



2023 KPMG US Technology Survey Report

# Making the most of technology

Technology sector insights



# Making the most of technology

## The 2023 KPMG US Technology Survey of IT executives shows companies in the technology sector to be adept navigators of the digital transformation revolution.<sup>1</sup>

Approximately seven in 10 executives in the technology sector are confident their organization will be able to achieve its ambitions across a broad front using its existing technologies, for example, from boosting efficiency and growing the business to turning risk into opportunity.

In addition, technology companies are notably more likely than those in other sectors to have seen a

positive impact on profitability or performance from their digital transformation efforts in several key areas, including data and analytics and virtual reality/augmented reality/the metaverse. (See Figure 1).

Still, staying ahead of the digital technology curve can be challenging, even for companies helping to shape it.

<sup>1</sup> In May and June 2023, KPMG surveyed 400 US-based, executive-level technology leaders across eight industry sectors to find out how their organizations are looking forward to the next stage of the digital transformation journey, where they expect emerging technologies to drive new value, and how they will move forward with pace and confidence. This report highlights the most significant differences in the survey findings for the technology, media, and telecommunications sector relative to all sectors represented in the survey.

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Figure 1

### Technology companies see positive results from digital transformation efforts

Percentage of organizations showing a positive impact on profitability or performance from digital transformation efforts in four key areas.

Technology	ALL COMPANIES	TECH COMPANIES	DIFFERENCE
Data and analytics	49%	61%	+ 12 pts
Virtual reality/augmented reality (including the metaverse)	44%	55%	+ 11 pts
Low code/no code	40%	49%	+ 9 pts
Public cloud and XaaS technologies	44%	46%	+ 2 pts

Source: KPMG US Technology Survey, KPMG LLP (US), 2023

In one of the more intriguing findings from the survey, 58 percent of executives in the technology sector indicate the most common tech-related challenge to their organization's ability to innovate is increased pressure to create new product features by integrating multiple technologies and capabilities. By comparison, only 50 percent of all executives surveyed say their organization is finding it challenging to do this—to mesh technologies such as artificial intelligence (AI) and low code or no code software development along with capabilities such as workflow automation.

What's more, progress toward digital transformation goals over the past year has been mixed. Only 6 percent of technology-sector executives now say their organization is proactive in progressing against AI and automation strategy, for example, down from

28 percent in 2022. That drop-off was in line with findings across all industry sectors, where the percentage reporting that high level of competency fell to 10 percent from 28 percent. These declines may be due in part to the stunning public debut of generative AI last year, which sent companies scrambling to understand it and incorporate it into their plans. On the other hand, cloud agendas appear to be back on track. This year only 16 percent of executives in the technology sector say their cloud agenda is behind schedule despite leadership buy-in, down from 57 percent in 2022.

Continued proficiency on the technology front will be important in the technology sector given the tremendous opportunities before it and the headwinds facing it. Tech companies are driving massive changes in how we live and work with the new products they're developing, and they'll

need to stay ahead of the technology curve to maintain their momentum. Challenges include an uncertain economic outlook, compounded by growing demands for financial discipline from investors no longer as willing as they once were to accept revenue growth without corresponding improvements to the bottom line.

“Few backers used to focus on whether many of these companies made money as long as they were investing and growing,” observes Mark Gibson, national sector leader for technology, media, and telecommunications, KPMG in the US, and global lead of technology, media, and telecommunications, KPMG International. “But the next generation of investors is looking for more predictability and better financial discipline. These companies are certainly more bottom-line conscious than they've ever been in the past.”



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global lead of technology, media, and telecommunications, KPMG International



# Where technology companies are looking for help from digital transformation

**Like many of their counterparts in other industries, executives in the technology sector see their organization’s digital transformation agenda being driven in large part by the need to optimize upsell and cross-sell opportunities (cited by 57 percent) and to meet regulatory obligations or security concerns (56 percent).** (See Figure 2)

In terms of how customer/user expectations are influencing the strategic priorities of their digital transformation agenda, technology-sector executives most often point to demands for strong data privacy and cybersecurity (53 percent cite this issue, about in line with the 51 percent of executives across all sectors). However, they are more likely than those in other sectors to also say that customer and user expectations for new features are helping to drive their digital agenda (48 percent versus 39 percent).

The specific technologies technology-sector executives believe will be most important to them over the next three years are AI/machine learning (including generative AI) (49 percent), robotics/automation (43 percent) and virtual reality/augmented reality, including the metaverse (47 percent). They have plenty of company, as those also are the top three technologies cited by all survey respondents.

Cloud platforms will continue to play a growing role in the digital transformation agenda at many technology organizations. Over the past decade and a half, companies in all industries have moved increasing volumes of their computing and data storage activities to cloud platforms, enticed by the agility and flexibility those platforms offer. In the technology sector, the most common ambition for the cloud right now is to connect data sources to enable advanced analytics, cited by 54 percent of executives—in line with the 51 percent of all executives surveyed who say the same. Forty-eight percent of technology executives add that they are focused on maximizing the number of applications their organization shifts to public cloud providers (48 percent versus 39 percent).

At KPMG, we see a need for technology companies to focus more attention on digitally transforming back-office operations. While the front office has long dominated transformation agendas, improving back-office operations and making them more efficient will become increasingly important to establishing the financial discipline investors are demanding.

Figure 2

## Sales goals and regulatory/security concerns are driving digital transformations

Factors identified as the main triggers of digital transformation in the technology sector.

TRIGGER	TECH COMPANIES
Upsell and cross-sell optimization to boost spend volumes	57%
Regulatory obligations or security concerns	56%
Converting prospects into customers	49%
Fast-tracking employee productivity	49%
Third-party/partner ecosystem	49%
Customer feedback	39%

Source: KPMG US Technology Survey, KPMG LLP (US), 2023

## Challenges to technology companies' tech-related goals

**Where challenges to digital transformation efforts in the technology sector are more common than in other sectors, they tend to revolve around people and culture.**

Among all the sectors represented in the survey, for example, it is in the technology sector where executives cite “a risk-averse culture that is slow to embrace change” as the challenge most likely to slow their organization’s digital transformation efforts. Forty-seven percent point to that as a problem, versus 40 percent of all executives surveyed.

Forty-six percent of technology-sector executives also cite a “technology function lacking the governance and coordination to effectively support transformation initiatives” as a challenge to their digital transformation efforts.

**47%** of tech-sector execs cite a risk-averse culture that is slow to change

## Key next steps

KPMG has identified five key actions that technology companies can begin taking right now to keep their digital transformation efforts rolling:



### Build a dynamic technology strategy centered on the cloud.

Three- to five-year digital transformation plans aren't obsolete but they can no longer be rigidly fixed. Companies can gain much needed flexibility and agility by breaking plan objectives down into short-term modules that can be continually updated as business needs and technological capabilities change. Recognition of this new reality is one of the drivers behind the push to move corporate information systems into the cloud, where it's easy to scale capabilities and capacities up or down and quickly deploy new applications and services.



### Incorporate emerging technologies and corporate objectives into every new project.

Whether the task is siting and constructing a new facility, building out a tax department, or breaking into a new market, planning should incorporate from Day One discussions about how the technologies and objectives important to the company will be embedded into those projects. This might mean thinking about how generative AI will enable employees to be more productive, or how technology solutions can advance the company's environmental, social, and governance objectives.



### Continue to emphasize cybersecurity and regulatory compliance.

With cyber criminals constantly expanding their playbooks and regulatory regimes expanding around the world, technology companies will find it important to continually improve their cybersecurity and compliance programs. "Unfortunately, the regulatory North Star is really blurry right now," Gibson notes. "Europe seems to be ahead on the data privacy and data sharing front, but the US is trying to catch up. To the extent these companies can use technology to streamline, automate and speed up their cybersecurity and data protection capabilities, it will help in keeping pace with the evolving regulatory environment."

# Key next steps

Continued



## Prepare the workforce.

As emerging technologies like generative AI and virtual and augmented reality transform the way work gets done, technology companies need to ready the workforce. They can start by educating and training existing employees and, where necessary, bringing in new workers to fill skill set gaps. Companies also can promote and enable cross-functional collaboration between employees with technical backgrounds, such as data science, and those from non-technical fields, such as marketing and design, to accelerate the practical application of new and emerging technologies. Executive leaders will want to actively demonstrate their own willingness to learn about and adapt to new technologies, while providing front-line employees with mechanisms for sharing their experiences and challenges.



## Look to partners to fill in gaps.

No organization has a monopoly on best-in-class capabilities in every facet of digital transformation. Smart technology companies will partner with third parties—other technology providers, implementers, consultants—to accelerate their digital transformation efforts. With the advent of generative AI, partners that have extensive experience and expertise with artificial intelligence and are prepared to leverage this newest version of the technology will be especially important.

# How KPMG can help

KPMG has IT professionals with the skills, resources and alliances needed to help you design and implement a successful digital transformation agenda—and to apply emerging technologies like generative AI to better serving your customers. Our wide-ranging technical expertise and deep experience working with the technology sector allow us to help guide your organization through strategy, use case development, vendor selection, and pilot

implementation. Meanwhile, our pre-configured cloud solutions mean much of the work is done before you reach out to us.

Whether we're helping you deploy a new technology, migrate to a new cloud platform, or outsource challenges with our managed services, you can count on us to deliver—fast.

That's speed to modern technology.

[Click here](#) to learn how KPMG can help your organization reap the full promise of a tech-enabled transformation.

Download the full report and discover how KPMG can help you with digital transformation go to: [visit.kpmg.com/techsurvey2023](https://www.kpmg.com/techsurvey2023)

## Contact us

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