

Senedd Cymru

Pwyllgor yr Economi, Masnach a Materion Gwledig

Ymchwiliad: Deallusrwydd Artiffisial ac Economi Cymru

Cyf: AI14

Ymateb gan: Cwmpas

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Welsh Parliament

Economy, Trade, and Rural Affairs Committee

Inquiry: AI and the Welsh Economy

Ref: AI14

Evidence from: Cwmpas





Cwmpas is a development agency working for positive change in Wales. We are a co-operative, and our focus is on building a fairer, greener economy and a more equal society, where people and planet come first.

We are the lead partner in delivering Social Business Wales, the Welsh Government's specialist support service for social enterprises, co-operatives, and employee-owned businesses. We also deliver the Welsh Government's flagship digital inclusion project, Digital Communities Wales, and community-led housing project, Communities Creating Homes.

Our consultancy team works with the Welsh Government, communities, local authorities, housing associations, universities, charities, social enterprises, and businesses in the private sector, among others, helping them to think creatively and act smartly so they can embed the kind of positive values within their operations that bring sound and lasting social and economic benefits to the communities they serve.

To what extent are businesses in Wales making use of AI and planning to do so in the future?

It is key that we understand the relationship between social enterprises in Wales and their use of AI, as a means of understanding how it can support social value creation as well as understanding the risk associated with it.

Social Enterprise UK research

There has been considerable research into the extent social enterprises in the UK are making use of AI. Social Enterprise UK's May 2024 Social Enterprise Barometer looked at new data on the adoption of artificial intelligence (AI) technologies among social enterprises.

It suggested that many social enterprises seem to have been enthusiastic in the take-up of new AI technologies. Text generation was used by 17% of social enterprises compared to just 6% among the wider business community, while data processing via machine learning was used by almost 10% of social enterprises but just under 3% among the wider business community. While around half of social enterprises did not report using any AI technologies, over 90% of the wider business community reported the same. This suggests social enterprises may be more actively leading the way when it comes to adopting new technologies.

Among those that had not adopted AI technologies, 19% said they planned on adopting them in the next year, while 52% ruled it out. Several suggested that this was mostly a consequence of not fully understanding how AI technologies would be used in their business model. This could potentially be resolved through greater efforts to build awareness of what AI technologies can do, and how the wider social enterprise sector is already making use of such advancement.

Generally, social enterprises are more likely to report barriers to the uptake of AI technologies compared to the wider business community. Lack of expertise was an issue among 24% of social enterprises, compared to just 5% of the wider business community in the last year. Difficulty identifying the business case was reported by 15% of social enterprises, and costs by 12%. While this may reflect the fact social enterprises are more likely to adopt new AI technologies, it does raise questions over the extent to which barriers may be preventing them going further.

What are the potential economic opportunities and risks that AI may present for Wales, and how might these vary across different parts of Wales and across different sectors?

We know that there is currently significant strain on the Welsh third sector, including the social enterprise sector, as a result of rising costs and increased demands as a result of the financial and cost of living crises. The Newid project is delivered by Cwmpas, the WCVA and ProMo Cymru, funded by the Welsh Government, and supports third sector organisations in Wales to develop their digital capacity. The Newid 2024 Discovery Report found that there is:

“a worrying trend of organisations spending a disproportionate amount of time on administration. Outdated systems, inefficient processes, and reporting requirements got in the way of organisations from being able to deliver their core work with service users.”

It is clear that AI has the potential to be a significant opportunity to address some of these issues, freeing up social enterprises to focus on their delivery of essential services in Welsh communities, ranging from creating well-paid, inclusive work opportunities, to addressing the climate and nature crisis through developing innovative new business models, to supporting vulnerable people in our communities and taking pressure off public services.

What skills are likely to be needed as a result of increased use of AI in the workplace, and how well placed is Wales to deliver these?

The Newid project has identified some of the current barriers to third sector organisations developing their use of digital. The report found that:

“Not having the time to innovate or rethink things was the most commonly shared barrier to digital transformation. In smaller organisations, they lacked staff capacity and or skills to implement the right solutions and in larger organisations they suffered from multiple systems, over-complicated processes and duplication of data. Most organisations recognised there was a better way of doing things (which added to the frustration), but they didn’t feel they had the time, space and in some cases skills to implement change.”

“Digital skills and confidence are also barriers for some organisations. Whilst some organisations are digitally mature, some shared they lacked basic digital skills such as using Teams, online calendars or connecting to a printer.”

However, despite these challenges, there is an appetite and eagerness to learn and embrace digital. There is a huge opportunity here to use digital to support organisations to streamline operations, improve efficiency, and ultimately free up time.

It is clear that AI has the potential to be a significant solution to many of the challenges relating to capacity identified by social enterprises, but in order to maximise the potential impact organisations, especially of a smaller-scale, will need specific, specialist support.

Support available

Cwmpas has supported organisations in Wales to begin the process of engaging with AI in a variety of ways. On January 17th 2024, we held an event alongside Google, Ogi and Cardiff University titled "[Businesses For the Future](#)". The all-day event included an interactive Start Something Good® hackathon to explore how businesses can better align with the Well-being of Future Generations (Wales) Act 2015 and the Cymru Can strategy, and provided expert guidance on AI and Google Digital Garage workshops to help small businesses learn more about how to grow their business online. Digital coaches from Google were on hand all day to answer any questions related to businesses wishing to expand – through building websites to creating a social media strategy, as well as engaging with AI. The event was attended by around 100 people, including a variety of small businesses, social enterprises, public services and the third sector.

This event was followed up by a [session in Torfaen](#), funded through the Shared Prosperity Fund. The two sessions focused on boosting productivity with AI, and marketing strategies and AI. The event was specifically for new users of AI, suitable for individuals and businesses and was very well-attended, with attendees coming from across south Wales.

In the autumn on 2024, the Newid Project set up a [design challenge](#) to explore how AI and automation can help Welsh third sector organisations to save time. It provided participants with the knowledge and skills to implement digital solutions by following a user-centred, agile approach and inspired them to take advantage of digital approaches to save time and maximise social impact. There were online and in-person sessions over 8 weeks that supported people at the start of their AI journey to develop their understanding of how it can help their organisation.

Newid has written an overview of the relationship between the third sector and AI [here](#). It discusses the clear potential of AI to support organisations in the third sector, but highlights ethical considerations particularly around the potential of structural bias. A guide has been prepared on [using AI ethically](#). We are also aware of the [environmental impact of AI](#) – this must be taken into account when developing a national strategy for the development of AI in the Welsh economy.