

EUROPE'S RACE TO TECH READINESS

How AI Sovereignty Is Reshaping Europe's Technology Strategy



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Contents

1	Europe's Sovereignty Shift: Strategic Pressure Meets Operational Reality	4
2	Europe Agrees That Sovereignty Is Important—But Not on What It Means in Practice	6
3	Deep Dive: Germany as Europe's Sovereignty Stress Test	9
4	Europe's Sovereignty Shift Is Reshaping Technology Partnerships	11
5	Conclusion & Call to Action	12
	About the Authors	14



1 Europe's Sovereignty Shift: Strategic Pressure Meets Operational Reality

Technological sovereignty has long been debated as a European political ambition. However, it's only now that the policy concept is rapidly becoming an operational reality: across Europe, geopolitical tensions, mounting regulatory pressure, and growing concerns around technological dependencies are reshaping how leadership teams think about sovereign AI models and infrastructure, cloud architecture, other layers of the tech stack, partnerships, and long-term operating models.

What was once treated as a policy discussion inside Brussels or a compliance topic for CIOs is increasingly turning into a CEO-level strategic question.

The timing is not accidental. Three developments are converging simultaneously:

1. Trust in non-European providers has become more fragile, particularly around questions of cost, data access, IP protection, cybersecurity, "kill switches", broader tech-

nological dependencies, and the geopolitical resilience of business-critical applications.

2. Europe's industrial policy and technology agenda is increasingly centered around fostering European capabilities, sovereign data and AI infrastructure, hardware and compute capacity, and European AI ecosystems. However, Europe is not alone in pursuing an active industrial strategy in technology and AI: the United States and China have been building strategic capabilities for years, while countries such as India and Russia are accelerating their efforts as well. The global race for technological leadership is intensifying rapidly.

3. The implementation timelines of EU tech regulation—including the Digital Markets Act, Digital Services Act, EU Data Act, EU AI Act, NIS2, and the Cyber Resilience Act—are increasingly pushing companies to make concrete procurement, architecture, governance, compliance, and risk-management decisions.

As a result, companies across Europe are reassessing fundamental assumptions about their technology stack.

To better understand how they are navigating this transition, BCG and Statista conducted a study across various European countries between April and May 2026 (cf. Methodology).

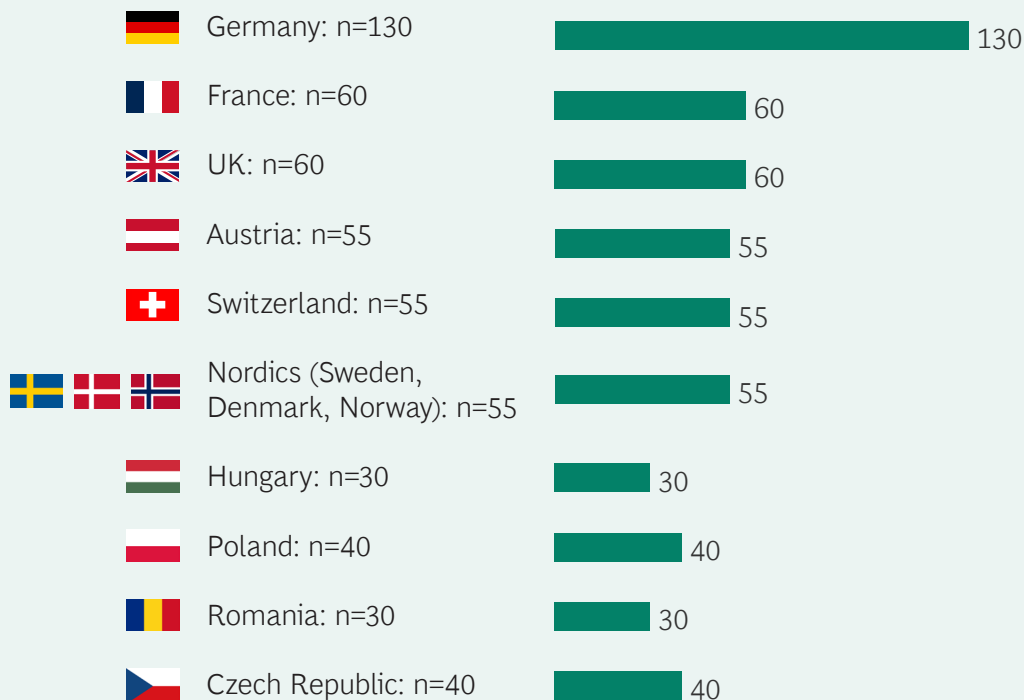
What emerges from the data is a structurally fragmented picture: while companies broadly agree that sovereignty matters, they differ sharply in what they actually expect sovereignty to achieve.

METHODOLOGY

The findings in this report are based on a study conducted across twelve European countries between April 1 and May 8, 2026, using computer-assisted telephone interviews (CATI) in collaboration with Statista Research. In total, 555 interviews were conducted with CEOs, C-level executives, and senior managers one to two levels below top management. The target group and minimum company size varied slightly by region:

- **Germany, France, and the UK:** companies with 500+ employees; respondents included C-level executives and managers up to two levels below the C-suite
- **Austria, Switzerland, and the Nordics:** companies with 250+ employees; respondents included C-level executives and managers up to two levels below the C-suite
- **Central and Eastern Europe (Hungary, Poland, Romania, Czech Republic):** companies with 100+ employees; respondents included C-level executives and managers up to one level below the C-suite

The country sample sizes were as follows:





2 Europe Agrees That Sovereignty Is Important—But Not on What It Means in Practice

The strongest consensus among business leaders in the study is about the growing strategic importance of European technological sovereignty. Yet beneath this broad agreement, we see major divides in what technological sovereignty means in practice—and how company leaders can achieve it. This vagueness—both politically and at the company level—has significant implications for businesses.

To begin with, most organizations in our study still approach sovereignty primarily as a defensive measure:

- 74 percent of respondents describe investments in AI and tech sovereignty as precautionary—designed mainly to reduce geopolitical and regulatory risks.
- 42 percent primarily associate sovereignty with compliance requirements.
- Only 13 percent currently see sovereignty as a direct driver of business performance.

Thus, for most European companies, sovereignty is still a shield rather than a sword. But what is that shield supposed to protect them from?

Answers to that question vary significantly:

1. For some company leaders, technological sovereignty is a means to protect them from being at the mercy of increasingly geopolitically-driven price increases from non-EU technology vendors.

As one leader put it: *"The idea is to gradually replace critical software licenses with on-premises alternatives, so that we aren't subject to price changes or terms and conditions decided overseas."* Or, as another one reports: *"We are creating digital consortia to share the costs of developing secure infrastructure, and we are pooling data to create AI models tailored to our market and our laws."*

2. Other company leaders lean more into the "European-controlled" interpretation of technological sovereignty, primarily focused on data localization, control over critical data flows, and regulatory compliance.

"We have already begun implementing a strategy for self-managed encryption keys to ensure that only our company, and not our technology providers, has access to the data," explains an executive.

Another one adds: "We are gradually migrating to cloud infrastructures that comply with European standards to ensure control over data flows and prevent unauthorized access by third countries or foreign companies."

3. A third group goes one step further and adopts the "European-build" variant of technological sovereignty, mostly by utilizing open-source.

As one company leader says: "We are investing in open-source and fully customizable technologies in order to increase our technological independence and reduce our reliance on individual foreign suppliers."

Another adds: "We are moving our most important software programs to European clouds. We do not want to risk our systems being blocked or someone gaining access to our customers' data."

4. Lastly, there is a group of company leaders who seem to prepare for even tougher geopolitical conflict or, in some cases, actual war.

"We are replacing American and Asian programs with alternatives developed in Europe to avoid being drawn into trade disputes between great powers," says an executive in the study. "We have implemented a multi-cloud strategy to ensure business

continuity in the event of sanctions or operational disruptions by suppliers", explains another one.

And a third: "We are conducting a review of all software originating from unstable countries. If a piece of software is deemed to pose a geopolitical risk, we replace it."

These different understandings of technological sovereignty translates into different operational realities.

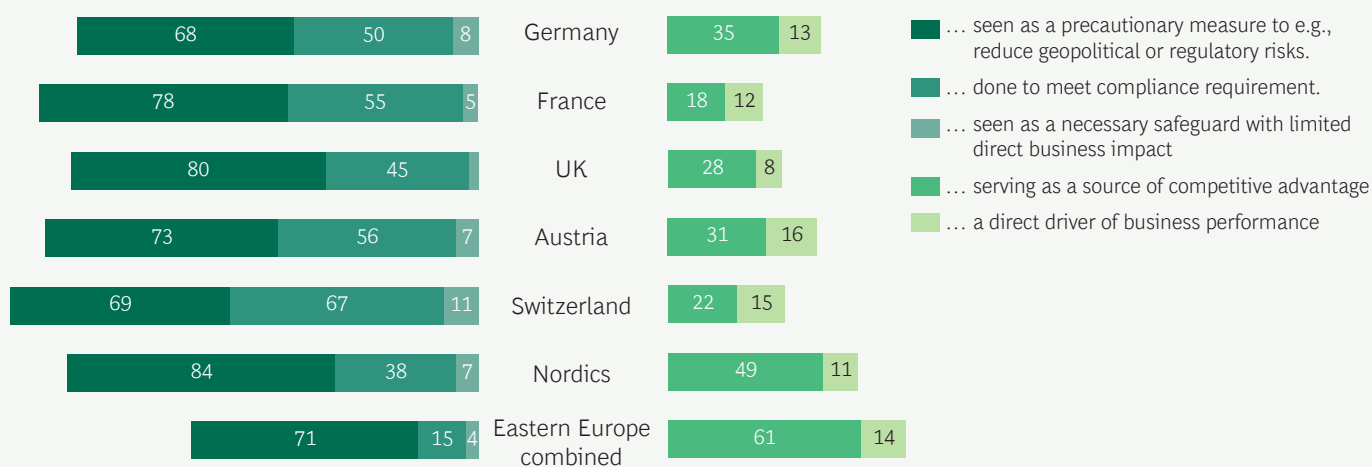
However, one pattern stands out: As long as the target picture for sovereignty remains vague and unclear, sovereignty initiatives are frequently operationalized as short-term compliance and risk-management programs rather than embedded into broader long-term transformation agendas.

In many organizations, sovereignty still supports existing operating models instead of fundamentally reshaping them.

This gap becomes even more visible when looking deeper inside organizations themselves: while C-level executives start framing sovereignty as a strategic opportunity, implementation teams still experience it primarily as a regulatory and compliance obligation. What is framed as a strategic necessity at the top often arrives as a compliance-driven implementation task further down the organization.

EXHIBIT 1

Striving For Sovereignty Mostly Happens in Response to External Pressures



Note: Question text: "Which of the following statements about investments in AI and tech sovereignty are most applicable to your organization? In my company, investments in AI and tech sovereignty are...; 2 answers allowed. Bases: Total n=555, Germany n=130, France n=60, UK n=60, Austria n=55, Switzerland n=55, Nordics n=55, Eastern Europe n=140.

Looking at the individual country patterns, a clear divide between Eastern and Western European interpretations of sovereignty becomes visible:

- 68 percent of German respondents describe sovereignty investments primarily as risk reduction, while 50 percent associate them directly with compliance. Yet 35 percent—more than every third company leader—currently views sovereignty as a source of competitive advantage.
- France, on the other hand, represents one of the most defensive interpretations of sovereignty among the markets we surveyed, while French executives also show the highest compliance orientation in the dataset: 78 percent precautionary framing, 55 percent compliance framing, and only 18 percent competitive advantage framing.
- Eastern Europe, however, fundamentally breaks with this broader Western European pattern: while executives in Eastern Europe are equally aware of geopolitical risks, they interpret sovereignty much more aggressively as an economic opportunity. 61 percent—almost two-thirds—describe sovereignty as a source of competitive advantage, marking the highest value in the study.

Europe is therefore not only divided between different definitions of tech sovereignty—it is also divided between defensive and offensive sovereignty models. This growing disconnect as well as the lack of strategic clarity and long-term target picture at the C-level increasingly complicate how sovereignty initiatives are implemented inside companies.

Germany illustrates these tensions particularly clearly. No other market in the study simultaneously combines such strong sovereignty ambitions with equally visible execution gaps, as we'll see in the next chapter.



3

Deep Dive: Germany as Europe's Sovereignty Stress Test

Although most companies in Germany still frame sovereignty defensively rather than as a competitive advantage, its operationalization is already in full swing: 43 percent of companies are actively investing in reducing dependencies on non-European technology providers, while another 36 percent are planning corresponding investments.

Thus, in practice, sovereignty is increasingly moving from strategic intent into concrete operational action—in Germany and many other markets in our study.

Organizations are strengthening AI governance frameworks, expanding European data infrastructure,

modernizing compliance and data management systems, and investing more heavily in cybersecurity and resilient supply chains.

German companies stand out in an interesting way, however: rather than concentrating sovereignty priorities on a limited number of technology layers, German executives appear to prioritize a broader set of sovereignty building blocks simultaneously. Compared with the average across the markets in our study, German executives assign significantly higher importance to:

- European cloud infrastructure (87% vs. 77%),
- sovereign European AI models (72% vs. 66%),
- European compute capacity (91% vs. 84%),
- governance frameworks (86% vs. 82%) and
- access to venture capital for AI innovation (56 % vs. 43 %).

The country-level comparison reveals where other markets pursue more targeted sovereignty priorities—rather than prioritizing a broader set of sovereignty layers simultaneously:

UK executives, for instance, prioritize data sovereignty (93% vs. 86% in Germany) and governance frameworks (92% vs. 86% in Germany) at higher levels. This reflects the UK's more complex post-Brexit environment—as well as its focus on the financial sector and its heightened sensitivity toward compliance and oversight among institutions such as the FCA and ICO.

French executives place a stronger emphasis on sovereign AI models (82% vs. 72% in Germany), likely reflecting the country's comparatively mature sovereign-tech ecosystem. At the same time, the investment patterns in Germany and France differ noticeably.

In Germany, sovereignty-related spending is distributed more broadly across budget categories, suggesting that many companies are investing across multiple areas simultaneously. France, by contrast, shows a much stronger concentration of smaller budget allocations, indicating a more selective and targeted investment approach focused on specific sovereignty priorities.

These findings point to a gap between strategic ambition and concrete budget commitment, especially in Germany—suggesting persistent challenges in translating sovereignty ambitions into coherent strategic roadmaps and sustained investment commitments.

Yet many executives still express cautious confidence in Europe's long-term AI competitiveness and its ability to build stronger sovereign capabilities. For instance, nearly half of German executives (48 percent) believe that Europe can still build a globally competitive AI and technology ecosystem within the next five years—which is broadly in line with the other markets in our study. Only Eastern European respondents appear more skeptical (37% agreement).

This optimism is conditional and tied to several key enablers. When assessing Europe's future competitiveness, German executives identify three primary drivers:

- the expansion of large-scale compute and data infrastructure (53%),
- the ability to better scale and commercialize AI technologies (52%), and
- faster and more innovation-friendly regulation (42%).

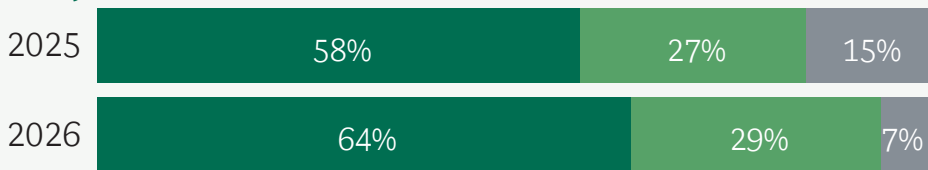
This is broadly in line with the findings from other markets—and suggests that many companies increasingly view sovereignty not as an isolated political ambition, but as a broader question of industrial scalability and long-term competitiveness.

In other words: technological sovereignty is no longer a niche technology discussion. It has become a boardroom-level strategic priority.

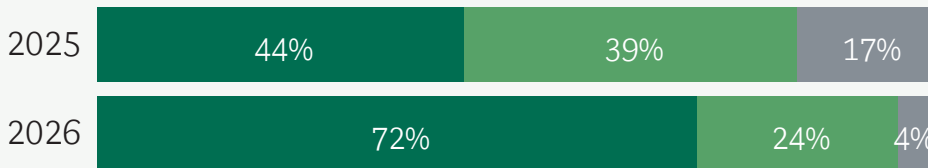
EXHIBIT 2

Proportion of Tech Budget for Reducing Dependencies

Germany



France



Note: Question text: "What percentage of your total IT budget will be allocated to this [reducing dependency on non-European technology providers] in 2027?" Filter: Organizations Investing or planning to invest in reducing dependencies. Bases: Germany 2025 n=34, Germany 2026 n=103, France 2025 n=41, France 2026 n=51



4 Europe's Sovereignty Shift Is Reshaping Technology Partnerships

The sovereignty transition is not only reshaping internal operating models, it is also beginning to change Europe's external partnership logic. Once again, Germany provides one of the clearest examples of this shift: today, North America (42%) remains slightly ahead of Europe (40%) as Germany's most important partner region for AI and technology. Looking ahead, however, executives expect Europe to become the leading partner region (42%), while the role of North America declines significantly (34%).

Other markets, such as France, do not project the same strategic rebalancing toward Europe: despite strong sovereignty ambitions, many French companies still expect future AI and technology partnerships to remain more heavily tied to the US ecosystem (40%).

One aspect stands out across all regions, however: China does not seem to be an important AI and technology partner to many executives in the markets in our study—

now or in the future (6% have partnerships with China now, 6% say they will in the future).

While executives across all markets generally feel confident in understanding the implications of AI sovereignty, confidence drops sharply when it comes to translating this understanding into concrete strategic investment choices.

This gap is particularly visible in Germany, where 91 percent of executives feel confident in assessing sovereignty implications, but only 58 percent express strong confidence in their strategic AI investment decisions.

Confidence in strategic investment decisions varies substantially across European markets (e.g. 37% in Eastern Europe, 76% in Switzerland and 84% in the Nordics). This likely reflects different stages of AI maturity and organizational readiness—but also continuing uncertainty around long-term sovereignty strategies.



5

Conclusion & Call to Action

Europe's sovereignty debate is entering a fundamentally new phase. The debate is no longer primarily about political positioning or regulation. Instead, it is a CEO topic reshaping infrastructure decisions, operating models and partnership strategies of companies.

At the same time, our study reveals a growing paradox: European companies broadly agree that sovereignty matters. But they remain far less aligned on what it is and how to ultimately achieve it.

Some organizations continue to treat sovereignty primarily as geopolitical insurance—while a growing number in Germany and Eastern Europe view it as a strategic route toward industrial competitiveness and long-term differentiation.

The companies that succeed over the next years are unlikely to be those with the strongest sovereignty rhetoric. Instead, the winners will be the organizations capable of translating sovereignty into:

- a clear long-term sovereignty strategy and target picture,
- prioritized investment decisions focused on strategically critical parts of the technology stack,
- integrated business and technology governance,
- scalable operating models,
- and sustained investment clarity.

Our findings—and the developments between the 2025 and 2026 study waves—suggest that sovereignty initiatives will struggle to scale if they remain framed primarily through compliance and risk reduction.

Organizations that treat sovereignty merely as regulatory insurance are likely to experience it primarily as a cost factor. Those that approach sovereignty as a long-term business capability and focus on strategically critical parts of the technology stack can strengthen their resilience to geopolitical disruption, improve operational flexibility, and position themselves as pioneers of Europe's next generation of industrial competitiveness.

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