the technology skills they need to prepare for the technologically-skilled, high-paying, and in-demand jobs of the future. AWS has trained more than 400,000 people in Australia on cloud skills since 2017 and offers a variety of training programs to meet learners where they are. In 2025, AWS partnered with Code for Schools to launch a K-12 AI education program designed to reach one million Australian students over three years, with curriculum developed in partnership with industry experts, educators, and students across public, independent, and Catholic school communities. The program ensures that AI literacy and responsible AI principles are embedded early in a curriculum-aligned setting – directly addressing the pipeline challenge that businesses are experiencing today and creating a confident and capable foundation for Australia's future.

The window for AI transformation is narrowing – Australia must act to build the necessary foundations

Australia is well placed to lead in the next phase of AI adoption: adoption is high, businesses are seeing real returns, and a growing group of organisations are pushing into advanced and transformative use cases. The ambition is genuine, the technology is accessible, and the opportunity is clear. But this report makes equally clear that momentum alone is not enough. The businesses and sectors pulling ahead are not just using AI – they are investing in it seriously, developing clear AI strategies, and building the skills to deploy it well. For the majority across Australia, those foundations are still missing.

The next wave of AI technologies, from agentic AI to physical AI, will not wait for these foundations to be built. Businesses that have built strong foundations will be best placed to adopt these technologies quickly and confidently, widening their advantage over those that have not. The risk is not that Australia falls behind today, but that the gaps identified in this report, in trust, skills, strategy, and public sector leadership, become harder to close as the pace of change accelerates. The actions needed are clear and achievable. Building them now is what will determine whether Australia translates its early momentum into lasting leadership.

Appendix

Glossary of Terms:

- **Adopted AI**: Currently consistently use at least one artificial intelligence tool.
- **Startup**: A business founded in the last 2 years which provides a new product/service or innovation and is aiming for rapid growth in terms of employees and turnover.
- **Next-generation AI technologies**: Emerging AI capabilities such as agentic AI, physical AI, and advanced robotics that extend beyond traditional predictive or generative models.
- **Agentic AI**: AI systems capable of autonomously planning, executing, and optimising tasks or workflows with limited human intervention.
- **Physical AI**: AI embedded directly into physical equipment, machinery, and real-world systems — such as production lines, robots, and vehicles — enabling them to perceive their environment, make real-time decisions, and act autonomously without relying on cloud connectivity.
- **Digital skills gap**: The mismatch between the digital and AI-related skills organisations require and the skills currently available within the workforce.

Methodology

The fieldwork for this study was undertaken by Strand Partners' research team for Amazon Web Services. This research has followed the guidance set forth by the UK Market Research Society and ESOMAR. For the purposes of this study, business leaders are defined as founders, CEOs, or members of the C-suite in organisations.
'Citizens' are nationally representative members of the public based on the latest available census.
For inquiries regarding our methodology, please direct your questions to: polling@strandpartners.com.

In Australia:

- We conducted a survey targeting 1,000 nationally representative members of the public, ensuring representation based on age, gender, and region, based on the latest census and ABS data.
- Additionally, we surveyed 1,000 business leaders, representative by their business size, sector, and region, based on the latest census and ABS data.

Sampling:

Our sampling process used a mix of online panels that are recognised for their validity and reliability. These panels are carefully curated to ensure diverse representation across various demographics. For the business leaders, the panels are selected with consideration for organisational size, sector, and position within the company. Our objective with the sampling strategy is to achieve an optimal mix that mirrors the actual distribution of our target populations in the respective markets.

Weighting Techniques:

Post-data collection, we applied iterative proportional weight to correct any discrepancies or over-representations in the sample.

Survey:

This study was designed with the objective of delving deep into the digital landscape:

- **Usage Patterns**: This survey gauges the evolving patterns of digital technology usage. We are particularly interested in examining the adoption and implementation levels of technologies, focusing on cloud computing and artificial intelligence.
- **Perceptions and Attitudes**: The survey seeks to unearth the prevailing perceptions and attitudes towards digital technologies, understanding the perceived benefits, challenges, and potential ramifications of both present and emerging tech solutions.
- **Barriers and Opportunities**: The survey scrutinises the predicted challenges and potential avenues that both businesses and individuals anticipate on their digital trajectory. This involves pinpointing challenges, from skill deficits to regulatory complications, and recognising opportunities for growth, innovation, and market development.
- **'Size of the Prize'**: The survey shed light on the economic repercussions and growth prospects linked with digital transformation. By elucidating the 'size of the prize', we aspire to stress the importance of digital transformation and foster further investments and technology adoption.