

AI unleashed:

Tips for small and medium enterprises



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GenAI: Integration on shifting sands

How are companies and corporate leaders in other areas of the world thinking about GenAI? Specifically, how does AI integration differ when it comes to small and medium enterprises (SMEs)? Diligent Institute, in partnership with the Institute of Directors, U.K. (IoD U.K.) convened about 60 directors based in the U.K. and conducted a roundtable on the strategic integration of GenAI for SMEs in the U.K.

This whitepaper, based on takeaways from the roundtable and augmented with quotes from thought leaders, delves into how U.K. directors are navigating these challenges and opportunities, providing a comprehensive overview of AI governance, risk management and strategic opportunities for SMEs.

“ AI isn't a luxury for big corporations only; it's an essential tool for small businesses.

Rob Noble

Chair at The Webinar Vet, MBA-IT and
Founder of Fidem Consulting

According to the [2025 What Directors Think report](#) conducted by Diligent Institute, Corporate Board Member and FTI Consulting:

80% of U.S. public company directors say their company has acted when it comes to the **development and deployment of AI**

42% of directors cite optimizing operations and costs and enhanced workforce productivity as the **top opportunities presented by artificial intelligence (AI) integration**

Top risk of integrating AI:

32% lack of knowledge and internal capabilities

29% data privacy

26% hallucinations

“ AI technologies, approaches and applications are reshaping how organisations operate, offering SMEs new opportunities to drive innovation, efficiency and growth. But effective adoption requires more than enthusiasm – it demands strategic leadership, strong governance, a clear-eyed approach to risk, and alignment with long-term business objectives. The IoD's collaboration with Diligent reflects our commitment to ensuring directors and business leaders have the knowledge and insights to navigate this fast-moving landscape. Continued learning and reflection are key to ensuring AI is implemented responsibly and strategically, turning potential into lasting value and helping businesses stay competitive in a rapidly evolving world.

Dr. Erin Young

Head of Innovation and Technology Policy, Institute of Directors

Common pain points for SMEs

Throughout the roundtable discussion, a few key themes emerged:

1. Balancing risks and opportunities:

The roundtable emphasized the need to strike a balance between the risks and opportunities of generative AI (GenAI). While integrating AI can significantly enhance efficiency and innovation, it also poses risks such as groupthink and a lack of expertise development, not to mention legal and regulatory risks if not utilized properly.

2. Governance and human oversight:

A central theme was the importance of governance and human oversight. The potential legal and reputational risks of relying solely on AI without human intervention were highlighted.

3. Confidentiality and security:

Confidentiality and security were identified as critical concerns, especially in sensitive sectors like legal and financial. Public AI systems in particular can pose significant risks.

4. Ethical use and education:

The ethical use of AI was a recurring theme. Many questions arose around how to create clear guidelines and education on what constitutes “original work.”

5. The cost of rapid evolution:

SME boards and leadership teams may feel pressure to adopt AI quickly to avoid falling behind competitors and to meet customer expectations. The rapid evolution of AI technology presents challenges for organizations, particularly smaller ones that might not have the resources to heavily invest in AI implementation.

8 best practices for strategic integration

In response to the questions raised by our attendees, our panel of experts presented eight tips for how to safely and effectively incorporate AI into business strategy:

1. Ensure human oversight and governance

Establish a clear governance framework with human oversight to maintain credibility and manage risks. Above all, make sure that there is always a human in the loop. “Not becoming over-reliant on AI and maintaining human oversight to validate outputs is essential,” says Craig Bentley, Co-Founder of Ignite AI Partners and Branch Chair of the IoD.

Having the right leadership here is the first step, particularly for SMEs. “Every board, no matter how small and modest, should have a member who is smart and motivated enough to want to know more about this technology,” says Rob Noble, Chair at The Webinar Vet, MBA-IT and Founder of Fidem Consulting. “Even if they don’t know the answer, they can and should be able to go and find out what the answer is or seek out a suitable expert.”

But it might not always be possible to have an AI expert on your board. “This is why it is vital for the leadership to have a fundamental understanding of AI system opportunities and risks,” says Pauline Norstrom, Founder and CEO of Anekanta AI.

“ For directors specifically, high-level professional training should cover AI opportunities, limitations, risks, and how to create AI policy which they govern from the boardroom. They need to know what questions to ask.

Pauline Norstrom
Founder and CEO of Anekanta AI

2. Use trusted AI providers

Understand the risks of using open systems. “If you put your proprietary data into a large public model, do not be surprised if somebody else finds a way of benefiting from it,” says Noble.

SMEs may be constrained in terms of available cash to invest. “If the business does not have an AI policy or any controls in place, they may choose public models without truly understanding whether their data might become exposed,” notes Norstrom. Instead, choose closed-system AI tools from trusted providers with strong data privacy and security measures.

Look for indicators that an AI system provider is committed to cybersecurity best practice through ISO 27001 or SOC 2 Certification. Furthermore, whether they have achieved or are planning for ISO/IEC 42001 the AI Management System Standard for AI governance. “Businesses should carefully review the terms and conditions of AI tools,” says Norstrom. “Ask for the technical data, or model cards which should explain how it was trained and what data, also how and where the data is stored e.g. encrypted at rest, also whether customer data it is used to train the model.”

3. Look to larger companies for inspiration

GenAI opens up opportunities that were once only viable for large enterprises, making them accessible to smaller companies without the need for significant investment. “The barrier to entry now is much lower,” says Bentley. “Automation, productivity, enhanced customer engagement through AI-driven chatbots and personalized marketing are now more accessible.”

When integrating AI into your business, there are two routes a company can take. One is designing and building their own AI system, and the other path is choosing an external system to implement. For SMEs, the latter option is often more feasible.

4. Focus on high-value use cases

As noted throughout our discussion, SMEs often face significant resource challenges when integrating AI into their business processes. Limited capital, resourcing and bandwidth can hinder their ability to invest in advanced AI technologies and infrastructure. Unlike larger corporations, SMEs may struggle to allocate sufficient funds for AI development, staff training and necessary cybersecurity measures.

Bearing this in mind, our experts suggested starting with a specific, high-value use case to quickly demonstrate the benefits of AI without overextending resources. “Start small,” says Bentley. “Find a high-value use case, prove the benefits and then scale out from there.”

“ Ensuring that AI tools are from trusted providers with strong data privacy and security measures is essential.

Craig Bentley

Co-Founder of Ignite AI Partners and
Branch Chair of the IoD

“ The real opportunity for small businesses at the moment is to watch and learn from larger organizations. Use the tools that are being honed at larger corporations and bolt them into your existing processes to start.

Rob Noble

Chair at The Webinar Vet, MBA-IT and
Founder, Fidem Consulting

5. Invest in employee training and upskilling

Invest in upskilling employees, particularly in areas like prompt engineering, to ensure consistent AI usage within the company's policies. Says Norstrom, "Developing internal AI literacy and skills through professional training is crucial, as it ensures employees can use AI tools for the purpose for which they were intended, understand the decisions and how to challenge them. Furthermore, to understand the company's AI policies and reporting procedures with regard to incidents and risk."

"Training and upskilling employees, especially in areas like prompt engineering, is crucial," says Bentley. "Prompt engineering is one subset of how to use AI, but it's a good place to start because it's broadly accessible. There are training courses on this, which are often free to access."

Accountability is also important, says Bentley: "You need someone who is accountable for how AI projects are prioritized and implemented, particularly in a small or medium enterprise. Then, you need cross-disciplinary learning; people working with each other to share their experiences."

Norstrom agrees: "To ensure the most effective use of AI, project leaders should include a diverse range of perspectives in their teams and discussions and have a dedicated convener or moderator to manage the flow of discussions and encourage feedback."

6. Prioritize transparency and accountability

Ensure transparency across the organization and conduct regular audits to track AI usage and maintain alignment with business goals. Advises Noble, "Establish a clear AI policy that outlines appropriate usage and data protection."

Norstrom underscores the importance of good leadership when it comes to AI integration: "A clear AI strategy and policy, driven from the top, is essential for aligning initiatives with business goals and ensuring effective management."

How can you monitor and track progress? Bentley suggests regular audits: "This helps track AI usage and maintain alignment with the overall business strategy."

“ Maintaining a diverse team can foster innovation and reduce the risk of groupthink, which is vital for successful AI adoption.

Pauline Norstrom
Founder and CEO, Anekanta AI

“ Transparency is key, making sure everyone understands the journey and how AI is linked to the business objectives is incredibly important.

Craig Bentley
Co-Founder of Ignite AI Partners and
Branch Chair of the IoD

7. Monitor the regulatory environment

Stay informed about the regulatory landscape and ensure compliance with data privacy and ethical use guidelines.

“Regulation is a big concern for many SMEs,” notes Bentley. “There’s a lot of uncertainty around how regulations will evolve, and that can make it challenging for SMEs to plan long-term AI strategies. We need to ensure that any AI systems we implement are compliant with existing laws and regulations, especially in areas like data privacy and security.”

Regularly review and update your AI policies to align with new regulations and best practices. “Stay informed through professional training and be aware of major regulatory developments, such as the [EU AI Act](#),” advises Norstrom.

Avoiding legal repercussions is paramount. “It’s important to stay informed about regulatory changes and to work with legal experts to ensure compliance,” says Bentley. “This can be a significant investment, but it’s necessary to avoid legal issues down the line.”

8. Implement robust cybersecurity policies

As always, implementing new technology comes with security risks. “In the context of AI adoption, and uninformed SME will face significant data privacy, security and cybersecurity challenges,” says Norstrom “These include the risk of sensitive data exposure when using public AI models and a lack of awareness and expertise among leadership and implementers.”

She goes on: “To mitigate these risks, SMEs should implement an overarching AI policy which requires robust cybersecurity policies within it, such as avoiding a single point of failure and over-reliance on one provider. Also to consider the human factors in cybersecurity. Therefore, staff training in this area is a continual process.”

“The regulatory environment is evolving rapidly. It’s important to stay informed about changes in laws and guidelines, especially if you’re operating in multiple jurisdictions.”

Rob Noble

Chair at The Webinar Vet, MBA-IT and Founder, Fidem Consulting

“Data privacy and security are critical, especially when it comes to AI. Companies need to ensure all policies and protocols are locked down.”

Craig Bentley

Co-Founder of Ignite AI Partners and Branch Chair of the IoD





Get the most out of AI

AI presents a transformative opportunity for SMEs in the U.K., but its successful integration requires a strategic and thoughtful approach. By focusing on high-value use cases, ensuring clear oversight and fostering a culture of continuous learning and transparency, SMEs can harness the power of AI while managing the associated risks. The key to success lies in balancing innovation with responsibility, ensuring that AI is used ethically and effectively to drive sustainable growth.

Related resources

To unlock the full potential of AI for your business, check out more resources from Diligent and the Institute of Directors (UK):

- **GovernAI:** Eliminate manual board meeting prep with Diligent's GovernAI tools — freeing up time, boosting productivity and equipping leaders with precise, decision-ready insights.
- **The essential starter kit for your AI oversight strategy:** Diligent's comprehensive guide offers valuable insights into AI governance, helping small and medium enterprises ensure responsible and effective AI implementation.
- **What Directors Think 2025:** Diligent Institute's annual survey of directors conducted with Corporate Board Member and FTI Consulting covers the biggest trends and challenges for companies in 2025, including AI.
- **The Corporate Director Podcast:** Presented by the Diligent Institute, this biweekly podcast features interviews from directors, corporate leaders and practitioners covering the latest trends in corporate governance
- **Assessing the expected impact of generative AI on the UK competitive landscape:** A paper in collaboration between the IoD and the London Business School.

About us

Diligent Institute

Diligent Institute provides thought leadership, content and programming to inform, educate and connect corporate leaders in meaningful ways. We provide original research based on survey data, quantitative data and disclosures, and interviews with subject matter experts and corporate leaders; informational and educational content in the form of podcasts, webinars, blogs, newsletters and more; and virtual and in-person events and programming for board members and the C-suite.

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info@diligent.com | diligent.com



The Institute of Directors is a non-party political organization, founded in 1903, with approximately 20,000 members. Membership includes directors from right across the business spectrum, from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies. The IoD was granted a Royal Charter in 1906, instructing it to “represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favorable to entrepreneurial activity and wealth creation.” The Charter also tasks the Institute with promoting “for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors”, which the IoD seeks to achieve through its training courses and publications on corporate governance.