

SME Risk Intelligence



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AI: Minimising Risks, Maximising Benefits

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AI: Mind the reality gap

The seemingly inexorable and rapid advances in AI have started to give rise to various existential questions for all of us. One of the more frequently asked of these questions is whether and how AI will affect future working life for all of us. For SMEs in particular, given the critical reliance on people we have, how can we adapt to minimise the risks of AI, whilst also making the most of the benefits.

While AI may become highly capable across many tasks, history suggests that technological progress tends to transform labour markets, rather than abolish them. Past waves of industrialisation, mechanisation and large scale-technology adoption have sharply reduced the labour needed for basic necessities such as food and shelter, but subsequent rising incomes have generated new forms of demand in areas such as healthcare, travel, leisure and services. The same dynamic may apply to AI as it lowers the cost of producing services and content, demand may expand and new complementary jobs may emerge.

Today, many roles involve more than technical task completion. In fields such as medicine, law, hospitality and personal services, people value human judgment, reassurance, persuasion, empathy and social interaction. Even where AI performs specific tasks better than people, consumers may still prefer human involvement.

A further point is that technology often falls short of its theoretical potential in real-world settings. Adoption is slowed by friction, consumer preferences, trust issues, error risks and the broader experience businesses want to offer. Examples such as restaurants using QR code menus and automated coffee machines show that cheaper, more efficient technology does not always replace human service. It is hard to imagine a world without waiters and baristas!

That said, AI disruption is already affecting some entry-level jobs, such as software coding, and that routine cognitive work may be automated quickly. Our overall conclusion is that AI is more likely to reshape work than end human economic usefulness.

Key Implications

For policymakers and business leaders, the main challenge is not mass permanent unemployment, but transition. Workers will need support to move from automatable tasks into areas where human interaction, trust, judgment and adaptability remain valuable.

For SMEs, the opportunity lies in using AI to raise productivity while preserving the human elements customers and employees value. The most successful businesses may be those that combine automation with better service, rather than those that simply remove labour wherever possible.

For workers, the report implies that skills linked to communication, interpretation, relationship-building, oversight and judgment may become more important as AI takes on more routine analytical or production tasks.

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Key risks and concerns for SMEs

1. Faster disruption in routine knowledge work

SMEs employing the likes of junior software engineers, analysts, administrators, marketers, designers or customer-support staff may see parts of these roles automated quickly. This could reduce hiring needs for entry-level staff, but it may also weaken future talent pipelines.

2. Uneven access to AI capabilities

Larger firms may be able to adopt AI faster because they have more data, technical teams, procurement capacity and support. SMEs risk falling behind if AI improves productivity but they lack the time, expertise or capital to implement it well.

3. Pressure on margins and pricing

If AI lowers the cost of producing services, customers may expect lower prices or faster delivery. SMEs in sectors such as professional services, marketing, software, design, accounting or content production could face increased price competition from AI-enabled rivals.

4. Adoption without clear business value

As discussed earlier, technology often underperforms in practice. SMEs may waste money on AI tools that look efficient in theory but create friction, confuse customers, or require more supervision than expected.

5. Customer trust and service quality risks

Many SMEs compete on personal relationships, local knowledge and trust. Replacing too much human interaction with AI could damage the customer experience, especially in hospitality, healthcare-adjacent services, legal advice, financial advice, education, recruitment and other relationship-led sectors.

6. Error and liability exposure

SMEs may be more vulnerable than large firms to the consequences of AI mistakes. A single bad recommendation, incorrect legal or financial output, data leak, or poor customer interaction could create reputational or regulatory damage – undermining consumer trust and confidence.

7. Workforce morale and skills gaps

Introducing AI may unsettle staff if it is seen mainly as a cost-cutting tool. SMEs may also struggle to retrain workers quickly, especially where employees already cover multiple roles.

Overall SME implication

SMEs should treat AI as a productivity and service-enhancement tool rather than simply a labour-replacement tool. The safest approach is to identify repetitive internal tasks where AI can save time, while keeping humans responsible for judgment, customer relationships, quality control and final decisions.

SMEs should also test AI adoption in small, measurable pilots before changing operating models. The key question is not “can this task be automated?” but “does automation improve cost, quality, trust and customer experience?”

If you wish to discuss any of these matters and the implications for your business in more detail or require assistance in identifying what to do next, then contact Real Risks at info@realrisksolutions.

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