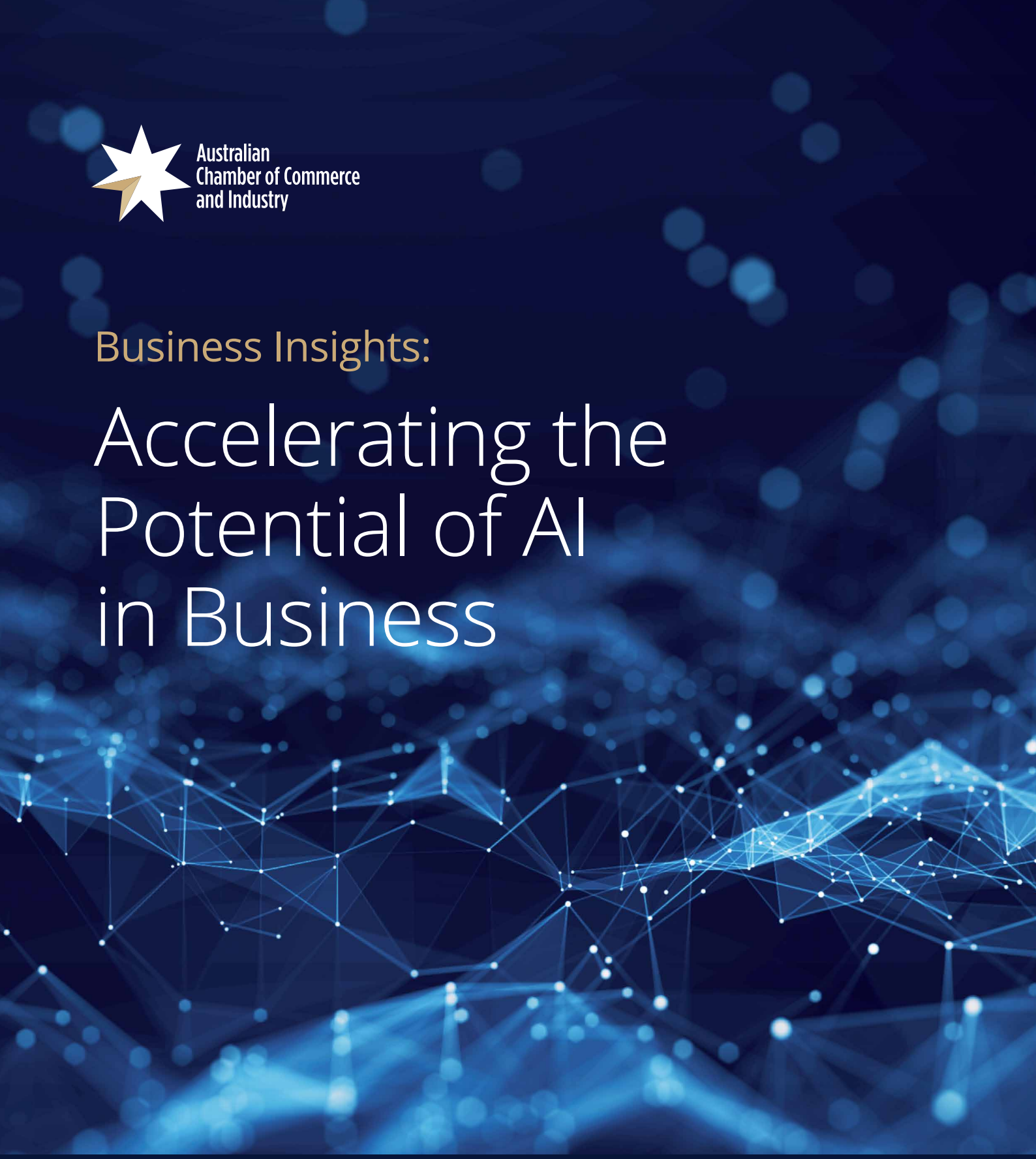
Australian Chamber of Commerce and Industry

Business Insights:

Accelerating the Potential of AI in Business



A collection of industry association and business data and insights into AI adoption, the potential of AI, the perception of AI and current barriers and business concerns.

2024

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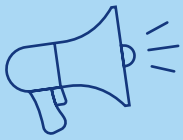
Who is ACCI?

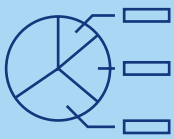
The Australian Chamber of Commerce and Industry (ACCI) represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people. ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

Key Insights



Even with significantly more resources, **larger businesses** are **yet to fully leverage AI** citing data management and lack of an AI adoption strategy as the biggest barriers to moving from planning to implementation.

Medium sized businesses are **leading planned AI adoption** compared to other businesses sizes, with 90 per cent planning to incorporate AI by 2026.



Consistently **SMEs** report a lack of comprehension and knowledge about AI with the **need for training** seen as the primary barrier. This is **evidence of a larger digital literacy deficiency** in three in five Australian employers lacking one or more of the digital skills they require to do business.

How **AI is perceived**, what steps are needed to implement it and the barriers to this are perceived **differently depending on the position within the company**. The significant disconnects between senior executives, managers and workers can derail AI implementation, increase budget wastage and exacerbate issues of trust, culture, data security and compliance if not recognised and addressed early.

Businesses are **broadly aware of 'AI use by stealth'** where AI is informally introduced into a workplace by existing software integration or employee use, **but are not taking the appropriate action to address the risks** that come from this.

Good regulatory stewardship in a sector can act to **increase the speed and likelihood of adoption of AI** technologies in businesses.

There is not only a need to increase digital literacy for all workers, but robust **human and social skills are more important than ever** for organisations and economies **to thrive in the digital context**.

Data management is one of the **top concerns voiced by both large and small businesses**. 57 per cent of business leaders and governance professionals rate their data management and security as 'average' and small businesses in particular, urgently needing assistance to implement good data governance practices.

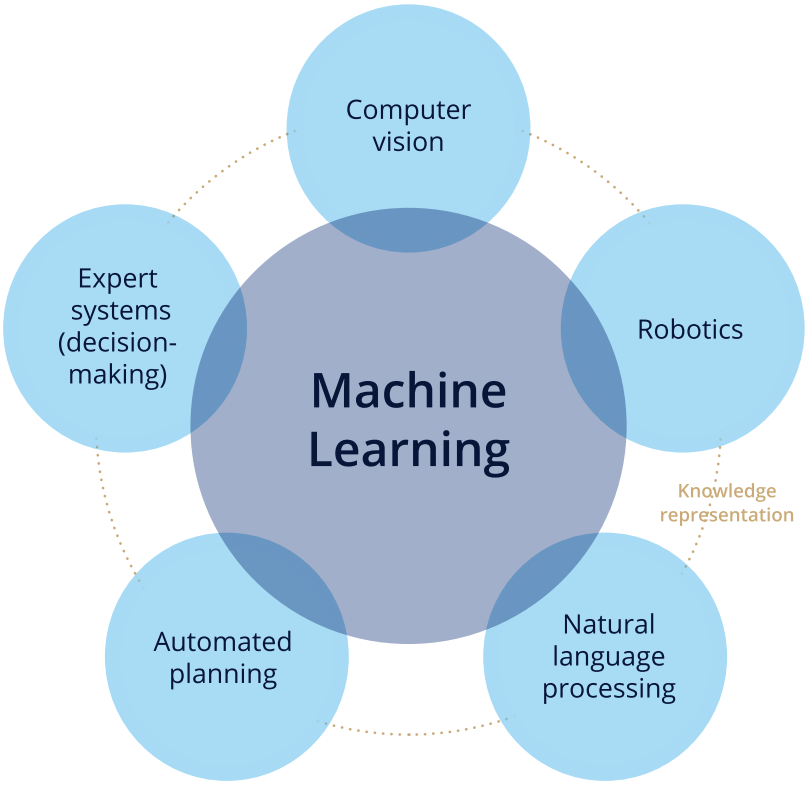
"AI adoption has the power to fundamentally improve productivity and enhance flexibility to ways of working in the near term, with benefits for business and workers"

– Andrew McKellar, Chief Executive Officer, ACCI

What do we mean by AI?

In Australia, there is no single, universally accepted definition of Artificial Intelligence (AI). CSIRO sees AI as a **collection of interrelated technologies** used to solve problems autonomously and perform tasks to achieve defined objectives, in some cases without explicit guidance from a human being. Subfields of AI (Figure 1) include machine learning, computer vision, human language technologies, robotics, knowledge representation and other scientific fields. The power of AI comes from a convergence of technologies.

The OECD (Organisation for Economic Cooperation and Development) definition is widely used in numerous international legal texts and was revised in 2023, describing AI as a *"machine-based system that, for explicit or implicit objectives, **infers, from the input it receives, how to generate outputs** such as **predictions, content, recommendations,** or **decisions** that can **influence physical or virtual environments.** Different AI systems vary in their levels of autonomy and adaptiveness after deployment."*



AI adoption in business

According to a **global study by TCS**, while as many as 60 per cent of **business leaders from Australia's largest corporates** ($1 billion annual revenue or higher) **believe AI will rival the creation of the internet** and its transformative power will be on par to that of the smartphone, **surprisingly, very few large businesses say they are fully leveraging AI for their business** or leveraging AI to strategic advantage.

59 per cent of corporate functions have AI implementations in-process or completed and only 34 per cent of departments were planning AI implementation. 55 percent are currently making changes to their business models, but no consensus on AI adoption strategy.

Although AI adoption in larger businesses is becoming more widespread, most are still in the early to – early-middle stages of their AI journey. For them, the **biggest barriers** to moving from planning to implementation is **data management** and an **AI adoption strategy.**

In large corporates, 50% of respondents are using Generative AI, while less than 1/3 are using machine-learning/analytical AI.

Corporate functions with the most completed AI projects: Finance/controller, HR, Marketing.

75% admit to budgetary waste due to a lack of strategic planning.

72% say they need better KPIs to measure success of AI implementations to show value and get investment support.

	Main barrier to adoption	Complete or in process adoption in the business	Confidence in investing in AI to deliver potential business value
Large business	Data management and AI adoption strategy	59%	82%
Small and medium businesses	Need for Training and Data risk	25%	56%

Not surprisingly, there is a distinct difference in the AI adoption rate and journey of large Australian corporates versus SMEs.

While machine-learning and analytical AI have been around for decades, the newer generative AI appears to be the most commonly adopted in businesses of all sizes.

The main objectives of AI adoption however are consistent regardless of size - to increase work efficiency and productivity, followed by better service delivery and competitive advantage.

Taking the leap

Keeping up with technology changes can be overwhelming – whether this is ensuring that your company's cyber security is up-to-standard, or identifying and adopting new technologies which promise efficiency gains, such as AI.

Research from **Business Chamber Queensland** found that 1/3 of surveyed businesses are 'struggling' to keep up, with half 'mostly' keeping up with changes – and only 1/5 believe that they're coping well.

The broad picture shows that **businesses are somewhat aware of what AI is and can do** with 38 per cent indicating a basic understanding, but having not proactively explored applications for their business; a further 30 per cent were 'somewhat knowledgeable' and eager to learn more but **do not have the means** (e.g. financial, time, skills) **to take the leap and adopt AI technologies.**

Overall, 9 out of 10 respondents see the benefit of more automation (e.g. AI) to make business operations more efficient – but this requires **skills** and **leadership.** 1/3 of respondents actively want to learn more about AI and its potential.

1/3 of businesses are 'struggling' to keep up with tech change.

But 9 out of 10 see the efficiency benefit of emerging technologies.

In the accountancy sector, the vast majority of accounting professionals surveyed believe that the biggest risk to the sector is a failure to keep pace with new technology

Governance Institute AI Adoption Strategy

The Governance Institute of Australia is a national membership association for governance and risk management professionals with 53 staff across 6 states. The Institute, seeing the opportunity for integration of AI internally to increase productivity, streamline internal functions and enhance customer experience, has adopted both a bottom-up and top-down strategy for AI implementation.

Bottom- up: Staff education on the safe and responsible use of AI (including information on privacy and data security), experimentation programs for workers in safe, curated working environments e.g. co-pilot exploration and identification of staff led projects for internal efficiencies.

Top-down: Ensuring data governance and security as a first step, identifying and prioritising projects to enhance both internal (staff) and external user experiences, for example developing "Gia BOT" to guide users through customer journeys and key website processes.

Governance Institute is also a transformation partner of the National AI Centre and produces guides on AI Governance.

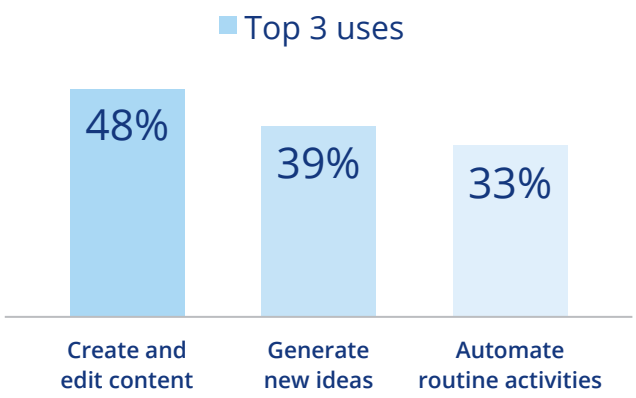
AI adoption in SMEs

Aggregating data across several surveys in 2024, approximately 23-25 per cent of small and medium enterprises (SMEs) are currently using AI in some manner.

According to a **survey** of 700 SMEs from NAB, **90 per cent of medium-sized businesses are planning to incorporate AI by 2026**. By contrast, only 18 per cent of micro businesses (<10 employees) are using AI, and 23 per cent are planning to incorporate it by 2026. They cite the main advantages as being **data analysis** and **automatic reply tools.**

87 per cent of businesses who were using AI were already noticing **savings in costs and time** as a result of the AI adoption.

Commonwealth Bank **research** into SME AI use found that the three most common reasons **driving the demand for AI** are **improving efficiency/productivity** (66 per cent), spending **less time on manual/routine activities** (46 per cent) and **improving profitability** (38 per cent).



The most common areas SMEs have begun trialling AI is for content creation and editing (48 per cent), idea generation (39 per cent) and automation of routine activities (33 per cent).

Generational differences in likely adoption of AI were also noted with **younger business leaders being more likely to invest in AI**: among Gen Z and millennials, this figure is at 75 per cent, compared to around 50 per cent for older generations.

NAB's report found the **main barrier** according to around 1 in 2 (48 per cent) SMEs overall is the **need for training**.

For 1 in 3, lack of time (36 per cent), not understanding the technology (35 per cent) and cost (32 per cent) were problematic. Around 3 in 10 (28 per cent) SMEs simply did not know how to start which is consistent with ACCI member feedback to date.

Intuit's **Small Business Insights report** from April 2024 found that the main benefit which Australia small businesses associate with using new digital tools, including AI, is time saving, followed by expanding sales and lower costs.

Intuit's experience with AI adoption by SMEs shows that they're open to automation but want control over the processes involved, even when they trust the AI's capabilities. They want solutions that are easy to use and understand, and they want guidance and education to help them navigate this new technology. Accuracy is key but customers don't expect it to be 100 per cent. Ultimately, their main goal is to operate and grow their businesses efficiently.

- **Medium sized businesses are leading planned AI adoption.**
- **49% of SMEs have not invested in AI and are unlikely to do so.**
- **23-25% of SMEs are currently using AI in some way.**
- **28% of SMEs said they understand the concept of AI and how it could assist their business.**

How AI is being viewed within businesses

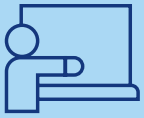
Company directors / CEOs

"We're excited about the potential of AI. There is a lot of scope for this technology within our industry, and **we're exploring this** and how it might be used throughout our supply chain. **Conscious of understanding the risks early and mitigating these** - are outputs accurate? Do we risk company data being divulged? What does this mean for our compliance with data localisation requirements and privacy law? There are a lot of outstanding legal questions – it's hard to take the jump to invest in new AI applications if there's a risk that regulation could change down the line... And does AI really bring any added value or impact on the bottom line?"

Managers & supervisors

"I expect AI adoption will have a **huge impact in the efficiency of our team** as we adopt it. It should help cut down on administrative and routine tasks and help the staff who do a lot of our content creation and writing.

I need to better understand what AI applications we can use and how we are going to roll this out and train employees on it? Do we need a policy on AI or ? What happens if the data input is wrong or the data output? How will we know? What should I tell the team so they don't worry about AI leading to staff cuts? I need to understand how this works myself and what oversight is needed."

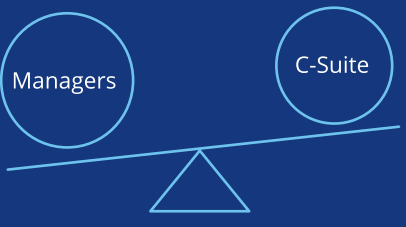


ICT experts

"We're seeing different trends and approaches to AI in the organisation: there are early adopters, some colleagues are more reticent. From our point of view, it's essential that employees have a good knowledge of what using Gen AI tools involves: what data is being inputted? Is company data being treated correctly? Clear guidelines and policies are necessary, and a general boost in ICT and cyber skills. But it's also important to note that AI is already embedded in a lot of other programs."

Worker

"Using AI has sped up our work – gen AI like Chat GPT is a great place to start for ideas, or to summarise huge amounts of information succinctly. We generally use AI in a responsible way, but management is slow to notice the benefits – so we're using it anyway because the gains are too great to miss. I don't think there's anything risky about this. I'd be interested in knowing what else we could use to help with our work? I hope management are looking into this and we do something with AI soon."



Managers are much more positive about the potential of AI than company directors and CEOs: **75 per cent of managers expect AI to increase efficiencies**, compared to just **36 per cent of C-Suite** respondents in a survey by DataAgility and the Australian Information Industry Association (AIIA). They also disagree on the main challenge to uptake:

Directors say it's availability of data, whereas **managers** claim that the obstacle is **lack of internal expertise**. Directors are, however, more aware of AI projects in their organisation (92 per cent), compared to managers (66 per cent).

AI use by stealth

"If you don't know how people are currently using generative AI in your organisations, you better quickly get on to an audit and find out who's using it and why, where and how. Start the conversation now because people are already playing around with ChatGPT and other AI tools."

Megan Motto, CEO Governance Institute

Stealth by 'back-door' entry through software integration

AI is rapidly being embedded by software providers into existing software to make the overall user experience better, e.g. Microsoft Copilot enhancing Microsoft apps, or Intuit Assist supporting its products Mailchimp and QuickBooks. In most cases, we are hearing that **users are not actively aware that they are using 'AI applications'** and the use of AI is not a business decision as such but accepted through software updates introducing the new AI features.

AI-driven software is fairly ubiquitous in offices today, but despite this, Queensland Business Chamber found that 29 per cent of survey respondents said that they are not using AI at all when asked.

This **disconnect between conscious, deliberate use of AI and AI use through existing applications** has emerged as an issue for some organisations who need to ensure data sovereignty for example for government contracts. Organisations need to be just as aware of how their data and privacy is being assured and where it is being kept through use of these applications just as much as if they are introducing new 'AI' applications.

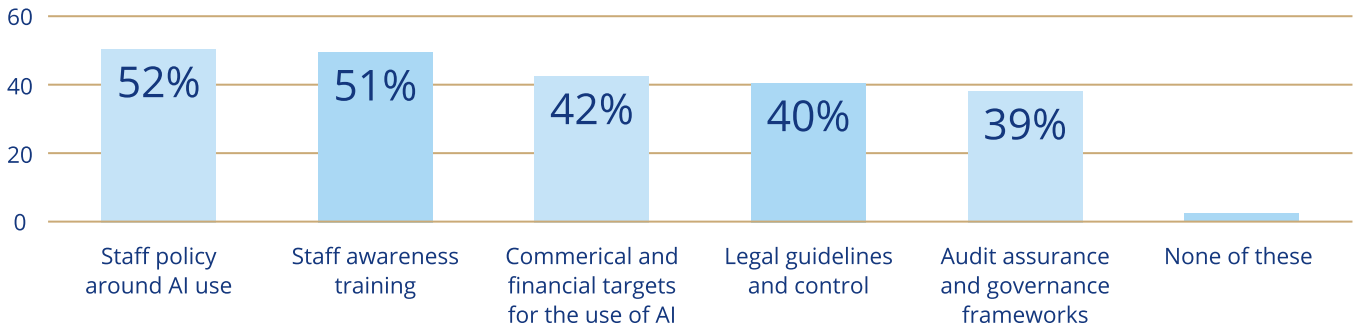
Stealth by employees 'bringing tools to work'

Employees are increasingly using generative AI for its efficiency gains, regardless of if there is a policy for AI use in place in the business. According to the **Work Trend Index** (Microsoft and LinkedIn), 75 per cent of knowledge workers use AI today for time saving (90 per cent), focus (85 per cent) and creativity (84 per cent). Whilst waiting for policies and strategy on AI adoption from directors and managers, employees have determined to 'bring their own' AI tools to work (78 per cent), but over half of those who use AI at work are reluctant to admit using it.

A worrying **difference in risk perception and mitigation** is emerging in that **employees**, who are generally signing up to the free Chat GPT or other generative AI tools, **believe that AI is inexpensive, easy to use and implement versus the reality of business exploration which is the opposite.**

An open approach to AI in the workplace, where employees are trained and trusted to use new tools, can be beneficial. A **survey** by the Governance Institute found that over half of GIA respondents are training and educating all staff members to ensure data and AI are being use ethically as a risk mitigation strategy.

Percentage of IT businesses with a AI staff policy or risk strategy in place



In a **survey** of Australian IT service industry leaders by Datacom, almost half did not have a staff use policy or risk management practices in place. Based on industry feedback this is likely to be substantially higher for all other industries regardless of business size.

How AI is being used in business

Administration functions

AI enabled automated payroll is helping SMEs with adherence to award terms. The software can track pay times and when an employee needs to be paid so that the business can ensure compliance with award terms.

Mining

In mining exploration, the sector uses AI applications to analyse vast amounts of historical data to create new models and identify sites for extraction. One such example is the partnership of BHP with KoBold Metals to identify sources of copper and nickel, which are crucial for the manufacturing of green technologies, e.g. renewable energy components. This is done by analysing exploration data from an area spanning 500,000 km2 in Western Australia.

Additional applications include automatic recognition and monitoring of endangered species and predicting asset failures and driving proactive maintenance. For further information, see the **report** '-The Digital Mine', Minerals Council of Australia.

Insurance - Geospatial technology

QBE deployed geospatial technology together with AI solutions (e.g. computer vision and machine learning) to support insurance claims for commercial customers impacted by Tropical Cyclone Jasper, which hit far North Queensland in December 2023, and caused severe damage to buildings.

Geospatial data shows the exact location of insured properties, and allows for near real-time assessment of severe weather events.

As a result of the AI-enabled technology, earlier access to information relating to the cyclone and its impact on customers enabled rapid decisions about resources and support, reducing the need for onsite inspections and hydrology reports. This helped affected customers get help quicker.

Going forward, AI and geospatial technologies are going to help insurers aggregate and analyse data faster, and provide quicker and more targeted relief.

Retail and distribution

Amazon recently expanded its generative AI capabilities for selling partners, with a new URL listing feature. This tool enables selling partners to start listing on Amazon with a product URL, such as a product on a seller's own direct-to-consumer (DTC) website. This is automatically parsed by the generative AI tool to create high-quality, engaging listings for Amazon's store, which the seller will review and submit. The tool can also suggest attributes such as colour and keywords to help effectively index the product in customer discovery experiences. This will further enhance and streamline the process of creating product listings, saving selling partners time and effort while developing listings for Amazon's store that appeal to customers and help drive sales.

In addition to the new capability, Amazon recently launched other generative AI-powered tools to simplify the listing creation process. As well as providing a URL to help create listings, sellers can also provide a few descriptive words or upload a product image. The generative AI then suggests compelling product titles, descriptions, and other details that are high-quality and designed to be engaging for customers. Sellers must review these generated product details before they submit them to ensure accuracy and completeness.

In terms of packaging reduction, Amazon has developed an AI system (Packaging Decision Engine), which analyses product attributes, including shape, size and fragility of a product, and identifies the most appropriate type of packaging, reducing superfluous use of packaging materials.

Health

Pharmaceutical companies are using machine learning in drug development (mapping the human immune system), identifying symptoms of rare diseases, and inventory prediction in supply chains for vaccines

Transport

AI is being used in the transport industry for fatigue management (alerting the driver and reporting to head office signs of fatigue), route optimisation (far more complex than Google Maps – these algorithms benefit from latest traffic information, information on steep inclines, steep declines etc. and can choose the optimal route, which may be completely different to planned, depending on what the load is and predictive maintenance) and predictive maintenance. This last is particularly relevant given the average age of a truck in Australia is 15 years.

The regulatory landscape as an influence on AI adoption journey

The starting point for AI adoption in business depends on numerous factors, not only the size of the business, but also the sector, the activity of peers, and the regulatory landscape of the sector itself.

An underappreciated factor when it comes to the readiness and ability of a company or sector to adopt AI technologies, or experiment to develop tailored solutions, is the existing regulatory environment of that sector. This distinction is especially noticeable in highly regulated sectors, which may be considered 'high-risk', e.g. health and finance.

The Therapeutic Goods Administration (TGA) is the medicine and therapeutic goods regulatory agency for Australia. The TGA has a very strong regulatory system proportionate to risk with good provision of guidance on managing risk for businesses. This regulatory stewardship for businesses in the sector has positively framed the starting point of AI exploration. In many ways, the existing system of checks and balances and plentiful guidance has given businesses the awareness, clarity, confidence and flexibility to explore AI compared to the starting point and support seen for those in other industries.

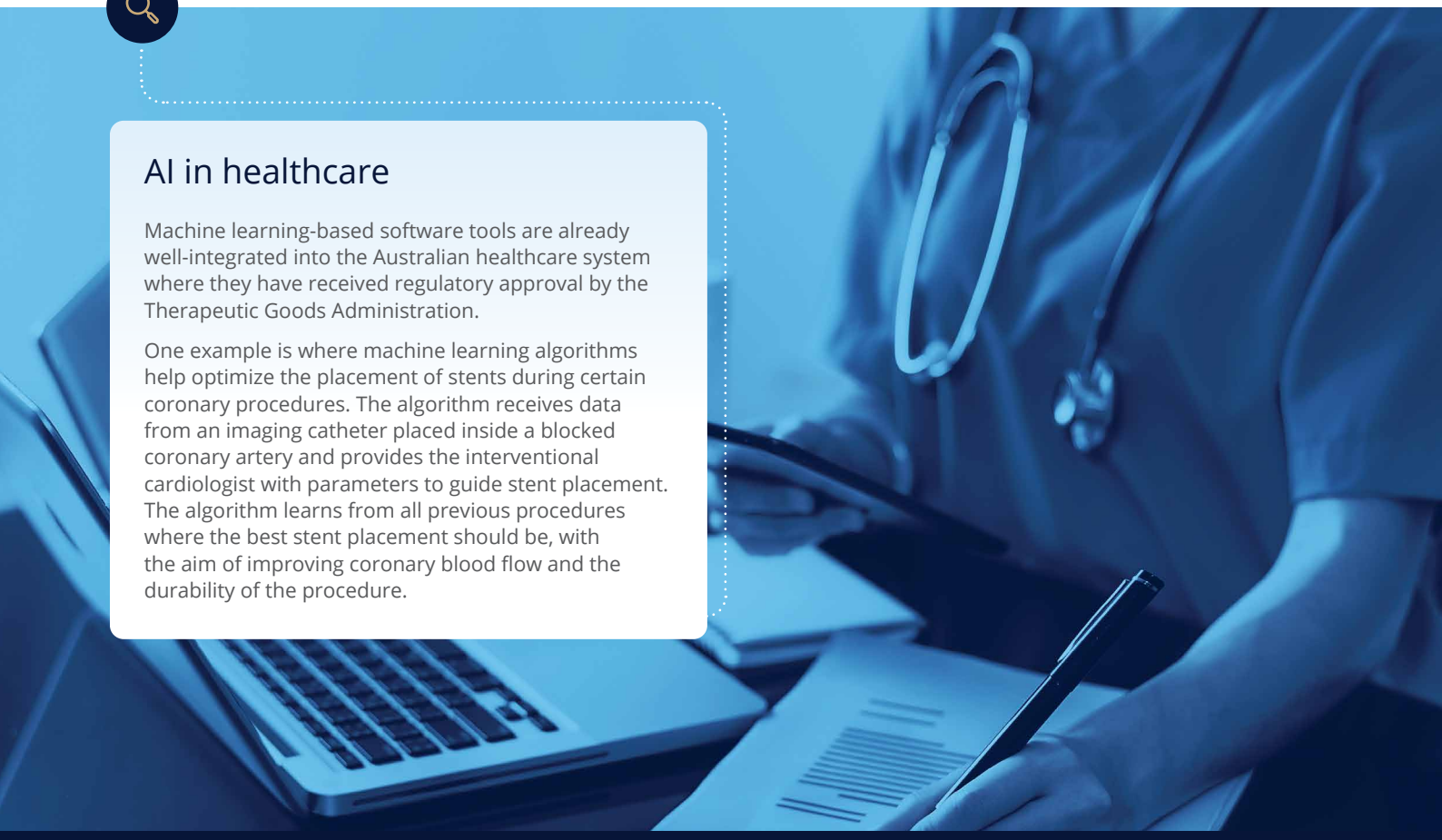
Good regulatory stewardship in a sector can act to increase the speed and likelihood of adoption of AI technologies in businesses.

Importantly, the TGA regulatory approach has been technology-neutral and so allows for better integration of legislative requirements and application to new and emerging technologies.

Other sectors with no specific regulatory authority or guidance appear to find it more difficult to

1. identify AI use-cases, and
2. be assured of the regulatory and legal regime which would govern the adoption of such new technologies.

Businesses within these sectors are also noting the increasingly complex patch-work of legislation that they need to consider.



AI in healthcare

Machine learning-based software tools are already well-integrated into the Australian healthcare system where they have received regulatory approval by the Therapeutic Goods Administration.

One example is where machine learning algorithms help optimize the placement of stents during certain coronary procedures. The algorithm receives data from an imaging catheter placed inside a blocked coronary artery and provides the interventional cardiologist with parameters to guide stent placement. The algorithm learns from all previous procedures where the best stent placement should be, with the aim of improving coronary blood flow and the durability of the procedure.

Key concerns of businesses

The key concerns of businesses within the ACCI network were:

Cost

Awareness of AI use(s) and risks and benefits

> "AI governance frameworks need to be holistic: one siloed group using AI in an organisation might nevertheless have implications on directors' duties, e.g. in the context of liability or data protection. If company directors are not made aware of the implications of AI in an organisation, this can represent a considerable barrier to effective deployment."

Data: data literacy, data governance and security practices, inaccuracies and AI hallucinations

Skills and training

> "Poor data inputs and low data literacy can lead to inaccurate outputs and misinformation – in addition to skills on using and applying AI, training must be given on how to validate and check sources, and cross-reference with other information."

Privacy

Trust in AI

How to implement AI

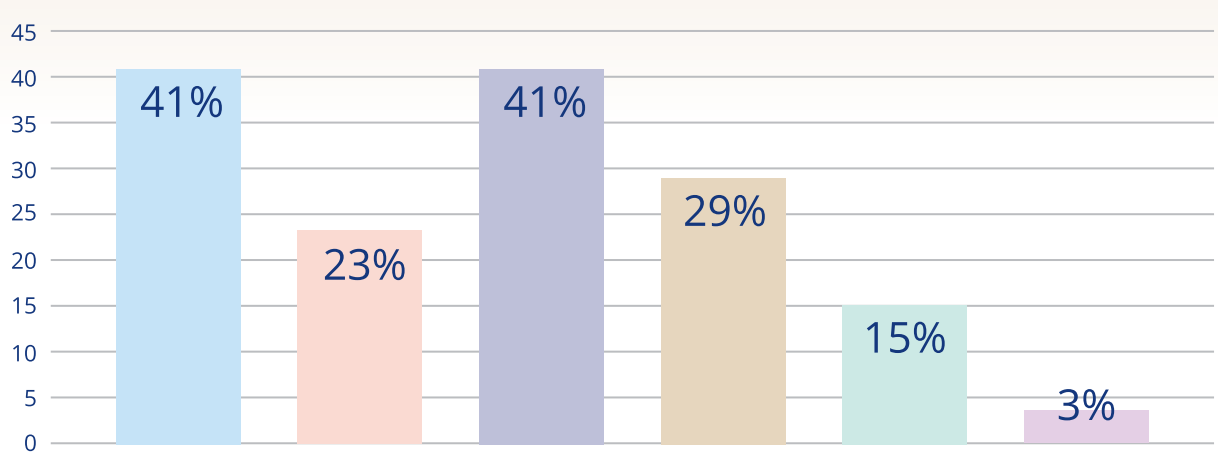
> "The government, industry bodies and international organisations have established extensive principles, guidelines, and regulatory frameworks to address AI implementation and associated risks, however awareness of these resources and overall AI awareness still remains low. SMEs in particular do not know where to start. Better promotion and dissemination of these materials is required – and these principles must be translated in such a way as they are easy to implement by businesses."

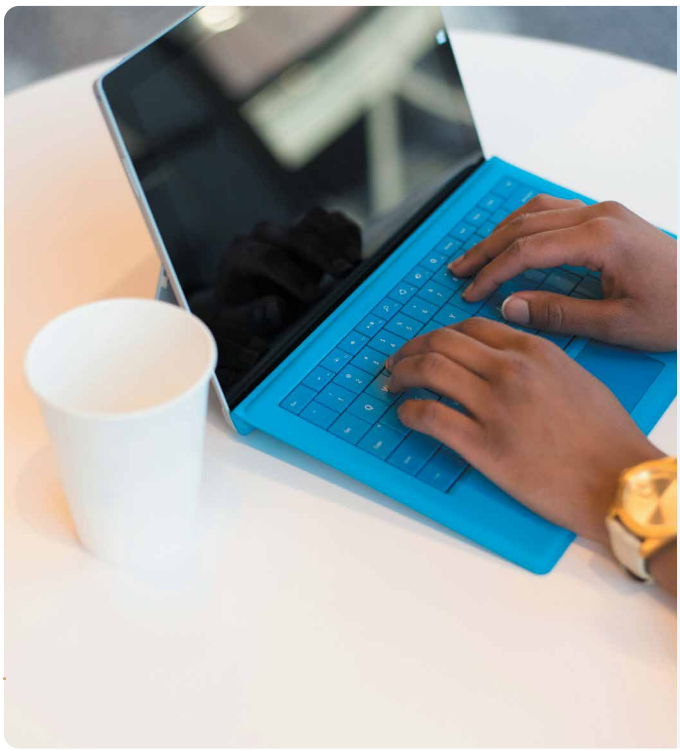
The **regulatory environment**

Cost is the main obstacle

The Intuit Small Business Insights Survey from early 2024 found that among Australian small businesses surveyed, the main reasons for not using new digital tools like AI is that they are too expensive (41 per cent) or that these tools are perceived as not needed for the business (41 per cent).

When small businesses do not adopt new digital tools, what are the main reasons for it?
(Small Business Insights: Australia | QuickBooks (intuit.com))





The cost of AI is prohibitive

A medium-sized Victorian business within the Chamber network noted that they are actively exploring custom AI and Microsoft CoPilot solutions.

"The AI solutions were more expensive than anticipated and it seems to be becoming more expensive"

"Custom AI was disappointing for accuracy at this point… where you have humans with deep domain knowledge, they reject the tool because 80 per cent accuracy isn't sufficient."

"Playing with Microsoft CoPilot (ChatGPT), a very large challenge that will surface is that companies that haven't got their data security under control will find data surfacing they weren't expecting."

"In our view there are definitely two camps in organizations, those rushing to embrace, and those resisting."

"Part of the issue we face is that workers think AI is free, easy to use due to chat GPT. This is not the reality."

Funding and cybersecurity are the main issues for AI in healthcare

A recent report from the Productivity Commission found that better integrating digital technology into healthcare could save more than $5 billion per year, notably with electronic health and medical records, telehealth, remote monitoring and treatment, and artificial intelligence.

There are a number of major hurdles to this, including tight budget lines, reduced funding, the need for ultra-fast connectivity, further developing a culture and framework for more (secure and efficient) data sharing among providers and upgrades to ICT. While the sector as a whole invests more than others in digital technology (after ICT sector, professional services, and real estate), many healthcare providers are small businesses, with limited resources to explore new technologies and invest in AI tools.

In the healthcare sector, patients and providers are also more keenly aware of trust and confidence issues, and the need for a high standard of data governance and cyber security, due to the sensitive nature of the data involved.

AI education, skills and training

For businesses, and SMEs in particular, to progress towards wide-scale AI deployment, all workers (including employers) must increase their digital competence.

It is widely accepted that successful adoption and integration of new technologies cannot be achieved without increasing the digital competencies of users. In order to have an adequately and appropriately skilled workforce, there must be a strong foundational skillset. All citizens need basic digital literacy to access government and business services and workplaces need workers with the requisite foundation skills to take advantage of productivity benefits digitalisation provides. This baseline digital capability is even more critical in then bridging the gap to AI deployment and use.

There is currently a much greater focus on bespoke AI and cyber skillsets than there is on a plan to raise the overall digital competence of all workers, including the business decision-makers.

The decision to use AI solutions in an organisation requires buy-in from all levels: board directors need an adequate functioning working knowledge of AI to make informed decisions about how to integrate and deploy the technology in their organisation, and what steps to take to mitigate any identified risks and managers and workers need to understand AI solutions proposed, recognise the benefits and be trained on its use in order to ensure it is operationalized.

"Smaller workshops are out of touch with AI. Many struggle with basic IT functions. The need for tech is seen as a grudge, expensive and a means to an end. Even the (younger) apprentices coming through the sector typically have a low aptitude for digital tech."

- Automotive Industry Representative

The auDA **Digital Lives of Australians 2024** found that few Australian consumers or small businesses feel they have high capability with digital skills and AI applications – the majority would need guidance to develop and use them.

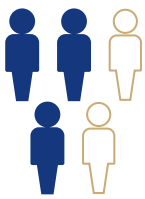
Digital skills capabilities (% High capability – can do without guidance) Small Businesses.

Digital photo editing and/or video production	26%
Online collaboration tools (e.g. SharePoint)	23%
Using AI and Machine Learning	18%
Website development and maintenance	24%
Data visualisation	21%
Data analytics	23%
App development	20%
Coding and programming	19%

Amongst small businesses, the main barriers to building digital skills are lack of knowledge and time. There is a lack of knowledge of where to start, how to develop these skills or how to find resources to develop them.

Research published by RMIT found that:

of businesses reported **insufficient** or **out of date** digital **skills** of their workforce.



Three in five Australian employers still **lack one or more of the digital skills** they require to do business.

23.6% of Australians remain digitally excluded in 2023

As the use of digital technologies in jobs across the economy increases, there is a **need for more workers to become digitally enabled**. Present estimates indicate a **shortfall of 242,000 digitally enabled workers as** well as a shortfall of 130,000 digital expert workers by 2026.

The digital intensity of the workforce has increased by 12 percent over the last five years.

Digitally enabled workers rely on digital skills to augment their functional skills, and **will comprise 44 percent of the workforce in 2026**, including occupations such as engineering professionals; legal professionals; sales, and marketing; clerical and office support workers; and machine operators.

Generative AI will affect how we perform tasks in the workplace moving forward in different ways: some tasks may be **automated**, many **augmented**, and others **adapted**.

Occupations with more cognitive and less physical skills, that have higher required skills levels are more likely to be impacted as generative AI systems are implemented.

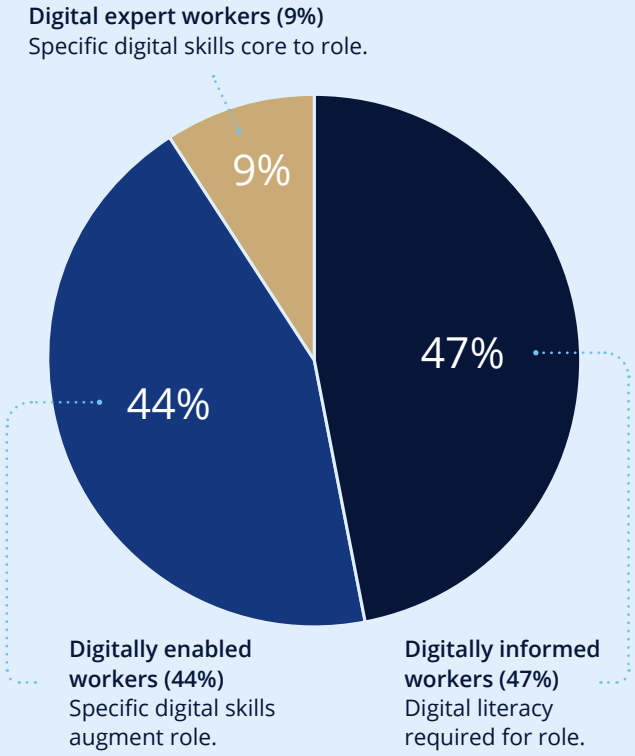
The education and training sector is already contemplating how to tailor training systems to meet the demand for more digitally enabled workers and this change to tasks within occupations and roles. Workplaces will also need to consider which tasks benefit most from AI use in order to realise productivity gains.

The International Organisation of Employers (IOE) has recently published guidance on **reshaping human and social skills for the digital era**, which is based on the assumption that, while digital skills are needed across the board for the workplace of the future, **robust human and social skills are more important than ever for organisations and economies to thrive in the digital context.**

The IOE Guidance suggests a number of approaches which governments can take to boost these skills, in addition to technical and other skills needed to thrive in a workplace which integrates AI technologies. These include skills enhancement initiatives, coordination between educational institutions and industry, joint ventures and student internships or work placements.

The Business Chamber Queensland Digital Future of Work survey also supported this with 17 per cent of **businesses indicating a need for people with stronger communication, personal and 'soft' (non-technical) skills over the next five years** as 'critical' and 37 per cent 'strong'. Only 2 per cent said there was 'no need' for soft skill development.

The projected size of Australia's digital workforce by segment in 2026.



Digital worker definitions

- **Digital expert workers –** those requiring specific digital skills as central functional skills.
- **Digitally enabled workers –** those relying on digital skills to augment their functional skills.
- The remainder of the workforce are considered **digitally informed workers**, requiring digital literacy but negligible need for specific digital skills.

The risks with data...

Data management is one of the top concerns voiced by both large and small businesses.

A **survey** by the Governance Institute of Australia found that business leaders and governance professionals associated 10 per cent of AI risk with data governance practices in 2023, however this balloons to 43 per cent in 2030. This reflects the increasing understanding of the capacity of institutional or individual usage of AI to lead to the misuse of data on a large scale.

Although there has been an increasing focus on cyber security, AI and privacy, good data governance has not been part of this discussion. Businesses need to first understand their data assets, how data is collected, where it is stored, what it is used for etc before they can appropriately use, manage and protect the data.

In many cases, when companies introduce AI tools into their business, **data is stored outside Australia** by default. **This can raise issues for security, data protection and compliance.**

Example: advanced data residency in Microsoft 365.

Microsoft 365 now offers an add-on to its software for Advanced Data Residency, where eligible customers may purchase the feature to have their data stored in the same country, where they are subject to comprehensive data residency requirements.

Proprietary information

Issues around AI and intellectual property have been widely discussed, but beyond the question of 'who is the creator?' Of an AI piece of work, uncertainty remains about what happens to certain proprietary information once it's been 'plugged into' the AI system. One ACCI member said that this is of particular concern in the context of generative AI with respect to copyright and trademarking, especially where internal documents are uploaded to a general-purpose AI (e.g., Chat GPT). Where does the information go? Is this being used to further hone the AI system?

Some members have addressed this by adopting specific policies or reiterating the acceptable use of IT policies: don't compromise the organisation, don't export proprietary information.

Garbage in: garbage out'

It is essential that mechanical repairers have access to high-quality and accurate technical information, to guard the safety of vehicles, and for warranties and insurance.

"People can force misinformation: if you put enough incorrect data into the AI, it hallucinates, and creates misinformation. From that point, it's not clear how this information is formed, so it's essential to check sources and cross-reference... if a mechanic is relying on online generative AI tools, which can be susceptible to inaccuracies, there's no guarantee that the output is correct, which can have major implications." – Automotive Industry Representative

(Mis)Trust in AI

AI is now prevalent in our work and private lives, yet it appears to be generally **misunderstood** by the community. The lack of understanding is increasing mistrust, which risks stifling potential productivity gains and broader economic and societal benefits of the technology due to reduced uptake and hesitation regarding uptake. It is also something businesses need to be conscious of, and plan for, when looking to implement AI technologies in the workplace.

According to the 2024 **Edelman Trust Barometer**, in Australia, the technology sector enjoys a relatively high level of public trust (65 points), but this does not equate to trust in AI innovations (26 points distrust). 53 per cent are resistant or hesitant towards accepting this technology which compares to 35 per cent for hesitance of accepting gene-based medicine.

Governments also need to urgently turn their mind to increasing trust in AI and trust in their ability to regulate AI, with 64 per cent of Australians agreeing that government regulators lack adequate understanding of emerging technologies to regulate them effectively.

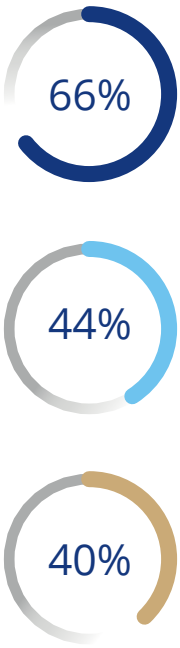
"Output accuracy and determining the level of acceptable risk have considerable impact on the overall trust of an AI system. Companies need to think about their risk framework: if you train people, occasionally they will make mistakes – with a system, you can quantify the mistakes and determine if they are acceptable."

– Financial and Insurance Services industry representative

Ethics Boards

Larger companies, e.g. QBE, have introduced diverse ethics panels within their structure to assess the risks potentially associated with the use of AI. Understanding and mitigating ethics risks is key to a solid governance approach.

KPMG and the University of Queensland (2023) further found that:



66 per cent of Australians are unsure or unwilling to trust AI,

only 44 per cent think the benefits of AI outweigh the risks, and

only 40 per cent are willing to trust AI at work.

More control = more trust

Accounting, legal and professional services and financial services firms are leading the way in AI adoption, but this doesn't mean that they are not keenly aware of the risks of inaccurate outputs – when it comes to sensitive legal or financial advice, outputs need to be checked with human review. Intuit recognizes that bookkeepers who use QuickBooks value accuracy in AI, understanding the importance of precision in their work.

"AI-enabled tools help remove drudgery by automating repetitive tasks so customers can focus on the work they love and be more productive. Much of our AI functions as decision-support systems, helping both our customers and the experts who serve them make insightful decisions with human review. Being transparent and incorporating human review is vital to build customer trust – everybody wins: efficiency gains, coupled with growing trust in the product." – Intuit

Too much cross-over regulation

Beyond cost constraints and awareness of benefits to the business, even the most innovative companies find themselves hesitating when confronted with the complexity and uncertainty of the broader regulatory landscape.

For small business in particular, ACCI's 2024 Small Business Conditions Survey found that:

Overall, red tape is affecting the majority of small businesses.

82% of small businesses said that red tape is having either a major or moderate impact on their operations

and for most small businesses, the impact of red tape is growing

61% of small businesses said the overall impact of red tape has increased in the past 12 months.

AI is not currently subject to technology-specific regulation in Australia, but various applications and use-cases of AI fall within the scope of existing legislation, depending on the context. In some ways this makes it more complicated for businesses to identify relevant legislative requirements and ensure obligations are being met.

At present, some of the key legislation which governs contexts of AI use (or risks) are also currently in flux:

- AI is **data intensive**, which often includes personal information, and therefore businesses must have regard to the **Privacy Act**. The Privacy Act is currently **undergoing reform**, which is likely to significantly increase obligations for processors of personal data and introduce extensive new obligations for small businesses with the likely removal of most of the existing small business exemption.
- The Government's **Cyber Security Strategy** (2023-2030) seeks to promote the safe use of emerging technology, including AI with new legislation imminent.
- The Government is also considering new **AI regulatory guardrails** with a focus on testing, transparency and accountability and related initiatives such as watermarking mechanisms.

Meanwhile, there have been **several Senate and House inquiries into various aspects of AI**, with each to hand down a report with recommended actions.

These changes and forthcoming policies represent only a small example of the regulatory uncertainties faced by businesses seeking to deploy AI tools in their work – and can act as a dissuasive or delaying factor in any decision to explore new technologies, for fear of non-compliance, or a future change in the legislation.

"In healthcare there are two levels of use – the first is AI technologies as a tool to improve business processes and simplify administration tasks. Businesses are very likely to see efficiency gains through this application. The second level of use is AI as the product in things like medical software and devices. There is already a well built supervisory framework for software in medical devices or where software is the mechanism to deliver a therapeutic or diagnostic benefit supervised by the Therapeutic Goods Administration. Those regulations are evolving in an informed process to take account of AI and machine learning.

It will be important to ensure that in health, regulatory decisions are made by informed expertise within frameworks well understood by industry. That is preferable to a new AI framework applying across the board where the specific implications for health may be underestimated."

- Abbott

The Safe and Responsible AI in Australia consultation identified at least 10 legislative frameworks that may require amendments to respond to applications of AI.

Five principles in moving forward on AI

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