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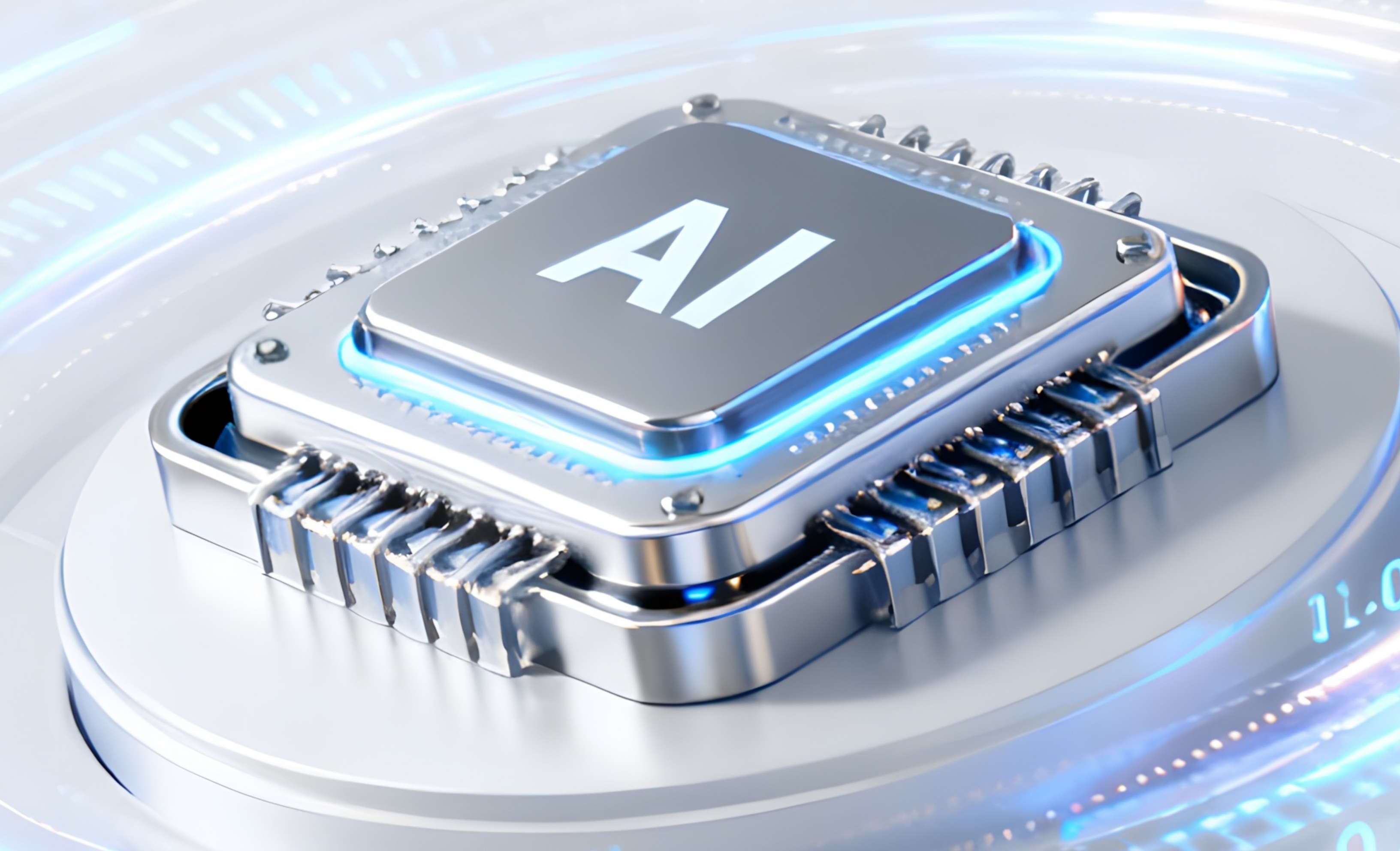
The Middle Market: The AI Boom's Quiet Winners

Why the biggest beneficiaries of the AI boom may not be the model builders, and why the middle market may be the most competitive engine in the economy.

88%	200K+	$13T
of organizations now use AI in at least one business function — adoption is no longer a differentiator, deployment is.	U.S. middle-market companies ($10M–$1B in revenue) — the largest concentration of AI-deployable operators in the economy.	in combined annual revenue generated by the U.S. middle market — roughly one-third of private-sector GDP.



In 1869, the businesses that captured the most enduring economic value from the transcontinental railroad were not the railroads themselves. Those were brutally competitive, ruinously capital-intensive, and frequently bankrupt. The durable winners were the manufacturers, merchants, and agricultural producers who could suddenly move goods coast to coast at a fraction of the prior cost. A century and a half later, the same pattern may be unfolding with artificial intelligence, and the implications for investors in the middle market are larger than the headlines suggest.

The conventional way to invest in a technology wave is to back the companies building the technology itself. Yet in most prior general-purpose technologies, from electricity to the internet, the most durable economic value accrued not to the builders of the core infrastructure, but to the businesses that used it to do something better, faster, or cheaper than before. If that pattern holds for artificial intelligence, the highest-quality AI exposure in private markets may not sit in venture-stage model developers competing for the next foundation-model crown, but in the AI middle market: well-managed companies that can deploy AI to compress costs, augment human judgment, and accelerate organic growth.

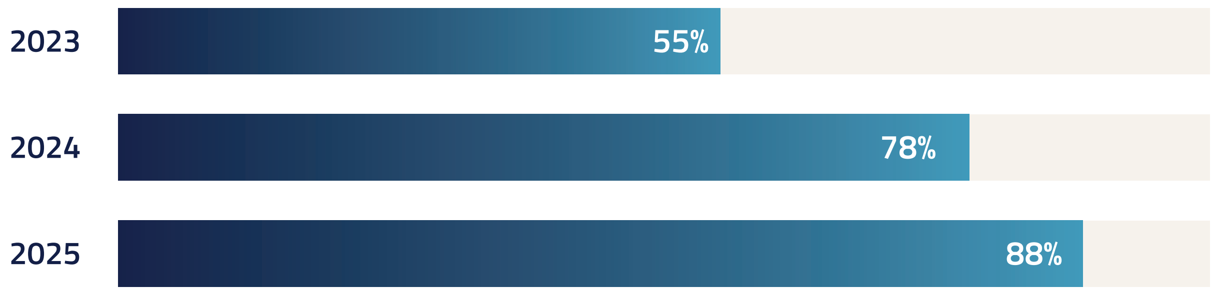
The numbers are starting to back the thesis up.

A Quiet Acceleration

Aggregate enterprise AI adoption has moved from novelty to ubiquity in roughly twenty-four months. McKinsey's 2025 State of AI survey found that 88 percent of organizations now use AI in at least one business function, up from 78 percent the year prior and 55 percent the year before that1; a step-change that few enterprise technologies have ever achieved in a comparable window.

ENTERPRISE AI ADOPTION HAS CROSSED THE UBIQUITY THRESHOLD

Share of organizations using AI in at least one business function



Source: McKinsey, "The State of AI in 2025" (Global Survey on AI, fielded June/July 2025; n = 1,993).

Stanford's 2026 AI Index reports U.S. private AI investment reached $285.9 billion in 2025, up from $109.1 billion the year before.2 That capital is, in effect, subsidizing the foundational technology stack that downstream users will deploy at a fraction of the cost. Deloitte's 2026 State of AI in the Enterprise report, based on a survey of more than 3,200 leaders across 24 countries, found that the share of executives who say AI is having a "transformative" effect on their company has more than doubled in a single year, to 25 percent.3

And yet (and this is the important nuance), broad adoption has not yet translated into broad financial impact. McKinsey classifies only about 6 percent of organizations as "AI high performers," defined as those attributing 5 percent or more of EBIT to AI use. The single strongest differentiator between that 6 percent and everyone else is not model sophistication, technology budget, or data scale. It is whether the organization has fundamentally redesigned its workflows around the technology rather than layering it on top of legacy processes. High performers are roughly three times as likely as their peers to have done so.1

That distinction, between firms that deploy AI as a tool and firms that rebuild their operating model around it, is precisely where the middle market may have a structural edge.

The AI Middle Market's Structural Advantage

Large enterprises carry what might be called "legacy system debt": the accumulated friction of decades-old ERP installations, custom-built data warehouses, regulated change-calcified into existing software. Retrofitting AI into that environment is slow, political, and expensive. Middle-market companies, broadly businesses with $10 million to $500 million in revenue, face the opposite problem and the opposite opportunity. Many never had the IT budgets to install the kind of bloated systems AI now displaces. They can leapfrog directly to AI-native workflows.

The prize is large. Independent estimates place the global economic potential of generative AI in the range of $6 trillion to $8 trillion annually.4 Mid-market businesses account for roughly one-third of private-sector GDP in developed economies and have historically grown faster than large firms, which suggests the middle of the economy could capture a disproportionate share of the value created rather than a token slice of it.

BY THE NUMBERS

88%

Organizations using AI in at least one business function in 2025, up from 78% in 2024 and 55% in 2023.

Source: McKinsey, "The State of AI in 2025."

25%

Share of enterprise leaders who say AI is having a "transformative" effect on their company, more than double a year earlier.

Source: Deloitte, "State of AI in the Enterprise," 2026 edition.

6% - 9.5%

Higher five-year employment growth and sales growth, respectively, at firms making heavy use of AI versus non-adopters.

Source: MIT Sloan, based on U.S. Census Bureau employer data.

~6%

Share of organizations classified as "AI high performers," attributing 5%+ of EBIT to AI. High performers are roughly 3× more likely to have redesigned workflows around AI.

Source: McKinsey 2025.

$285.9B

U.S. private AI investment in 2025, up from $109.1 billion the year before.

Source: Stanford HAI, 2026 AI Index Report.

The wage and growth data offer some independent corroboration. MIT Sloan research, drawing on U.S. Census Bureau employer data, finds that firms making heavy use of AI are not only larger and more productive but grow faster on both top and bottom lines: roughly 6 percent higher employment growth and 9.5 percent higher sales growth over a five-year window than non-adopters.5 (The underlying data runs through 2023, predating the most recent wave of generative-AI adoption, so the effect may understate what newer cohorts experience.) For an investor allocating to a portfolio of operationally focused middle-market companies, even a modest share of that delta is meaningful at the fund level.

What an AI-Native Operating Model Looks Like

What does it actually mean for a middle-market company to be AI-native rather than merely AI-aware? The distinction is operational, not rhetorical. AI-aware companies bolt a chatbot onto a customer-service queue and call it transformation. AI-native companies rebuild the underlying workflow: they let the technology absorb the unstructured data exhaust that every business generates, and they redesign the decision points around what the technology now makes cheap.

Consider the economics of unstructured data alone. Capabilities that, twenty-four months ago, would have required a multi-million-dollar enterprise data project, transforming terabytes of contracts, emails, and operational records into tagged, searchable, decision-ready datasets, can now be stood up in a fraction of the time and cost. When the price of converting raw operational exhaust into structured intelligence falls by an order of magnitude, the return-on-investment calculation for everything downstream changes with it: pricing optimization, customer segmentation, churn modeling, and demand forecasting all become accessible to companies that could never previously justify the spend.

> *The biggest gains come not from automating existing tasks, but from redesigning work around what the technology now makes possible.*
>
> A RECURRING FINDING ACROSS THE 2025–2026 RESEARCH
>
> *McKinsey, Deloitte, and MIT studies converge on workflow redesign as the differentiator.*

The most sophisticated operators are also using AI as a check on their own judgment rather than a replacement for it. A growing number of investment and operating teams now deploy what amount to internal contrarian engines: tools that generate the bear case for a decision, surface the issues a team invested in a deal might prefer not to see, and impose a structural counterweight to groupthink at the moment of greatest commitment bias. In a business where downside cases are notoriously under-stressed, that is a meaningful governance innovation, and it captures the broader principle that the durable advantage of AI lies in improving human decision-making, not in removing humans from the loop.

What an AI-Native Operating Model Looks Like

The clearest recent evidence for the "users win" thesis comes, paradoxically, from the builders themselves. In early May 2026, the two largest frontier-model developers each launched private-equity-backed ventures aimed squarely at embedding their technology inside mid-sized and privately held companies. OpenAI formed a new entity, informally known as the Deployment Company or "DeployCo," capitalized at a reported $10 billion with backing from a consortium of major private equity firms specifically to put forward-deployed engineers inside client and portfolio companies.6 Within days, Anthropic announced a parallel enterprise-services venture alongside Blackstone, Hellman & Friedman, and Goldman Sachs (with additional participation from Apollo, General Atlantic, and others) to embed its Claude models into mid-sized and private-equity-owned businesses.7

The strategic logic is revealing. As one account of the Anthropic venture put it, for every dollar companies spend on software, they spend roughly six on services, a ratio that has made consulting a multitrillion-dollar industry.7 The model builders have concluded that the margin is not only in selling the model; it is in the far larger business of helping companies actually deploy it. That is a direct, capital-backed endorsement of where the value in this cycle accrues: not at the frontier of model development, but at the messy, unglamorous, and highly remunerative coalface of enterprise deployment, much of it in the middle market.

For an allocator, the signal is hard to miss. When the builders of the technology spend billions to reach the middle market rather than waiting for the middle market to come to them, they are confirming the prize. The open question is no longer whether AI will create value in mid-market businesses, but who will capture it: the companies and managers who redesign their operations around the technology, or those who treat it as a line item.

Evidence from the AI Middle Market Itself

Surveys of the private-capital ecosystem point the same direction. FTI Consulting's 2026 Private Equity AI Radar, drawing on 200 senior fund and operating-company decision-makers, found that 95 percent of funds report their AI initiatives are meeting or exceeding the original business case, with revenue acceleration cited as the single highest priority (41 percent) and talent, not technology, identified as the primary constraint to scaling (35 percent).9 A separate 2026 survey by Citizens found that 82 percent of midsize companies and 95 percent of private-equity firms have either begun or plan to implement agentic AI in their operations this year.10

The counterweight is just as important to absorb. A May 2026 study from SAS and IDC, surveying more than 1,600 small and midsize business leaders across 28 countries, found that nearly 70 percent of these firms remain in the experimental or opportunistic stages of AI maturity, with only 9 percent fully embedding the technology into their operations.11 The implication for allocators is not that the thesis is wrong, but that it is selective: the opportunity is broad, the genuine execution is narrow, and the gap between the two is precisely where disciplined operators can compound an advantage.

The Skeptics' Case

None of this is to suggest the picture is uniformly favorable. The same body of research that documents accelerating adoption also documents a deepening execution gap. Deloitte's 2026 survey finds that while a large majority of organizations plan to increase AI investment in the coming year, only 21 percent report having a mature governance model for autonomous AI agents, and just 23 percent of firms currently use agentic AI even moderately.3 McKinsey's data is more pointed: roughly two-thirds of organizations remain in pilot mode rather than enterprise-scale deployment.1 A widely cited 2025 study from MIT's NANDA initiative estimated that approximately 95 percent of generative-AI pilots fail to produce measurable business impact, attributing the failure not to model quality but to a gap in how companies integrate the technology into their operations.8

Read together, these findings suggest a bifurcation that is more important for capital allocation than the headline adoption figures. AI is now table stakes; AI-driven workflow redesign is not. The dispersion between operators who treat the technology as a productivity tool and those who rebuild their P&L around it is going to widen, and is likely to translate into wider dispersion of investment outcomes among the managers who back them.

For limited partners, the practical implication is selectivity. The question worth asking of every middle-market manager is not "are you using AI?" (the answer is now uniformly yes) but rather: which workflows have you redesigned? Which of your portfolio companies have a measurable operating-leverage benefit from AI in their P&L today? And how is the manager itself structured to compound that capability across vintages?

What it Means for Allocators

The thesis we find most defensible, on the present evidence, runs as follows. First, AI's most durable economic value will accrue disproportionately to the users of the technology, not its builders; the same pattern observed in every prior general-purpose technology, from electricity to the internet, and one the builders themselves are now validating with their capital. Second, the middle market is structurally well-positioned to capture an outsized share of that value, because its operating models are less encumbered by legacy systems and its decision velocity is higher. Third, within the middle market, the dispersion between winners and laggards will be defined less by access to the technology than by management's willingness to redesign work around it. And fourth (a corollary investors sometimes resist), that means a manager's own operating capability becomes a more important determinant of returns than at any point in the recent history of the asset class.

The questions that follow, how to institutionalize contrarian review, how to compress the data-to-decision cycle, how to deploy AI as governance rather than as a productivity gimmick, are the questions every serious middle-market manager will be answering, explicitly or implicitly, over the next several vintages. The mid-market's quiet AI revolution is, in this sense, already underway. The winners will be the ones who notice they're in it.

Where Crystal Capital Partners Comes In

If the argument of this piece is right, then the central task for an allocator to the middle market is no longer access to AI as a theme; it is the disciplined selection and ongoing oversight of the managers most capable of turning that theme into operating results. That is precisely the problem Crystal Capital Partners was built to solve.

Crystal is the source for managers identifying the middle-market opportunities this moment is creating — and the integrated solution for advisors to build and manage client portfolios around them. From manager access and due diligence to portfolio construction, implementation, and ongoing oversight, advisors get everything they need in one place.

Access the managers positioned to capture the AI middle market moment.

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