KLARUS

THE STATE OF AI IN THE MID-MARKET

A UK and Ireland view of adoption, challenges and practical next steps

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Executive summary

Mid-market companies are poised to transform their technology and expand their AI deployments. However, 90% of those that have explored AI still have some initiatives in the early stages or have experienced stalled pilots. Many are finding it difficult to achieve their ambitions and scale efficiently.

Mid-market companies are often nimble and have an opportunity to use their agility as an advantage, particularly when it comes to accelerating technology transformations. They can move fast, react quickly to changing market dynamics and deploy AI in targeted ways.

The challenge is they often struggle to initiate organisational change and manage the impact on both processes and people. Many also lack the internal expertise necessary to evaluate available technologies and implement them with confidence. The risk is that their AI investments don't always convert into tangible business outcomes and projects end up delivering limited impact.

Klarus commissioned independent research to understand how mid-market companies are adopting AI today, where deployment is succeeding or stalling, what barriers are slowing progress and what practical foundations are needed to turn AI experimentation into measurable business value.

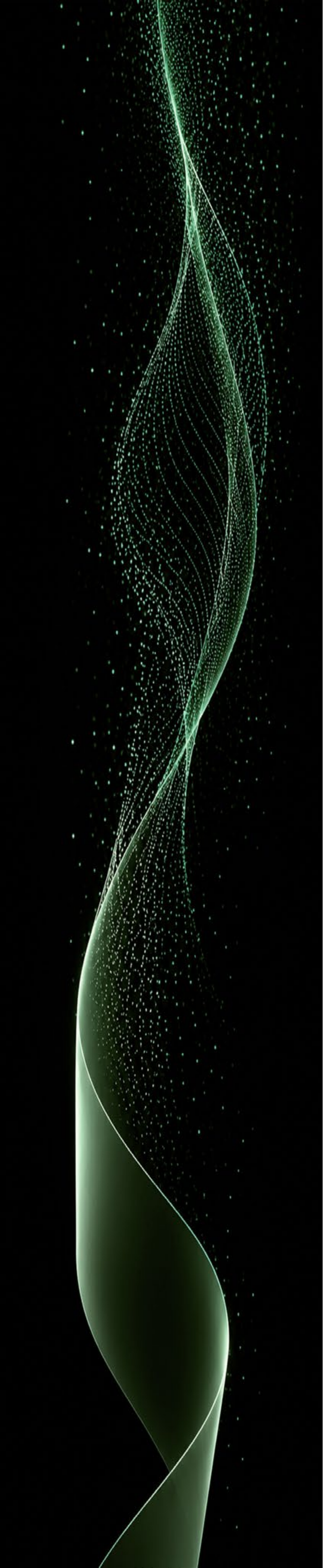
The findings show a market that has moved beyond theory. AI adoption is now mainstream, with almost three quarters of respondents having partially or fully deployed it. However, maturity is inconsistent, stalled pilots remain commonplace and there is a notable gap between confidence and ability to execute.

- Nearly half of respondents who had explored AI say lack of AI expertise is the main reason for projects not moving beyond pilot.

- Inadequate technology and data foundations are also proving a blocker. 83% of those that have piloted or deployed AI experience poor data quality and 69% say it is preventing or delaying AI pilots or deployments.

Breaking free of pilot purgatory will depend on building and mobilising the right skillsets alongside robust data and technology foundations. However, while prioritising data quality and governance early is important, it shouldn't stop companies from progressing with their AI projects to unlock early value.

Those that combine these ingredients to success with a focus on the right practical use cases and business outcomes will be best equipped to achieve sustained, long-term competitive advantage.



Most companies have moved beyond theory and are already piloting or deploying AI across their business. That momentum is encouraging but the findings highlight that many mid-market companies are yet to reach their full potential.

We know from conversations with clients that businesses often struggle to navigate the available tools on the market. Beyond selecting the right technology, it's clear from our research that too many projects still stall because companies lack the expertise, data quality and governance needed to move beyond pilot phase and deliver measurable value.

Mid-market businesses have a real advantage because they can move quickly, align leadership and focus on practical use cases. To make that agility count, they need clear priorities, strong foundations and access to senior expertise that can help them choose the right solutions and deliver tangible business outcomes.

The next phase of AI adoption will be defined by those that can deploy AI effectively and bring their teams along on the journey so they can embrace it. Only then will they be able to convert their efforts into sustained ROI, stronger performance and better opportunities for their people.

Frank O'Dea,
CEO, Klarus

Notable trends

01

Lack of AI expertise is a primary barrier despite high confidence in internal knowledge

- Companies report very high confidence in their internal expertise on all aspects of AI deployment, including strategy & use case prioritisation, AI tooling & vendor landscape, and data readiness, security & privacy.
- However, lack of AI expertise was the joint top reason for projects not moving beyond pilot, cited by 48% of respondents that had explored AI.
- This indicates a gap between theoretical confidence and the practical ability to deliver. That 39% of respondents highlight building internal expertise as one of their top priorities for AI over the next 12 months suggests that companies are recognising that early confidence needs to evolve into more mature, execution-focused capability.

02

Inadequate technology and data foundations are a blocker to AI

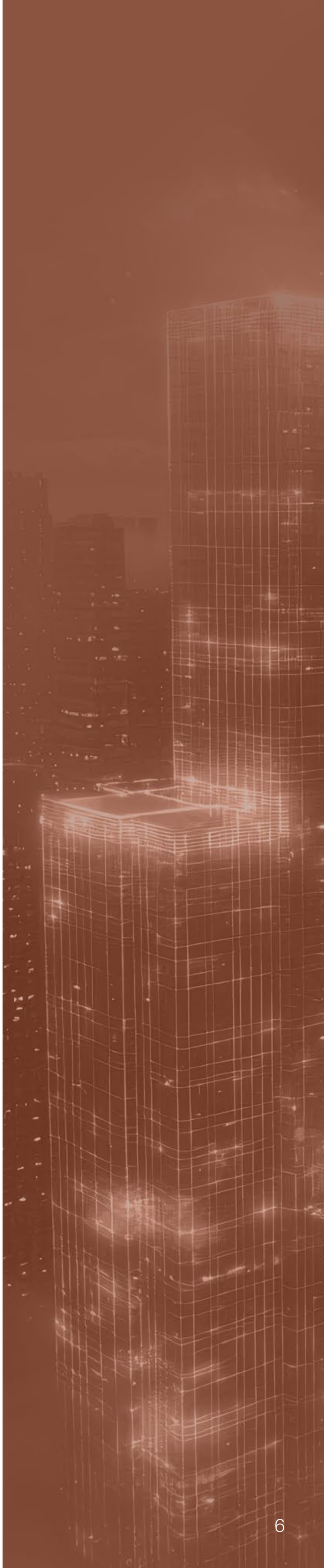
- Successful AI adoption depends on having robust technology and data foundations but many mid-market companies struggle with legacy technology, data quality and formal governance.

- 40% say enterprise applications, such as ERP systems, are preventing or delaying piloting or deployment of AI.

- 83% of companies that have piloted or deployed AI experience poor data quality and 69% say it is preventing or delaying AI pilots or deployments. 59% have yet to establish a comprehensive AI governance framework, with companies lacking either formal policies, controls, or both.

- The impact of this is clear. Where projects met expectations, strong data quality was the most common critical factor to success (59%), followed closely by effective governance, security, privacy and ethical controls (54%).

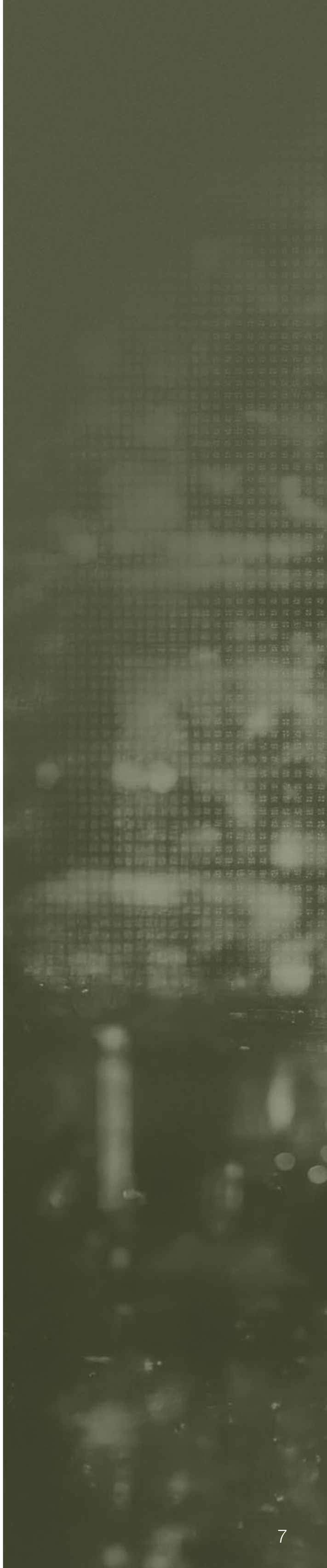
- Companies are recognising the importance of this, with data quality being the joint top priority for the next 12 months, cited by 43% of respondents, while 35% plan to strengthen their AI guardrails.



03

AI will reduce some roles but increase the value of AI-enabled talent

- Cost savings and productivity gains remain key expected benefits of AI. It can reduce manual effort, automate administrative work and, in some cases, lower headcount.
- For mid-market companies, however, the opportunity is to look beyond cost-cutting and use AI to redesign work, increase capacity and create new opportunities.
- 45% of respondents say it is enabling junior staff to do their job better or quicker, suggesting many companies are already seeing the benefits.
- Meanwhile, 24% say AI is creating new roles and opportunities, showing that AI is also creating demand for different skills, even if this is not yet the most common impact.

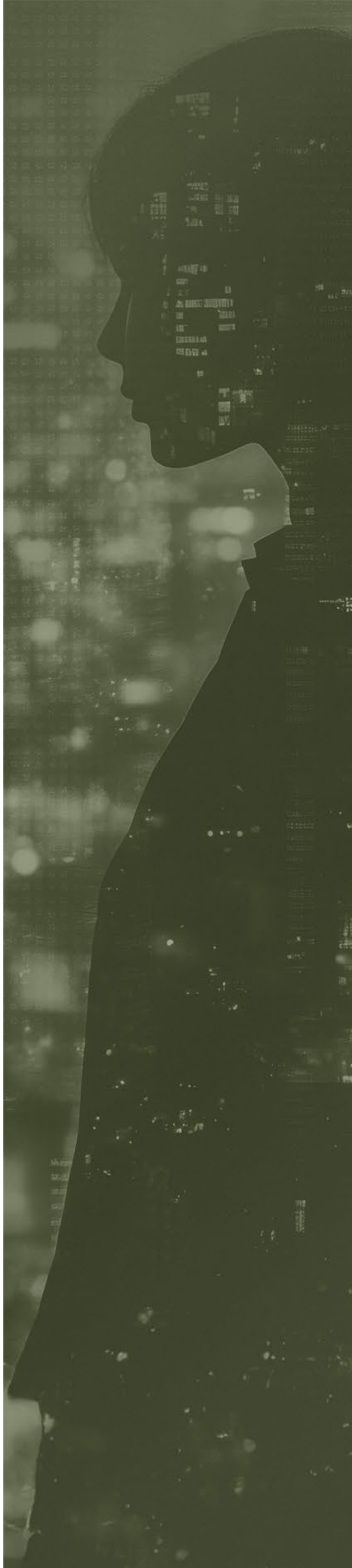


Methodology

The research was conducted by Vitreous World among 500 respondents at mid-market companies in the UK and Ireland in May and June 2026. For the purposes of this survey, mid-market companies were defined by both revenue and organisational size, with participating businesses having annual revenues between £200 million and £2 billion and employing between 300 and 3,000 people.

Respondents were senior decision makers with responsibility for, or influence over, IT and technology decisions, including owners, founders, managing directors, C-level leaders, vice presidents, directors, department heads and other senior management across both IT and business functions. The sample included privately owned businesses, whether owned by individuals or families or by another corporate business, as well as publicly owned companies listed on a stock exchange.

Vitreous World is a member of the Market Research Society and follows the MRS Code of Conduct.



How advanced are mid-market companies with AI adoption?

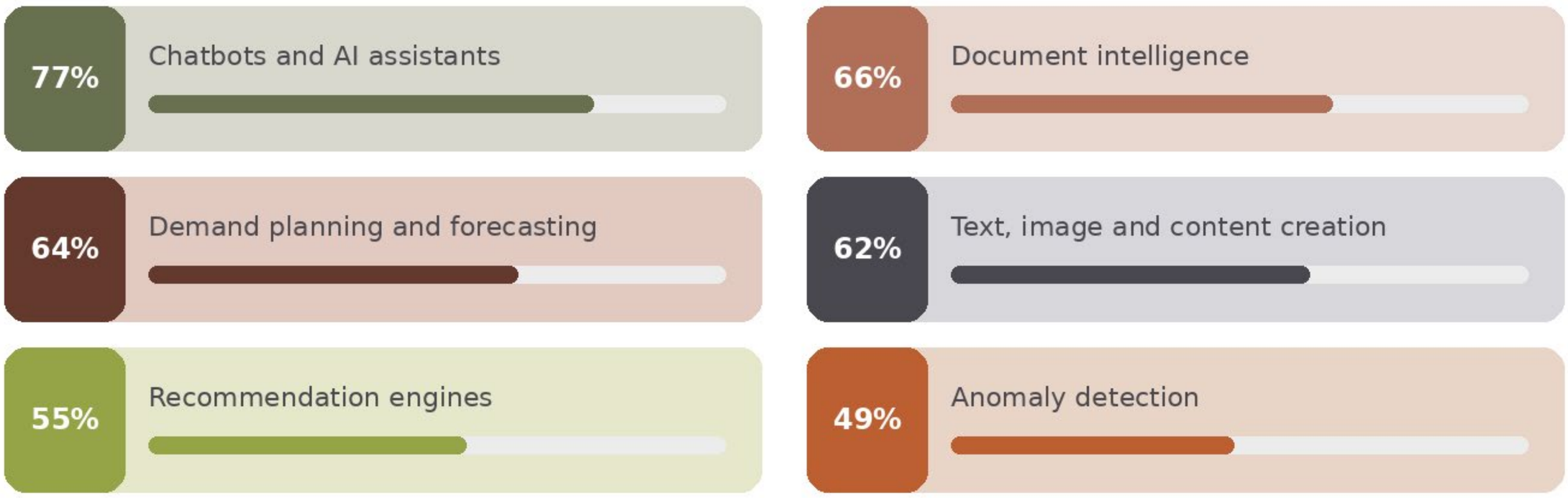
AI adoption in the mid-market is no longer theoretical. Nearly three quarters of companies have already moved into deployment, with 31% fully deploying AI across multiple business functions and 42% partially deploying it in specific areas.

Only 27% of respondents have not yet deployed AI. Of those, 16% are still at pilot phase, 9% are still exploring and only 2% have not yet begun.

The findings reveal how most companies are embracing the opportunity presented by AI and have already begun to see where it can deliver real, practical advantages. Maturity, however, remains uneven. The most prevalent use cases are high-volume, accessible applications:

- Chatbots and AI assistants are the most common use cases, cited by 77% of those that have deployed AI. These are mostly adopted within the IT service delivery and customer service functions.
- Document intelligence is the second most common use case (66%) and this is most commonly deployed within the operation, IT service delivery and finance functions.

Which AI use cases have you deployed?



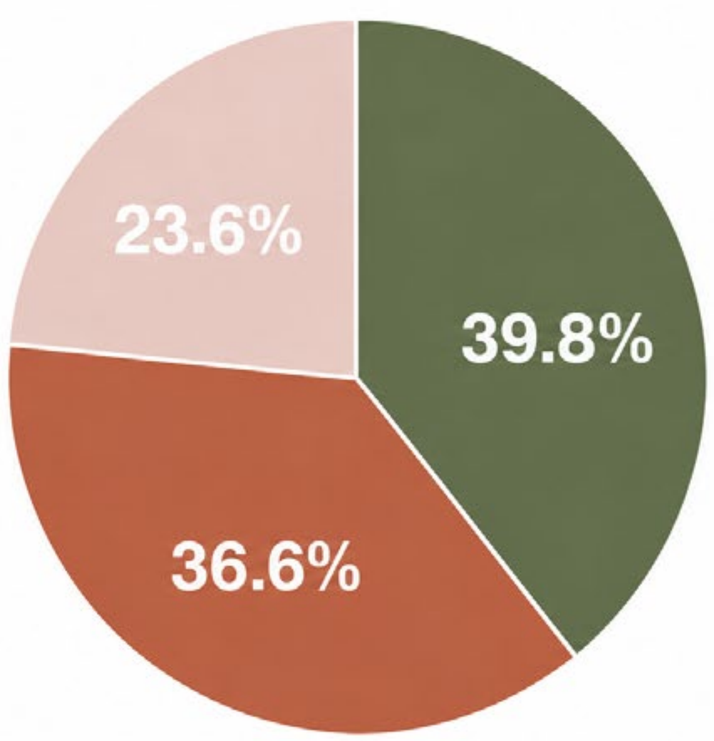
Key insight: *AI adoption is now mainstream in the mid-market but maturity is still concentrated in practical, high-volume use cases rather than broad application across the full breadth of the business.*

Are expectations meeting reality?

Decisions around AI deployment are not just based on technical factors. They are heavily influenced by competitive, commercial and leadership considerations. It's clear that companies are feeling the pressure from all directions.

- When asked the main reason for first exploring AI, market pressure emerged as the most common trigger (40%) closely followed by commercial pressure (37%) and stakeholder pressure (24%).

What was the main reason your organisation first started or would start exploring AI?



39.8%
We needed to keep up with the market and our competitors.

36.6%
We needed to reduce costs and/or increase revenues.

23.6%
There was pressure from internal leadership, the board or investors.

- This need to keep up with the market and competitors was an even greater concern among senior leadership, reflecting the importance of AI in helping achieve their strategic goals around external positioning.

- 46% of owners, partners, founders and C-level respondents said market pressure was the main reason compared to 38% for all other levels.

- Public companies bucked the trend, however, with market pressure being the least common driver (29%). Commercial pressure was the most common (39%) followed by stakeholder pressure (32%). This suggests they are less concerned with market dynamics than their privately-owned counterparts and are instead focused on profitability.

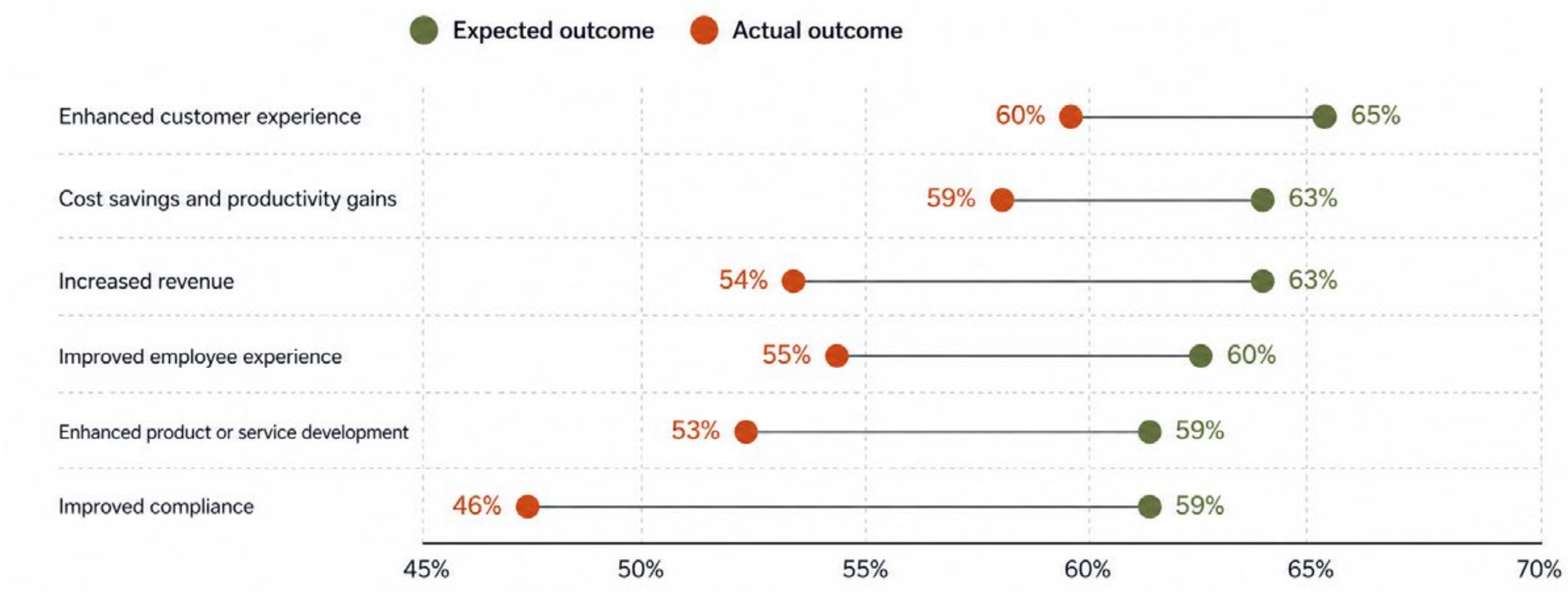
Expectations for AI are extensive and, encouragingly, many projects are delivering but there remain gaps where outcomes continue to fall short.

When it comes to what companies want AI to achieve, the message is they need it to work hard. Enhanced customer experience topped the list of intended outcomes (65%) but only by a small margin. Cost savings and productivity gains, and increased revenue, both follow closely at 63%.

The challenge is that actual outcomes are slightly lower across every major category:

- Companies nearly achieved their goal of cost savings and productivity gains, with only a 4% gap between expectation and reality, which is encouraging.
- The biggest gap, however, is in compliance, where 59% of all companies expect improvement but only 46% of those that have piloted or deployed AI have realised it.
- The second biggest gap is in increased revenue, where there is a 9% difference between expected and actual outcome.

Expected outcome vs. actual outcome



When it comes to tangible return on investment (ROI), the findings reveal an encouraging picture. A notable 85% of AI projects have successfully met or exceeded their ROI expectations and only 11% underperformed, with 3% having no way to measure.

Realising ROI in any technology transformation is crucial and has long been a challenge for many mid-market companies. That so many are seeing the returns on their AI investments is an encouraging sign of their increasing ability to bridge the gap between deployment and accountability. To continue momentum, companies must continue to tie initiatives to clear, quantifiable metrics from the outset.

Key insight: ***AI is delivering measurable returns but expectations are still outpacing reality in some key areas. Mid-market companies are closest to delivering against their productivity gains and cost savings goals but still need to close the gap in other areas such as compliance and, crucially, revenue growth.***

What are the main barriers to AI adoption?

Despite the high rates of AI adoption, mid-market companies still face barriers in moving from intent to execution.

- Almost half of respondents, 45%, say AI paralysis frequently or always stalls progress because they do not know where to start or face too many options.

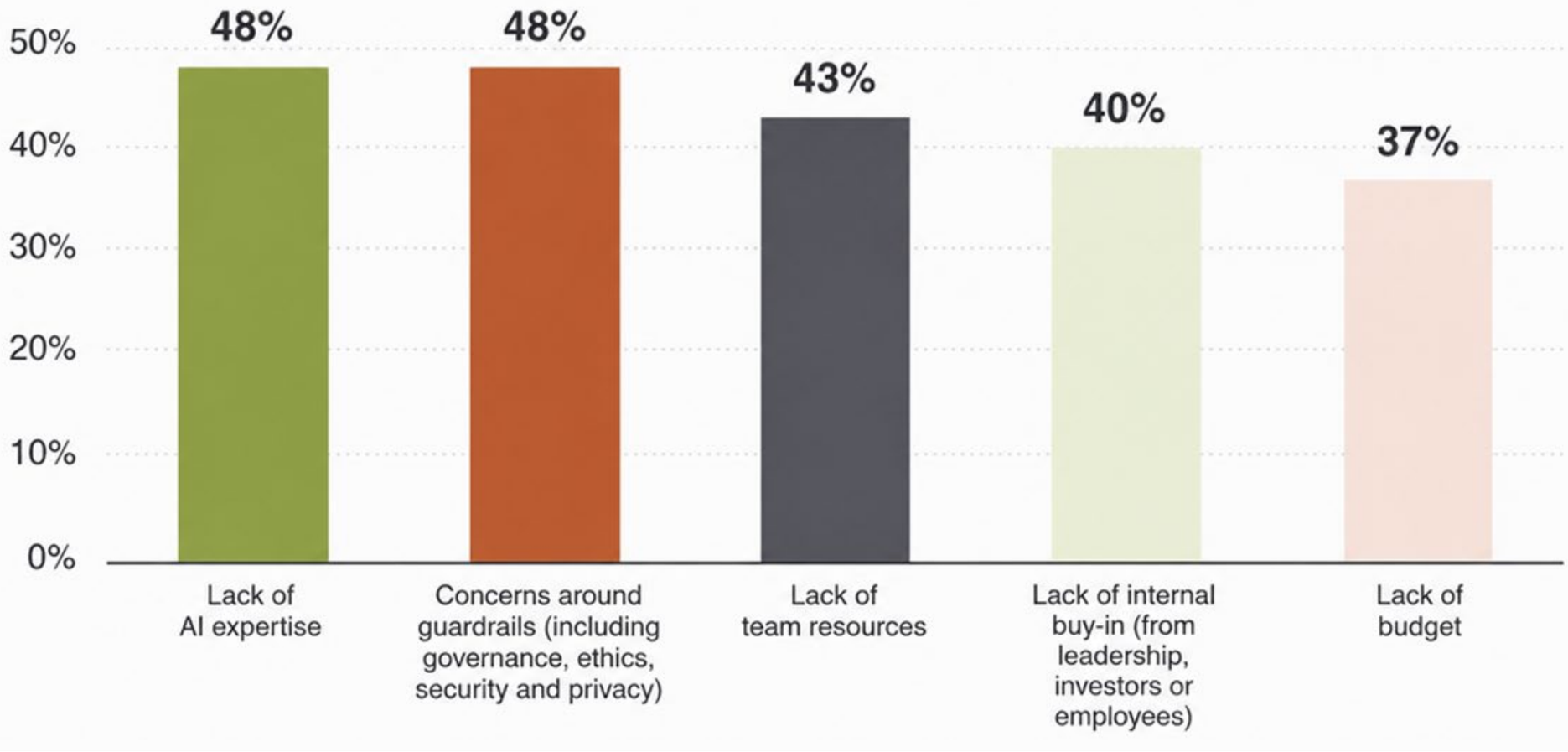
- Understandably, this challenge is more prevalent outside of IT roles, where there is less technology expertise. 50% of non-IT roles say paralysis frequently or always stalls progress compared with 34% for IT roles.

While 73% of companies have fully or partially deployed AI, it is common for many to still get stuck or experience challenges at pilot stage for some projects

- Of companies that have explored AI, only 10% have successfully scaled all of their AI initiatives beyond the pilot stage. The remaining 90% still have some AI initiatives in the early stages or have experienced stalled pilots, highlighting how widespread this problem has become.

- Where projects did not move beyond pilot stage, lack of AI expertise and concerns around guardrails, including governance, ethics, security and privacy, were joint top reasons, each cited by 48%.

Where AI projects did not move past the pilot stage, what were the main reasons?



Lack of AI expertise is a primary barrier despite the majority of companies reporting high levels of confidence in their internal knowledge.

- On average, 91% of respondents said they were confident in their internal expertise across all areas of AI deployment, including strategy & use case prioritisation, AI tooling & vendor landscape, and data readiness, security & privacy.

- This indicates a gap between theoretical confidence and the practical ability to deliver. Many mid-market companies may feel confident discussing AI strategy, tools and data readiness in broad terms but moving from pilot into production calls for deeper specialist expertise in areas such as governance, integration and change management.

- Interestingly, 39% of respondents highlight building internal AI expertise as one of their top priorities over the next 12 months. This suggests companies are recognising that early confidence needs to evolve into more mature, execution-focused capability.

Key insight: *One of the biggest barriers to AI adoption is lack of AI expertise, despite the theoretical confidence in internal AI capabilities. Companies have the motivation to progress projects but many are held back by uncertainty over where to begin, limited practical expertise and concerns around governance, security and privacy. The result, often, is that pilots stall, companies struggle to move to full deployment and AI paralysis is still commonplace in the mid-market.*

How robust are companies' technology and data foundations?

Having the right technology foundations is critical to the successful deployment of AI, yet many mid-market companies struggle with legacy technology, data quality and formal governance.

In the market, we are seeing the increasing availability of enterprise applications (such as ERP, CRM and HRIS) with AI capabilities as well as, more specifically, AI-native systems.

On the other hand, some of the legacy enterprise applications serve as a barrier in terms of AI adoption in the organisation, due to a lack of integration capabilities, limited functionalities and outdated data models and fragmented architecture.

- The findings reflect this legacy challenge, with 40% of respondents saying enterprise applications are preventing or delaying their piloting or deployment of AI.

- C-level seems less aware of the impact, with just 21% saying enterprise applications are preventing or delaying piloting or deployment of AI, compared to 46% for all other levels. Views also differ between IT-specific roles (23%) and non-IT roles (48%).

- This highlights a challenging internal dynamic, where some senior stakeholders are perhaps removed from the reality of what their teams are tackling, and the need for greater collaboration.

The majority of respondents (91%) that have piloted or deployed AI report AI software sprawl. For 79%, that sprawl has a negative impact.

For mid-market companies with limited resources, too many tools can quickly have a detrimental effect on speed, security and decision-making.

- The most common consequence is delayed AI piloting or deployment, cited by 33%, followed by data privacy and compliance risks at 32%.

- Similar to enterprise application issues, the C-level reported less concern, with 23% saying it has no impact compared to 9% for all other levels.

Data quality is an equally important foundation. Among companies that have piloted or deployed AI, 83% experience poor data quality and 69% say it is preventing or delaying AI pilots or deployments.

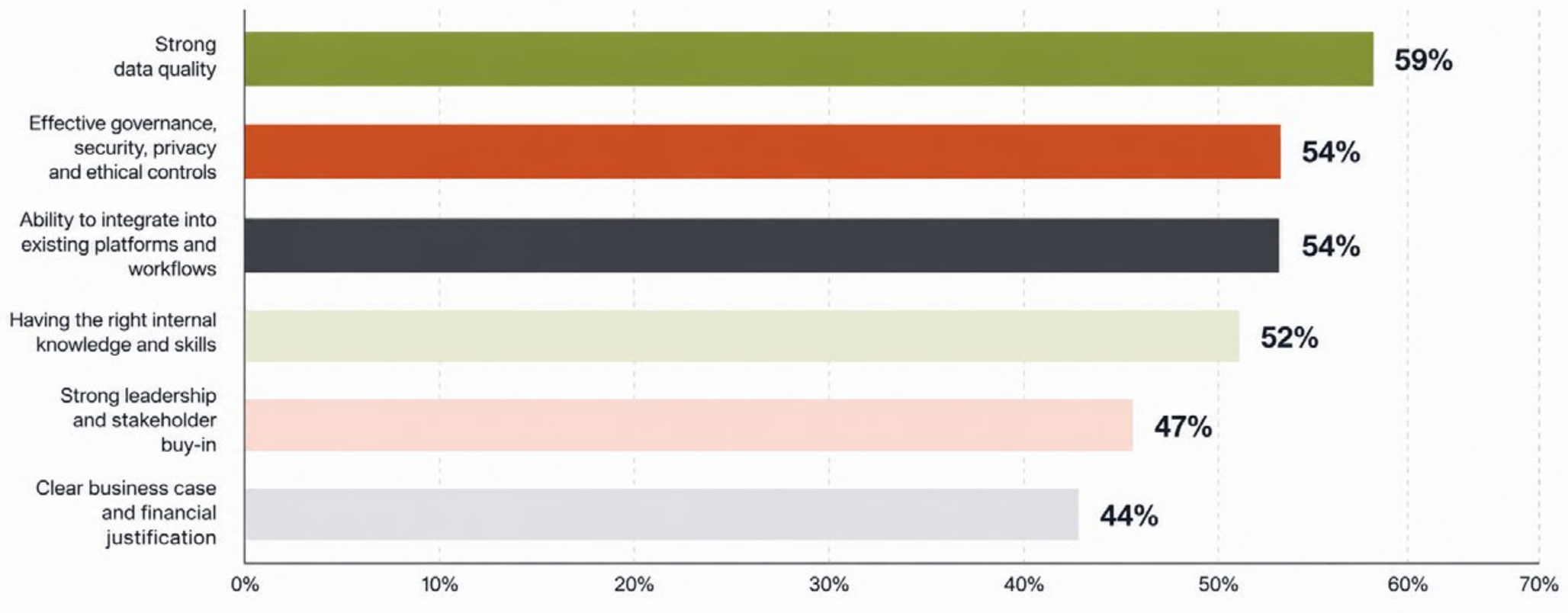
- The trend for less C-level awareness continues, with 24% citing poor data quality as having no impact compared to 11% for all other levels and 24% saying they don't have poor data quality issues compared to 14% for all other levels.

Governance is also underdeveloped. More than half of respondents (59%) have yet to establish a comprehensive AI governance framework, with companies lacking either formal policies, controls, or both.

- The impact of this lack of mature governance is clear, with concerns around guardrails, including governance, ethics, security and privacy, being the joint top reason for pilots stalling.

- 51% of C-level say they have formal policy and controls in place compared to 38% for all other levels, suggesting there is a knowledge and awareness gap between different levels in some companies.

For your AI piloting or deployment projects that delivered against expectations, which factors were most critical to ensuring success?



Data quality and effective governance directly link to success. Where projects delivered against expectations, strong data quality was the most common critical factor to ensuring success (59%), followed closely by effective governance, security, privacy and ethical controls (54%).

- While many companies are still struggling with data quality and governance, overcoming the challenges can unlock real value and could mean the difference between failure and success.

- It's clear that companies recognise how important these foundations are to AI delivery. Improving data quality is the joint top priority for the next 12 months, cited by 43% of respondents, while 35% plan to strengthen their AI guardrails.

Key insight: *AI success depends on the strength of a company's technology foundations. Many mid-market companies are moving quickly but legacy applications, software sprawl, poor data quality and underdeveloped governance are slowing progress and creating risk. The companies best placed to scale AI will be those that can modernise legacy systems with AI capabilities, improve data quality and embed governance from the outset.*

For AI to scale, it needs to be embedded into the right environment. For mid-market companies, that means looking beyond the individual tools and addressing the systems, data and controls that enable AI to operate safely and effectively.

Legacy platforms, fragmented software and inconsistent data can all slow progress but these are solvable challenges.

By investing in the technology and data foundations, companies can create a stronger platform for AI to deliver measurable and sustainable value.

Alper Gunaydin, CTO, Klarus

Team structures and support ecosystems

The most common AI delivery structure combines internal teams with specialist external support.

- Nearly half of respondents (44%) use a combination of internal teams with specialist external support. This highlights how many mid-market companies are opting for blended models rather than relying fully on internal or external delivery.

The research also challenges some common beliefs around the effect of AI on the workforce. When asked the impact AI is mostly having on junior staff, nearly half (45%) of respondents say it is enabling junior staff to do their job better or quicker.

- Cost savings and productivity gains are among the most common expected benefits of AI. In many companies, that will include reducing manual effort, automating administrative work and, in some cases, lowering headcount.

- In the mid-market, the opportunity lies in whether companies can look beyond AI purely as a cost-cutting tool and see it as a way to redesign work, increase capacity and create new opportunities.

- The fact that 45% say AI is helping junior staff do their jobs better or faster suggests many companies are already seeing the benefits. Meanwhile, 24% say AI is creating new roles and opportunities, showing that AI is also creating demand for different skills, even if this is not yet the most common impact.

- This is particularly relevant for mid-market companies. Unlike large enterprises, they may not have large layers of junior staff to automate away. Instead, their advantage would come from using technology-literate employees as accelerators of AI adoption. This means combining the company's ability to be agile with staff's proficiency with new tools.

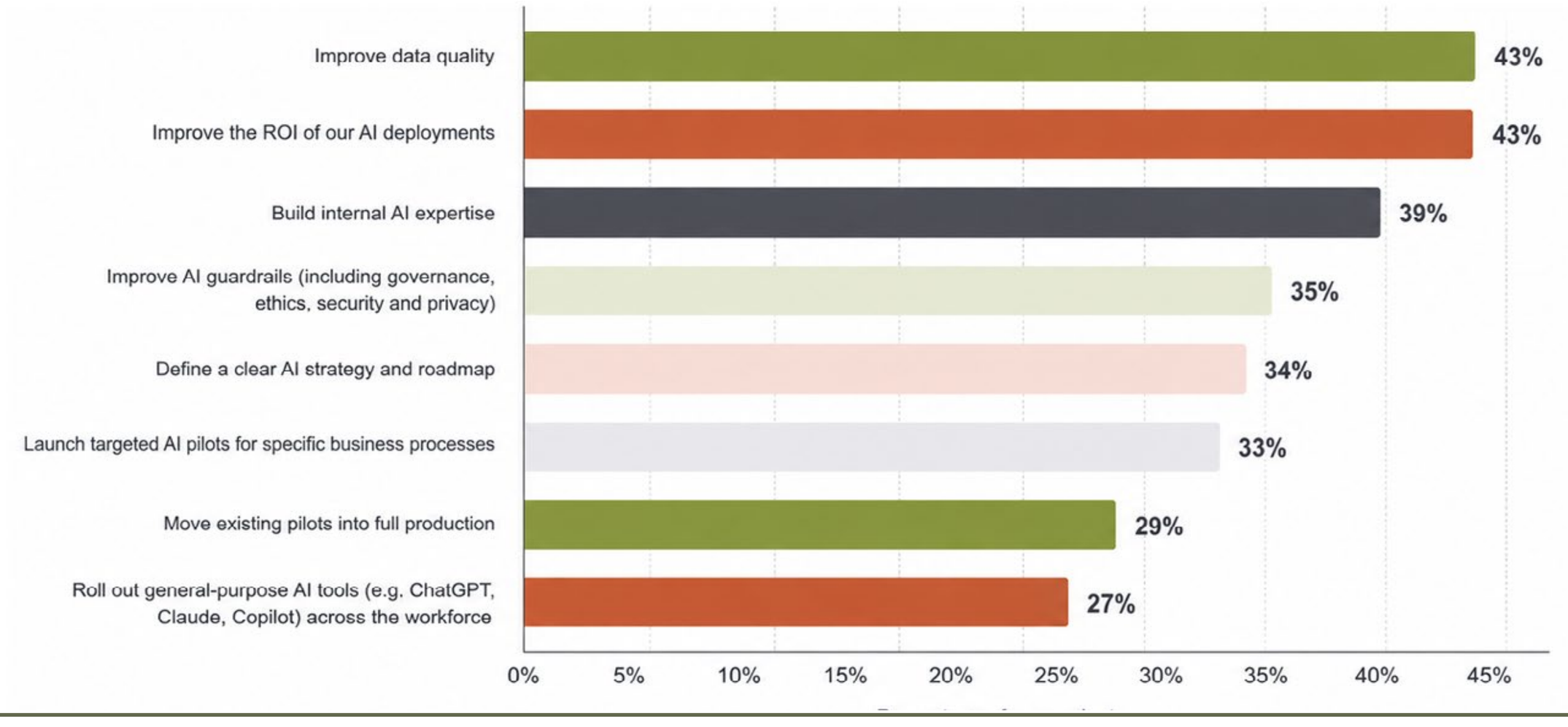
Key insight: *Mid-market companies are most likely to succeed when they combine internal ownership with targeted external expertise, while using AI to augment people and nurture talent rather than only reducing headcount.*

What are mid-market companies' top AI priorities?

The future for mid-market companies will be about closing the gaps and delivering greater value from AI projects.

- When asked what their top priorities for AI are over the next 12 months, improving ROI and improving data quality were cited most often (both 43%).
- Companies are also investing in building internal AI expertise (39%) and improving AI guardrails (35%).
- For public owned companies, defining a clear AI strategy and roadmap is the biggest priority (48%).
- For C-level and IT roles, it is improving ROI (50% and 52% respectively).
- Financial & insurance services companies differed slightly, with defining a clear AI strategy and roadmap being their top priority (47%) followed by improving ROI (46%).
- Manufacturing companies cited building internal AI expertise as their top priority (42%) followed by improving AI guardrails (40%).
- Construction cited improving ROI as their top priority (56%) followed by improving data quality (50%).

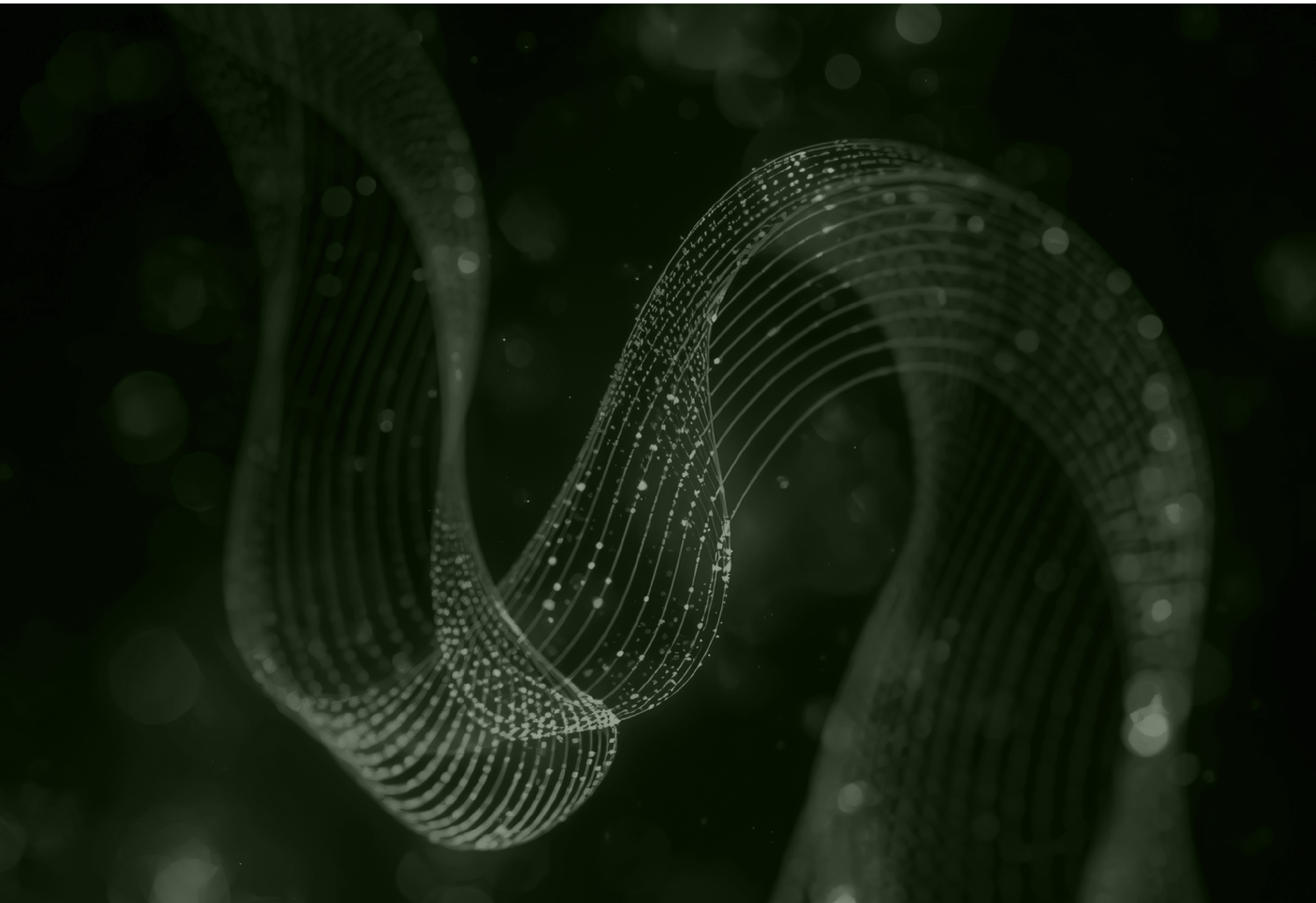
What are your organisation's top priorities for AI over the next 12 months?



This priority list reflects how companies are looking to progress but do so with confidence that they have the right structures and foundations in place. Without these, they run the risk of stalled projects that ultimately fail to deliver tangible benefits.

Mid-market companies also have the advantage of agility. Unlike larger enterprises, they can often align leadership and teams more quickly to deliver what's needed. However, this agility is only an advantage when it is combined with the right focus. That means prioritising the use cases that matter most, modernising the technology foundations, improving data quality and embedding governance effectively.

Key insight: *Mid-market companies are prioritising ROI, data quality, internal expertise and stronger guardrails, suggesting that they recognise value will come from more than just having the tools. Those that combine agility with clear strategy, modern foundations and focused use cases will be best placed to turn AI momentum into sustained competitive advantage.*



Top 5 tips for AI adoption

01 **Start with the business case, not the technology**

Define the problem AI needs to solve, the process it will improve and the commercial outcome it should deliver before selecting tools. Mid-market firms should set clear ROI expectations from the outset, including both direct benefits such as cost savings or revenue uplift and indirect benefits such as productivity, quality, risk reduction and capacity release. The calculation horizon should be determined carefully, considering the nature of the technology investments.

02 **Focus on practical use cases**

Rather than chasing broad transformation from the outset, businesses should prioritise targeted use cases that can deliver measurable outcomes and that can easily be integrated into existing workflows. The goal should be to move away from one-off pilots and trial models that can be repeated at scale across the organisation.

03 **Prioritise data quality before scaling**

Poor data quality is one of the biggest barriers to AI deployment, so businesses should treat data readiness as a core part of their AI strategy rather than a technical after thought. While data quality shouldn't stop businesses from starting AI deployments, improving data accuracy, ownership and accessibility will help accelerate pilots into production and ensure projects succeed.

04 **Embed governance, security and ethics early**

Guardrails should be designed into AI projects from the start, not added once pilots are up and running. Clear policies around privacy, security, accountability, human oversight and acceptable use will help reduce risk, build stakeholder confidence and prevent projects from stalling.

05 **Build a blended team model**

Mid-market firms should combine internal ownership with specialist external expertise. Internal teams understand the business context, while external specialists can help navigate the AI vendor landscape, validate use cases, design robust delivery models and close skills gaps more quickly.

Are your AI projects stalling?

If the findings in this report reflect the challenges you are experiencing in your own AI projects, we would love to speak with you. Get in touch to arrange a call with one of our AI experts. We're happy to invest some time to understand your current hurdles, map them against your goals and share a few initial recommendations on how to bridge the gaps.

Get in touch to book an introductory call:
Hassan Raja, Chief Markets Officer
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About Klarus

Headquartered in London, Klarus is a specialist technology consultancy dedicated to closing the implementation gap between AI potential and tangible ROI. The firm replaces the traditional consultancy pyramid with a global network of hand-selected, senior experts who combine deep sector knowledge with technical proficiency. Services cover the full breadth of technology transformation, including data, enterprise applications and cyber.

The group also includes Chapter 1, a boutique search firm that secures world-class leadership for major transformation initiatives and top-tier consulting firms globally.

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