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Strand Partners

Unlocking Europe's AI Potential 2026

Exploring the trends, challenges, and opportunities shaping Europe's AI future

Contents

01 Introduction

02 Overview

Foreword

Executive summary

08 Key findings

The digital divide continues to grow: advanced adoption stalls

The next wave of AI threatens to widen this divide

Businesses are supported by choice and flexibility

16 Challenges

Structural challenges persist

European competitiveness at risk if these challenges are not addressed

25 Conclusion

Recommendations: Turning Europe's AI momentum into global leadership

Conclusion: Europe's narrowing window

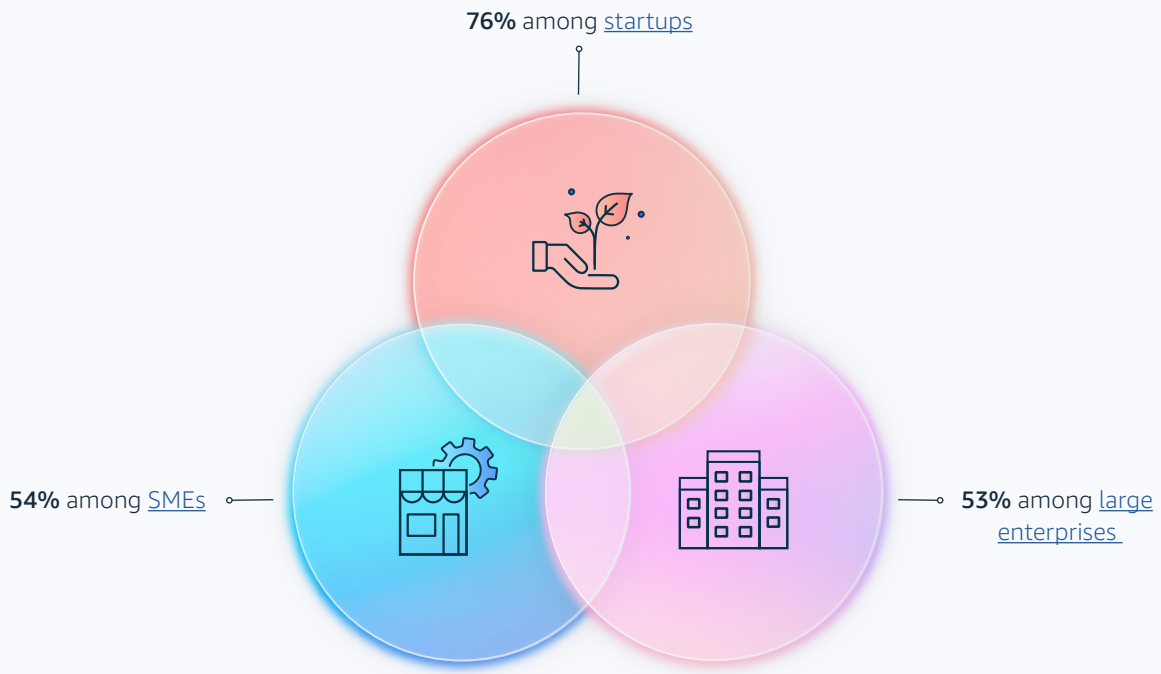
30 Appendix

32 References

Unlocking Europe's AI Potential 2026 is the fourth edition of our annual series assessing Europe's progress towards the European Commission's Digital Decade and competitiveness objectives through AI. This edition builds on the 2025 report, which highlighted accelerating adoption of AI while warning that a growing divide between advanced AI adoption among startups and more basic adoption from large enterprises and much of the wider economy risked creating a two-tier economy.

AI adoption across Europe continues to accelerate, and the continent is producing world-class startups and research.

Adoption is strong across all business sizes, having grown to:



Yet as innovation cycles compress and next-generation technologies such as agentic AI emerge, Europe faces a narrowing window to convert this momentum into sustained competitiveness.

Europe has positioned itself as a global first mover on AI regulation with the EU AI Act. The EU AI Act is not however standalone, it sits within a wider legal framework spanning AI, data protection, cybersecurity, competition, and sector-specific rules. Many of these laws are currently being reviewed or expanded upon by the EU, or are being implemented individually by each EU country. Businesses and citizens in this report underline that this evolving legal framework can create uncertainty, complexity, and fragmentation.

Alongside this, policymakers are pursuing a competitiveness agenda, with an emphasis on simplification. The European Commission's new digital package, including the Digital Omnibus, is intended to make the digital rulebook simpler and more consistent for businesses. Yet, for the moment, businesses are still operating within an increasingly fragmented and uncertain regulatory framework, rather than a single rulebook.

Against this backdrop, the 2026 edition of *Unlocking Ambitions* identifies three structural challenges: regulatory fragmentation, skills gaps, and funding constraints. Together, these challenges are putting Europe's competitiveness at risk and prompting **four in ten** startups to consider leaving Europe in search of more pro-growth environments.

Want to learn more about our 2025 report?

Download here →

Foreword

Europe's AI revolution has reached a defining moment.

Europe stands at a defining moment in the AI revolution. Businesses are accelerating adoption, world-class European research institutions are building the next wave of AI innovation, and startups are using advanced AI to bring new solutions to age-old problems, build new businesses, and change the way we live and work. The best thing about it – citizens are on board, willing and ready to engage with their governments using next-generation AI technology.

Europe's tech excellence spans businesses and borders, from household names like Mercedes-Benz that are transforming their global IT operations with agentic AI, to energy leaders like Spain's Iberdrola using machine learning to cut customer energy consumption by up to **30%**.

The fourth edition of *Unlocking Europe's AI Potential* shows that over half of European (**54%**) businesses have now adopted AI, up from **33%** two years ago. This milestone moment shows we have the tools, the talent and the imagination to excel in the AI era.

However, the research also highlights a critical gap in the depth of adoption.

Only **22%** of businesses are using AI for advanced use cases, a minor increase from last year's figure of **21%**. This is a critical miss. Advanced AI lets organisations move beyond efficiency gains to fundamentally transform how they operate, innovate, and serve customers.

With advanced AI, companies can test ideas in days rather than months and continuously improve based on real-time insights. This speed advantage is the defining competitive edge of our era. Coupled with Europe's existing strengths, it gives home-grown talent the ability to keep pace with global competitors in industries where early mover advantage can define a generation of growth.

Using advanced AI, European startups like CareMates are transforming healthcare delivery, cutting patient admission times by **80%**, and Iktos is halving drug development timelines, bringing hope to millions with rare diseases. We need more of this.

Instead, we have a situation where over half of Europe's highest-growth startups would consider leaving. When high-value talent relocates, Europe loses the entire innovation flywheel: the jobs, the talent, the tax revenue, and the innovations solving global challenges. We cannot let this happen.

This report identifies three challenges holding back European businesses and driving founder flight. Access to finance: businesses still lack the funding, incentives, and investment certainty to scale their AI ambitions. Regulatory fragmentation: scaling across Europe remains too complicated and costly. And finally, digital and AI skills shortages: many businesses lack the talent, workforce readiness, or capacity needed to implement AI use effectively.

We must work collaboratively across Europe to create the conditions that businesses need to thrive and scale.

We need to support organisations to invest with confidence, nurture a marketplace that makes it easier for innovators of all sizes to scale across borders, provide access to the best technology and infrastructure to help businesses grow and we need digital and AI skills to drive the next wave of innovation.

Businesses empowered to embrace this transformation today will define Europe's economic future tomorrow, creating jobs, attracting talent, and pioneering innovations that improve lives across the continent and beyond.

We recognise the challenges that European businesses face. We consistently hear from our customers that choice, control, and agility are key to their ability to remain competitive in a rapidly evolving AI landscape.

Amazon is committed to playing our part. Through services like Amazon Bedrock, we provide access to the broadest selection of AI models and tools, giving businesses the flexibility to choose what works best for them. Earlier this year, we announced the general availability of the AWS European Sovereign Cloud to give customers enhanced data residency and operational autonomy while maintaining full access to cutting-edge AI capabilities. And we continue to invest in skills development, offering free AI training to help Europeans develop their AI expertise.

The opportunity in front of Europe is significant, but the moment to act is now. Realising it will require collaboration, investment, and decisive action.

Tanuja Randery
VP and MD,
AWS EMEA

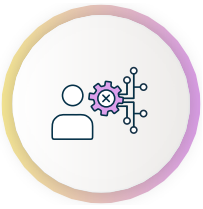
Executive summary

Artificial intelligence (AI) has emerged as one of the defining drivers of productivity and growth for the next decade - the technology is changing how people work and how knowledge is created. Research carried out by AWS and Telecom Advisory Service, cited in last year's *Unlocking Europe's AI Potential* report, estimated that cloud-enabled AI could add $1.5 trillion to global GDP by 2030.

This report finds that Europe has many of the key ingredients needed to succeed: world-class research institutions, a strong industrial base, and a highly educated workforce. Europe's tech sector has immense potential – currently worth nearly $4 trillion and boasting almost 40,000 funded tech companies (up from 13,000 in 2016). Access to a broad choice of open source and proprietary software from a mix of European and international providers (coupled with world-class infrastructure) puts Europe in a prime position to become a world leader in AI. Across businesses of all industries and sizes that have adopted AI, the technology offers improved innovation, efficiencies, and interoperability. Europe has the chance to pioneer a range of genuinely successful models of AI adoption and innovation. Businesses across different industries have the tools and resources to apply AI to a wide range of challenges in different ways.

While new challenges are also emerging, obstacles identified in our previous reports stubbornly remain, including:

Regulatory fragmentation



Skills shortages

Challenging funding environment (with investment in AI held back by difficulty accessing funding pathways)

The rapid pace of AI innovation is compressing decades of economic transformation into months. Accelerated AI deployment from other regions means that Europe risks missing out on its portion of the $1.5 trillion AI opportunity.

In this context, Europe must move at speed to identify its blockers and its accelerators and make bold commitments to support AI adoption. Achieving this will require policymakers to align their priorities more closely with the practical needs of European businesses and citizens.

This report shows how adoption is evolving, how prepared people and businesses are to use AI effectively, and how the wider environment – from skills and regulation to investment – is enabling or constraining progress. Taken together, they point to a continent moving quickly on AI uptake, but facing growing pressure on the conditions required to convert that momentum into long-term competitiveness.

Headline year-on-year changes	2024	2025	2026
Business AI adoption	33%	42%	54%
Citizens who say they are using AI on a daily basis	20%	30%	36%
Citizens familiar with what AI is	55%	72%	80%
Citizens who have had any training in how to use AI	19%	31%	31%
Businesses citing skills gap	39%	40%	44%
Business % of AI spend on compliance	Not tracked	40%	42%
Reported increase in tech investment by businesses	+21%	+24%	+26%

The last year's progress

Europe's AI journey

European adoption of AI is accelerating. However, even as uptake grows, progress into advanced use cases is not keeping pace, limiting the technology's full potential to transform the continent's economy and society.

In an increasingly competitive global AI era, rising adoption alone is not enough to secure a lasting edge. While the data shows clear progress on adoption, it also indicates that businesses are not yet moving from basic AI adoption to harnessing its most advanced uses:

Basic AI adoption

The initial stage of AI uptake, when businesses are using AI primarily for incremental improvements such as efficiency gains and process streamlining rather than for innovation.

Intermediate state of AI adoption

When AI is supporting a more innovative customer experience alongside operational efficiency.

Advanced use of AI

When firms are integrating the most advanced use cases of AI, combining multiple models, developing custom AI solutions, or using agentic and autonomous AI. At this stage, businesses are rapidly innovating with AI and, in turn, disrupting their industry.

The majority of European businesses are at the first, most basic stage of adoption. Unless more European businesses move beyond basic applications and deploy AI in advanced, transformative ways, Europe risks falling behind.

Year-on-year snapshot

Adoption continues to grow

- From 2025 to 2026, European business AI adoption has grown by **29%**.
- Cloud adoption shows similar momentum: **68%** of businesses in our survey now report using cloud technologies, up from **58%** last year (a **17%** growth rate).
- Together, these trends suggest Europe has the digital foundations required to compete in a technology-driven global economy.

Businesses are putting more investment into AI

- Businesses reported that they increased their AI investment by an average of **26%** in 2026, signalling confidence in the technology's potential. Among high-growth startups, this figure rises to **35%**.
- **62%** of businesses report that AI adoption is a priority for their business, rising to **66%** among medium-sized businesses and **70%** among large enterprises.

Too few businesses are at advanced stages of adoption – suggesting a two-tier AI economy is becoming entrenched

- **22%** of AI adopters are using AI's most advanced capabilities,[1] a small increase from **21%** in 2025.
  - There are signs of progress: due to increases in AI adoption, in real terms, this equates to over 1 million businesses progressing to the most advanced stage of adoption in the past year.
  - Among experienced AI adopters,[2] this rises to **26%** (vs. **22%** overall) who are at the most advanced stage of AI adoption.
  - However, to keep pace with innovation, Europe must move faster.
- The distribution of AI uptake among adopters remains uneven: **62%** of large enterprises and **59%** of SMEs remaining at the most basic stage of AI adoption compared to only **34%** of startups.
- This divergence reinforces the continued emergence of a 'two-tier AI economy' where a small group of firms, largely startups, race ahead with advanced AI use, while most businesses (such as SMEs, mid-sized businesses, and large enterprises) remain stuck in basic applications and are unable to capture the full productivity and innovation benefits.

Regulatory compliance is proving increasingly costly

- **42%** on average of business tech budgets now goes to compliance, up from **40%** last year.
  - Businesses who report regulation as their main hurdle to AI adoption report that their top three regulatory concerns are complexity or a lack of certainty in the fields of cybersecurity (**50%**), data protection (**47%**), and intellectual property protection and commercialisation (**42%**).

It is not only businesses that are increasing their adoption of AI – citizens are integrating AI in their day-to-day activities faster than many businesses and public institutions are adapting. Reported daily AI use by citizens has risen from **20%** to **36%** since 2024, and **80%** of citizens now say they are familiar with AI, while **40%** say that they have used AI chatbots in the past six months. This indicates that European businesses have access to a market of customers who are likely to be ready to engage with AI solutions.

At the same time, citizens' priorities for public spending reveal a clear expectation: technology should strengthen essential services rather than become an end in itself. Healthcare (**72%**), defence and security (**58%**), energy security and the green transition (**55%**), and skills and education (**51%**) rank well above AI-specific infrastructure (**8%**) and Europe-based cloud infrastructure (**6%**). In other words, citizens want better outcomes – more efficient hospitals, stronger security, improved public services – not simply investment in technology. AI's role, in their view, is to enhance delivery, productivity, and resilience in the areas that matter most to their daily lives.

What's new this year

Europe now faces a critical choice. The continent is producing world-class AI startups and has crossed the threshold where more companies are using AI than not. However, persistent challenges threaten Europe's future competitiveness and could widen the gap between the continent and faster-moving global competitors.

The pace of innovation

AI and cloud technologies are now accelerating innovation cycles at unprecedented speed. While the move from dial-up internet to widespread mobile connectivity took a decade, the evolution of AI models and deployment of new usage methods such as agentic AI are evolving annually. This shift has fundamentally changed the nature of what it means to succeed in adopting AI technologies globally.

Regulatory fragmentation and complexity is becoming a competitive disadvantage

European businesses navigate 27 different regulatory frameworks on critical issues impacting AI adoption, including AI policy, cybersecurity, data protection, and business regulations, slowing down businesses precisely when speed matters most. The IMF estimates that cross-border friction inside the EU is equivalent to a **110%** tariff.

Europe's best are considering re-locating to accelerate growth

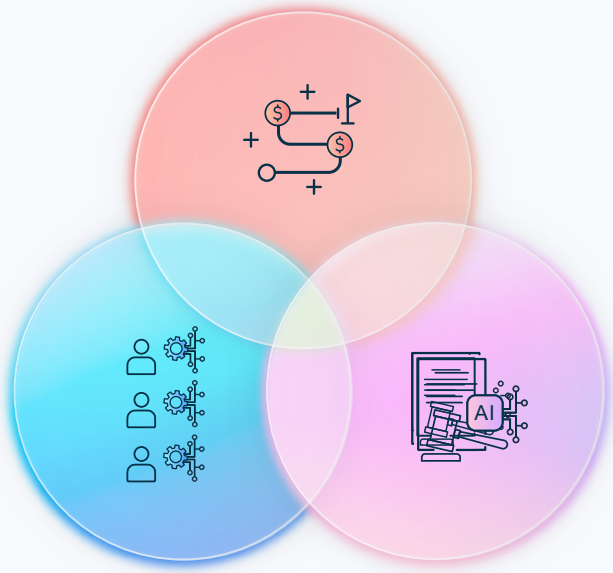
Regulatory burden and market opportunities are beginning to reshape Europe's ability to retain its most promising startups. **38%** of startups, the very companies driving Europe's AI future, would consider relocating outside Europe to grow faster. Among the highest growth startups, which will be critical to Europe's competitiveness, this rises to over half (**51%**).

Adoption must move from experimentation to advanced AI use. Companies at the experimenting stage report **40%** productivity gains from their AI adoption, versus **62%** for companies at the most advanced stages. Every month that businesses remain stuck in experimentation is a month of missed productivity, slower innovation, and weaker competitiveness with those at the most advanced stage of adoption **55%** more likely to report productivity gains.

This is significant – helping basic adopters to reach advanced AI use could unlock €191 billion GVA for Europe.[3]

Three structural challenges persist

Access to funding pathways: Unclear and fragmented funding and incentive structures limit businesses' ability to move from experimentation to large-scale AI transformation.

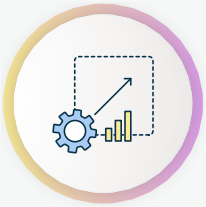


The digital skills gap: Skills shortages remain a primary challenge to AI adoption, with many businesses lacking the talent, workforce readiness, or capacity needed to implement and scale AI use effectively.

Regulatory fragmentation and complexity: Despite simplification efforts, regulatory fragmentation continues to make scaling across Europe complex, costly, and uncertain for businesses.

Europe faces two critical risks if these challenges are not addressed

Competitiveness: Structural challenges prevent Europe from converting its strong foundations into sustained growth, productivity gains, and global competitiveness.



Founder flight: High-growth startups increasingly consider scaling outside Europe as a faster and more viable path to access capital, geographies, and scale.

The digital divide continues to grow: advanced adoption stalls

Europe's adoption of artificial intelligence (AI) continues to increase. This year's research finds that **54%** of businesses across Europe have adopted AI, up from **42%** last year. That is a **29%** year-on-year growth of AI adoption from last year (a slight increase on the **27%** of growth in the previous year). This confirms that AI is now firmly moving into the mainstream of European business activity, driving growth and productivity – recent research has estimated that as much as **75%** of the difference in incomes between countries can be explained by the differences in the rate of adoption of productivity-enhancing technologies.

However, mainstream adoption alone is no longer the defining challenge. The moment Europe now faces is about keeping pace with accelerating technological change and innovation. Past waves of digital transformation, such as the shift from dial-up internet to widespread mobile connectivity, unfolded over years and even decades.

Today, AI and cloud technologies are compressing that cycle dramatically. Agentic AI represents a step change: systems that can autonomously plan, execute, and optimise complex tasks across workflows. In this context, speed becomes a decisive advantage: businesses that use AI well are harnessing the technology to test ideas, build products, and improve operations much faster. As the technology continues to advance rapidly, those that fail to embed it beyond basic use cases risk being left behind.

As a result, the core question is no longer whether businesses are adopting AI, but whether they can translate usage into meaningful impact quickly enough and at scale.

Many organisations remain concentrated in basic deployment of AI (efficiency gains and streamlining) rather than harnessing the full potential of the technology.

Looking deeper at how businesses are using AI today, **there are three distinct stages of AI maturity:**

Basic adoption

58% of business adopters remain in the early stage (compared to **61%** last year), using AI primarily for incremental improvements such as efficiency gains and process streamlining rather than for innovation (such as relying on publicly available chatbots for routine tasks or purchasing ready-made AI solutions). This is matched by **59%** of SMEs (which make up **99%** of all businesses in the EU and heavily shape overall averages).

Transformation begins

17% of businesses have advanced to the intermediate stage of adoption (consistent with **18%** last year), where AI is integrated across multiple business functions. These firms are reporting that they are using AI to improve products and services that they are offering to their customers or to drive operational efficiency.

Advanced adoption & strategic reinvention with AI

22% of businesses have reached the most advanced and transformative stage of AI maturity, falling slightly to **21%** of SMEs. These firms are using sophisticated systems, combining multiple models, developing custom AI solutions, or using agentic and autonomous AI. At this stage, businesses are rapidly innovating with AI and, in turn, disrupting their industry. This figure has increased only marginally from **21%** of AI adopters last year.

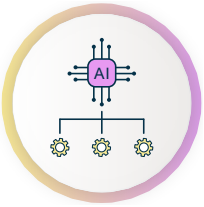
The data shows that while adoption across Europe is broad, progress towards advanced use cases remains slow. In this sense, business adoption lags the full innovation potential of AI.

The **22%** of businesses harnessing AI's most advanced use cases for transformative change is an increase of over 1 million businesses from the previous year. However, businesses must move more quickly towards advanced adoption to keep pace with technology innovation. This much slower year-on-year increase in advanced adoption is true for businesses of all sizes – SMEs see **54%** AI adoption, but only **21%** are integrating AI's most advanced uses.

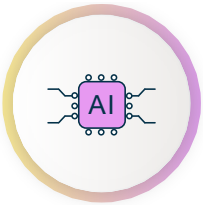
At the same time, evidence suggests that innovation timelines are already being reshaped by AI:

- **76%** of AI adopters say their innovation timeline has accelerated over the past two years, and **75%** of businesses anticipate that AI will accelerate innovation timelines further.
- Businesses report that AI is the leading driver of this shift (**43%**), closely followed by increasing competitive pressure (**42%**).
- Among startups, the effect is even more pronounced: **91%** report accelerated innovation timelines. These businesses are retaining their position from 2025 as the clear frontier firms in advanced AI adoption. **89%** of the startups reporting this accelerated innovation say they are experiencing productivity gains and almost all (**97%**) expect AI adoption to increase their growth in the next year.

This matters because the next phase of competitiveness and growth will not be defined by whether businesses have tried AI. It will be defined by whether they can:



Scale AI effectively across their organisation



Embed it into core operations and decision-making

Move quickly from experimentation to real-world impact

Those that have progressed to AI's most advanced uses are demonstrating what good looks like. These businesses are not simply using AI tools for basic efficiency tasks – they are building the workforce capabilities and internal structures required to deploy AI safely and at scale. They are setting out clear pathways for structuring data and governance around responsible usage. These organisations are far more likely to have dedicated AI teams or leadership accountability, a clear AI strategy and roadmap, and the ability to hire and retain specialised talent across data, engineering, and governance.

Only **31%** of businesses report having a formal and comprehensive AI strategy, while a further **28%** say this is still in development – this has slightly decreased from the previous year, when **35%** of businesses reported having a formal and comprehensive AI strategy. More businesses require support in developing a strategy to guide their adoption, as the technology becomes more sophisticated and the potential use-cases become more business critical. Furthermore, businesses must be supported to put responsible AI at the heart of their adoption – a quarter (**24%**) already have a responsible AI strategy or framework in place, while **31%** plan to develop one in the next year.

Thinking strategically and responsibly from the outset about how to develop and integrate AI is key. Businesses are looking for support and guidance in this - of those who use external providers to support their AI adoption, nearly half (**49%**) use them to support AI strategy development and road mapping. To progress to advanced adoption, businesses require further support in developing a deliberate, thoughtful strategy that prioritises both innovation and responsibility.

Skills development remains critical. **81%** of businesses estimate that AI skills will be important in their industry in the next five years.

Businesses which successfully harness AI typically invest more consistently in employee training and AI literacy and are better positioned to move beyond experimentation because they have the skills and capacity to integrate AI into real workflows. Those citing skills shortages are less likely to be advanced adopters (**16%** vs **27%**).[4] In other words, the gap between basic and advanced adoption is increasingly a skills and capability gap, not just a technology gap.

Case study: Paebbl

Concrete has built our cities, but it's also one of the world's biggest sources of carbon emissions. Paebbl is rewriting that story, and exemplifies the kind of advanced AI-driven industrial transformation Europe must scale faster. Using AWS cloud infrastructure that helps capture live data across its reactors to AI-powered optimisation built on Amazon Bedrock – they've developed a process that transforms captured CO_2 into a carbon-storing concrete alternative that locks away up to 300 kg of emissions per ton of material produced. By accelerating nature's own mineralisation process, Paebbl reduces construction emissions by up to **70%**.

It's the future of construction – where every new structure helps restore the planet.

"Advanced AI tools allow us to move from climate ambition to industrial reality. By combining real-time reactor data, AI optimisation and cloud infrastructure from AWS, we can continuously improve and scale a fundamentally new material. This is what advanced AI adoption looks like – not incremental efficiency, but re-engineering an entire industry."

Marta Sjögren
co-CEO
Paebbl

The next wave of AI threatens to widen this divide

Agentic AI, physical AI, and advanced robotics – the next-generation of AI tools – represent a shift from tools that support work to systems that can increasingly plan, act, and execute across complex workflows.

These technologies reward speed, readiness, and strong digital foundations and they will amplify the gap between organisations that can scale quickly and those that cannot. Without decisive action, Europe faces a deeper divergence between a smaller group of advanced adopters while the broader economy risks being left behind entirely. In an era of compressed innovation cycles, this risk is no longer theoretical; uneven uptake of next-generation technologies will compound the two-tier AI economy identified in last year's report.

Awareness of agentic AI is increasing, but the gap between familiarity and deployment remains significant:

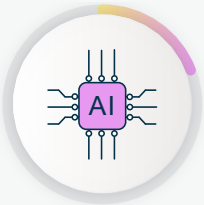
- Less than a quarter of businesses (**24%**) say they have heard of agentic AI.
- Of those who are familiar with the technology, only **3%** report that they have fully deployed agentic AI, while **10%** are experimenting or piloting the technology.
- When the technology was explained, a further **59%** say they have plans to use agentic AI or are considering it, while **17%** say they'd have no plans to adopt it.

However, businesses that **have** adopted agentic AI are already realising benefits across their operations. Of those who have adopted, the average business was already able to identify at least two clear benefits as a result of this adoption, showcasing the transformative potential of the technology.

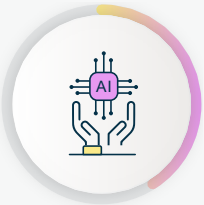
The specific benefits varied: **42%** report faster decision-making and execution, **32%** report increased operational efficiency or productivity, and **22%** report improved scalability of operations. We are at the early stages of agentic AI – as the technology advances and adoption and use increase, these benefits will compound over time and be realised through more transformative use cases. The

distance between early adopters and the rest of the economy is likely to widen.

While the potential is clear actual deployment of agentic AI remains concentrated among early movers. Among these early adopters, startups are once again disproportionately represented:



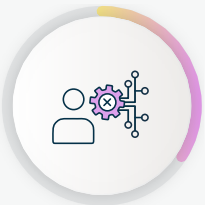
Only **19%** of businesses overall say they feel fully or very ready to adopt the next-generation AI technologies, such as agentic AI, physical AI, or advanced robotics – in contrast to the **78%** of startups who report they are ready. Midcaps[5] are also emerging in terms of next-generation AI readiness – they are twice as likely to be fully ready for next-generation AI than the national average.



41% of all businesses say they are only somewhat ready to adopt next-generation AI technology, and **33%** say they are slightly ready or not ready at all.

The challenges preventing next-generation AI adoption mirror the broader challenges holding back Europe's AI transformation and they are becoming more decisive as innovation cycles accelerate.

Unless these challenges are addressed, the next wave of AI is likely to deepen Europe's emerging digital divide:



34% of businesses cite skills shortages as a hurdle to adopting next-generation AI technologies, while **29%** cite insufficient internal financial resources.

22% cite legal uncertainty arising from AI and digital regulation, and a further **19%** cite regulatory complexity operating across borders.

These challenges have real, measurable consequences: they slow AI adoption, stall progress into advanced use cases, and leave many organisations unprepared for the next-generation of AI technologies:

Skill shortages

Those citing skills shortages are **35%** less likely to be at the advanced stage of AI adoption (**17%** vs **26%**) and **39%** less likely to report readiness for next-generation AI (**14%** vs **23%**).

Insufficient internal financial resources

Those citing insufficient internal financial resources are **41%** less likely to be advanced adopters (**16%** vs **27%**) and **46%** less likely to report readiness for next-generation AI (**13%** vs **24%**).

Legal uncertainty

Those citing legal uncertainty are **42%** less likely to be advanced adopters (**15%** vs **26%**) and **48%** less likely to report readiness for next-generation AI technologies (**12%** vs **23%**).

As next-generation AI moves from frontier innovation to mainstream deployment, the countries and companies that close this capability gap fastest will define the next era of innovation. In practice, this creates an uneven landscape: organisations with the strongest digital foundations will accelerate rapidly, while others fall behind.

Voices from the Industry: Mindflow

Europe's momentum in AI is real and growing fast. Breakthroughs are no longer arriving every few years, they are happening every day, reshaping what is possible for organisations. The next phase of Europe's competitiveness will be defined by who can convert innovation into measurable outcomes at scale – across businesses and borders. Success will belong to those who can deliver the fastest time-to-value, turning AI capability into operational impact in days rather than months, and driving sustained adoption.

At Mindflow, we see this shift firsthand. Our no-code agentic platform enables teams to automate everyday enterprise cybersecurity and IT workflows, keeping humans in control while AI systems execute complex tasks. Built on AWS with Amazon Bedrock, Mindflow gives organisations the flexibility to deploy powerful swarms of AI agents safely and securely in ways that match real operational needs.

Agentic AI is also changing the pace of execution. As AI moves from assisting people to acting alongside them, what once took months can now take days or even hours. This faster cycle is unlocking productivity, resilience, and innovation at levels we have never seen before, but only for organisations that can adopt and scale these technologies effectively. This acceleration not only enables users to refocus on activities that truly create value by automating repetitive and low-value tasks but also empowers them to accomplish what was previously impossible, unlocking new use cases and operational models that were out of reach without this level of automation and integration.

The organisations seeing real results with AI are not only investing in technology, but also talent and skills. Deploying systems that can act autonomously within business processes demands AI literacy across teams, strong operational foundations, and leaders who understand how to redesign workflows around human and agent collaboration. That's why lowering the barrier to entry is critical: those who know business processes best, often non-technical experts, must have the autonomy to automate and create agents themselves. By empowering these domain experts, organisations ensure that automation truly reflects operational realities and accelerates practical innovation.

Choice matters just as much. Innovation moves fastest when businesses can access the best technologies available, combine tools freely, and switch models as needs evolve. Open frameworks give organisations the ability to scale across regions, adapt to new risks, and keep up with rapid innovation cycles. When flexibility is limited, progress slows and competitiveness suffers.

Policymakers play a vital role in enabling safe innovation at speed, supporting cross-border scaling, and preserving technology choice. But organisations must also evolve. Embedding AI into daily operations and strengthening human-agent collaboration is essential to unlocking sustained productivity gains. Only then can Europe fully capture the productivity gains of agentic AI and translate innovation into sustained economic growth.

Paul-Arthur Jonville
CEO
Mindflow

Businesses are supported by choice and flexibility

European businesses, particularly startups and advanced AI adopters, are succeeding because they build within open, flexible technology landscapes that sustain an innovation flywheel. **92%** of European businesses report using providers from multiple regions. They cite access to broader functionality (**52%**), improved scalability, performance or integration (**49%**), competitive pricing or favourable commercial terms (**44%**), and strong data security and governance (**42%**) as key drivers of this decision.

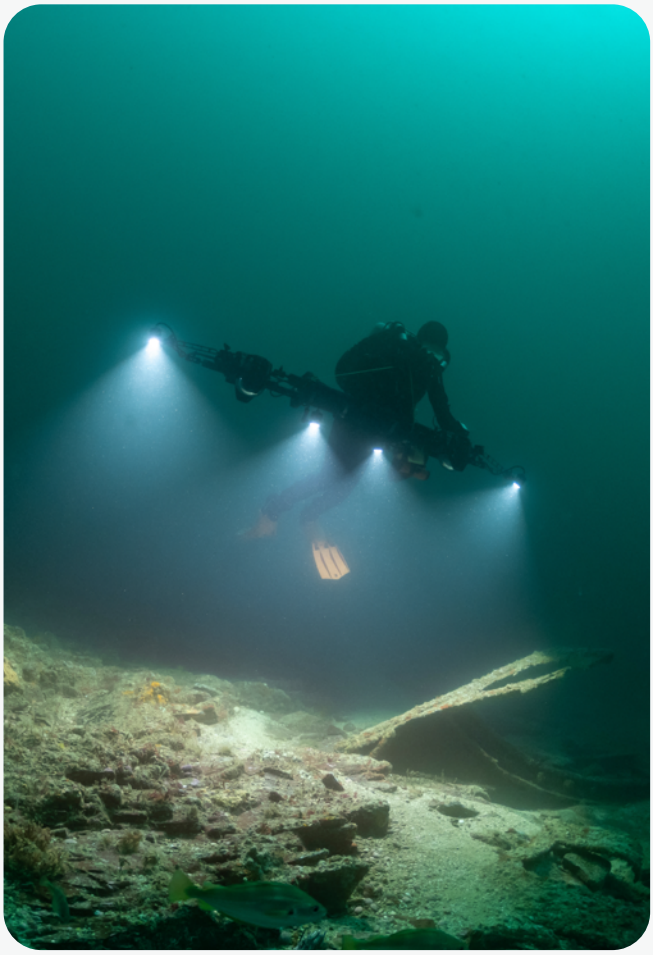
Access to global technology directly supports competitiveness. **82%** say it is important for AI adoption, **80%** for innovation, and **83%** for scaling quickly – rising to **87%** among advanced adopters. European startups, in particular, rely on this choice to iterate rapidly and compete internationally from day one.

European business competitiveness is grounded in capability: secure access to technologies that best meet their innovation needs, rapid deployment, security and resilience, and the ability to scale across borders without unnecessary friction. When policy reduces friction and preserves openness, it lowers the cost of innovation, accelerates commercial uptake, and expands geographic opportunities. Furthermore, by strengthening trust and certainty, responsibility itself becomes a driver of adoption, reinforcing the broader innovation cycle. That expansion drives reinvestment into new technologies and capabilities, reinforcing a virtuous innovation flywheel that compounds growth and strengthens Europe's competitive position over time.

For European companies, operating in compressed innovation cycles, speed and scalability are decisive advantages. Rather than prioritising the origin of technology, businesses focus on performance, integration, security, and commercial viability. Given the diversity of infrastructure, foundation models, and applications, no foundational model can meet every operational need. The ability to combine, adapt, and switch between technologies is therefore central to innovation.

Choice and openness are Europe's key competitive strengths. The ability of European businesses to build with the best technologies available, reflects a confident innovation landscape. It enables firms to remain agile, resilient, and globally competitive. Rather than constraining this flexibility, Europe should recognise and reinforce it – ensuring that policy frameworks preserve choice, reward capability, and support companies in scaling internationally from a European base. In an era defined by speed and technological convergence, maintaining choice will be central to sustaining Europe's long-term competitiveness.

Case study: XOCEAN

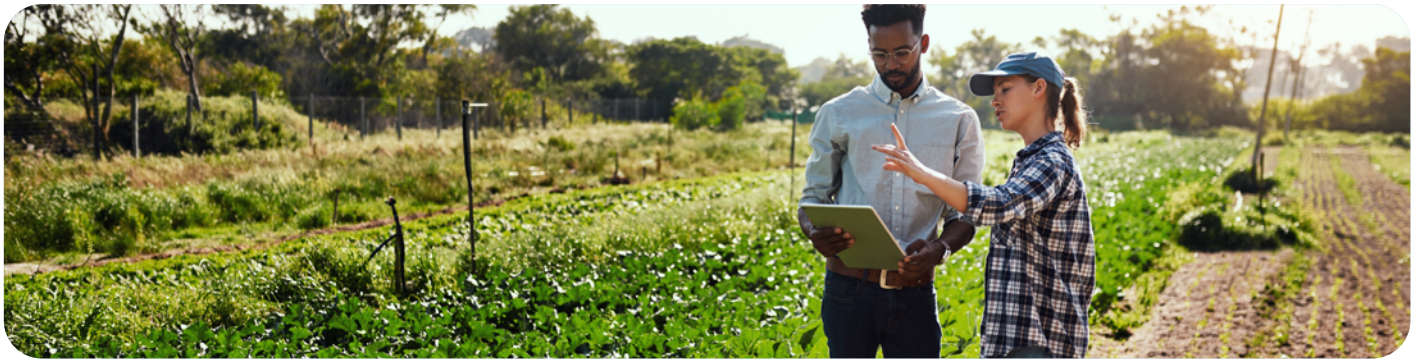


Most of our oceans remain unmapped, yet they hold the key to the planet's future. XOCEAN operates a global fleet of uncrewed, ultra-low emission vessels that collect critical ocean data across 23 jurisdictions for renewable energy projects. Powered by AWS, which enables real-time streaming of seabed data from vessels to the cloud for AI-driven processing and analysis, XOCEAN transforms how marine intelligence is captured and delivered. Having already supported over 48 GW of offshore wind development with the aim of reaching 100 GW this decade, XOCEAN has gathered more than 5.8 million gigabytes of ocean data while dramatically reducing emissions compared to traditional survey ships.

Over the next five years, XOCEAN's goal is to prevent the emission of one million tons of carbon while protecting fragile marine ecosystems. It's ocean science reimagined – cleaner, safer, and more accessible to all.

"Our model only works because we can operate seamlessly across jurisdictions, stream data globally in real time, and scale quickly. AWS enables that technical backbone. But as demand for offshore wind accelerates, European businesses must be empowered with the skills, funding and regulatory clarity needed to scale innovation at the pace the energy transition demands."

Charlotte Beechey
Head of Business Development
XOCEAN



Businesses face regulatory fragmentation, skills gaps, and limited financing

While interest in AI is high and adoption is accelerating, challenges threaten competitiveness. As outlined above, businesses face regulatory fragmentation, skills gaps, and limited financing.

Addressing Europe's AI opportunity demands tackling these underlying capabilities and the constraints that determine whether businesses can embed AI effectively, scale across borders, and compete globally:

1. Regulatory fragmentation and complexity

Europe's fragmented regulatory landscape constrains AI scaling. Businesses cite key challenges: fragmented regulatory requirements across countries (**41%**), limited support for cross-border testing and deployment (**36%**), and market fragmentation hindering customer access (**33%**). According to IMF analysis, remaining internal challenges within the Single Market, including regulatory and procedural frictions, are equivalent to a **110%** tariff on services, demonstrating how high these costs can be within the EU itself.

This suggests that Europe's simplification agenda is not yet translating into reality for businesses. Despite efforts to streamline rules and reduce burdens, many organisations still describe a landscape defined by divergence and uncertainty, where scaling across Europe feels closer to expanding into multiple separate markets than operating within one. As highlighted by Letta in his 2024 report, and reiterated in his contribution to this report, fragmentation of the Single Market and asymmetry between territories and legal and tax systems end up increasing difficulties and multiplying obstacles to productive activity.

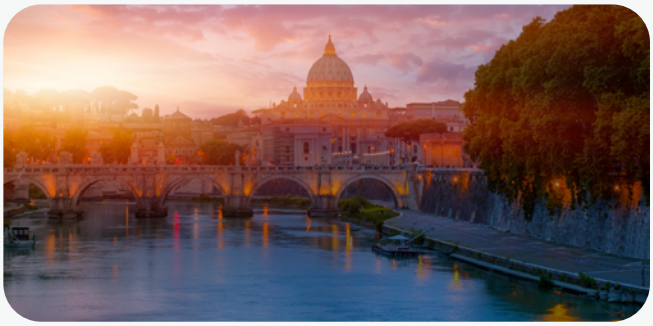
Fragmentation is both a policy issue and a practical challenge that directly affects speed, cost, and competitiveness.

This scaling friction compounds the broader compliance burden businesses already face as they navigate a lack of regulatory clarity across Europe:

- Businesses estimate that **42%** of their total tech spend goes towards compliance with national and international regulations, up from **40%** last year. When asked what makes up this **42%**, **50%** of businesses cite relationship management (e.g. keeping clear documentation, communicating with regulators, filling out forms and filing queries) with the responsible government authorities, followed by legal consultations or external advisory services (**44%**), and employee training on compliance requirements (**38%**).
- These burdens are felt equally regardless of company size. For SMEs and mid-sized businesses, the percentage was **42%** and **43%**, respectively, while for large enterprises, this figure stands at **41%**. This figure is highest among startups, at **44%**.
- **81%** say compliance costs have increased over the past three years, and **80%** expect these costs to rise further over the next three.
- To support their business's compliance and regulation efforts, **48%** currently have a dedicated team or function whose primary responsibility is AI governance and regulatory matters. This falls dramatically among startups, where just **9%** have a dedicated compliance team.

The urgency is real because competitors aren't waiting. Other regions are moving faster, investing more aggressively, and making it easier for companies to scale. Emerging tech hubs, such as Abu Dhabi's, are attracting some of the world's most exciting tech startups, offering high levels of funding and taking steps to boost investment and create new jobs. Singapore has announced a landmark investment of over SGD 1 billion into its National AI Research And Innovation Plan, intending to harness AI for economic growth, social good, and global competitiveness. U.S. productivity has grown more than seven times faster than in the Euro area since 2019. Every year Europe delays simplification is a year its businesses fall further behind.

Voices from the Industry: Enrico Letta



"There is a real urgency to this moment. We must succeed, and we must move quickly. But responsibility does not rest with European leaders alone. It also lies with all us – European citizens and citizens of the world – who want to see the European Union become more integrated and fulfil the missions outlined in this report."

Enrico Letta
Dean of the School of Politics, Economics and Global Affairs at IE University and Former Prime Minister of Italy

2. The digital skills gap

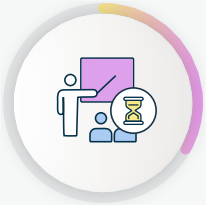
Skills shortages are the primary challenge to wider AI adoption in Europe, which can be overcome by concerted efforts by governments and businesses. Echoing findings from previous years, businesses do not lack interest in AI, but many lack the capacity to adopt it, whether due to shortages in AI-specific talent, limited workforce readiness, or insufficient internal budgets to invest in training with confidence.

Over half (**51%**) of businesses report that a shortage of AI and digital skills and a lack of current internal workforce capacity are preventing adoption or expansion of AI use, while three quarters (**75%**) of businesses report that their AI skillset requires improvement.

Businesses' self-assessments show a gap between current capability and expected future need. Only a minority report having a strong AI skillset today, yet expect these skills to be increasingly important:

Businesses expect AI skills to be important

81% of businesses expect AI skills to be important in their industry over the next five years. Businesses estimate that AI literacy will be important for over half (**53%**) of jobs.



Training has stalled

Citizen training has stalled – only **33%** report having undergone digital training.

Of these, **67%** used online courses, followed by self-study using online resources (**39%**), and on-the-job training (**36%**).

Reported hurdles to training include cost (**44%**), a lack of time (**34%**) and lack of information about the training available (**24%**).

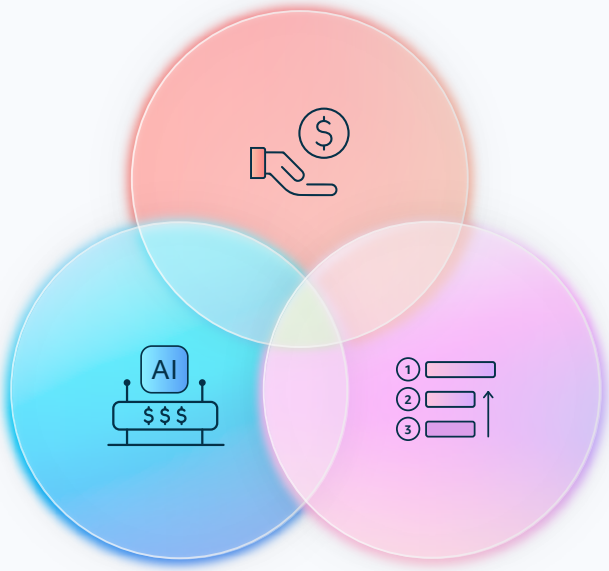
Hiring data reinforces the scale of the challenge. **35%** of businesses report difficulty attracting local talent with the required digital skills and, on average, businesses estimate it takes 6.8 months to find an employee with the right digital skills once a role is posted. AI skills are increasingly seen as a baseline requirement across roles, not only specialist positions.

The skills gap is already constraining Europe's competitiveness: **44%** of businesses say shortages of digital and tech talent are holding Europe back. Without sufficient capability to implement, govern, and scale AI, firms risk falling further behind as adoption accelerates, turning skills shortages into an economic and growth constraint.

3. Access to funding and investment

Access to finance remains a key constraint on AI adoption and scaling. While **89%** of businesses expect AI to account for a larger share of their IT spend over the coming years, many remain cautious in the near-term. They often lack dedicated AI budgets or allocate only a small share of IT spend to AI.

28% cite insufficient internal financial resources as a challenge to adopting or expanding AI and **43%** say they do not have a dedicated AI budget.



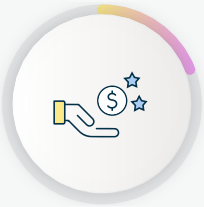
25% cite unclear ROI or an unclear business case as a hurdle. Uncertainty around benefits or use cases continues to delay investment.

However, among those businesses that have adopted AI, ***56%*** *report matching or exceeding their investment.*

30% say other business priorities take precedence over AI investment.

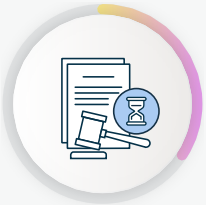
Businesses need greater investment - they report that limited external support and incentives (such as government funding, support for pilots and scale-ups, VC funding, or blended public-private financing) holds them back.

56% say government support – such as grants and tax incentives – is crucial or very important in their decision to adopt AI, down from **67%** last year.



A fifth (**20%**) also report a lack of incentive or external support to innovate.

Public sector demand could support wider diffusion, but procurement processes remain challenging:



34% of businesses cite complex or slow public procurement processes as a challenge to scaling AI solutions.

30% say opportunities to sell to the government are crucial or very important in their decision to adopt AI.

Limited support and incentives risk reinforcing a capability gap. Businesses with sufficient capital and skills are progressing faster, while others struggle to build the capacity required for transformation. Firms allocating a higher proportion of their budgets to AI are reporting faster innovation cycles and higher ROI. Without stronger incentives, particularly those that reduce risk and build confidence in investment, AI adoption may remain concentrated in experimentation rather than widespread transformation.

Case study: CareMates

In social care, time is the most valuable resource. CareMates is Germany's first AI-powered software for patient admissions, cutting admission time from five hours to one. Through digital forms, automated workflows and AI-generated documentation built on AWS infrastructure – including Amazon Bedrock for access to multiple foundation models – CareMates is able to deploy secure, privacy-compliant AI rapidly across hundreds of facilities, without having to manage its own infrastructure. CareMates is streamlining admissions at scale, returning thousands of hours to care professionals and directly addressing workforce shortages in one of Europe's most stretched sectors.

CareMates reflects Europe's strength in mission-driven entrepreneurship and illustrates how AI adoption can move beyond experimentation into operational transformation when there is clear, streamlined access to support and funding pathways for Europe's most innovative startups.

"For an early-stage company in healthcare, speed and trust are everything. Building on AWS meant we could launch quickly, meet data protection requirements, and focus our capital on improving our product, not managing infrastructure. With clearer funding pathways and simpler scaling conditions, startups like ours can deliver impact across Europe much faster."

Johannes Kiwi
Technical Lead and co-founder
CareMates

Voices from the Industry: Atomico

Europe's AI landscape is at a crossroads. The continent is producing world-class founders, research, and early-stage innovation at an unprecedented pace. Yet as this report makes clear, the challenge Europe now faces is not one of ideas or ambition, but of commitment and scale.

At Atomico, we work with founders across Europe who are building some of the most advanced AI companies in the world. What we see consistently is that Europe excels at creation but struggles with continuation: moving companies from early success to global leadership. This report makes clear that funding pathways are central to this challenge. While early-stage capital is increasingly available, the routes to sustained growth – such as late-stage funding and deep pools of scale capital – remain fragmented and uncertain.

This matters more than ever as AI innovation cycles compress. Companies building with advanced, agentic AI can iterate, deploy, and expand at unprecedented speed. In this environment, delays in funding, regulatory uncertainty, or barriers to cross-border scaling translate directly into lost momentum. For many of Europe's most promising startups, the decision to scale abroad is not ideological – it is pragmatic.

Europe's opportunity is significant. The continent has the talent, technical depth, and entrepreneurial energy to be the best place in the world to start, build and scale a company. But to realise that potential, Europe must strengthen the conditions that allow companies to grow where they are founded: clearer funding pathways, deeper capital markets, and a regulatory environment that rewards ambition rather than caution alone.

The future of European competitiveness will be shaped by whether its best companies can scale at home and whether Europe can match its strength in innovation with equal strength in growth.

Tom Wehmeier
Partner and Head of Intelligence
Atomico

European competitiveness at risk if these challenges are not addressed

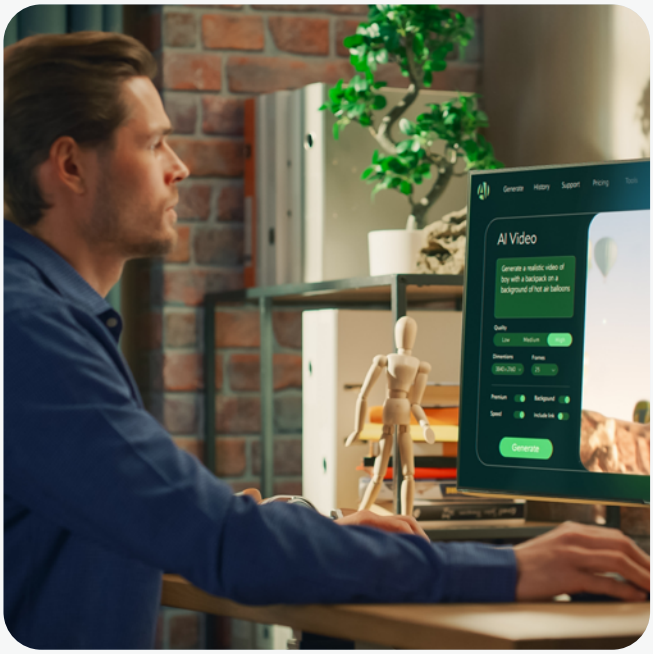
Europe has the right foundations for success: world-class research, deep sector expertise, and a growing base of AI innovation. **72%** of all businesses agree that Europe has the infrastructure and landscape needed to scale globally, while **55%** rate Europe as a competitive global hub for AI and innovation.

Europe does not lack ambition, but there are challenges preventing businesses from moving from experimentation to strategic reinvention. If these are not addressed, Europe will struggle to remain competitive on the global stage.

The burden is becoming increasingly visible. While businesses are investing **26%** more in AI in 2026 than the year before, an estimated **42%** of total tech spend is absorbed by compliance with national and international regulation. Without clearer, more proportionate policies that reduce fragmentation and reward ambition, Europe risks missing out on the transformative growth and productivity gains from AI that underpin long-term competitiveness. Meanwhile, a third of businesses cite the absence of incentives as a handbrake on investment, suggesting the right support is not available for many.

Europe must keep pace with global challengers in order to realise the opportunity of AI. Failing to do so, could have long-term implications - not just in economic terms (as much as **75%** of the difference in incomes between countries can be explained by the difference in the rate of adoption of productivity-enhancing technologies) but also in terms of the societal benefits that can be achieved when organisations harness the most transformative uses of AI.

Voices from the Industry: Synthesia



Over the past 18 months we've seen a fundamental shift in European businesses as they move AI from the edge of their organisations into the core. This report captures that shift clearly: **54%** of businesses now use AI, up from **42%** last year.

We see the same thing at Synthesia. Almost **90%** of the CAC 40 and DAX 40 use our platform, and we help more than half of the largest companies in other key European markets work better. From what we see, it is no longer a question of whether AI will matter, but how fast organisations can turn AI into a competitive advantage.

Paradoxically, while adoption is broader, meaningful integration is still surprisingly rare. Only **22%** of businesses are using advanced AI for transformative change, while most remain at basic or experimental stages. The technology is there and is the willingness, but often companies don't know how to deliver when AI becomes a board-level, strategic priority. The result - teams run pilots, prove value, and then stay small, waiting for clear top-down direction.

The reason for this is pretty simple. Businesses don't buy AI models, they buy outcomes. They want AI tools and services that plug directly into workflows and when that link from model to workflow to KPI is missing, AI stays stuck as a side project.

Interestingly, startups in Europe have already internalised this. We're seeing a new wave of AI-native companies that are globally competitive from day one. They build with AI at the centre of their product and operations, not as an add-on. They learn faster, they scale faster, and they're often the first to show what "AI-powered" can really mean..

Policymakers also increasingly understand that if we want a competitive European economy we have to protect and enable startups, not constrain them with regulatory complexity. When founders are asked what would make them stay, their answers are very practical: **26%** want a more predictable and stable tech policy environment and **22%** ask for clearer, more proportionate regulation.

Another related area of concern is the cost of this complexity. Businesses now estimate that **42%** of their total tech spend goes towards regulatory compliance. For European AI startups in particular this is simply unsustainable. When almost half of your tech budget is defensive, it's very hard to play offense.

At Synthesia, we've been advocating for simplification of European rules: smarter, clearer, more predictable regulation that builds on international standards. This protects people and values without wrapping innovation in red tape or relying on simplification short cuts like size based carve-outs that discourage both scale and investment in the long term.

My message to leaders reading this report is simple: treat AI as a core pillar of your strategy, not a side project. The choices we make now, on regulation, on capital, on how serious we are about adoption, will decide whether we're just observing how others use AI from the sidelines, or whether we're building the next generation of transformative technologies here, at home.

Victor Riparbelli
CEO
Synthesia

The startup challenge

The challenges to European competitiveness outlined in this report are experienced across company sizes and sectors. However, when considering Europe's prospects for the future, the impact on high-potential startups is particularly concerning.

Europe's AI startup landscape is one of the continent's strongest assets. However, these businesses are increasingly considering moving abroad as they find themselves at the confluence of the factors described above. **38%** of European startups say they would consider leaving Europe to scale their business. These companies are often the most advanced AI users and developers of the most innovative products and solutions.

Why they're considering leaving:

- **56%** cite greater availability of funding elsewhere
- **50%** cite faster ability to scale internationally
- **46%** cite better access to global markets
- **45%** cite lower operational costs
- **40%** cite more favourable or predictable regulation

Europe's startups are proudly European but have global ambitions. However, these practical challenges make it harder to take the next steps to go from a proven concept to becoming a global company from a European base. When asked what would convince them to stay, **65%** reported that more clear, more proportionate and stable regulatory environment that supports innovation would play a key role. **51%** cited greater availability of funding (both VC and growth funding and increased public funding), and **27%** reported faster ability to scale both within and without Europe.

What's at stake

Losing the next generation of European tech leaders

When a startup relocates, Europe doesn't just lose a company – it loses the jobs, the investments, the tax revenue, the supply chains, and the innovation spillovers that come with building a global champion. Perhaps most crucially, it loses the next generation of European AI leaders.

Scaling somewhere else

The risk is particularly acute because Europe's startup ecosystem is one of its strengths. The continent produces innovative founders, world-class research, and deep sector expertise. But if those founders can't scale at home, they'll scale somewhere else.

Innovative companies leaving

Europe is already facing a skills challenge – **45%** of businesses cite shortages of AI and digital skills as their greatest challenge to adoption. When innovative companies leave, they take their best talent with them, making that skills gap even worse.

For startups and high-growth firms in particular, these factors increase the likelihood that scaling internationally, including outside Europe, becomes the fastest and most commercially viable route. This reflects a reality that fragmentation means entering a new European market is substantially the same experience as entering a non-European market for many businesses. There is, for example, no automatic entry point to access all 450 million EU consumers, but instead a painstaking process of navigating an additional 26 separate systems.

If Europe's challenges drive high-potential companies to relocate, it loses those very AI leaders with the potential to drive the continent's ambition. This risks compounding a competitiveness gap and leaving Europe ever further behind global competition. This is why Europe must act now to address these challenges and make the most of its strengths.

Case study: Iktos

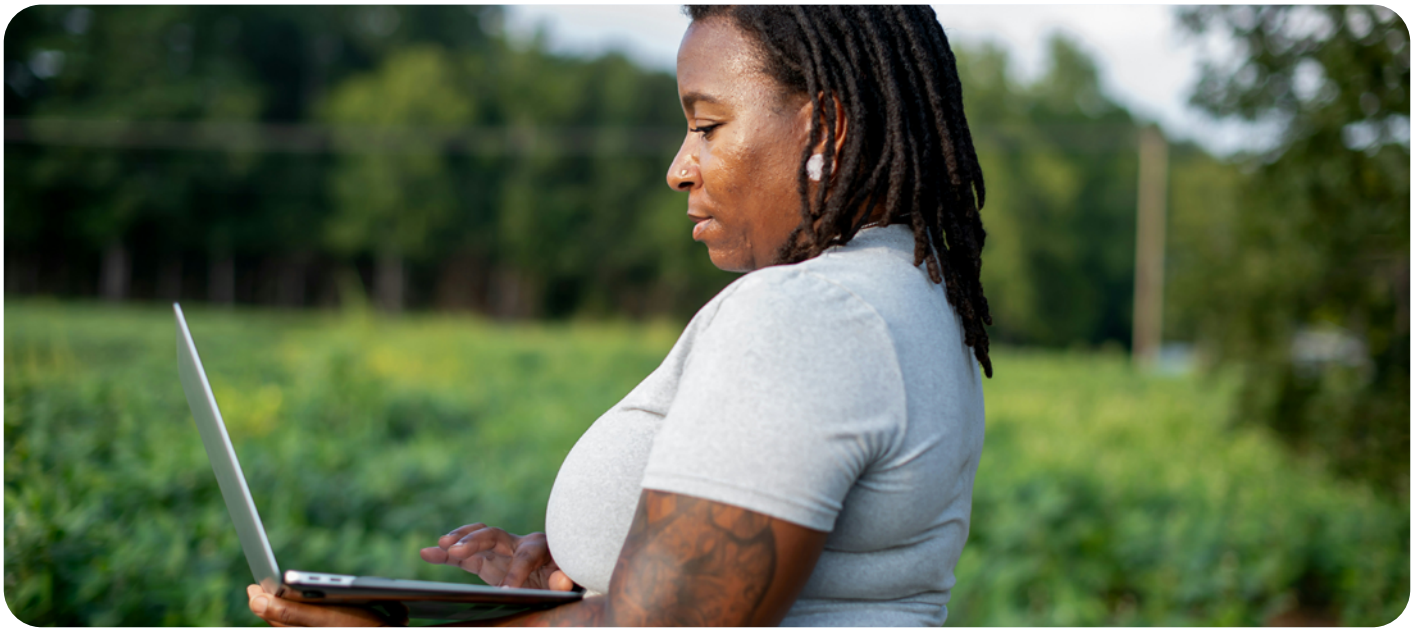
Drug discovery once took years, but now it can take months. Iktos combines AI and automated laboratory robotics to help design and make molecules faster than ever before and identify promising drug candidates that traditional methods would miss. Built on AWS, which gives the team the secure computing capacity needed to power its AI and manage vast amounts of research data, its platform halves development timelines and improves success rates, helping scientists bring new treatments to patients sooner. Iktos brings new hope to the 400 million people worldwide living with rare diseases and millions more impacted by cancer – one precisely engineered molecule at a time.

Europe has long been a leader in life sciences research, but scaling biotech innovation increasingly depends on access to advanced computing, specialist AI talent, and deep pools of growth capital. Iktos has attracted venture funding from leading European and international investors, reflecting confidence in Europe's AI-biotech convergence. Yet as with many high-growth AI companies, access to late-stage scale capital and global market pathways remains decisive.

Iktos demonstrates how European companies can succeed from a European base, combining scientific excellence, advanced AI adoption and global ambition to tackle some of the world's most pressing health challenges.

"Europe has world-class science and AI talent, and we believe it can also be the best place to build and scale the next generation of biotech companies with the right conditions in place. With AWS providing the secure computing capacity behind our platform, we can compete at the frontier of AI-driven biotech."

Nicolas Do Huu
CTIO and co-founder
Iktos



Recommendations: Turning Europe's AI momentum into global leadership

Europe stands at a pivotal moment in its AI journey. Adoption is accelerating across businesses and citizens alike, yet too few organisations are progressing beyond basic experimentation into the advanced, transformative use of AI that drives productivity, innovation, and global competitiveness.

The next phase of the AI era will be led by countries and regions that remove challenges to adoption fastest, scale innovation most effectively, and enable businesses to deploy advanced AI securely and confidently across their entire economy.

To convert Europe's strong foundations into sustained leadership, policymakers must now focus on a new growth agenda for AI - one that prioritises speed, security and safety, scale, skills, and market integration.

The following three priority recommendations outline the enabling policies required to accelerate AI adoption, close the emerging digital divide, and position Europe as a global AI powerhouse.

1. Make the public sector Europe's flagship AI adopter

Governments can accelerate AI diffusion, build trust, and unlock large productivity gains - yet legacy systems currently hold adoption back. Public sector transformation is one of Europe's most powerful untapped AI accelerators.

Deploy AI across public services: Systematically integrate AI to reduce administrative burdens, improve service delivery, and enable predictive, data-driven decision-making. This works to drive trust in these technologies and broader diffusion of the technology – **68%** of businesses say they are most likely to increase their AI adoption when the public sector leads.

Harmonise international standards and digital public services across Member States: Create common data standards, interoperable platforms, and shared digital identities so AI-enabled public services can operate seamlessly across borders - enabling cross-country innovation and improving citizen experience. Alignment with international standards should be prioritised to ensure interoperability between Europe and to strengthen the competitiveness of European firms. This should build on existing EU initiatives, including eIDAS, the European Digital Identity Wallet, and the Interoperable Europe Act, and ensure they are supported by adequate resources, including IT solutions and sustained investment that allow public administrations to fully harness the benefits of AI at scale, while ensuring high levels of data protection.

Share scalable AI solutions across Europe: Europe needs a repository for proven public-sector AI tools that allows governments to reuse, adapt, and rapidly deploy high-impact solutions instead of rebuilding from scratch. This approach would accelerate transformation across member states while dramatically reducing costs and eliminating redundant development efforts.

Accelerate both public and private sector adoption through streamlined procurement: Digitise, accelerate, and simplify public procurement processes so startups, scale-ups, and digital SMEs can deploy AI solutions across public services rapidly. Open, competitive procurement creates early demand and real-world validation for European innovators — transforming public sector contracts into a genuine launch pad for scaling across markets, rather than a closed shop for incumbent champions. This approach builds market momentum while ensuring governments access the best solutions available.

- Research shows many digital SMEs remain on the sidelines of public procurement – **43%** never participate and almost half have dropped out mid-tender. Rectifying this could generate €117 billion in gross value added (GVA) and create 1.8 million SME jobs.

Impact: Faster and improved service delivery, reduced public sector costs, stronger citizen trust, and large-scale market demand for AI innovation.

2. Incentivise investment in AI technologies

Europe will not achieve economy-wide AI transformation without stronger investment signals and simpler growth conditions. Fragmented regulation, complex compliance requirements, and limited access to scale capital continue to delay deployment and deter expansion. To accelerate AI investment, regulatory clarity and access to finance must improve in tandem.

Replace growth cliffs with growth pathways: Unlock the potential of the digital single market by simplifying digital regulations to reduce compliance costs, removing overlapping requirements and ensuring harmonised enforcement. Reform size-based regulatory thresholds that discourage firms from scaling AI solutions and receiving investment, and promote data free flows with trust to promote digital cooperation and development.

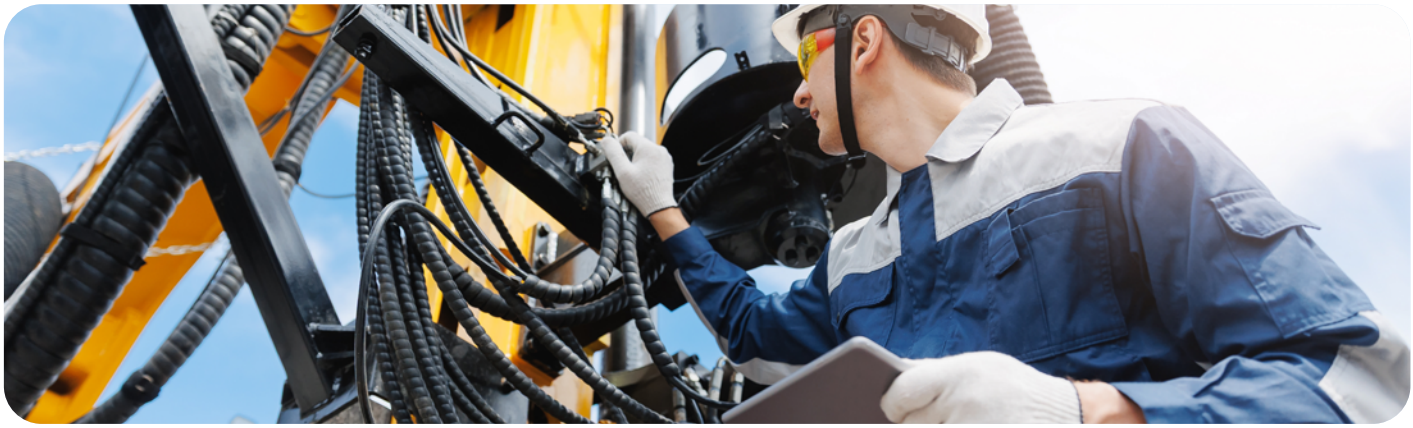
Reward companies scaling globally from Europe: Introduce government incentives, faster procedures for infrastructure development, including for grid connection and permitting, and growth credits tied directly to AI investment, workforce expansion, and cross-border scaling.

Create frictionless growth capital for AI scale-ups: Standardise investment frameworks across Member States to unlock cross-border venture and growth funding for AI-driven companies.

Encourage increased collaboration between government and business to improve access: Europe can harness public-private partnerships to provide early-stage startups with credits for key services, support industry-specific growth programmes, and help scale-ups build investor networks.

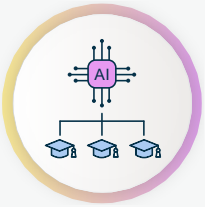
Simplify and speed access to EU digital and innovation funds: European businesses consistently cite funding complexity, slow approval processes, and fragmented programme structures as challenges to moving from AI experimentation to full-scale transformation.

Impact: Stronger investment flows, lower compliance costs, faster commercialisation of AI innovation, and improved investor confidence in Europe as a unified digital market.

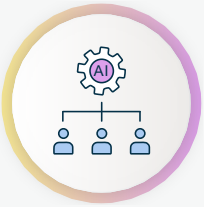


3. Build AI readiness

Increasingly, the greatest constraint on advanced AI adoption is capability rather than access to technology. Without AI-literate leadership, technical expertise, and workforce readiness, businesses remain limited to low-impact use cases. Additionally, businesses should carefully develop their AI strategy and data governance with an approach of "responsible by design", to ensure they are using the technology to its full potential, safely, and securely. In the AI economy, skills and organisational capability are prerequisites for advanced use. Given only a quarter (**24%**) of businesses have a responsible AI strategy or framework in place, businesses must be supported to put responsible AI at the heart of their adoption.



Embed AI literacy across education systems: Europe must integrate applied AI skills, responsible AI literacy, and data competencies into educational curricula or risk widening the already existing digital skills gap.



Accelerate AI workforce development: Public-private partnerships for training can rapidly upskill both current employees and those new to the industry in AI deployment, governance, cybersecurity, and automation. Through accessible training and certifications public institutions and the private sector can work together to create pathways into tech careers while addressing the immediate skills shortages businesses face.

Target SME capability building: Support applied training and advisory services to help small and medium-sized businesses adopt advanced AI systems. Targeted programmes should provide hands-on guidance for deploying AI in operations, customer service, and product development — ensuring business transformation extends beyond large enterprises to drive broader economic impact.

Strengthen business readiness to scale: Support organisational capability with dedicated funds to support AI readiness (development of AI strategies, responsible AI governance, and data governance frameworks). Build government capacity and support the development of the internal expertise required for economy-wide AI integration.

Impact: A workforce and business base capable of deploying AI at scale, faster productivity growth and business transformation, and broader diffusion of advanced AI across the economy.

Conclusion

AI is moving faster than any previous wave of technological change. Europe's adoption is rising, but impact is not spreading quickly enough, and the gap between early movers and the wider economy is becoming harder to close.

This research demonstrates that Europe can move faster by building on the strong foundation it already has: world-class research institutions, a highly skilled workforce, and established, secure cloud infrastructure right here in Europe.

Europe does not lack compute power, talent, ideas, or innovation. What it lacks – and what now defines global leadership – is speed of adoption, scale of deployment, and simplicity of regulations and execution.

Europe's past successes – from its global leadership in civil aerospace through Airbus, to Germany's automotive innovation, to France's leadership in healthcare innovation, to Switzerland's innovation in life sciences – show what happens when the continent scales what it's already good at. The same principle applies to AI: with the right focus and partnerships, Europe can lead the world in responsible and innovative AI development.

AI is reshaping competitiveness faster than any technological wave in history. The economies that remove friction, attract investment, and enable advanced adoption will define the next generation of innovation.

But Europe must act with urgency. The choice is clear: build an enabling policy environment for AI at scale now and support businesses to grow, or risk losing the next generation of global champions.

Appendix

Glossary of Terms:

- **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.
- **Large enterprise:** A large enterprise (also referred to as a large business or established enterprise) is a business with 500 or more employees, founded 10 years ago or more.
- **Mid-sized business /Midcap:** A business with 250-499 employees.
- **SME:** A business with fewer than 250 employees.
- **Experienced AI adopters:** Businesses that reported having adopted AI 3+ years ago.
- **Three stages of AI adoption:** A framework used in this report to describe the maturity of AI use within organisations, ranging from basic efficiency-driven applications to advanced, transformative integration across core operations.
  - **Basic AI adoption:** These businesses are using AI primarily for incremental improvements such as efficiency gains and process streamlining rather than for innovation. They rely on publicly available chatbots for routine tasks or purchasing ready-made AI solutions.
  - **Intermediate state of AI adoption:** In these firms, AI is supporting a more innovative customer experience alongside operational efficiency.
  - **Advanced use of AI:** These firms are integrating the most advanced uses cases of AI, combining multiple models, developing custom AI solutions, or using agentic and autonomous AI. At this stage, businesses are rapidly innovating with AI and, in turn, disrupting their industry.
- **Next-generation technologies:** Next-generation technology refers to emerging, advanced innovations — such as agentic AI and edge AI — that significantly expand capabilities, autonomy, and performance beyond current mainstream systems.
- **Two-tier AI economy:** A situation in which a small group of advanced AI adopters, especially startups, are surging ahead to capitalise on the opportunity of AI and its most advanced use cases, while the wider economy remains concentrated in basic AI adoption.
- **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.
- **AI readiness:** A measure of how prepared a business is to adopt advanced and next-generation AI technologies, considering skills, infrastructure, governance, and financial capacity.
- **Digital skills gap:** The mismatch between the digital and AI-related skills businesses 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.

For each market:

- We conducted a survey targeting 1,000 nationally representative members of the public – representative by age, gender, and NUTS 1 region.
- Additionally, we surveyed 1,000 business leaders, representative by their business size, sector, and NUTS 1 region. To ensure representativeness, we weighted our sample such that **94%** were SMEs, **4%** were mid-caps, and **2%** were large enterprises.

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 a 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.
- **Challenges 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.

Markets:

The markets surveyed were Belgium, the Czech Republic, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, and the UK. Across all these markets, we have surveyed a total of 34,000 respondents, consisting of 17,000 consumers and 17,000 business leaders.

References

1. See glossary of terms
2. See glossary of terms
3. Methodology, Unlocking Europe's AI Potential 2024
4. See glossary of terms
5. See glossary of terms