The Babble
Technology Performance Index:

The technology gap reshaping UK SMBs

babble

Introduction

Growth has dominated the UK business conversation for years, and for those of us leading SMBs, it's more than a headline. It's the daily challenge of pushing our businesses forward in a climate where investment has lagged and the competitive pressure has never been greater.

Every SMB leader I speak to is wrestling with the same questions:

→ *When should we invest?*
→ *What should we prioritise?*
→ *How do we balance risk with opportunity when the world keeps shifting beneath our feet?*

These aren't theoretical debates, they are decisions that shape jobs, customers, and the future of our businesses.

This report explores that tension. It highlights the widening gap between businesses that know how to find, adopt and embed new technology, and those that struggle to keep pace. That gap is real, it's accelerating, and it will define who moves ahead, and who gets left behind.

That's why we commissioned independent research with 1,000 SMB leaders across the UK to create the Babble Technology Performance Index (TPI): a framework that shows how confidently and effectively businesses are integrating new technology into the way they operate.

We are entering a new era. AI is creating once-in-a-generation opportunities to drive efficiency and competitiveness. At the same time, cyber threats are becoming an existential risk for those unprepared. The way SMBs operate, compete, and attract customers and talent is changing faster than most leaders realise.

Wherever you are in your technology cycle, this gap is already influencing your trajectory. As you read through the findings, you will recognise the traits of the three groups we outline: **Tech Vanguard, Emerging Adopters and Tech Bystanders.**

This isn't just a snapshot of technology adoption. It's a clear signal to every SMB leader: the businesses that turn technology investment into measurable advantage will be the ones that win.

Mark Braund
Executive Chair, Babble

Methodology

This research was conducted by Opinium on behalf of Babble, with data collected in February 2026. 1,000 owners and C-Suite executives were surveyed in the UK, all of whom worked in companies with 10-500 employees.

Definitions

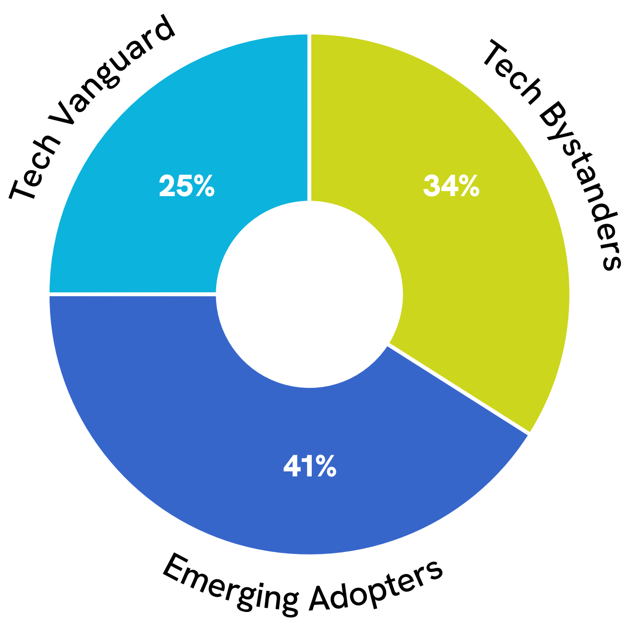
The Babble TPI assesses SMB leaders' varying levels of technology adoption and attitudes towards technology investment. Based on their responses to certain behaviours, traits and attitudes towards technology, respondents have been categorised into the following three groups:

→ **The Tech Vanguard** – Actively seek out new technology and are confident in adopting and integrating new tools

→ **Emerging Adopters** – Somewhat confident identifying and implementing technology, but progress is often slowed by skills gaps or change management challenges

→ **Tech Bystanders** – Unconfident when it comes to identifying where new technology could create value and prefer to avoid new technology unless there is strong pressure to change

In this report:



01

The gap is accelerating faster than most SMB leaders realise

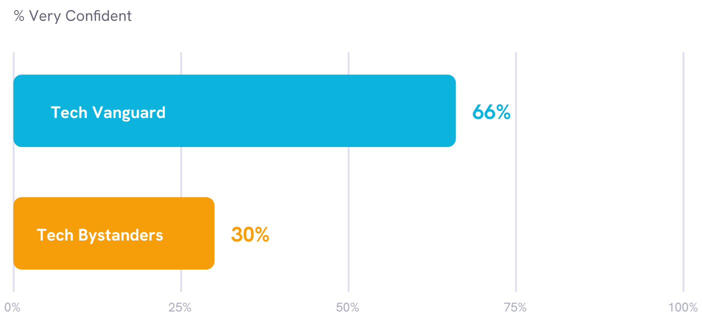
When comparing the different categories of businesses within the findings, the technology adoption gap is clear to see.

84% vs 3%

The difference between the Tech Vanguard who have strong leadership, governance, and repeatable processes to identify, implement and scale technology-led change, compared with Tech Bystanders.

Even when they believe they have found the right product, over half (51%) of Tech Bystanders need extensive training to implement it properly – a time-intensive exercise for typically time-poor executives – compared to just 13% of Tech Vanguard respondents.

Confidence in implementing new technology solutions



This is leading to disparity between the groups, with 66% of the Tech Vanguard ranking themselves as very confident in implementing new technology solutions, compared to just 30% of Tech Bystanders. This is also apparent when looking at adoption of specific technologies, such as employee productivity and collaboration tech (67% vs 36%), customer experience (60% vs 28%) and cyber security tools (70% vs 43%).

As a result, Tech Bystanders are falling behind not only the Tech Vanguard, but also the Emerging Adopters when it comes to competitiveness.

An overwhelming majority (88%) of SMB leaders agree that technology is integral for improving business performance, and therefore, failure to invest could have catastrophic consequences for businesses at the lower end of adoption.

We forecast that if Tech Bystanders – that's 34% of those surveyed this year – don't take the necessary steps now to overcome the adoption gap, at best, they risk being left at a competitive disadvantage, and at worst, they risk being put out of business altogether.

For instance, over half (53%) of SMB leaders already feel at a competitive disadvantage when compared to businesses who have the resources to adopt new technologies. This has forced twice as many Tech Bystanders (22%) to spend time 'fire-fighting' compared to the Tech Vanguard (12%), leaving them with less space to focus on tasks that fuel growth – winning new customers, launching new products, and opening up new revenue streams.

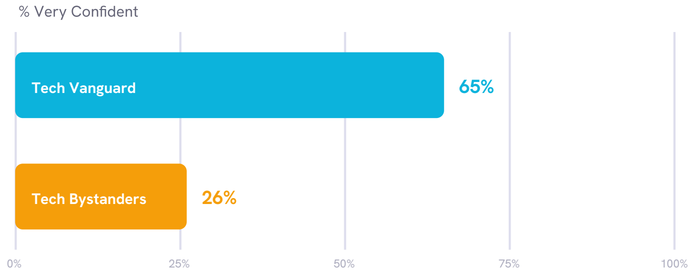
02

Why the gap exists, and why it's getting bigger

The adoption gap has little to do with SMB leaders' understanding of the benefits of technology. In fact, increasing investment in new technology was the leading response when asked what would help them to succeed the most in the future (40%), ahead of increased investment in existing capabilities (24%).

The core issue is confidence. Tech Vanguard respondents are over twice as likely to be very confident in identifying the right technology for their business than the Tech Bystanders (65% vs 26%) and when it comes to using it day-to-day (66% vs 30%).

Confidence in identifying the right technology for their business



And that varying degree of confidence is having a huge impact on SMBs' bottom line and profitability too.

Of the respondents who believe increasing technology investment would increase profitability, **82% of Tech Vanguards believe their profits could increase by at least 11% or more** if they invest in new technology, compared to 55% of Tech Bystanders.

It is clear that those who are more advanced in technology implementation are seeing compounding gains.

Meanwhile, those who are more cautious or cynical are unintentionally putting a ceiling on their own potential growth.

Beware: False confidence alert

While it is encouraging to see so many SMBs experimenting with AI, a word of caution is needed here. Today, most are likely still focused on AI-powered assistants, like Microsoft Copilot. Of course, these tools are a powerful addition to any business' operations, but many SMBs are not yet ready to unlock the full potential of technology like agentic AI, proving the need to constantly assess where new technology can add value. We believe the challenge of accessing skilled resource to unlock this next wave of AI will be a challenge even to the Tech Vanguard.

Similarly, in cyber security the Tech Vanguard are surprisingly confident in their ability to identify (64%), respond (54%) and recover (56%) from cyber threats, but data from the UK government reveals this confidence could be misplaced. Just 42% of SMBs identified a phishing attack in the last year, down from 49% in 2025. This suggests more business are failing to identify all the threats against them, especially in the context of the NCSC warning that cyber threats have actually increased.

The risk is even greater for those businesses standing still. While 70% of Tech Vanguard state they've adopted cyber security tools well, just 43% of Tech Bystanders say the same. This demonstrates that simply investing in cyber tools is no longer enough if SMBs want to avoid gaps in their defences; especially as criminal groups continue to target employees through social engineering attacks and AI makes it easier to exploit smaller firms.

AI, as an example, represents a once-in-a-generation productivity and competitive advantage opportunity, and crucially, is giving the Tech Vanguard a chance to pull away from the pack. 57% of this group report they have adopted AI and automation technologies well; meaning new tools are being widely used, have been embedded in how they work, and are delivering real value to the business, compared to just 21% of Tech Bystanders.

Regardless of whether a small business is the direct target or simply caught up in the fallout when a customer or supplier is hit, a successful attack can be business-ending. The April 2025 ransomware attack on Marks & Spencer – which cost the retailer over £300 million and took its online operations offline for six weeks – didn't begin inside M&S at all. Attackers gained entry by socially engineering staff at a third-party supplier, demonstrating that for SMBs, **cyber security isn't just about protecting your own business; it's about being a supplier larger customers can trust.**

And for those hit directly, the consequences can be terminal: UK haulage firm KNP Logistics, employing 700 people, collapsed into administration after a single compromised password gave ransomware attackers access to its entire IT estate, backups included. This demonstrates why SMB leaders cannot afford to assume they'll never fall victim to a cyber attack even if they have already invested in cyber security tools.

It is crucial that SMB leaders begin to see these areas as something that define competitive advantage.

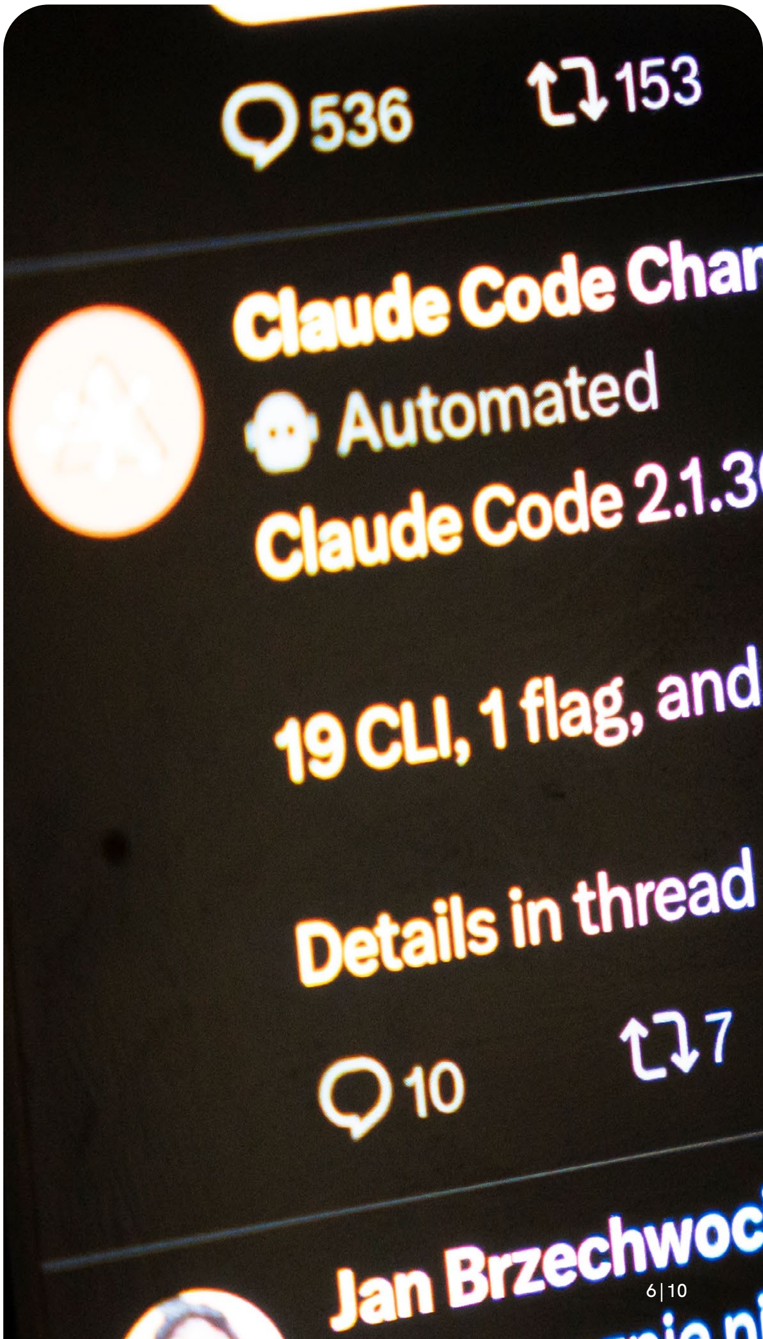
The Tech Vanguard respondents have not only pulled ahead from their Tech Bystander counterparts but are continuing to widen the gap. Being confident in their ability to identify and successfully implement new technology across their business is leading to greater gains, potential profits and access to new customers.

Tech Vanguards are

38%

more likely than Tech Bystanders to see improving cyber security as a competitive advantage

Cyber security is no longer purely a defensive investment. For Tech Vanguards, it is a commercial prerequisite that influences customer trust, supply chain eligibility, and growth potential.



03

What's at stake for businesses that don't move

28%

of respondents believe they will lose new business to competitors who are embracing new technology.

Similarly, a quarter (24%) state they would lose existing customers, and 22% admit it would damage their company reputation.

At Babble, we think this is an underestimation of the risks but still shows that SMBs cannot afford to stand still in this process. The two forces – the upside of AI and the downside risk of cyber exposure – are what make the current gap urgent in a way that previous technology divides were not. And failure to recognise this could prove catastrophic for businesses falling behind in the technology race.

32% of SMB leaders rank loss of profitability as their main concern if they reduce technology spend, followed by being overtaken by others in the market (26%), and a decline in customer base (24%). This would put them even further behind those in the Tech Vanguard where 50% believe increasing technology investment would boost profitability.

Within this, it is important to recognise that not all SMBs have the same concerns about failing to adopt technology. 21% of larger SMBs (250-499 employees) are concerned they will lose their investors' confidence, more than double that of smaller businesses (10-49 employees). Meanwhile, a quarter (25%) of large businesses are also fear for the potential impact on their reputation. This indicates there's a risk smaller SMBs are overlooking the effect technology can have on their organisation's progress. However, it is vital these leaders understand that while it might not feel essential now, without sustained investment in technology, they could be restricting their own growth.

04

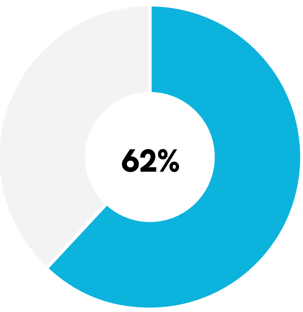
The Emerging Adopter opportunity

While much of this report has so far focused on the extremes, there are encouraging signs for those representing the largest segment of the TPI: the Emerging Adopters. Importantly, Emerging Adopters are not far behind the Tech Vanguard when it comes to their overall confidence in being able to identify and implement new technology for their business, 85% vs 89%.

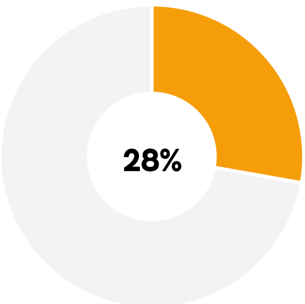
The gap between Emerging Adopters and the Tech Vanguard is not defined by resistance or lack of belief. In many cases, these organisations already recognise the strategic value of technology, with 42% of Emerging Adopters stating increased investment in new tech has the most potential to enhance their business, just behind the 50% of the Tech Vanguard.

They are also starting to integrate AI into their day-to-day operations, with 65% using it to support IT systems. This is just behind the 78% of the Tech Vanguard and ahead of the 46% of Tech Bystanders. Unsurprisingly, 40% of Emerging Adopters believe increased profitability will be the biggest impact from an increased investment in technology.

Emerging Adopters' capability to scale adoption consistently across their organisations:



Can implement technology



Can scale technology-led change

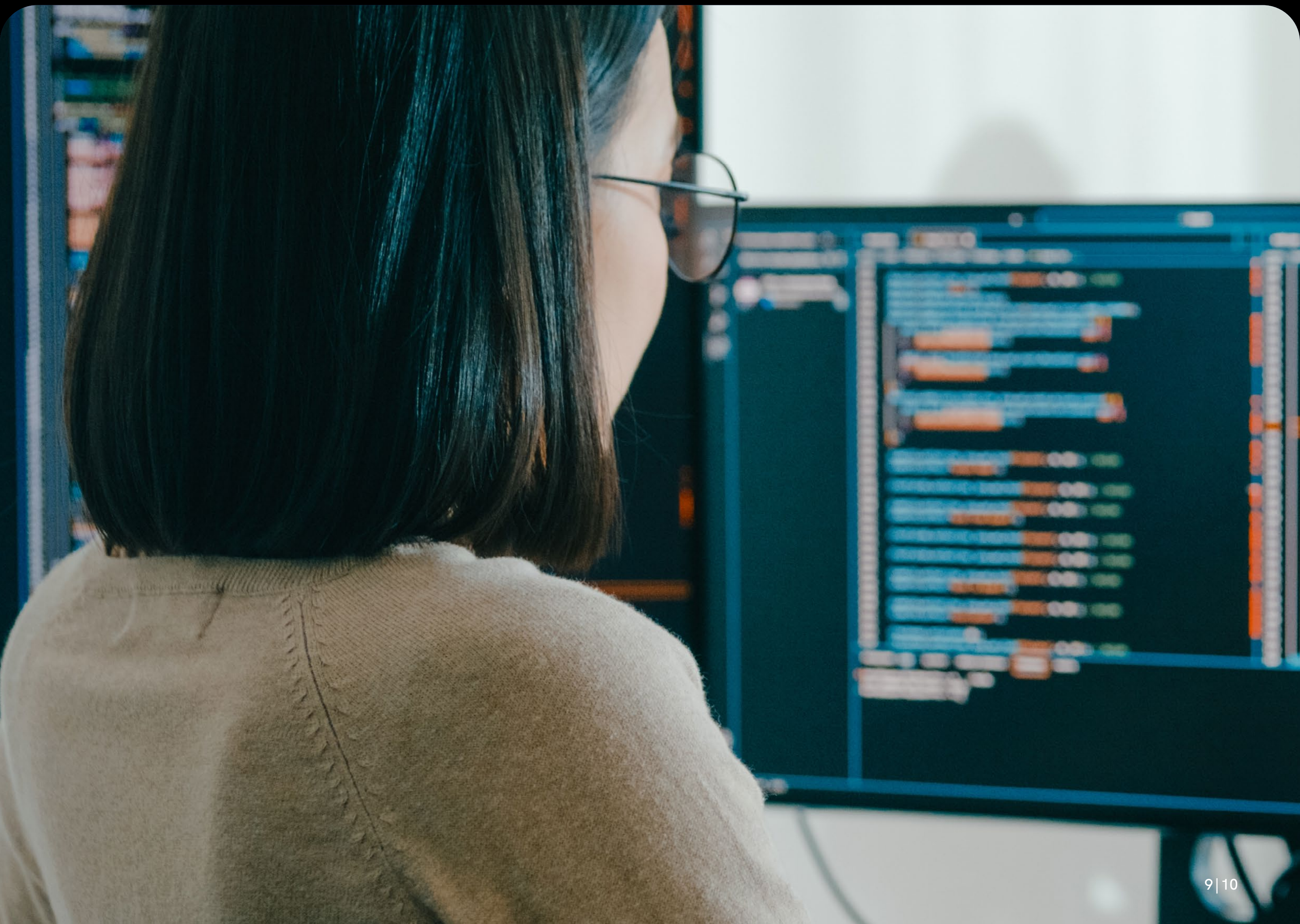
What sets them apart from the Tech Vanguard is less about mindset and more about the capability to scale adoption consistently across their organisations. In fact, 62% of Emerging Adopters report they can identify, prioritise and implement technology within their business but just 28% have strong leadership, governance and repeatable processes to scale technology-led change. For many, moving into the Tech Vanguard will be achievable with the right investment, leadership alignment and organisational support.

05
Charting a path forward

UK SMBs want to grow. But as our data shows, the widening technology adoption gap means those that delay investment now risk falling behind on growth, profitability, and resilience. Paradoxically, these businesses are uniquely positioned to pursue technology adoption with greater agility than larger enterprises, who are often held back by legacy systems and data silos.

The businesses pulling ahead are not necessarily transforming overnight – they are taking practical steps to become more tech-enabled, from strengthening cyber security to adopting AI and integrating tools that provide enhanced insights into operations, automate customer service and increase workforce productivity. Success starts with leaders having the confidence to experiment, identify trusted partners who can help them cut through the noise from technology vendors who may have overpromised in the past, and invest in technologies that solve real business challenges.

This is a critical moment for UK SMBs. Those that act now can create stronger foundations for innovation, accelerate growth, and play a vital role in powering the future UK economy. Those that stand still risk their very survival in an increasingly volatile market.



Are you a Tech Vanguard,
Emerging Adopter or Tech Bystander?

Take our assessment