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Digital Transformation

How small businesses in Canada are leveraging AI and technology for growth and productivity

Payworks

Sage

How to cite:

ALEGBEH, Alchad, CRUZ, Marvin,
Digital transformation: How small businesses in Canada are leveraging AI and technology for growth and productivity. Canadian Federation of Independent Business (CFIB), September 2025.
This publication is also available at cfib.ca/research.

Cette publication est aussi disponible en français sur la page fcei.ca/recherche sous le titre « Transformation numérique : Comment les PME canadiennes exploitent l'IA et les technologies pour stimuler leur croissance et leur productivité ».

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Acknowledgements

CFIB would like to extend a special thank you to **Payworks** and **Sage** for their generous support in sponsoring this report. Their partnership has helped make this research possible, and we sincerely appreciate their commitment to Canada's small business community.

Highlights

Canada's small businesses are increasingly exploring digital tools, and while not every firm will adopt them the same way, those that do are seeing real productivity gains. This report highlights where adoption is strongest, what barriers remain, and how digital tools are reshaping outcomes, with guidance for SMEs and policy recommendations to support broader progress.

1. The Productivity Imperative

- **Canada's productivity lags—digital adoption is part of the fix**: Canada's labour productivity grew just 3% from 2015–2025, compared to 18% in the U.S.—a gap that digital adoption can help close.

2. The Digital Adoption Divide

- **Most SMEs are digital—but few are fully integrated:** 92% use some digital tools, but only 10% are fully digitalized. Most have limited integration across operations.
- **SMEs are shifting from basic tools to AI and innovation:** While past investments focused on accounting, cybersecurity, and IT, future plans include GenAI (25%), AI analytics (16%), and e-commerce (15%).

3. Performance, Return on Investment (ROI), and Maturity

- **Digital maturity drives business results:** Tech is seen as essential by most SMEs—especially Digital Leaders (businesses that have integrated digital tools across all core functions). Overall, 93% of *Leaders* say tech is key to competitiveness versus just 20% of those not using digital tools.
- **Returns come quickly—and grow with digital maturity:** 55% of SMEs see ROI within 2 years, with productivity gains of 29% on average. **Financial returns reach $1.60 for every $1 spent**. Digital Leaders report 34% productivity gains and $2.40 return per $1 invested—1.7x higher than those starting their digital journey.

4. The Generative AI (GenAI) Moment

- **GenAI use among SMEs is growing but still modest**: 41% use it, but only 18% do so daily. Usage is highest in content-driven sectors like arts and finance, with minimal uptake in transportation and hospitality.
- **GenAI delivers strong time efficiency gains:** SMEs using GenAI save 2.05 hours a day while spending only 0.97—effectively doubling their time and gaining an extra hour for every hour used. If just half the time saved is reinvested into productive work, it translates to a 0.84% increase in annual GDP, and potential gain of $12.8 billion per year for the Canadian economy.
- **Content creation is the top GenAI application**: used by 84% of SMEs adopting the technology, followed by personalized marketing (40%) and visual content generation (36%).

5. What Is Holding SMEs Back

- **Barriers to adoption persist**: 51% of SMEs cite lack of digital skills, 49% lack of time, and 48% high costs—especially in the transportation, retail, and arts, information and recreation sectors.

Getting started with digital tools: 10 practical steps for your business

The following ten steps offer a practical starting point for small businesses looking to adopt or expand their use of digital tools. Based on our research and real-world SME experiences, they are designed to be realistic, flexible, and focused on building momentum, whether you are just starting or ready to scale up. You don't need to adopt everything at once: even small steps, like improving your digital presence or automating a single task, can lead to meaningful gains.

10 steps to going digital

1.
Define your digital vision and goals
Clarify what digital success looks like for your business—whether it's saving time, growing sales, or improving customer service.

2.
Map out a digital roadmap
Plan your digital adoption in phases, focusing on realistic milestones and budget over the next few years.

3.
Identify the key processes to improve
Target areas with the highest manual effort or biggest bottlenecks—like invoicing, scheduling, or communications.

4.
Make your business mobile-friendly and easy to find
Ensure your site, booking tools, and communications work on mobile. Set up Google Business, maps, and basic search engine optimization so customers can find you.

5.
Choose the right tools for your business size
Look for tools that are affordable, easy to use, and scalable as your business grows.

6.
Explore funding support
Check for grants or programs that can help reduce the cost of adopting digital tools.

7.
Invest in digital skills and team confidence
Support your team with basic digital literacy and hands-on training with the new tools you implement.

8.
Build cyber awareness
Use strong passwords, two-factor authentication, and backups. Create a professional email domain and share basic online safety tips.

9.
Find trusted tech partners or advisors
Whether it's a software provider, accountant, or local consultant, having a go-to expert helps you avoid missteps.

10.
Stay informed on best practices and trends
Digital tools evolve quickly—stay up to date through webinars, peer networks, or sector newsletters.

SMEs and the Digital Divide: Progress, Investment, and Payoff

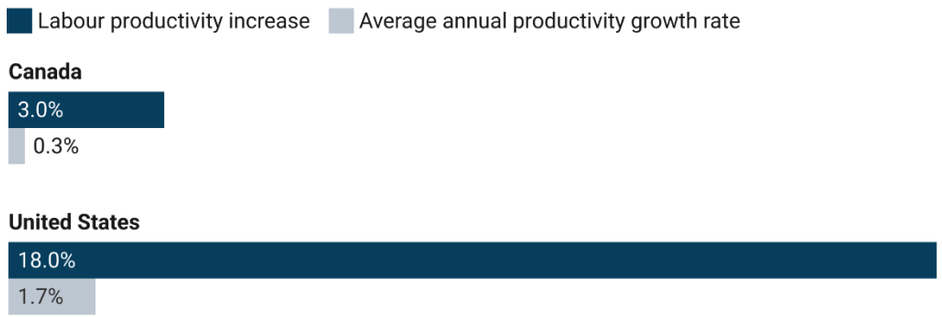
> **“Technology allows us to improve the quality of work we perform, and the time needed to produce it.”**
>
> *- Construction business owner, Saskatchewan*
> *20-49 employees*

Introduction

Small and medium-sized enterprises (SMEs) power Canada's economy, but to stay competitive in the face of global trade tensions, supply chain disruptions, and rising economic uncertainty, they need to adapt. One of the most accessible tools to help meet this challenge is innovation through digital transformation.

At the same time, Canada is grappling with a deeper, long-term issue: weak productivity growth. Despite Canada's strong institutions, abundant resources, and a skilled workforce, productivity growth has stagnated. From 2015 to 2025, labour productivity in the U.S. grew by 18%, nearly six times faster than Canada's modest 3% gain, equivalent to an annual growth rate of 1.7% vs. 0.3% (Figure 1). The OECD warns that, without bold action, Canada is on track to rank last among advanced economies in real GDP per capita growth over the next four decades.[1]

Figure 1: Canada's labour productivity gains over the past decade (2015–2025) lag far behind the U.S. (index, 2017 = 100)



Source: CFIB authors' calculations; Statistics Canada. Table 36-10-0206-01; U.S. Bureau of Labor Statistics

This makes digital transformation more than just a business strategy—it is an economic imperative. Technologies like cloud computing, AI analytics *(AI tools that interpret business data to find patterns, predict trends, and support decision-making)*, generative AI *(AI tools that can create original content, designs, or code based on prompts)*, and e-commerce are reshaping business operations. Our analysis shows that firms with higher digital adoption consistently outperform others in terms of productivity, with technology seen as a key driver to efficiency, competitiveness, and increased sales. In fact, digital tools boost productivity by 29% on average, generating $1.60 for every dollar invested. Generative AI alone can save businesses over an hour per day (1.08 hours). Reinvesting half of that time into productive work could deliver a $12.8B annual boost to Canada's GDP.

Unlike larger firms, smaller businesses often face greater obstacles to adopting digital technologies, including limited budgets, digital skill gaps, and uneven access to support. Yet despite these barriers, Canadian SMEs are embracing digital tools at a growing pace. From messaging platforms to generative AI, businesses are not only streamlining operations but also improving customer engagement, decision-making, and product development.

These shifts are part of a well-known broader economic pattern: innovation replaces outdated systems with more efficient ones, fuelling new waves of growth.[2] Today, digital technologies are the drivers of that change—transforming business models, boosting productivity, and reshaping the competitive landscape.

This report explores how Canadian SMEs are navigating this digital shift, the challenges they face, and the outcomes they are achieving. Drawing data from a survey conducted with 1,683 business owners from April to June 2025, it also examines how emerging technologies, like generative AI, are influencing Canada's productivity and economic trajectory.

[1] The Conference Board of Canada (2024), Innovation Report Card.

[2] Schumpeter, J. (1942). Capitalism, Socialism and Democracy. London: Routledge.

Canada's digital transformation landscape

Digital transformation is becoming an increasingly important strategy for businesses across all sectors. As one retail business owner in Ontario put it, "*If you can't embrace technology and leverage it to improve productivity and the overall quality of the work that needs to be done, then you will be left in the dust*."

In this research, **we defined digital transformation as the use of digital technologies to reshape business strategies, processes, products, and services to meet evolving customer and stakeholder needs**.[3] These technologies span a broad range—from websites and mobile apps to advanced tools like AI, cloud computing, and data analytics.

To get a clear picture of where businesses are on their digital journey, we asked them how integrated digital tools are in their day-to-day operations. Their responses informed a five-tier framework that captures the spectrum of digital maturity, from those just getting started to those fully transformed:

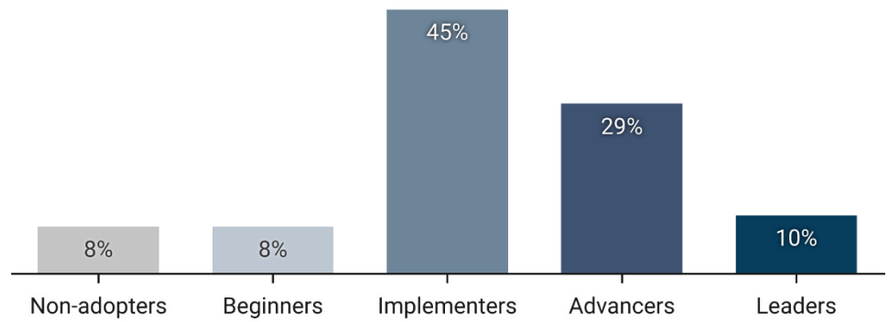
- **Non-adopters**: Little to no use of digital tools (rely mostly on manual processes)
- **Beginners**: Exploring basic tools (e.g., email, spreadsheets)
- **Implementers**: Using tools in some areas, but not widely integrated
- **Advancers**: Most operations digitalized
- **Leaders**: Digital tools are deeply integrated across all core functions

This approach offers a clear view of the progress SMEs have made, and where there is still room to grow.

Figure 2 reveals that while the vast majority (92%) have begun integrating digital tools, only a small share (10%) qualify as *Leaders*. The largest group are *Implementers (45%)*, using digital tools in some areas but not extensively. Another 29% are *Advancers*, with most operations digitalized, and the remaining 16% are split evenly between *Beginners* and *Non-adopters*.

Figure 2: Where Canadian SMEs stand on the digital maturity spectrum: Digital adoption is widespread, but few are fully integrated

Distribution of SMEs by stage of digital maturity



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 1,372.
Question: How would you describe the level of digitalization of your business? (Select one)

Regionally, Ontario (14%) and Quebec (12%) stand out as the provinces with the highest shares of *Leaders*, suggesting stronger momentum for digital transformation in these jurisdictions. This may reflect provincial differences in infrastructure, investment, or support programs that facilitate digital adoption, but also the sectoral makeup of their economies.

[3] Our definition of digital transformation is a synthesis of the existing literature, including, but not limited to, the following papers: OECD (2021), The Digital Transformation of SMEs and Deloitte (2018), Pivoting to digital maturity.

By sector, finance, insurance, and real estate leads with 36% of businesses classified as *Leaders*—more than triple the national average. This is followed by enterprises and administrative management (23%) and professional services (21%), both of which also show above-average levels of digital maturity. These sectors are typically more service-oriented and information-heavy, making them more conducive to automation, digital tools, and cloud-based operations.

Digital adoption is advancing, though many businesses remain in the early or mid stages of their journey. While not all need to become fully digitalized to succeed, continued progress can unlock valuable gains in efficiency and competitiveness.

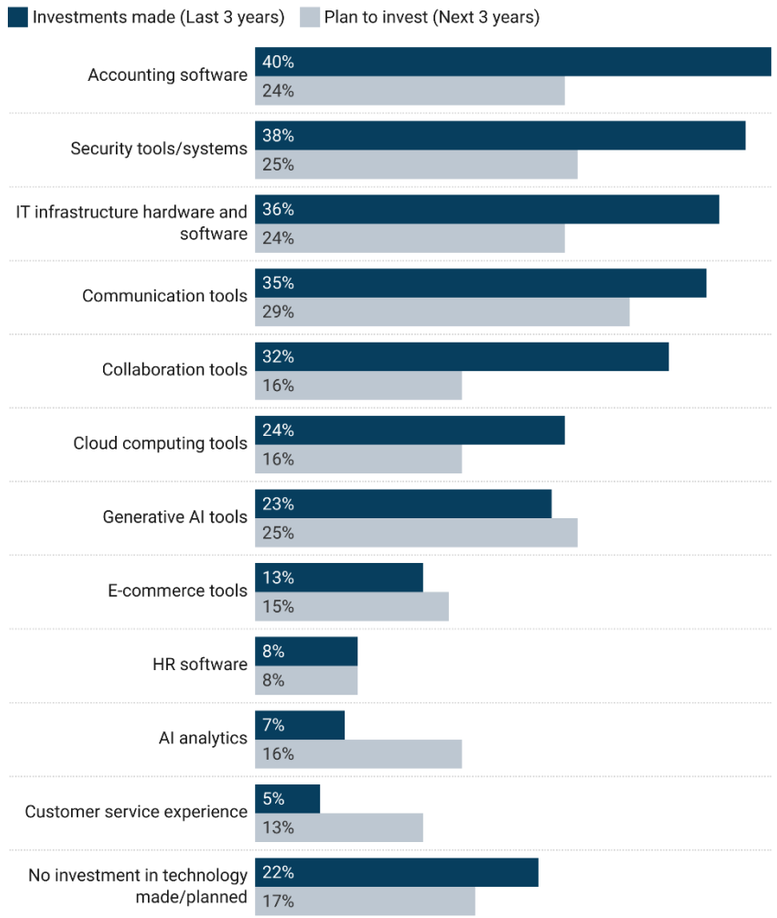
From core tools to AI: Where SMEs are investing next

Understanding SMEs' digital journey means looking at both past and future investments: about 4 in 5 have adopted technology in the past three years, and the same share plans to keep investing over the next three.

Over the past three years, SMEs have prioritized foundational technologies essential to daily operations. As shown in Figure 3, the most common investments included accounting software (40%), cybersecurity (38%), IT infrastructure (36%), and communication tools (35%).

Accounting software plays a central role in streamlining operations—from invoicing to compliance—and often goes hand in hand with HR tools as part of back-office modernization. Adoption of accounting software is strong, with over half of *Advancers* and *Leaders* using platforms like QuickBooks and Sage, and 35% uptake among *Implementers*. HR software, while less common (8% overall), is gaining traction—particularly among *Leaders* (19%)—reflecting its growing role in managing workforce complexity and scaling operations.

Figure 3: Core tools lead SME digital investment; AI and e-commerce rising (ordered by investment in the last 3 years)



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 1,446 n = 1,414
Question: Over the past three years, what types of technology has your business invested in? (Select all that apply)
Question: Over the next three years, what types of technology does your business plan to invest in? (Select all that apply)

Looking ahead, SMEs' investment priorities are beginning to shift. While core systems remain on the radar, there is growing interest in emerging technologies. Adoption of AI analytics and customer service tools is set to more than double, while planned investments in generative AI and e-commerce tools show steady momentum.

Technology priorities also vary by sector. For the past three years, professional services; finance, insurance, and real estate; and enterprises and administrative management are digital front runners: over 40% of firms invested in AI, cloud, and IT infrastructure. Retail shows strong e-commerce and communications uptake. Wholesale and manufacturing are investing in cybersecurity and infrastructure. Agriculture (32%) and transportation (53%) report the highest rates of no investment, though the latter shows high interest in accounting tools moving forward.

Digital maturity shapes how, and how much, SMEs invest in technology. Among *Non-adopters,* 65% made no tech investments in the past three years, and more than half still have no plans—compared to just 5% of *Leaders*. *Beginners* focus on basic tools like accounting software (45%) but show limited plans to advance. *Implementers* and *Advancers* are scaling up, with growing plans for communications and cybersecurity tools. *Leaders* are making the boldest moves, with 48% planning to invest in communication tools, 45% in generative AI, and 38% in cloud computing. As digital maturity grows, so do investment ambitions—underscoring the need to support businesses still at the starting line.

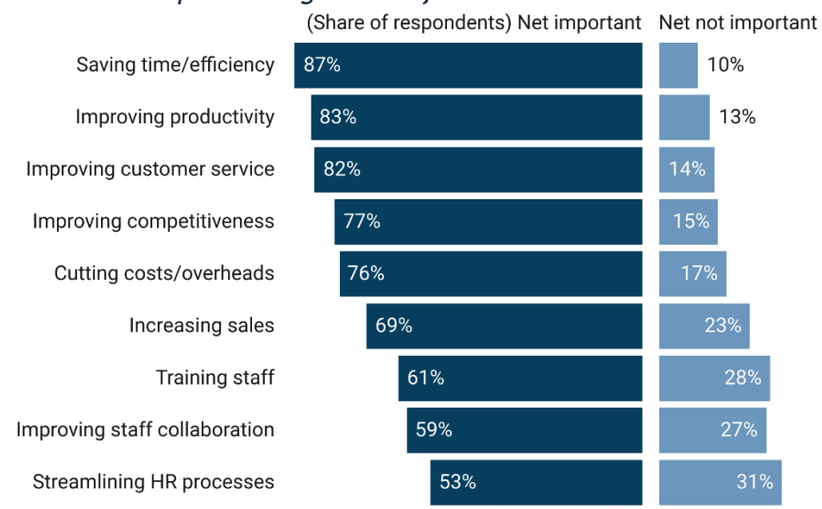
The business impact of digital transformation

The value of digital technology for SMEs is well documented. As early as 2017, the OECD found that digital tools offer small businesses significant advantages—from improved access to talent, financing, and markets, to faster communication, product development, and regulatory compliance.[4] These tools help level the playing field, enabling SMEs to compete more effectively with larger firms.

Our findings in the Canadian context reaffirm and deepen this picture. Digital technologies are seen as essential to how SMEs operate and grow. Efficiency stands out with 87% of SMEs identifying technology as important to time savings and streamlining processes. This perception is even higher in professional services (99%), finance, insurance, and real estate (98%), and manufacturing (91%) (Figure 4). These sectors depend on speed and precision, whether it is a law firm automating contracts or a manufacturer automating production.

Figure 4: SMEs see tech as key to improving efficiency and productivity

SMEs' most important digital benefits



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 1,345 to 1,318
Question: To what extent is technology important to the following aspects of your business? (Select one for each line)

[4] OECD (2017), OECD Digital Economy Outlook 2017.

The importance of productivity gains follows closely, with 83% of SMEs identifying technology as important to improving output and performance. Whether it is a real estate firm automating listings or a factory using predictive maintenance to cut downtime, digital adoption translates into measurable performance improvements. Customer service is also benefitting, with 82% of SMEs reporting the importance of improvements through tools like CRMs and chatbots—enhancing responsiveness, personalization, and loyalty.

Businesses across all levels of digital maturity recognize the value of technology for saving time and improving efficiency, with over 45% of *Non-adopters* and *Beginners* citing it as important, rising to nearly 100% among *Leaders*. But stark differences emerge beyond efficiency. *Leaders* are far more likely than *Beginners* to recognize the value of technology, as nearly all (98%) see it as essential for productivity compared to just 41% of *Beginners*. They are also more than twice as likely to credit it for improving customer service (90% vs. 44%), and significantly more likely to link it to increased sales (78% vs. 44%). On competitiveness, the gap widens further—93% of *Leaders* view tech as crucial, compared to 43% of *Beginners* and only 20% of *Non-adopters*. These findings suggest that as businesses mature digitally, they shift from seeing technology as a support tool to a strategic driver of growth and performance.

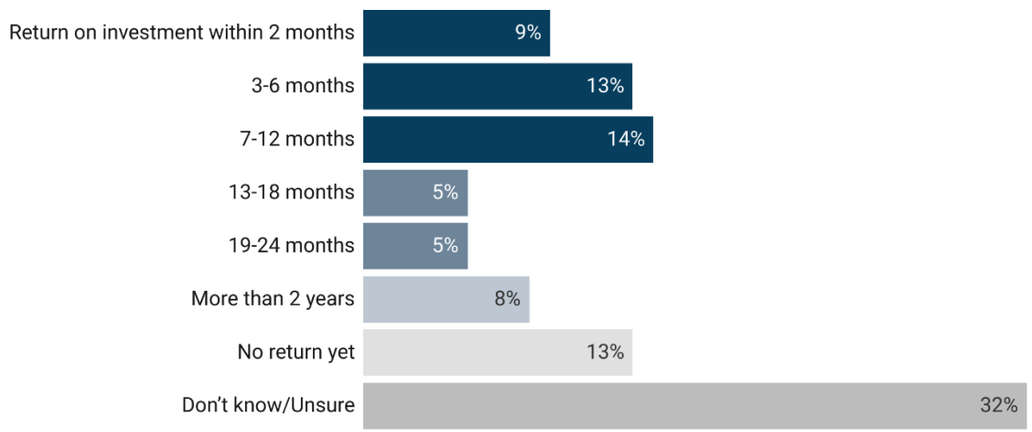
Digital investments pay off quickly for SMEs

To build on the finding that digital technologies are transformative for SMEs, we examined how quickly adopters see returns—whether through financial gains or productivity—and how significant those gains are.

When asked how long it took to see returns on tech investments (ROI) made over the past three years, 36% of Canadian SMEs reported measurable gains within the first year (Figure 5). Finance, insurance, and real estate (71%), and professional services (66%), report the highest share of SMEs seeing returns in the first year, highlighting how data-driven, client-focused industries are especially well positioned to benefit from tech tools. Also, these returns often come quickly: 9% saw a return within two months, and another 27% within the first year.

Digital maturity plays a clear role as well in how quickly SMEs see returns. Over 55% of *Leaders* reported ROI within the first year—compared to 46% of A*dvancers*, 31% of *Beginners*, and 27% of *Implementers*. In other words, digital readiness not only increases the likelihood of success—it accelerates it.

Figure 5: More than one in three SMEs see ROI from tech within a year



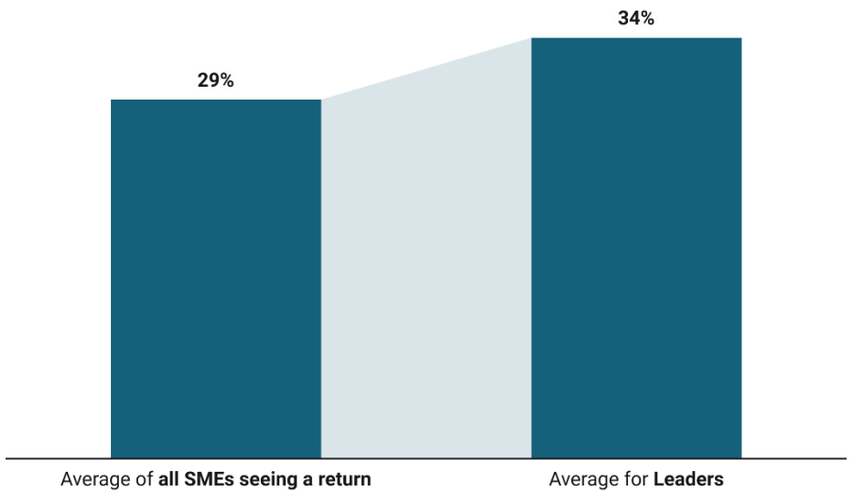
Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 1,032
Question: On average, how long did it take your business to generate a return on technological investment(s) made over the last three years? (Select one)
Note: Total may not add up to 100 due to rounding.

Among tech adopters, productivity gains are significant

Among SMEs that reported and quantified returns, the gains were significant. Six in ten experienced an average increase of 29% in productivity within the first year (Figure 6). For instance, a construction firm in Ontario digitized its inspection process—enabling real-time data capture and transmission from the field. This shift reduced delays and errors, improved efficiency, and accelerated reporting, directly contributing to productivity gains.

Figure 6: SMEs report 29% productivity boost in first year of tech adoption

Increase in productivity from digital adoption



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 335.
Question: Typically, after implementing a new technology, approximately by how much (%) has your business's productivity increased within the first year? (Enter an approximate percentage)

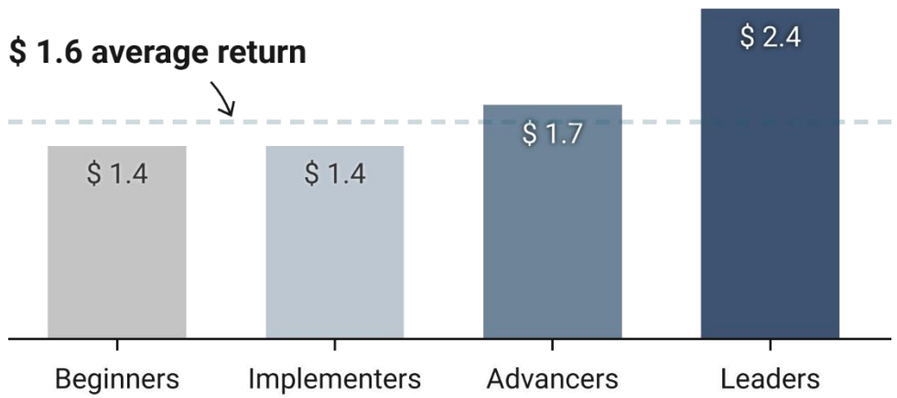
Importantly, *Leaders* outperformed the average, reporting a 34% increase in productivity, compared to the 29% average. The implication is clear: the further a business advances in its digital transformation, the greater and faster the payoff—particularly in productivity.

The financial return of going digital is significant

The financial payoff was also clear, with three in ten SMEs estimating that every $1 invested in digital tools generated $1.60 in return (Figure 7). A retailer in Alberta, for example, used integrated e-commerce and marketing platforms to cut outreach costs while driving more targeted sales.

Figure 7: SMEs earn $1.60 per $1 invested—rising to $2.40 for digital leaders

Average return for every dollar invested, by digital maturity



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 217.
Question: Typically, what would you estimate your business's return is for every $1 spent on digital projects or initiatives?

The data also reveals a clear progression in returns as businesses advance in their digital maturity. As shown in Figure 7, *Non-adopters* and *Implementers* see a return of $1.40, while *Advancers* achieve $1.70, and *Leaders* realize the highest return at $2.40. This means *Leaders* earn 1.7 times more than *Beginners* and *Implementers*, and 1.4 times more than *Advancers*. These differences show that while even limited adoption delivers value, the financial payoff grows substantially with deeper integration of digital tools. As digital maturity grows, so does the return—turning digital adoption from an operational expense into a strategic growth engine.

> **"Technology now plays a central and strategic role in most SMEs. It is no longer limited to basic IT but extends to every aspect of the business: productivity, communication, marketing, customer relationship management, cybersecurity, and even corporate culture."**
>
> *- Personal, Misc. Services business owner, Quebec*
> *5-19 employees*

> **"I believe we have the technology we need, but our challenge is not always knowing what other tools are available and that could save time or generate more income."**
>
> *- Personal, Misc. Services business owner, Ontario*
> *0-4 employees*

> **"Beyond productivity gains, our customers now expect more from us—and technology helps us meet those expectations."**
>
> *- Retail business owner, Ontario*
> *20-49 employees*

AI’s Potential for Canada’s SMEs and the Economy

> **“As a chiropractic clinic, we use one comprehensive subscription which includes an AI generative tool for AI-Driven Patient Recall, AI Front Desk Management, Instant Patient Responses. This has resulted in 300% boost in reviews, 45% more leads, and 65+ more inbounds in 6 months.”**
>
> *- Social Services business owner, Prince Edward Island*
> *5-19 employees*

How AI is reshaping Canada's SME landscape

Artificial Intelligence (AI) is rapidly reshaping how businesses operate and compete. The OECD defines AI as **machine-based systems that, based on explicit or implicit goals, process input data to produce outputs—ranging from predictions and recommendations to decisions—that can affect both virtual and real environments**.[5]

Though research into AI dates to the 1950s, it is only in recent years—spurred by advances in computing power and data availability—that the technology has become accessible, practical, and transformative. Since 2021, global interest in 'AI' (artificial intelligence) as a topic has soared by nearly 1,000%, with Google Trends scores climbing from 8% to 87% of peak popularity by August 2025, a surge driven largely by ChatGPT's launch in late 2022.[6]

Across markets and sectors, businesses are increasingly embedding AI tools in their operations to drive efficiencies, cut costs, and open new revenue streams. From automating repetitive tasks to improving decision-making with predictive analytics, AI is no longer a futuristic concept—it is a present-day business imperative. And the payoff is real: firms that have already implemented AI are seeing measurable returns and are scaling up their investment plans.[7]

This shift is beginning to take shape within Canada's SME landscape. According to our survey, 23% of SMEs have invested in generative AI (Gen AI) tools over the past three years, and 25% plan to do so in the next three. Interest in AI analytics is also on the rise, with planned investments set to more than double—from 7% to 16%. These trends reflect growing confidence in AI's potential to enhance productivity, streamline operations, and unlock new value. As one business owner in the arts, recreation, and information sector in British Columbia put it: "*AI technology has been a huge help for my business. Cash flow, sales reports, social media content ideas, etc. have been so much easier using AI.*"

The generative AI moment

Within this broader shift, GenAI is emerging as a particularly transformative force. Tools like ChatGPT and Copilot are transforming how businesses engage with customers, produce content, and develop products. One retail business in Ontario explained the impact clearly: "*ChatGPT writes content for our website, edits our emails, helps with spreadsheets, and provides quick answers to pricing and percentages. This is a game changer for us.*"

This is not just a passing trend. According to IDC, global spending on generative AI is expected to surpass $140 billion by 2027, growing at a compound annual rate of over 70%. That is three times faster than overall AI investment and nearly 13 times faster than global IT spending.[8] As Canada looks to strengthen SME competitiveness and economic resilience, harnessing the potential of generative AI may prove to be a game changer—not just in terms of technology, but in how businesses think, operate, and grow.

[5] OECD (2024), What is AI? Can you make a clear distinction between AI and non-AI systems? - OECD.AI
[6] Authors' calculations based on AI - Explore - Google Trends (January 2021-August 2025)
[7] Mckinsey (2025), Superagency in the workplace: Empowering people to unlock AI's full potential.
[8] International Data Corporation (2024), The Business Opportunity of AI.

GenAI adoption among SMEs still at early stages

Despite the growing interest and planned investments, generative AI adoption among Canadian SMEs remains in the early stages. Many businesses are still experimenting or exploring its potential, but full integration into daily operations remains relatively uncommon, suggesting a gap between interest and practical implementation.

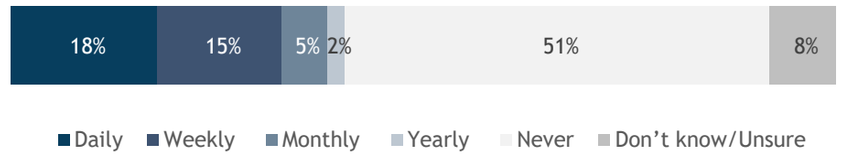
About 4 in 10 SMEs report using generative AI in some capacity, while a majority (51%) have never used it (Figure 8). However, for many of those using it, engagement remains light with just 18% reporting daily usage and 15% weekly.

The frequency of generative AI use increases sharply with a business's level of digital maturity. Only 1% of *Non-adopters* use generative AI daily, compared to 4% of *Beginners*, 27% of *Implementers*, a peak of 43% of *Advancers*, and 25% among *Leaders*. Compared to *Beginners*, *Advancers* are 10 times more likely and *Leaders* 6 times more likely to use it every day (Figure 8b).

Adoption also varies significantly by sector. Arts, recreation, and information lead with 37% of SMEs using generative AI daily, often for content creation, media production, or marketing materials. Finance, insurance, and real estate follows with 32% daily use, using tools for automating client communications or drafting reports. By contrast, sectors like transportation (77%) and hospitality (56%) report the highest shares of firms that have never used generative AI. This reflects either limited awareness, fewer perceived use cases, or structural barriers to adoption in these industries.

Figure 8a: About 40% of SMEs use generative AI, with 18% doing so daily

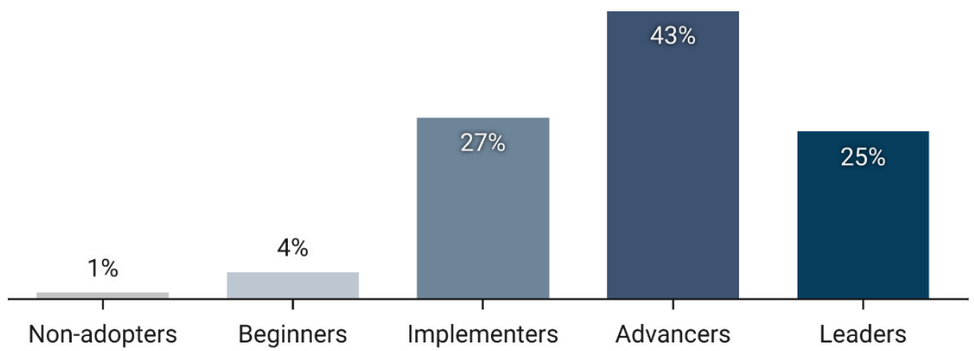
Frequency of generative AI use among SMEs



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 1,306
Question: On average, how often does your business use Generative AI to complete tasks? (Select one)

Figure 8b: Daily GenAI use is highest among digital Leaders and Advancers

Daily use of GenAI according to digital maturity

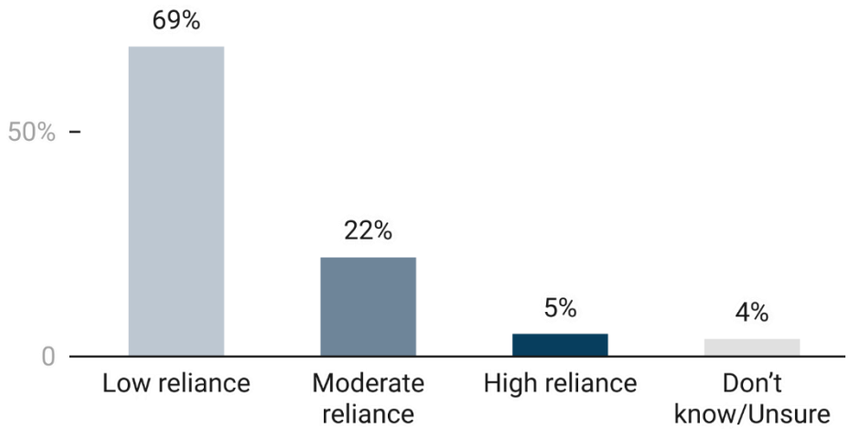


Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 1,306
Question: On average, how often does your business use Generative AI to complete tasks? (Select one)

Even among businesses already using GenAI, most are scratching the surface. As shown in Figure 9, 69% indicate low reliance and using GenAI in only a few business areas. Another 22% report moderate use, while only 5% say their operations are heavily reliant on it. This suggests that for most SMEs, GenAI is still seen as serving a supporting role rather than a central one.

As AI tools become more accessible and use cases more tangible, GenAI could shift from an emerging trend to a core enabler of efficiency, creativity, and competitiveness across the SME landscape.

Figure 9: Most SMEs using GenAI do so lightly, with few deeply reliant on it

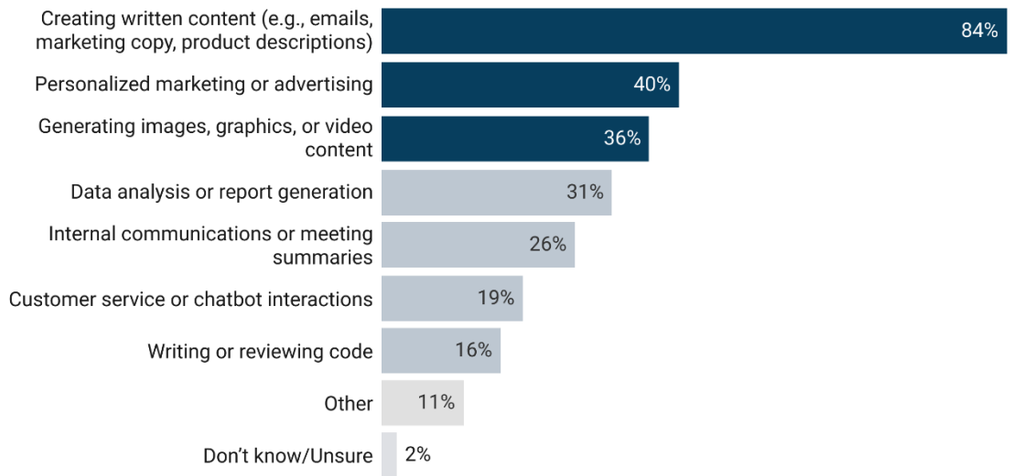


Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 520
Question: How much of your business operations are reliant on Generative AI? (Select one)

Integrating GenAI into the business workflow

For SMEs already using GenAI, the technology is being applied in a variety of practical, task-specific ways. As shown in Figure 10, the most common application is content creation, with 84% relying on GenAI to generate written material such as emails, marketing copy, or product descriptions. This helps streamline routine communication tasks and frees up time to focus on higher value work like strategy and personalization. As one Ontario-based manufacturer explained, *"We use ChatGPT and Grok to generate templates that our team then customizes to suit our use cases—so we're not wasting time building them from scratch."*

Figure 10: Content creation leads GenAI use among SMEs



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 525
Question: What types of tasks does your business use Generative AI for? (Select all that apply)

Beyond written content, SMEs are also applying GenAI to more targeted and creative functions. The second most common use is personalized marketing or advertising, cited by 40% of SMEs. For example, a travel agency in Nova Scotia uses GenAI to tailor promotional emails based on clients' previous destinations and interests, improving engagement and conversion.

Visual content generation is also gaining traction, with 36% of SMEs using GenAI to create images, graphics, or video content. For instance, a small bakery in British Columbia is using GenAI to produce eye-catching social media visuals for seasonal offerings without hiring a designer.

Other use cases highlight GenAI's versatility across business functions. Around 31% of SMEs use it for data analysis and report generation, bringing advanced insights within reach of smaller teams. Another 26% use it for internal communications or meeting summaries, saving time on administrative follow-up. It also supports customer service (19%), through chatbots or help desks, and 16% of SMEs use it to write or review code.

Together, these applications reveal how GenAI is helping business owners do more, faster, with fewer resources.

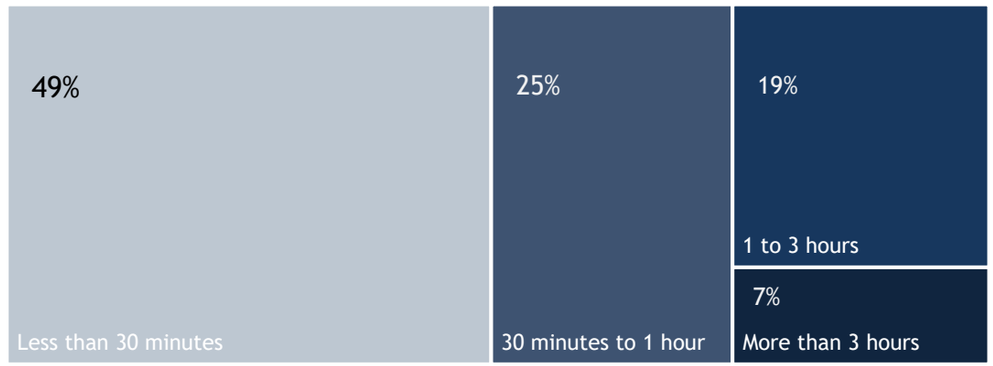
Light use, big impact on time savings

While generative AI is being used for a wide range of business functions, one of its most immediate benefits is time savings. Even with relatively light daily use, many SMEs report noticeable efficiency gains. To better understand this impact, we examined how intensely businesses are using the technology and what kind of time savings it delivers.

Among SMEs who reported how much time they spend using GenAI, we found that nearly half (49%) said they use it for less than 30 minutes per day, while another 25% use it for up to an hour (Figure 11). Just 26% report using it for more than an hour daily. This confirms that for most SMEs, GenAI is not yet deeply embedded across all workflows, but is instead used selectively for tasks.

Figure 11: Most SMEs spend an hour or less a day using GenAI

Daily time spent using GenAI for business tasks

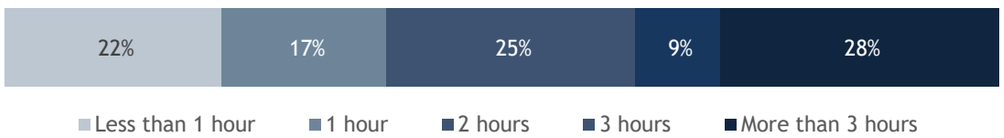


Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 464
Question: On an 8-hour workday when your business uses Generative AI, approximately how much time is spent using it for business tasks? (Select one)

Yet even with limited use, SMEs report significant time-savings from GenAI. When asked how much longer it would take to complete the same total workload within a standard 8-hour workday if they did not have access to GenAI, 28% of SMEs said they would need over three additional hours, and another 25% reported needing two extra hours (Figure 12). This suggests that for many SMEs, GenAI is enabling them to complete certain tasks in a fraction of the time it would normally take.

Figure 12: Three in five SMEs would need 2+ extra hours a day without generative AI

How much more time SMEs would need to complete the same work without generative AI in an 8-hour workday



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 400
Question: How many additional hours of work within that 8-hour workday would your business have needed to complete the same amount of tasks without access to Generative AI? (Select one)
Note: Total may not add up to 100 due to rounding.

To estimate the overall time gains across a typical 8-hour workday, we compared how much time SMEs spend using GenAI with how much work it helps them complete (**see Appendix A for details**). On average, SMEs spend 0.97 hours per day using GenAI, yet efficiency gains allow them to complete work that would otherwise take 2.05 hours, resulting in a net savings of 1.08 hours per day. **In other words, SMEs double their time with GenAI, saving an extra hour for every hour they use it.** This reflects a strong efficiency return.

This reclaimed time adds up quickly. Over a standard five-day workweek SMEs recover 5.4 hours of work, or nearly a full extra workday.[9] For small teams or solo entrepreneurs, this is a meaningful increase in capacity—enabling them to take on more clients, accelerate projects, or simply run operations more effectively without increasing the headcount, hours worked, or costs.
In the context of Canada's ongoing productivity challenges, GenAI's strong efficiency gains suggest it could be a key driver for boosting national economic performance.

GenAI has the potential to lift Canada's productivity

Generative AI offers strong potential to improve firm-level productivity, particularly in knowledge-based sectors like professional services, finance, and information technology. Yet, its broader impact on the Canadian economy is constrained by uneven adoption across sectors. Many industries—such as construction, hospitality, and personal services—are less exposed to its benefits due to the nature of their work.

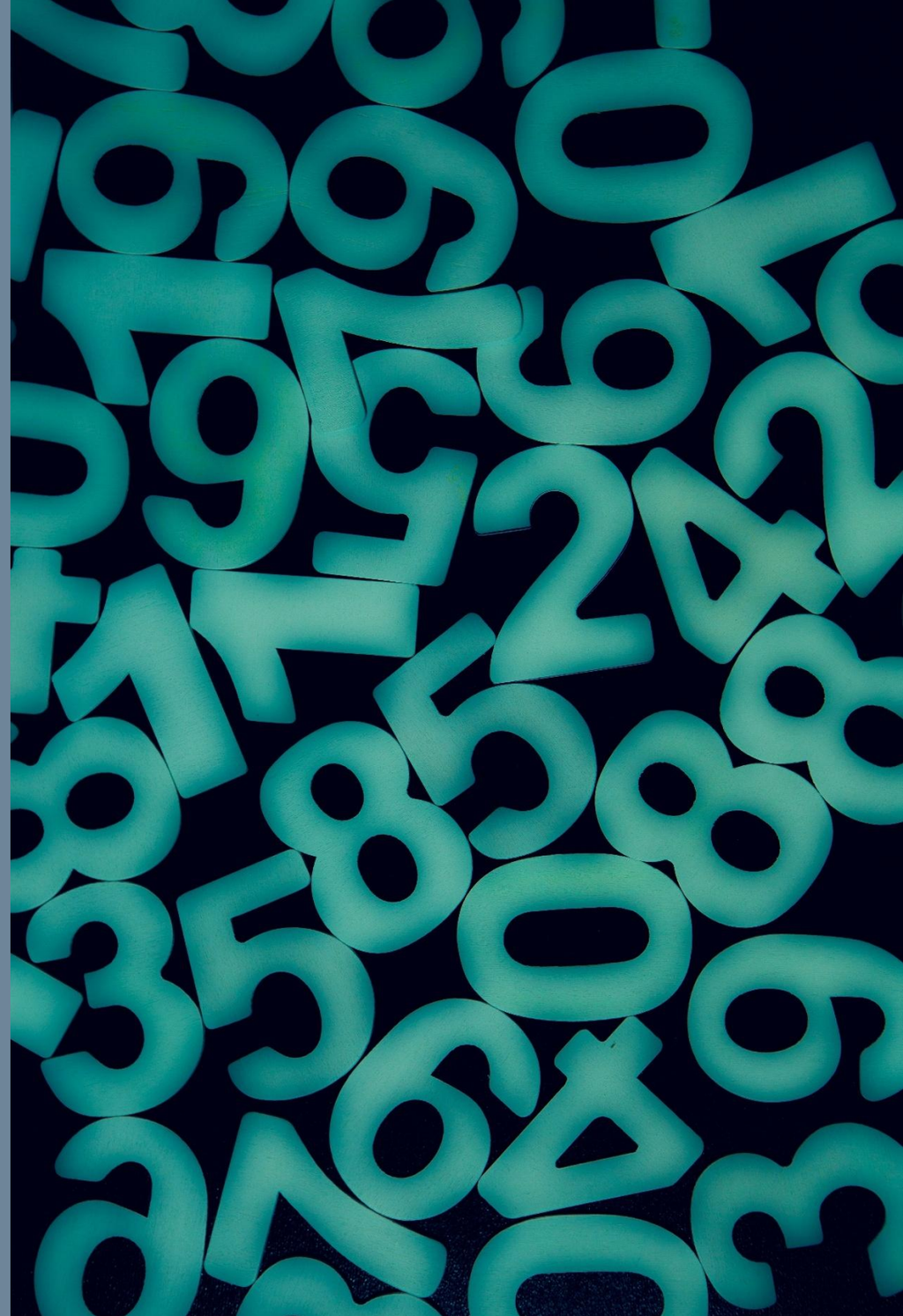
Despite these limitations, our firm-level data enables a forward-looking estimate. Using a standard aggregate production model, we find that GenAI could raise Canada's GDP by 0.84%—equivalent to an annual boost of CAD 12.8 billion—if half the time saved is redirected toward productive work (see Appendix B for methodological details).

These figures provide a baseline for understanding GenAI's economic potential. With the right support, more SMEs could integrate it into high-value activities—strengthening productivity and boosting Canada's competitiveness.

[9] Assumes a standard five-day workweek with 8-hour workdays (40 hours total). The 5.4 hours of recovered time is based on an average daily time savings of 1.08 hours per SME using GenAI, multiplied across five work days.

The Challenges of Digital Transformation for SMEs

> **“We're nearly fully digitized, but the real challenges lie in maintaining stable systems and ensuring our people and processes keep up. Technology is only as effective as the users and the processes behind it.”**
>
> *- Wholesale business owner, Ontario*
> *20-49 employees*



While digital transformation offers significant advantages, it remains a complex journey for many small and medium-sized enterprises (SMEs). According to our survey, four barriers stand out prominently among Canadian SMEs as shown in Figure 13: a lack of digital knowledge or skills (51%), not enough time to explore technological options (49%), high setup and investment costs (48%), and difficulty finding solutions that meet their specific needs (43%).

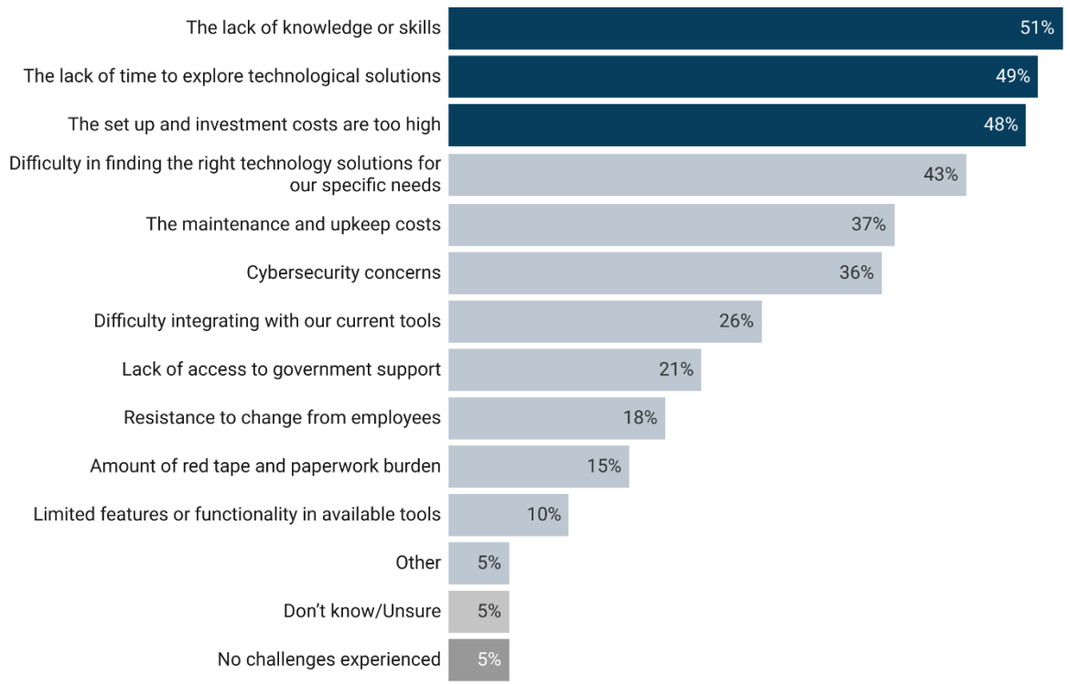
These challenges vary widely across sectors. In the transportation industry, for example, 79% of SMEs cite cost as a major barrier, likely due to tight operating margins. In arts, recreation, and information, 83% point to a lack of knowledge, highlighting the difficulty of navigating digital tools in creative fields. Meanwhile, retail and wholesale businesses frequently mention both cost and skills as obstacles, which can limit the adoption of systems like online sales platforms or inventory management tools.

At the regional level, Quebec (56%) and Ontario (54%) SMEs are most concerned with cost barriers, while businesses in British Columbia and Alberta report higher difficulty finding technologies suited to their needs—suggesting a disconnect between available solutions and the realities of local business environments. Smaller firms, particularly those with fewer than five employees, face the greatest constraints. Nearly half say they lack time to explore technology options, and 45% struggle with cost.

These challenges are consistent across all levels of digital maturity, showing that whether a business is just starting or more advanced, barriers like cost, time, and skills remain persistent.

These findings underscore the need for affordable, easy-to-integrate solutions and more targeted support to help micro and small businesses embrace digital tools more effectively.

Figure 13: Skills, time, and cost are top hurdles in SMEs' digital journey



Source: CFIB, Survey on digital technology and AI adoption, April 24-June 6, 2025, n = 1,374
Question: What are the main challenges in implementing technology? (Select all that apply)

Conclusion and Recommendations

Canadian SMEs' digital transformation journey is well underway, but the stakes are high. Technology adoption is advancing, but unevenly, across sectors, regions, and firm sizes. While many businesses are embracing digital tools to drive efficiency and growth, barriers such as cost, lack of time, and limited technical skills continue to hold others back. GenAI shows significant promise, yet its full economic potential is still limited by low adoption and integration. Canada's economic future depends on the strength and adaptability of its SMEs. With the right support, digital transformation can become a powerful engine for growth, innovation, and long-term competitiveness.

To accelerate progress and unlock broader productivity gains CFIB recommends:

To policymakers:

- Raise awareness about available government programs and incentives for digital and AI adoption.
- Introduce tax-based incentives such as investment tax credits, accelerated capital cost allowances, or a return to immediate expensing, which would give small firms the ability to write off up to $1 million in capital expenses related to digital investments.
- Provide tax relief (e.g., reductions in corporate and payroll taxes) to give SMEs the financial space to invest in technology and training.
- Offer accessible guidance to help SMEs understand how AI and other digital technologies can support their business goals—through simplified resources, success stories, and sector-specific examples.

For SMEs:

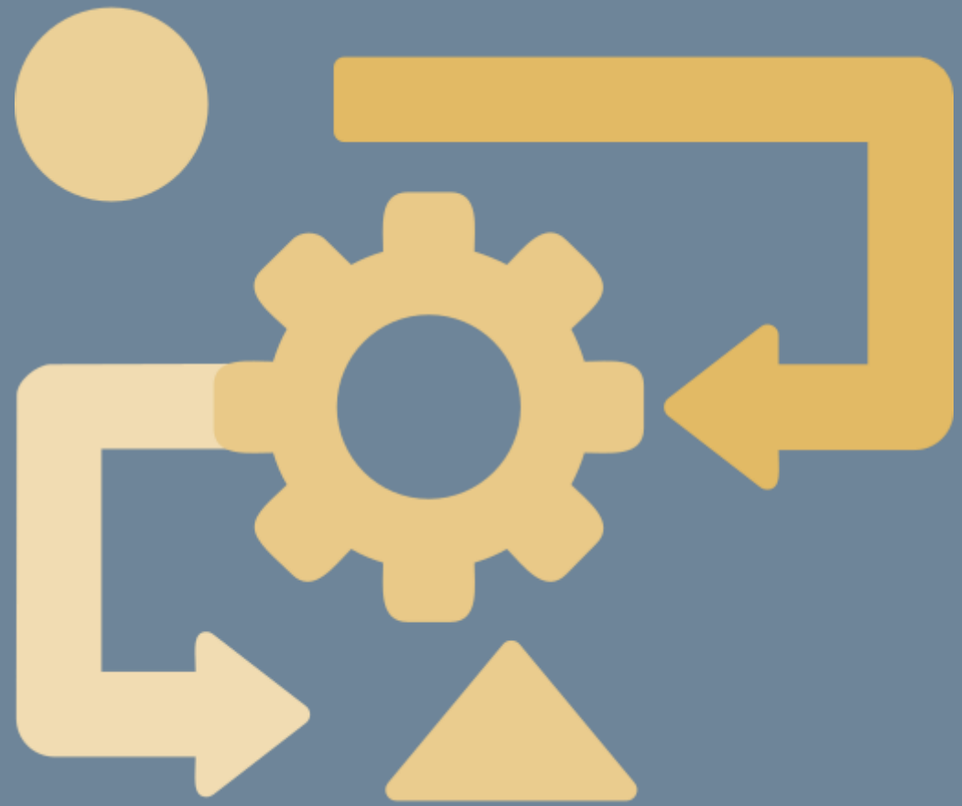
- CFIB's *10 Steps to Going Digital* offer practical guidance to help build more resilient, digitally enabled operations.

"Technology plays a vital and expanding role in our business today. We're currently transitioning to a fully e-commerce model, moving away from traditional retail to focus on digital growth and scalability. We use ChatGPT on a regular basis to support operations, content creation, customer service, and internal decision-making.

Looking ahead, we're developing a custom marketing AI bot to handle client engagement, lead generation, and targeted campaigns. The future of our company is fully digital—we're committed to leveraging technology at every level to improve efficiency, customer experience, and long-term profitability."

- Retail business owner, Ontario
0-4 employees

Appendices: Methodology



Methodology

Data source for this report

CFIB's *Survey on digital technology and AI Adoption* was conducted from April 24 to June 6, 2025, with 1,683 respondents. Results are nationally representative, weighted by industry and size, with a margin of error of ±2.39%, 19 times out of 20.

Appendix A: Time efficiency calculation due to generative AI

To estimate the efficiency gains from Generative AI (GenAI) use among SMEs, we applied the following steps:

1) Average daily time spent using GenAI

On average, SMEs using GenAI spend 0.97 hours per day with the tool. This is calculated by assigning midpoint values to usage ranges and weighting them by response share:

Survey categories - reported daily GenAi use	Range midpoint (A)	Share of respondents (B)	(A) X (B)
Less than 30 minutes	0.25 hours	49.3%	0.123
30 minutes to 1 hour	0.75 hours	24.6%	0.185
1 to 3 hours	2.0 hours	19.1%	0.382
More than 3 hours	4.0 hours	7.0%	0.280
Total			**0.97**

2) Average time saved with GenAI on a typical workday (8 hours)

SMEs that use GenAI report saving an average of 2.05 hours per day. To calculate this, we assigned conservative values to reported time savings (with first category counted as zero) and weighted them by response share:

Survey categories - reported time savings	Assigned value (C)	Share of respondents (D)	(C) X (D)
Less than 1 hour	0 hours	21.9%	0.000
1 hour	1.0 hour	16.5%	0.165
2 hours	2.0 hours	25.0%	0.500
3 hours	3.0 hours	8.6%	0.258
More than 3 hours	4.0 hours	28.1%	1.124
Total			**2.05**

3) Average time gain per workday

The **time gain** is calculated as follows: $Time\ gain\ (1.08) = 2.05 - 0.97$

Appendix B: GenAI's impact on Canadian productivity and GDP

To estimate the potential productivity impact of generative AI (GenAI) on the Canadian economy, we rely on a simplified macroeconomic model rooted in a standard Cobb-Douglas production function. This framework allows us to quantify changes in GDP based on shifts in effective labour input resulting from GenAI-enabled time savings.

We began by analyzing our survey data. Specifically, we looked at (i) how many business owners use generative AI daily and (ii) how much time GenAI helps them save. Survey findings show 44% of SMEs use GenAI. To be more conservative, we focused on the share of business owners using it daily (18%). Also, the time gain from using GenAI is 1.08 hours per workday.

The Cobb-Douglas production function was used to link this time savings to overall economic growth. In this model, total economic output (GDP) depends on two main inputs: (i) capital and (ii) effective labour. Since we focused on the impact of GenAI on labour (not investment in machines or buildings), we held capital constant and estimated how much effective labour increased from using GenAI.

We present a standard aggregate production model to estimate productivity gains from GenAI. Full derivations are available upon request.

We start from the Cobb-Douglas production function for aggregate output:

$$Y = AK^{\alpha}L^{1-\alpha}$$

Y =Total economic output (GDP), K = Aggregate capital, L = Aggregate effective labour (across all workers), α = Capital share of output (typically ≈ 0.3) and $1-\alpha$ = Labour share of output (≈ 0.7).

Let h_i be hours worked and e_i be efficiency for a business owner i. The total effective labour is:

$$L = \sum_{i=1}^{N} h_i e_i$$

If GenAI saves s_i hours for business owner i, and that time is reallocated to productive work, their new contribution is:

$$L' = \sum_{i=1}^{N}(h_i + s_i)e_i = L + \Delta L \text{ with } \Delta L = \sum_{i=1}^{N} s_i e_i$$

Assuming a competitive labour market and constant TFP, capital, and hours, the approximate percent change in output from GenAI is:

$$\frac{\Delta Y}{Y} \approx (1-\alpha)\cdot\frac{\Delta L}{L}$$

Let N = total number of business owners, p = share of business owners using GenAi daily, and let us assume all business owners work h hours per week, GenAi users save s hours, all have the same productivity $e_i = e = 1$.

Then we can write: $\frac{\Delta L}{L} = \frac{p\cdot s}{h}$ *(effective labour increase due to GenAi)*

And: $\frac{\Delta Y}{Y} \approx (1-\alpha)\cdot\frac{p\cdot s}{h}$ *(increase in productivity)*

We assumed that the average Canadian business operates on a standard 8-hour day.[10] Because only 18% of businesses use GenAI daily, the average increase across the economy is smaller—about 2.4% in effective labour, which translates into a 0.84% gain in national productivity, when adjusting for labour's contribution to GDP (roughly 70%).

[10] Statistics Canada. Table 14-10-0134-01

To better reflect uncertainty in how businesses use the time they save, we ran three scenarios:

- A baseline where 50% of the time saved is reinvested into productive work.
- A pessimistic scenario where only 25% of the time saved is used productively.
- An optimistic scenario where 100% of the time saved boosts output.

Using Canada's seasonally adjusted nominal GDP for Q1 2025 (approximately CAD 3.17 trillion),[11] and assuming SMEs contribute an average of 48.3% to Canadian GDP,[12] we calculated the GDP boost for each scenario:

- Baseline (0.84%) → about CAD 12.86 billion
- Pessimistic (0.42%) → about CAD 6.43 billion
- Optimistic (1.7%) → about CAD 26.02 billion

This approach gave us a reasonable, evidence-based estimate of how much economic value GenAI could currently be adding—assuming current levels of adoption and usage remain steady.

[11] Statistics Canada. Table 36-10-0103-01.

[12] Key Small Business Statistics 2024, Innovation, Science and Economic Development Canada, 2024.

Authors

Marvin Cruz
Director of research
Marvin Cruz | CFIB (cfib-fcei.ca)

Alchad Alegbeh
Research Analyst
Alchad Alegbeh| CFIB (cfib-fcei.ca)

Additional information

cfib.ca/research

@cfib_fcei_stats

research@cfib.ca

About CFIB

CFIB is a non-partisan organization exclusively representing the interests of 100,000 small and medium-sized businesses in Canada. CFIB's research capacity is second-to-none because it is able to gather timely and concrete information from members about business issues that affect their day-to-day operation and bottom line. In this capacity, CFIB is an excellent source of up-to-date information for governments to consider when developing policies impacting Canada's small business community.

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