



Technology Industry CEO Outlook

Insights on technology transformation, risk, talent, and ESG in the technology industry in 2023 and beyond



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Executive summary

Welcome to the Technology Industry CEO Outlook, which is being released in a unique time period on the heels of the pandemic and amid a business environment marked by high inflation, new geopolitical tensions, and fears of a recession. It delves into key topics at the top of today's technology industry agenda, yet were persistent even before the pandemic began: technology transformation; the evolving risk landscape; the struggle for talent; and the rising importance of environmental, social, and governance (ESG) initiatives.

Featuring chief executive officer (CEO) insights from 110 large, global technology companies, the survey finds the vast majority (85 percent) see a recession as likely in the next 12 months, and the most pressing concern for tech CEOs is economic factors impacting their business.

However, another overwhelming majority (86 percent) are confident about their company's growth prospects over the next three years. Supporting this growth outlook is the fact nearly half (48 percent) feel the anticipated recession will be mild and short. Only 30 percent feel otherwise and 22 percent feel neutral.

Technology companies, often the pace setters for transformation and ESG, are performing a balancing act of managing short-term risks while maintaining momentum on long-term strategic initiatives such as:

- Modernizing technology
- Acquiring needed skills and capabilities
- Enhancing stakeholder trust
- Improving operational and financial performance
- Harnessing the value of data
- Delivering value from mergers & acquisitions

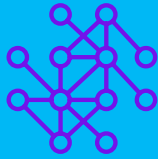
Tech companies have demonstrated resilience and ingenuity in the last three years. They kept the world connected during the pandemic and their products enabled new ways of working across all sectors that kept employees productive and the wheels of industry and the global economy turning.

This recent track record promotes confidence in the tech industry to navigate the current geopolitical and economic turmoil. They see the opportunities for innovation and growth in uncertain times. Tech companies that make a concerted effort to hold onto their people and continue to drive value by investing in cyber and ESG stand to gain over the long term.

I hope you find this report's insights useful and welcome the opportunity to discuss any of the findings and implications with you.



Mark Gibson
Global and U.S. Head
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Technology transformation insights from tech CEOs

Digital investment remains a priority...

64% prioritize capital investment in buying new technology, as opposed to 36% who prioritize investment in developing their workforce's skills and capabilities

70% have an aggressive digital investment strategy, although down from 78% last year

While these responses are still high percentages, they do show respective declines from last year. This can be attributable to tech companies being fast movers and first adopters. Many already made significant digital investment and transformational progress in the last couple of years. Yes, opportunities remain, but now it's time for many to move from implementation to optimization and start reaping the benefits.

Source: KPMG CEO Outlook 2022, n=110.

...but external threats and organizational obstacles still exist

75% say geopolitical uncertainty is raising concerns of a cyberattack

69% believe deciding on the right technology is holding back transformation progress

69% need to be quicker to shift investment to digital opportunities and divest in areas that face digital obsolescence, although down from 84% last year

What this means for tech companies

Start with the strategy: With 69 percent of tech CEOs saying the decision-making process on what technology to use is holding back their transformations, it's important to stay focused. Are you looking to modernize your tech stack or entirely disrupt your business model? Your strategy should be your guiding star and should address both the front office and back office.

Get close to the customer: Direct investments to capabilities that propel strong customer experiences. To retain customers and market share, companies must think differently about how to use technologies to better deliver on audience expectations. Additionally, companies must carry out future scoping to ensure technology selection and workflow design align with customer needs and expectations. This will help integrate the kind of excellent digital experiences that encourage customer loyalty through good and bad times.

Bring your people and technology together: Tech companies have invested significantly in new digital solutions and will continue to do so. But technology solutions alone will not achieve the business goals if they are only understood and utilized by a select few employees. The entire workforce must be brought on the transformation journey, through effective change management, to maximize adoption and use the new technologies to their full potential.

Consider strategic M&A: It can be time consuming to adapt new technologies in-house and (re)train existing employees. To open up new markets or acquire talent and new technologies, M&A can accelerate growth and digital transformation efforts.



Risk insights from tech CEOs

Top threats to technology company growth over the next three years

2022 outlook	2021 outlook
Operational issues – 14% ▲	Cybersecurity – 31%
Emerging/disruptive tech – 12% ▼	Emerging/disruptive tech – 17%
Reputational risk – 12% ▲	Tax – 11%
Political uncertainty – 11% ▲	Climate change – 8%
Interest rates – 9% ▲	Operational issues – 8%
Cybersecurity – 8% ▼	Regulatory concerns – 8%
Climate change – 8%	Reputational risk – 7%
Regulatory concerns – 8%	Talent – 4%
Internal unethical culture – 7% ▲	Return to territorialism – 3%
Return to territorialism – 6% ▲	Interest rates – 3%
Talent – 4%	Supply chain – 3%
Supply chain – 1% ▼	Internal unethical culture – 0%
Tax – 0% ▼	

Source: KPMG CEO Outlook 2022, n=110.

Source: KPMG CEO Outlook 2021, n=120.

What this means for tech companies

Mitigate operational issues by becoming a connected enterprise: A lack of alignment between functions and systems can hinder the ability to deliver smooth customer experiences. By harnessing technology and supporting organizational changes, tech companies can focus every operational process and function through the front, middle, and back offices on meeting customer expectations. Connected enterprises gain the insights, agility, and alignment to generate new levels of customer value in a digital-first world.

Recognize cybersecurity as a strategic function: Cyber is no longer an IT issue. It's a pervasive, fundamental business imperative. The increase in cyberattacks, coupled with the difficulty of detecting an attack in time, calls for both automation technology solutions and building a human firewall.

Emerging tech to drive growth: Should a recessionary environment emerge, it is likely to cause many tech companies to make tough choices about emerging technology investments. Digital leaders, however, are likely to accelerate emerging technology adoption to empower customer centricity. But digital leaders can also leverage core technology—namely, automation—as a critical cost lever. Together, that spells not just growth but profitable growth.

Climate change can't be ignored: Even though climate change ranks in the middle tier of perceived threats, if unaddressed, its impact can overflow into other risk areas such as operational issues, corporate reputation, regulatory concerns, and supply chain. There is only going to be one kind of economy in the future—a low-carbon economy—and investments tech companies make now will position them to thrive throughout the transition.



Talent insights from tech CEOs

Talent is a top operational priority...

#1 An employee value proposition that attracts and retains talent is tied as the top operational priority to achieve three-year growth objectives*

57% feel transformation progress is being held back by lack of people skills to manage the strategic and operational rollout

** Tied with "advancing digitization and connectivity across the business", which shows the delicate balance between having the right technology solutions and the right people to implement and optimize them.*

Source: KPMG CEO Outlook 2022, n=110.

...prompting tech companies to improve the employee experience

67% see their workforce being fully remote or hybrid going forward, compared to just 35% across all industries

80% agree they need to address burnout from accelerated digital transformation before continuing their company's journey, up from 70% last year

What this means for tech companies

Embrace different ways of working: As some industries and organizations launch return-to-office plans, it's important for tech CEOs to develop working structures that suit their people. Active listening, empathetic communication, and a commitment to finding the right approach over the long term will be key to delivering an exceptional employee experience, reducing burnout, and retaining skilled workers. Remote work options, especially, expand the talent pool geographically.

Avoid short-sighted workforce decisions, even in a recession: Intellectual prowess is the greatest natural resource for tech companies. Regardless of the economic climate, leaders need to invest in the development of their top performers. For companies considering tough workforce options, making short-term financial decisions to let talent go can have negative long-term consequences.

Use technology to develop and retain talent: The investments that tech companies have made into tools, and their own custom platforms, during the pandemic have paid off in terms of employee productivity and collaboration. The sector has readily engaged automation technology in particular for transactional tasks, freeing employees to be upskilled to deliver other knowledge-based work that is in high demand but short supply. Automation technology creates opportunities for learning new skills, exposure, and career growth.

Explain your purpose: A business's purpose is increasingly seen as a differentiator. According to 75 percent of tech CEOs, corporate purpose will be important for strengthening employee engagement and the employee value proposition over the next three years.



ESG insights from tech CEOs

ESG is good for business...

55% agree that ESG programs improve financial performance, up from 38% last year

79% say achieving gender equity in their C-suite will help meet their growth ambitions

75% believe their organization's ESG and strategic digital investments are inextricably linked

...yet challenges remain

#1 The complexity of decarbonizing supply chains is the greatest barrier to achieving net zero for tech companies

77% see increased stakeholder demand for ESG reporting and transparency, up from 60% last year

35% say their organization struggles to articulate a compelling ESG story

Source: KPMG CEO Outlook 2022, n=110.

What this means for tech companies

Openly acknowledge ESG's importance to the business: Tech CEOs increasingly agree that ESG programs improve financial performance. This includes being able to secure talent, strengthen the employee value proposition, attract loyal customers, and raise capital.

Don't skimp on ESG during a recession: It may be tempting to consider cutting ESG spending, but now is the time to take a long-term approach and double down on ESG efforts. Tech CEOs that keep up their ESG momentum stand to not only improve financial performance, but also gain greater trust with their employees, investors, customers, and other stakeholders.

Invest in real-time supply chain technologies: Tech companies should monitor their supply chains more deeply (i.e., at the third and fourth levels). To do this, global supply chain leaders are starting to double down on investing in technology—including real-time, end-to-end analytics—to identify where issues exist and improve visibility across the entire value chain.

Strive to measure the progress and effectiveness of ESG initiatives: Increasing measurement and governance to build a more robust and transparent approach to ESG initiatives is among the top accelerators of ESG strategies at tech companies. Stakeholders increasingly want to know how companies contribute to society, and regulatory bodies are implementing mandatory climate disclosure rules.

Build strong connections among functions: Resilient organizations have well-connected internal teams, allowing, for example, the finance function to know what the ESG team is doing. Consider moving some ESG reporting to the financial function to imbue ESG reporting with the same rigors and controls as financial reporting.

About the author



Mark Gibson is the global and U.S. head of Technology, Media & Telecommunications for KPMG LLP. During his more than 30 years in public accounting and advisory, he has served clients in the technology, consumer products, and retail industries as both an Audit and Advisory partner. Prior to his current role, Mark was the Seattle office managing partner. He serves as the account executive for several large clients in the Seattle and Silicon Valley markets and as global lead partner for a leading technology company, where he works with KPMG professionals from Audit, Tax, and Advisory in more than 15 countries.

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About the research

The eighth edition of the KPMG CEO Outlook, which surveyed 1,325 global CEOs in the third quarter of 2022, provides distinct insight into the mindset, strategies, and planning tactics of CEOs. All respondents led organizations with annual revenues exceeding \$500 million, and over one-third had more than \$10 billion in annual revenue. There were 110 respondents from the technology industry.

The views and opinions expressed herein are those of the survey respondents and do not necessarily represent the views and opinions of KPMG.

Note: Some figures may not add up to 100% due to rounding.

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