



UNLOCKING GERMANY'S AI POTENTIAL 2026

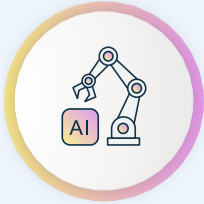
The next wave of AI is here

AI adoption in Germany is rising and already delivering measurable business impact. Today, **63%** of German businesses have adopted AI, up from **53%** last year, while **68%** identify AI as a top or high strategic priority. Among adopters, **83%** report productivity gains and **91%** expect AI to increase their growth in the year ahead, highlighting the technology's growing role in driving innovation and competitiveness across the German economy.

While this momentum is strong, the next phase of adoption presents a critical opportunity for Germany to unlock greater value. Currently, only **15%** of AI-adopting businesses have reached advanced, transformative use cases. Building on this foundation, Germany is well-positioned to accelerate progress, but at the current pace, too many firms risk remaining at basic stages of adoption, limiting the broader economic impact of AI.

As next-generation AI compresses innovation timelines globally, Germany faces a pivotal choice: translate adoption into broad-based transformation, or risk a two-tier future in which only a small group of firms, sectors, and regions capture the full benefits. In such a scenario, high-potential startups may increasingly look abroad for the capital, scale, and market access they need to grow.

At the same time, the next wave of AI – including agentic systems, advanced automation, robotics (programmable machines capable of carrying out physical tasks autonomously or semi-autonomously), and physical AI (systems that can perceive, interpret, and interact with the real world through sensors) – is arriving faster than many organisations are prepared for. Awareness remains limited, deployment remains rare, and readiness is uneven. Without action, these technologies risk widening the gap between firms that can move at speed and those that cannot.



For Germany, this next wave of AI is particularly significant. With its strong industrial base, engineering expertise, and advanced manufacturing capabilities, the country is uniquely positioned to lead in areas such as industrial and physical AI. Yet many businesses have not yet built the capabilities needed to take advantage of these technologies, creating a gap between potential and readiness.

At the same time, businesses are clear that competitiveness must guide the path forward. While investment in European infrastructure can strengthen research, skills, and strategic capacity, there is limited appetite for approaches that increase costs without delivering clear performance or innovation benefits. In a fast-moving global AI landscape, access to the best technologies and the ability to scale quickly remain critical to success.

Germany's opportunity is therefore clear: to convert strong adoption momentum into a truly national AI transformation – spreading innovation across sectors and regions, while strengthening the landscape that enables businesses to scale, compete globally, and lead in the next wave of AI.

Key findings at a glance

- AI adoption in Germany is continuing to increase, with **63%** of businesses having adopted AI, up from **53%** last year. This is a growth rate of **19%**, compared to **47%** [last year](#) – indicating that Germany's adoption curve is maturing as the country approaches broader saturation. Germany significantly leads the European average of **54%**, maintaining its position as one of the continent's leading adopters of AI.
- Among AI adopters, **83%** report productivity gains from AI, and **91%** say that they expect AI to increase their growth in the next year.
- However, true transformation with AI is lagging behind: Only **15%** of businesses using AI are applying it to advanced, transformative use cases – down from **21%** last year. This decline is driven by a surge in adoption, but many organisations have yet to translate that uptake into more sophisticated, high-impact applications.
- Cloud adoption is strong across Germany: **87%** of businesses have adopted cloud technologies, up from **79%** last year, representing **10%** year-on-year growth. Germany's cloud maturity, well above the European average of **68%**, continues to underpin its AI readiness.
- **68%** say AI adoption is a top or high priority, while **72%** say AI plays a critical or important role in their overall business strategy.
- Next-gen AI technologies are emerging rapidly and compressing innovation timeline: **79%** of businesses report an accelerated innovation timeline; however, only **21%** of businesses say they feel fully or very ready to adopt next-generation AI technologies such as agentic AI.



Adoption accelerates, but remains shallow in many places

While AI adoption across Germany continues to climb, celebrating uptake figures alone risks masking an underlying trend. Looking more deeply into how businesses are implementing AI, from initial experimentation to full transformation, we see that most organisations remain at basic levels of AI adoption and are not yet innovating with the technology.

Basic adoption:

57% of businesses remain focused primarily on more basic uses of AI and are focused on incremental gains (e.g. driving efficiencies and streamlining processes), rather than innovation (e.g. developing new products or disrupting industries). These businesses are using publicly available chatbots for routine tasks or purchasing ready-made AI solutions. This represents a modest decrease from **59%** last year, a sign of progress toward transformative AI innovation, though the pace remains slower than the innovation cycle demands.

Intermediate adoption:

28% have advanced to the intermediate stage of AI adoption. These companies are integrating AI across multiple business functions, resulting in efficiency improvements and more innovative customer experiences.

Transformative adoption:

15% of businesses have reached the most transformative stage of AI integration, using advanced AI systems, combining multiple models, creating custom AI systems, or deploying agentic or autonomous AI. This is down from **21%** last year – a notable decline that reflects a dual dynamic: a surge in new adopters entering at more basic stages of AI use, alongside earlier adopters failing to progress to more advanced, transformative applications. This transformative stage is where the real productivity value concentrates and drives growth and competitiveness. Transformational AI is not only about doing existing work faster; it enables new products and services, new routes to market, and new operating models.

This progression toward advanced use cases is not keeping pace with the underlying momentum of AI uptake. Germany's rate of advanced adoption, **15%** of AI-adopting businesses, leaves it meaningfully behind the overall figure for Europe (**22%**), and the year-on-year decline is particularly concerning given the rapid emergence of next-generation AI capabilities. While AI uptake is rising, too many businesses are still only scratching the surface of the technology's potential.

This poses a core competitiveness challenge. As innovation cycles compress and next-gen AI emerges rapidly, the ability to deploy advanced AI safely and at scale becomes a key differentiator. In practice, this means moving beyond isolated pilots toward AI that is embedded into core systems, supported by high-quality data, strong governance, and AI-ready talent. Without deliberate action to support businesses in their progression toward advanced AI use, the gap between pioneering businesses and other players will continue to widen – limiting the translation of rising adoption into large-scale productivity gains and sustainable economic transformation. It is more critical than ever that German businesses be empowered to move beyond AI's most basic use cases and harness the technology for transformative innovation.

Case study: ETERNO is transforming outpatient care with agentic AI



German healthtech scale-up [ETERNO](#) is reimagining outpatient care by embedding AI directly into clinical workflows. Founded to address the growing pressure on healthcare systems, the company has developed “Leni,” a suite of agentic care assistants that supports doctors across more than 15 medical fields, helping them process complex patient data and improve the quality of care.

In practice, ETERNO's AI agents automate time-intensive tasks such as summarising medical records, taking patient calls and identifying patients for preventative measures. What would typically take lots of administrative work can now be done in seconds, giving doctors and patients a better experience. This is particularly valuable in a system where practitioners often have only a few minutes per consultation.

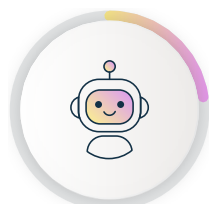
To deliver this at scale while maintaining the highest standards of data security, ETERNO is running its infrastructure stack on AWS. AWS enables the company to develop and deploy advanced AI tools in a highly regulated environment, supporting innovation while ensuring patient data remains protected.

By combining medical expertise with agentic AI, ETERNO is not only improving efficiency: it is helping to redefine how care is delivered, bringing healthcare systems closer to a more scalable, data-driven future.

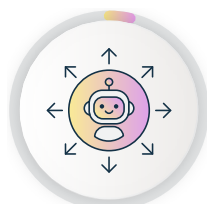
The next wave of AI may widen the divide if businesses remain unprepared

Next-generation AI technologies, such as agentic AI, physical AI, and advanced robotics, will play a defining role in the next phase of AI-driven innovation. These technologies move beyond traditional AI tools by enabling systems to plan, reason, and take actions autonomously across complex tasks. As these capabilities mature, they have the potential to reshape industries, accelerate innovation cycles, and unlock entirely new business models.

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



Less than a quarter of organisations (**22%**) say they have heard of agentic AI.



Of those who are familiar with the technology, only **4%** report that they have fully deployed agentic AI, while **12%** are experimenting or piloting the technology.



When the technology was explained, a further **57%** say they have plans to use agentic AI or are considering it, while **19%** say they would have no plans to adopt it.

Physical AI, an important emerging innovation for Germany's industrial base, sees slightly lower levels of familiarity, with only **16%** of businesses indicating they are familiar with the technology. Physical AI refers to AI systems embedded in machines and environments that can sense, interpret, and act in the physical world, such as in robotics, manufacturing systems, and industrial automation.

Given Germany's strength in engineering and advanced manufacturing, physical AI is poised to become a critical tool for improving productivity, enabling smarter factories, and maintaining industrial competitiveness. Yet current awareness levels suggest many businesses risk missing this opportunity.

The majority of businesses do not yet feel ready to adopt these emerging technologies, reinforcing the gap between interest and capability. Startups, however, stand out as a clear exception:

- Only **21%** of businesses say they feel fully or very ready to adopt next-generation AI technologies such as agentic AI — contrasted by the **81%** of startups who report they are ready.
- **39%** of all businesses say they are only somewhat ready, and **34%** say they are slightly ready or not ready at all.

Those that have adopted agentic AI are already realising tangible benefits across their business, with the average adopter able to name at least two clear gains. Most commonly, **45%** report faster decision-making and execution, **35%** report increased operational efficiency or productivity, and **24%** report improved scalability of operations. These benefits also translate into stronger performance indicators overall:



92% of agentic AI adopters report productivity gains from AI, compared to **83%** across all AI users



96% expect an increase in growth thanks to AI adoption, compared to **91%** of all AI users



48% report that AI adoption has led to an increase in revenue, compared to **34%** of all AI users.

This points to agentic AI not simply as an incremental upgrade, but as a meaningful accelerator of business outcomes for those ready to deploy it.

Despite these benefits, businesses point to persistent constraints that prevent them from moving from shallow adoption to deeper transformation, and from readiness to real deployment. **37%** cite skills shortages as a barrier to adopting next-generation AI technologies, while **31%** cite insufficient internal financial resources. A further **25%** cite legal uncertainty arising from AI and digital regulation, and **21%** cite regulatory complexity operating across borders.

Unless these barriers are addressed, the next wave of AI innovation risks deepening Germany's uneven AI adoption – where a small group of early adopters rapidly deploy advanced capabilities while the majority of organisations remain in earlier stages of experimentation. Germany now faces a narrowing window to act. Businesses that have not yet embedded generative AI into their core operations will struggle to leapfrog directly into more complex, next-generation systems such as agentic AI and autonomous robotics. Without foundational capabilities, talent, and infrastructure in place today, future adoption becomes not just harder, but slower and more costly, locking many firms out of the productivity gains already being realised by early adopters. This is why targeted support is urgent: to ensure that lagging businesses can build the baseline capabilities required now, rather than being left permanently behind as the next wave of AI accelerates.

Case study: NEURA Robotics is scaling Physical AI from Europe to the world



[NEURA Robotics](#), a Germany-based pioneer in cognitive robotics, is at the forefront of developing Physical AI – intelligent machines that can perceive, reason, and act alongside humans in real-world environments. Founded in 2019, the company is building a new generation of robots capable of learning from experience and adapting to complex, dynamic settings across industries.

At the core of NEURA's approach is the "Neuraverse," a platform that enables robots to continuously learn by combining real-world data with high-fidelity simulation. Through purpose-built training environments, known as NEURA Gym, robots are trained to perform complex tasks, accelerating the development of autonomous capabilities. A key challenge in Physical AI is access to sufficient real-world data, and NEURA's platform is designed to address this gap by enabling shared intelligence across robot fleets.

To scale this vision globally, NEURA has partnered with AWS, which provides the cloud infrastructure underpinning the Neuraverse. By integrating with services such as Amazon SageMaker, NEURA can accelerate AI training pipelines and deploy robotic intelligence at scale, while also exploring real-world applications in environments such as logistics and fulfilment operations.

By combining European robotics innovation with global cloud infrastructure, NEURA is helping to move Physical AI from experimentation to deployment – laying the foundations for a new generation of intelligent machines operating at scale.



Germany risks losing its startup leaders

Even as startups lead the charge on not just adopting, but integrating AI, this widening gap is now beginning to reshape Germany's ability to retain these advanced innovators. The high-potential AI startups that Germany incubates are growing fast, and as they do so, they are running quickly into scaling constraints. The faster a startup moves, the sooner it encounters such barriers that raise the cost of growth. This raises a question about whether these Germany-founded startups can scale at home, or whether they will be forced to look abroad for better growth conditions and incentives.

The priority is therefore to turn Germany into an environment where scaling is as straightforward as starting.

As highlighted in last year's report, Germany's AI startup landscape is one of its strongest assets – one that needs to be nurtured. Startups continue to emerge as key leaders in Germany, yet founder flight is no longer a distant concern, but a real and growing risk. A significant share of startups report that they would consider relocating in pursuit of faster scaling, greater access to capital, and deeper global markets.

A substantial share of startups indicate openness to relocating to secure faster growth:



42% of German startups say they would consider leaving Europe to scale their business – compared to **38%** across Europe.



33% say they would not consider leaving, while **25%** are unsure.

When asked why they would consider leaving Europe, startups consistently point to their ability to grow and scale. While technologies such as cloud computing work to reduce the technical barriers to scaling internationally, founders highlight that broader commercial and regulatory frictions continue to slow their expansion. The top five reasons are:

1. Greater availability of funding is the most common driver, cited by **59%**.
2. Faster ability to scale internationally is cited by **52%**.
3. Better access to global markets is cited by **48%**.
4. Lower operational costs are cited by **43%**.
5. More favourable or predictable regulation is cited by **41%**.

These findings reinforce a central theme of this year's report: in an accelerated innovation cycle, the global race is increasingly shaped by speed – and founders will follow the pathways that reduce friction and shorten time-to-market.

Startups currently face high barriers when trying to scale – a key reason as indicated above why they would consider leaving. Startups say that the biggest barriers preventing their scaling are limited access to funding or investment (**56%**), difficulty hiring the talent they need (**49%**), and fragmented rules or inconsistent requirements between countries (**43%**).

When asked what would support their scaling, they report that the most important factors are:



More accessible venture capital and funding options (**61%**)



Enhanced technology-specific educational programmes and a larger talent pool (**52%**)



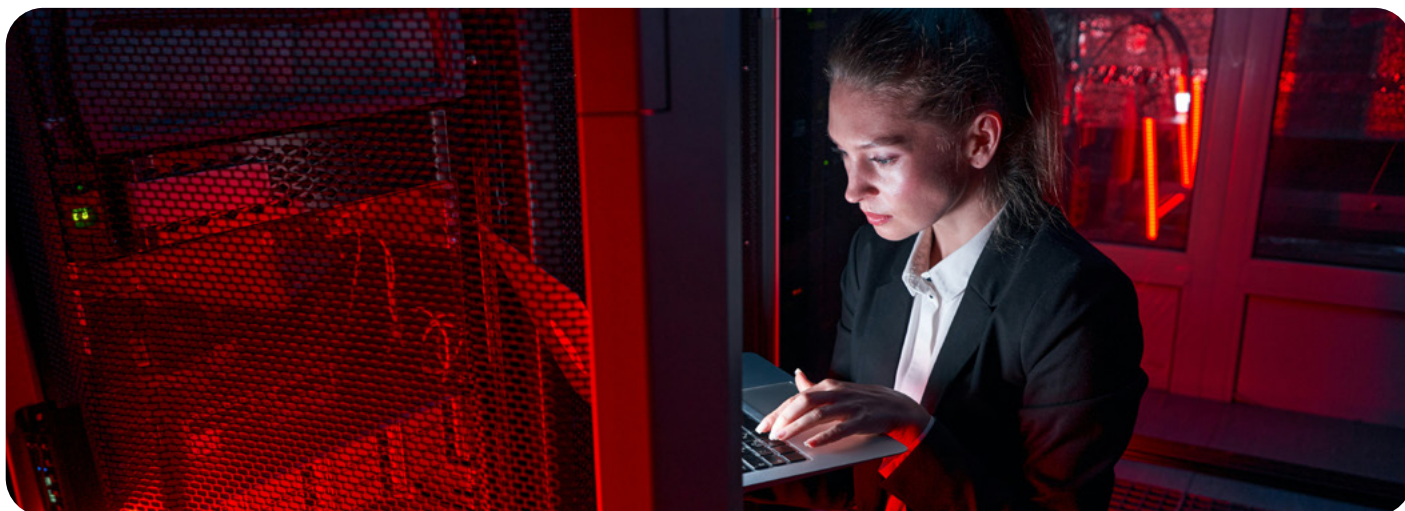
More supportive tax incentives for R&D and innovation (**47%**)

Founder flight is not inevitable. Startups are clear about what would make Europe a more attractive environment for scaling. Among startups that say they wouldn't consider relocating, the following factors emerge as the top reasons for them to stay:

1. Strong access to European customers and markets (**62%**).
2. Strong ties to local ecosystems – partners, universities, accelerators (**55%**).
3. The availability of venture and growth funding (**53%**).
4. A predictable and stable policy environment (**49%**).
5. Favourable or well-understood regulatory environments (**44%**).

These levers align with a broader competitiveness agenda: a great place not only to start a business, but also to scale one.





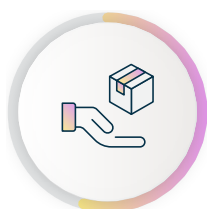
Businesses value choice and flexibility in the AI and cloud landscape

When businesses consider what matters most for their technology use, flexibility and access to the right tools emerge as key priorities. In a rapidly evolving technological environment, companies report that accessing best-in-class tools and services is central to maintaining competitiveness.

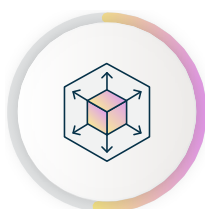
Businesses across Germany consistently emphasise the importance of access to global technology providers, particularly as they seek to innovate and scale beyond domestic markets. **84%** of businesses say access to global technology companies is important for their adoption of AI – including both current AI users and those who are still considering its use – while **82%** say such access is important for innovation, and **85%** say it is important for enabling them to scale quickly. These findings reflect the increasingly global nature of the digital economy, where AI capabilities are often developed across international landscapes.

When selecting tools and technologies, businesses consistently report that their priorities are speed, scalability, resilience, security, and the ability to make the right technology choices based on customer needs. In practice, this means organisations prioritise solutions that meet the needs of their customers and support rapid growth, rather than focusing primarily on the geographic origin of a technology provider.

As a result, companies typically combine services from multiple technology providers, regardless of base. Businesses select services and tools based on capability, performance, and compatibility with existing systems. **91%** of German businesses report that they currently use a mix of providers from different regions, rather than working primarily with providers from their home country, broadly in line with the **92%** recorded across Europe. For businesses that use technology from providers based outside their home country, the top reasons are:



A wider range of features
or product offerings (**54%**)



Better scalability, performance,
or integration options (**51%**)



Competitive pricing or favourable
commercial terms (**46%**)

This choice matters. **94%** of German businesses say they have adequate choice to select and switch between different providers of AI technologies, notably above the European average of **83%**. **89%** say having this ability to choose and switch is extremely or very important to supporting their adoption of AI, compared to **92%** across Europe. Together, these figures suggest that Germany's AI-adopting businesses currently benefit from a competitive and open provider landscape — and that preserving this choice is seen as central to sustaining AI adoption.

Data also suggests a limited appetite for sovereignty strategies that increase cost without clear competitiveness outcomes. While public investment in European infrastructure can play an important role, particularly in building research, skills, and strategic capacity, businesses appear cautious about investments that would raise costs without delivering greater capability: only **7%** of businesses believe that greater public investment in Europe-based AI and cloud infrastructure should be a priority.



Tackling barriers to deeper AI adoption

1. Regulatory fragmentation is driving up the cost of scaling

Even where AI adoption is progressing, businesses report that scaling AI solutions across borders introduces additional complexity. Companies operating in multiple markets must navigate different regulatory frameworks, compliance processes, and legal interpretations, which can create operational friction and increase the cost of deploying AI at scale. For many organisations, this fragmentation slows the pace at which AI-driven solutions can be expanded internationally.

This scaling friction is compounded by the broader compliance burden businesses already face as they navigate regulatory fragmentation. German businesses estimate that **44%** of their total tech spend goes toward compliance with national and international regulations, marginally above the **42%** recorded across Europe, and unchanged from the **44%** reported last year. When asked what makes up this **44%**, **52%** of businesses cite relationship management with supervisors and responsible government authorities, followed by legal consultations or external advisory services (**46%**), and employee training on compliance requirements (**40%**). **82%** say compliance costs have increased over the past three years, and **81%** expect these costs to rise further over the next three.

Fragmentation across regulatory systems can introduce additional barriers for businesses seeking to scale. Addressing these challenges will be important to ensure that companies can expand AI-driven innovation.

2. Skills shortages and limited internal capacity are constraining adoption

Skills shortages remain a major structural constraint on the adoption and expansion of AI. Deploying AI solutions at scale often requires sustained investment not only in infrastructure and data systems, but also in talent and organisational capabilities. However, many businesses report that they lack the internal resources required to move from experimentation to full deployment. **49%** cite shortages of AI and digital skills as a barrier to adopting or expanding AI, and **38%** cite insufficient internal workforce capacity.

These challenges are reflected in businesses' self-assessment of capability. Only a minority report having a strong AI skillset today, while most say their skills need improvement. Just **18%** of German businesses say they currently have a strong AI skillset, below the European average of **22%**. **52%** say they have some AI skills but need improvement, and **26%** say they are only just beginning to develop AI skills. Looking ahead, **84%** expect AI skills to be important in their industry over the next five years. The technical roles that businesses feel will be more important over that period are software developer (**62%**), solutions architect (**48%**), and data governance or privacy officer (**44%**).

3. Limited funding and unclear returns are holding back investment

Finance remains the second structural constraint. Many businesses report that they lack dedicated AI budgets, and those that do often allocate only a small share of IT spend toward AI — limiting their ability to move beyond pilots and narrow use cases. **27%** cite insufficient internal financial resources as a barrier to adopting or expanding AI, and **19%** cite unclear ROI or an unclear business case. **39%** say they do not have a dedicated AI budget at all. Despite these constraints, **86%** expect AI to take a larger share of IT spend over the next three years, predicting it will rise to **21%** of their total IT budget.

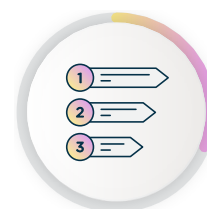
Businesses report that limited external support, weak demand signals, and complex procurement processes make it harder to justify the risk and investment required to scale AI across operations or develop new AI-driven products:



68% say government support, such as grants and tax incentives, is crucial or very important in their decision to adopt AI.



While **24%** say a lack of incentives or external support discourages investment in AI.



31% say other business priorities take precedence over AI investment.

Public sector demand can help accelerate diffusion, but procurement remains a consistent barrier. **37%** cite complex or slow public procurement processes as a challenge to scaling AI solutions, and **33%** say opportunities to sell to the government are crucial or very important in their decision to adopt AI. The scale of this untapped opportunity extends well beyond Germany: research shows that many digital SMEs across Europe remain on the sidelines of public procurement, with **43%** of European digital SMEs never participating and almost half having dropped out mid-tender. Rectifying this could generate €117 billion in gross value added (GVA) for the European economy and create 1.8 million SME jobs.¹

If these barriers persist, Germany risks missing its window of competitiveness just as global AI capabilities accelerate.

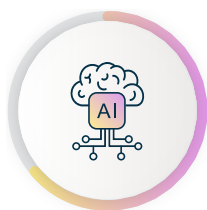
Recommendations: Unlocking Germany's AI future

Germany has a clear opportunity to build on its strong foundations and translate rising AI adoption into a broad-based economic transformation. The findings of this report point to a set of targeted actions that can help accelerate this shift – by enabling businesses to scale more quickly, supporting the diffusion of advanced AI across sectors, and ensuring that both established firms and startups can fully capture the benefits of the next wave of AI innovation:

1. Scale on Germany's own strength

Germany is not starting from zero, having many of the foundations required to compete in an accelerated AI era. These strengths provide a strong platform to build from – but they must now be scaled and translated into widespread, real-economy impact across sectors and regions.

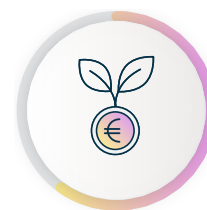
When asked what matters most for supporting growth in their business and industry, German businesses point to:



Access to the most advanced AI tools and services (**64%**).



Skilled AI talent (**63%**).



Private investment and venture capital (**60%**).

74% of all businesses agree that Europe has the infrastructure needed to scale globally, while **59%** rate Europe as highly or somewhat competitive as a global hub for AI and innovation. Germany's startups are a testament to the support given to these innovative businesses. The challenge is now how quickly Germany can scale what already works so that innovation spreads beyond a handful of businesses and into the wider economy.

Cloud infrastructure providers have increasingly responded to European demands for digital sovereignty by designing architectures that embed legal, operational, and technical safeguards within the EU's regulatory perimeter.

The [AWS European Sovereign Cloud](#) illustrates this trajectory: established as a dedicated German limited liability company (GmbH) under German law, it operates as an independent cloud partition — logically and physically separate from the existing AWS infrastructure — with its first Region located in the State of Brandenburg, supported by a €7.8 billion investment. Its governance structure is designed to anchor decision-making within Europe: two EU-national Managing Directors bear legal responsibility for the entity, an independent advisory board composed of four EU citizens provides oversight, and all operational staff — including those managing data center access, technical support, and customer service — are EU residents.

The architecture eliminates critical dependencies on non-EU infrastructure, featuring dedicated European networking providers, an independent identity and access management system, a European Security Operations Center, and a European trust service provider operating its own root of trust entirely within the EU — ensuring the cloud can continue to operate autonomously even in the event of external connectivity disruptions.

AWS's long-standing engagement with European security standards is reflected in its achievement of the first BSI C5 test in 2016, while the Nitro System — developed in Germany — provides hardware-enforced isolation that prevents any party, including AWS personnel, from accessing customer data, a property independently verified by the NCC Group.

Notably, the BSI itself — Germany's federal cybersecurity authority — operates its NIS-2 reporting portal on AWS, a practical endorsement that speaks to the level of trust placed in these security capabilities by the very institution responsible for safeguarding Germany's critical digital infrastructure.

2. Foster AI-driven innovation

To unlock AI's full potential across the broader economy, Germany must empower larger businesses to adopt AI in more ambitious, strategic ways:

- Expand targeted financial incentives for enterprises to pursue high-impact AI projects, such as tax credits for R&D in AI, co-financing schemes for AI pilot programmes, and innovation grants that encourage risk-taking and experimentation, building on and scaling existing programmes such as the [High-Tech Strategy 2025](#) and the [Digital Now \(Digital Jetzt\)](#) funding scheme for SMEs.
- Maintain focus on AI adoption across sectors, including manufacturing. Germany has a strong industrial base; these industries profit from AI adoption for production and high-tech manufacturing, particularly through the advancement of physical AI to unlock new gains in efficiency, precision, and flexibility across factories and supply chains. This aligns with the growing political focus on industrial AI, highlighted by Chancellor Merz at Hannover Messe in 2026, and initiatives such as ["Made for Germany,"](#) which aim to support the scaling of AI and embed it within a modernised industrial policy framework. Ensuring that regulatory approaches remain proportionate and innovation-friendly will be critical to enabling this transition at scale.
- Strengthen Germany's dynamic AI landscape by maintaining an open and competitive technology environment. German businesses are supported by a network of AI and cloud providers that enable their AI ambitions, and **89%** of all businesses value the ability to choose between AI providers and solutions that fit their needs. Encouragingly, **94%** believe they have sufficient choice to select and switch AI providers, underscoring Germany's dynamic and flexible landscape – a key strength in its AI-driven future.
- Launch AI innovation hubs and sector-specific accelerators to help large firms collaborate with startups, research institutions, and AI specialists to co-develop solutions that go beyond automation and aim at genuine transformation (e.g., new products, business models, or services), building on Germany's existing network of AI competence centres (e.g., [Cyber Valley](#) and [DFKI](#)) and scaling them into industry-facing platforms for collaboration and commercialisation.

3. Drive targeted investment

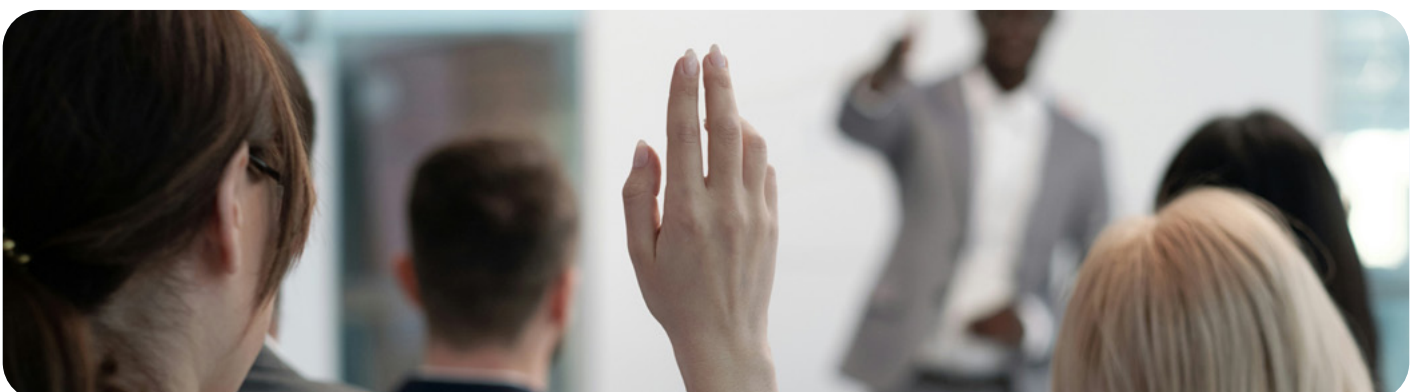
Germany must tackle the funding barrier by investing strategically, transforming its strategic bets into action through clear, outcome-driven funding mechanisms. This requires focusing on innovative startups offering new technologies, supporting SMEs in their digital transformation, and accelerating public sector innovation through modernised procurement models. This will direct funding and support where it is most needed, while ensuring that this wave of transformation includes citizens and the public sector.

This could include expanding late-stage growth capital through vehicles such as the [Zukunftsfonds \(Future Fund\)](#), simplifying access to KfW-backed financing for AI adoption, and introducing fast-track public procurement pathways for AI solutions – particularly in sectors like healthcare, mobility, and public administration.

4. Increase access to skills

Germany's businesses consistently report that they are held back from increasing their AI adoption by a lack of digital skills. Governments and businesses must work together to close this skills gap and provide citizens with the digital skills they need to succeed - this includes those already in jobs and the workforce of the future.

This should include scaling national reskilling initiatives such as the [National Skills Strategy \(Nationale Weiterbildungsstrategie\)](#), expanding AI-focused vocational training and dual education pathways, and incentivising industry-led training partnerships to upskill workers in sectors such as manufacturing, logistics, and engineering.





The window for AI transformation is narrowing – Germany must turn adoption into industrial and economic leadership

Germany enters the next phase of AI adoption from a position of strength, but with a growing need to translate that momentum into deeper, economy-wide transformation. Adoption is rising, cloud foundations are strong, and many businesses are already reporting clear productivity and growth gains. Yet progress remains uneven. Advanced AI use is still limited, readiness for next-generation technologies such as agentic and physical AI remains low across much of the business landscape, and too many firms are constrained by persistent gaps in skills, funding, and regulatory clarity. At the same time, high-potential startups are increasingly facing barriers to scaling domestically, raising the risk that Germany's future AI champions are built locally but grow elsewhere.

The challenge is therefore to ensure that more businesses can deploy the technology at scale to drive innovation, particularly in Germany's industrial base, where the next wave of AI will be most transformative. This will require reducing regulatory fragmentation, strengthening access to skills and capital, enabling faster scaling pathways for startups, and maintaining an open, competitive technology landscape. Without these shifts, AI adoption risks remaining broad but shallow, with the greatest gains concentrated among a small group of advanced firms. With them, Germany can move from strong adoption to true AI leadership, ensuring that the next wave of AI drives productivity, industrial competitiveness, and long-term economic resilience across the entire economy.

Appendix

Methodology

The fieldwork for this study was undertaken by Strand Partners' research team for Amazon Web Services. This research has followed the guidance set forth by the UK Market Research Society and ESOMAR. For the purposes of this study, business leaders are defined as founders, CEOs, or members of the C-suite in organisations.

'Citizens' are nationally representative members of the public based on the latest available census.

For inquiries regarding our methodology, please direct your questions to: polling@strandpartners.com.

In Germany:

We conducted a survey targeting 1,000 nationally representative members of the public, ensuring representation based on age, gender, and NUTS 1 region.

Additionally, we surveyed 1,000 business leaders, representative by their business size, sector, and NUTS 1 region.

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.
- **Barriers and Opportunities:** The survey scrutinises the predicted challenges and potential avenues that both businesses and individuals anticipate on their digital trajectory. This involves pinpointing challenges, from skill deficits to regulatory complications, and recognising opportunities for growth, innovation, and market development.
- **'Size of the Prize':** The survey shed light on the economic repercussions and growth prospects linked with digital transformation. By elucidating the 'size of the prize', we aspire to stress the importance of digital transformation and foster further investments and technology adoption.

References

1. [Modernising public procurement could drive 1.8 million new jobs for Europe's digital SMEs](#)