2025

AI IN THE MIDDLE MARKET SURVEY

THE KEYSTONE GROUP
ATLANTA · CHICAGO · LOS ANGELES

Introduction

While news headlines often tout the transformational capabilities of AI, its applicability to smaller middle-market companies warrants further exploration. To study this, Keystone surveyed over a dozen executives across different industries to better understand general sentiment, strategic priorities, and tangible use cases tied to AI-enabled value creation.

Based on interviews with these senior business executives, generative AI adoption is beginning to enter a maturing phase characterized by strategic discipline and cautious execution. A striking 83% of executives expressed optimism or excitement about AI's business impact, yet they're pursuing measured, governance-first implementation strategies that prioritize proven value over broad experimentation. All executives plan to increase AI budgets over the next 12-18 months, with one-third expecting significant increases.

AI transformation will be evolutionary rather than disruptive. Executives have learned from past technology cycles and are establishing AI policies, committees, and controlled pilots before scaling. They consistently compare the current moment to the "internet revolution" while remaining keenly aware of overspending risks, using analytical frameworks that evaluate labor costs, data processing capabilities, and proprietary data access.

Survey Themes

Regardless of industry or ownership structure, our survey respondents generally aligned on a few key areas.
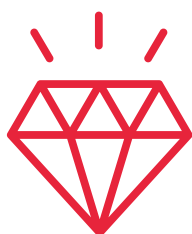
OPTIMISM AND INTRIGUE

All of our survey respondents agree on one thing - there is definitely value to be mined. The vast majority are excited about the potential outcomes. All respondents are still in the early stages of understanding available tools, and few have seen clear results so far.

GOVERNANCE FIRST

Executives are taking a governance-first, business-case-driven approach to generative AI adoption. Rather than jumping into implementations, they are establishing AI policies, committees, and controlled pilot programs.

"We've focused a lot on putting a governance council in to avoid distraction in the organization."

CLIENT SVP

ORGANIZATIONAL CHANGE MANAGEMENT

Executives report varying levels of employee resistance and the need for comprehensive training programs. Successful implementations are often led by "early adopters" who demonstrate value and train others. The role of cross-functional teams, rather than IT-only initiatives, appears critical for success.

INCREASING INVESTMENT

All executives we spoke with plan to increase AI budgets over the next 12–18 months, with moderate to significant increases expected. Investment patterns favor add-on tools that enhance existing systems rather than replacement solutions, reflecting a preference for "AI as enhancement" over revolutionary change.

Success Stories

Surveyed companies remain in the early stages of AI adoption, but some have shown success across several functional areas.

Impact Area	Value Creation
Customer Service	Response times reduced from hours to minutes through automated systems that process unstructured customer data and provide immediate responses.
Equipment Repair	Implemented LLMs for field technicians to improve education and repair success rates, coupling insights with equipment usage data to predict future needs and reduce customer costs.
Marketing Content	Deploying e-commerce content tools for seasonal product photo modifications and instruction manual translation
Data Analysis	Research and analytical tasks completed more quickly, with 25–30% of their white-collar workforce creating dashboards using AI assistance.

"AI can tweak our existing content to match the preferences & algorithms of different retailers."

CLIENT EVP

Levels of AI Adoption

Most successful companies adopt AI across four levels, starting with productivity and building to strategic advantage.

Personal Productivity

Start with enterprise AI tools like Microsoft Copilot, Gemini, or ChatGPT where employees see immediate value in their daily work. Establish AI policies before deployment and train employees on limitations, confidentiality, and IP protection.

Functional Excellence

Every department has AI use cases but finance, accounting, and marketing emerged most frequently in our survey. The AI landscape is rapidly evolving, creating new opportunities to solve old problems. Establish a quarterly review process to evaluate emerging capabilities against your priority use cases.

Accelerated Development

Many companies are going beyond AI tools to building with them. Teams are using AI-enabled platforms like Copilot, Claude Code and Cursor to generate code, automate workflows, and build lightweight internal apps. Identify "citizen developers" in operations or analytics who can bridge business needs with technical execution.

Strategic Differentiation

How can AI advance your company's core value proposition? Start with your top three competitive advantages, and ask "How could AI amplify each or make it obsolete?" Assign someone to track industry AI developments, top competitors' deployments and startups targeting your pain points.

Recommendations

Middle market companies hold a unique strategic position: agile enough to move faster than larger firms, but still vulnerable to disruption from AI-native startups. Waiting carries real risks. A competitor that automates workflows before you might eliminate your cost advantage. The time to develop your AI strategy is now.

01 — Assemble a Team

Bring together cross-functional leaders who understand business needs, data, and technology. A diverse team ensures alignment, drives adoption, and prevents AI from becoming a siloed experiment.

02 — Build a Roadmap

Develop a clear, phased roadmap that prioritizes high-value use cases, balances quick wins with long-term impact, and aligns AI investments with overall business strategy and capabilities.

03 — Create a Framework to Measure Success

Establish measurable KPIs and feedback loops to track adoption, performance, and ROI. A structured framework ensures accountability and demonstrates tangible business value.

Conclusion

These executive interviews reveal a mature, sophisticated approach to AI adoption that prioritizes business value over technological innovation. Rather than rushing to implement AI broadly, these executives are systematically identifying high-value use cases and establishing governance frameworks for AI.

We'd Love to Hear from You!

Please complete this brief survey to tell us how your organization is leveraging AI to improve business outcomes:
AI in The Middle Market - Keystone Group Survey.

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"Middle market companies have distinct advantages in AI adoption. While enterprises spend months navigating bureaucracy, you can launch controlled pilots in weeks. Your operational constraints actually drive better outcomes: you can't afford vanity AI projects, so you focus on measurable impact."

Matt is an executive advisor at Keystone and leads the University of Wisconsin's AI Hub for Business, where he leads initiatives to advance applied-AI research and industry partnerships.

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