

THE AI INSTITUTE / OPERATING INTELLIGENCE

EXECUTIVE BRIEFING · 01 / 2026

# The Adoption Mirage

Why AI adoption can be 12%, 41% and 88% at the same time—and why none of those numbers tells leaders whether value is being created.

Boards, executive teams and transformation leaders

Research period: January 2024 – July 2026

First published: 5 August 2026

Evidence current to 31 July 2026

PUBLICATION RECORD

# An Institute thesis, supported by evidence

Adoption is not one number. Organisations are mistaking access and experimentation for operating depth, then wondering why visible activity produces little durable value.

WHAT LEADERS SHOULD TAKE FROM THIS PAPER

- |    |                                                                                                                        |
|----|------------------------------------------------------------------------------------------------------------------------|
| 01 | <b>Retire adoption as a standalone success metric; always name the population, behaviour and depth being measured.</b> |
| 02 | <b>Measure AI through four stages: touched, embedded, accountable and value-producing.</b>                             |
| 03 | <b>Treat the transition between stages as an operating-model problem, not a software rollout.</b>                      |
| 04 | <b>Require evidence of workflow change, control ownership and realised outcomes before calling a use case scaled.</b>  |

## Research method

This briefing triangulates Australian and international official business statistics, OECD and European indicators, published global survey methods, field experiments and implementation guidance. Australian evidence is used as a comparative lens rather than a proxy for global adoption. Figures are not normalised into a synthetic average because their populations and definitions are not comparable. The Institute framework is an analytical synthesis, not a validated psychometric scale.

First published 5 August 2026 · Updated 7 August 2026 · Research period January 2024 – July 2026 · Version 1.2 · Suggested citation: The AI Institute, *The Adoption Mirage* (2026).

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## How to read the evidence

External research supports the Institute's thesis; it does not substitute for it. Figures retain their original populations and definitions. Institute frameworks and inferences are labelled, and limitations are recorded before the references.

# The headline is not the operating reality

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Across current national statistics, international indicators and executive surveys, AI adoption appears to be 12%, 20%, 41%, 52% or 88%. Those figures can coexist because they measure different countries, populations, firm sizes, behaviours and thresholds. Australia provides two especially clear examples: its official business statistic reported 12% use during 2024–25, while a separate SME tracker reported 41% adopting; a global executive survey put regular organisational use at 88%. None, by itself, describes whether AI is embedded in work, governed in practice or producing a return. <sup>1234</sup>

The Institute's position is simple: adoption has become an overloaded word. It can mean that one employee tried a public chatbot, that a business bought licences, that a team changed a workflow, or that an enterprise operates a controlled system tied to measurable outcomes. Collapsing those states into one percentage creates an adoption mirage—an appearance of progress without a reliable view of operating depth.

This matters because the wrong measure produces the wrong management response. If access is labelled transformation, leaders fund more access. If pilots are labelled scale, they add use cases. If time saved is labelled value, they miss where the capacity went. A more useful question is not 'Have we adopted AI?' but 'How deeply has AI changed a defined workflow, under whose authority, with what evidence of value?'



**Institute thesis — Adoption is an input signal.  
Operating depth is the management variable.**

# 12%, 41% and 88% answer different questions

The ABS figure is an official business statistic. It asks whether a business used AI during the year and explicitly notes that the question did not measure the intensity or extent of use. It covers a broad Australian business population and reveals large sector differences: reported use ranged from 38% in information media and telecommunications to 1% in transport, postal and warehousing. <sup>1</sup>

The National AI Centre tracker surveyed more than 400 SMEs each month and used the broader phrase ‘currently adopting’. It is useful as a pulse of sentiment and activity, but its category is not interchangeable with the ABS question. The global 88% figure comes from an online survey of 1,993 respondents across 105 countries, weighted by national GDP. It captures regular use in at least one function among respondents’ organisations; it is not a probability sample of the world’s firms. <sup>23</sup>

Official international indicators add a fourth view. OECD data show 20.2% of firms across available countries reported using AI in 2025, up from 14.2% in 2024. But scale matters: 52% of large firms reported use, compared with 17.4% of small firms. Eurostat similarly reported 20% of EU enterprises with at least ten employees used AI in 2025. These surveys are more comparable than vendor studies, yet still differ in frame, industry coverage and the technologies counted. <sup>45</sup>

The lesson is not that one source is right and the others are wrong. It is that every adoption claim has a hidden denominator and threshold. Leaders should ask: which organisations, which workers, which tools, what frequency, what workflow and what minimum evidence qualified as adoption?

EXHIBIT / ONE LABEL, FOUR MEASUREMENT FRAMES

|                                                                                                                          |                                                                                                                |                                                                                                                                |                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <div>12%</div> <div>Australian businesses</div> <div>Used AI during 2024–25; intensity not measured</div> <div>ABS</div> | <div>41%</div> <div>Australian SMEs</div> <div>Reported as currently adopting AI</div> <div>NAIC tracker</div> | <div>88%</div> <div>Global survey respondents</div> <div>Regular use in at least one function</div> <div>McKinsey survey</div> | <div>20.2%</div> <div>Firms across available OECD countries</div> <div>Reported use in official 2025 indicators</div> <div>OECD</div> |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|

# The AI Operating Depth ladder

The Institute proposes four stages that can be observed and evidenced. Touched means somebody has used an AI capability. Embedded means AI is part of a defined workflow with a repeatable input, output and hand-off. Accountable means an owner, control boundary, evaluation method and incident process exist. Value-producing means measured outcomes exceed the full cost of adoption and operation while quality and risk remain inside agreed limits.

The ladder is deliberately cumulative. A workflow cannot be accountable if nobody can describe where AI enters the work. It cannot be value-producing if outcomes are inferred from enthusiasm or licence activity. A business can have thousands of touched users and only a handful of embedded workflows. It can also have embedded workflows that should not progress because the control cost or error consequence overwhelms the benefit.

Progress should therefore be reported as a portfolio distribution, not an average maturity score. Leaders need to know how many workflows sit at each stage, their movement over time, the value and risk concentrated in each, and why work is failing to progress. This prevents a large volume of low-depth usage from masking a small operating core that deserves more investment—or a weak core that needs to be stopped.

EXHIBIT / FOUR STAGES OF AI OPERATING DEPTH

|                                                                |                                                                 |                                                                        |                                                                     |
|----------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------|
| 01                                                             | 02                                                              | 03                                                                     | 04                                                                  |
| <b>Touched</b>                                                 | <b>Embedded</b>                                                 | <b>Accountable</b>                                                     | <b>Value-producing</b>                                              |
| A person has used an AI capability; no workflow claim is made. | AI is repeatably integrated into a named workflow and hand-off. | Ownership, boundaries, evaluation and incident handling are operating. | Measured benefits exceed full costs within quality and risk limits. |

# What to measure instead of adoption

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At enterprise level, report the number and economic significance of workflows at each stage. At workflow level, maintain six fields: the baseline outcome; the changed work; the human and machine decision rights; the evaluation and control evidence; the full operating cost; and the realised result. These fields turn a technology inventory into an operating portfolio.

The denominator matters. ‘Seventy per cent of employees use AI’ is incomplete without eligible workforce, frequency and task context. ‘Thirty workflows in production’ is incomplete without total candidate workflows, transaction volume and consequence of error. ‘Ten hours saved’ is incomplete without whether the time was redeployed, whether rework increased and whether the benefit persists after novelty and training effects.

Evidence should strengthen with stage. Touched can be supported by access and observed use. Embedded needs process evidence. Accountable requires named owners, tested controls and monitoring.

Value-producing needs a baseline, a counterfactual or credible comparison, full cost allocation, quality guardrails and a review period long enough to expose rework and exceptions.

This also changes target-setting. The objective is not to push every use case to stage four. It is to move the right workflows forward, hold or redesign those without sufficient evidence, and retire those whose economics or risk do not justify further investment.

# The gaps between stages are organisational

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Touched-to-embedded work stalls when teams cannot select a valuable workflow, access usable data or change surrounding roles and hand-offs. OECD research on firms and SMEs repeatedly identifies skills, data, finance, infrastructure and management capability as complementary enablers; the technology rarely acts alone.<sup>67</sup>

Embedded-to-accountable work stalls when governance is treated as a document rather than an operating system. Australia's Guidance for AI Adoption describes six practices—accountability, impact planning, risk management, transparency, testing and monitoring, and human control. Its evidence points to a saying–doing gap: endorsement of responsible principles is much more common than implemented practice.<sup>8</sup>

Accountable-to-value-producing work stalls when benefits remain proxies. Activity, satisfaction and self-reported time saved are useful early signals, but they do not establish enterprise value. The strongest evidence remains conditional: AI can improve throughput in some structured workflows, yet results vary by experience, task and implementation. Organisations need local outcome evidence rather than a borrowed market average.<sup>910</sup>

These constraints interact. Weak data increases review effort. Weak capability produces poor task selection. Unclear authority slows exception handling. Missing baselines turn successful work into anecdotes. Readiness is therefore a system of constraints, and the binding constraint may move as a use case progresses.

# One licence count can conceal four operating realities

Consider an organisation reporting 2,000 licensed users and 70% monthly activity. That statement supports a touched-use claim. It does not show whether a defined workflow changed, whether controls operate or whether a measurable outcome improved. The same dashboard could describe broad experimentation or a valuable operating portfolio.

A workflow-level reconstruction might find 120 repeated practices, 34 named workflows, 15 accountable deployments and six with credible value evidence. The apparent adoption rate falls as the evidence threshold strengthens, but the number becomes more useful because it identifies exactly where management intervention is required.

Representative survey evidence reinforces the denominator problem. Rapid US household surveys found widespread individual use while only a small share of total work hours was assisted; Australian official statistics found a much lower share of businesses reporting use and did not measure intensity. These are not contradictions. They are different layers of the same diffusion process.<sup>111</sup>

The portfolio decision is then concrete: protect low-cost exploration, help selected practices become defined workflows, demand accountable evidence before production scale, and concentrate capital where outcomes survive full-cost and quality review.

EXHIBIT / AN ILLUSTRATIVE ADOPTION FUNNEL

|                                                                                                      |                                                                                                                       |                                                                                                           |                                                                                                              |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <div>2,000</div> <div>Licensed</div> <div>Access inventory; no claim about use or work change.</div> | <div>120</div> <div>Repeated practices</div> <div>Observable recurring use that may warrant workflow discovery.</div> | <div>15</div> <div>Accountable</div> <div>Named owner, evaluation, controls and operating evidence.</div> | <div>6</div> <div>Value-producing</div> <div>Outcomes exceed full cost within quality and risk limits.</div> |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|

# Why the ladder should not become another maturity theatre

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A staged model can create false certainty if leaders treat it as a universal sequence or composite score. Some uses should remain lightweight personal assistance. Some material workflows should stop after testing. A high stage is not inherently better when consequence, control cost or strategic relevance make the use case unattractive.

The model also does not prove causality. Moving a workflow from embedded to value-producing requires local evidence that separates the AI-enabled change from demand, staffing, process redesign and other simultaneous factors. External benchmarks can set priors, but they cannot supply the local counterfactual.

Across economies, the productivity opportunity depends heavily on downstream adaptation and implementation rather than frontier model development. Australia is a useful comparative case because its current analysis makes that diffusion problem explicit, but the feasible path still changes with sector obligations, firm size, digital maturity, institutional capacity and available management attention. No country-level opportunity estimate implies that every firm should pursue the same depth or pace.<sup>712</sup>

The ladder should therefore be used as a portfolio language, not a badge. Its value is in making evidence gaps visible and enabling fund, redesign, hold and stop decisions—not in producing a reassuring enterprise average.

# Replace the adoption dashboard

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In the first 30 days, define the organisation's adoption vocabulary and prohibit unqualified adoption percentages in executive reporting. Inventory material AI-enabled workflows rather than tools. Select a small sample and reconstruct the evidence behind each claimed stage.

By day 60, assign an accountable executive and workflow owner to every material use case. Establish baseline outcomes, risk limits, evaluation evidence, recurring operating costs and the destination of any capacity released. Separate experiments from production and make the promotion criteria explicit.

By day 90, publish a portfolio view showing the distribution of workflows across the four stages, movement since the prior review, realised value, material incidents and stop decisions. Use the result to reallocate funding from shallow activity to workflows with credible operating evidence.

## RESEARCH RECORD

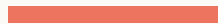
# Method and limitations

## Method

This briefing triangulates Australian and international official business statistics, OECD and European indicators, published global survey methods, field experiments and implementation guidance. Australian evidence is used as a comparative lens rather than a proxy for global adoption. Figures are not normalised into a synthetic average because their populations and definitions are not comparable. The Institute framework is an analytical synthesis, not a validated psychometric scale.

## Limitations

Evidence on enterprise AI remains definition-sensitive, self-reported in many sources and concentrated in large or digitally mature organisations. Causal evidence is workflow-specific. The operating-depth ladder should be tested against local workflow data before it is used for investment or workforce decisions.



## Evidence conventions

Source facts are cited to the original publication. Institute analysis reconciles definitions or combines evidence. Institute inference extends that analysis into a management proposition. Frameworks are decision aids, not claims of universal causality. Every important statistic should be read with its population, date, definition and caveat.

Research cutoff: 31 July 2026. Review cycle: six months, or earlier after a material change in evidence, standards or policy.

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what you do next.

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