Technology dynamics in 2023: What will it look like?

**Rob Fijneman, KPMG Switzerland**

In today's world it is hard to predict what will happen in a year. We are dealing with uncertainties in multiple areas, and the economic strengths or weaknesses vary across the globe. Some predict an economic downturn, meaning that IT leaders should prepare themselves by reducing their budgets and staying cost-conscious. Others still focus on the fact that technology opportunities like artificial intelligence are becoming part of business reality and therefore require ongoing investment.

Paul Heltzel of CIO summarized in a recent article[1] that recruiting, retention and adoption of lead-edge technology are back on the radar of IT leaders. While teams are more dispersed than ever, these leaders are committed to making positive changes in workplace culture. This includes diversifying their workforce and creating a post-pandemic work dynamic that enables their colleagues to connect with one another across distances to do their best work.

[1] Top 9 challenges IT leaders will face in 2023, Paul Heltzel, CIO, January 2023
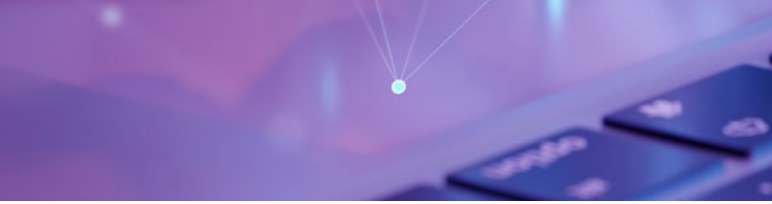
Forbes[2] focused on 5 challenges:

> - Supply chain challenges, sourcing the required parts and supplies and dealing with the shortage of chips
> - Increased security threats based on the availability of more digital data
> - Accelerated technological innovation given that the speed of change from a technological angle will constantly increase
> - Demand for more sustainable technology solutions as the contribution of technology to an improved ESG agenda will become important
> - Talent shortage; a 2021 Gartner survey already found that IT executives cited lack of talent as the biggest barrier to the adoption of emerging technologies, ahead of implementation, cost, and security risks

A piece in the Harvard Business Review[3] concludes that "2023 will likely be a more sober year in tech. Geopolitical and economic uncertainties are injecting more caution into the next phase of tech's evolution. Leaders will have to search for ways to do more with less, find value where innovations overlap, and strategically invest in technologies that are hitting a tipping point." While boards may be preoccupied with flattening or reduced investment in IT budgets, they need to keep energies focused on the risks and opportunities in the big technology shifts like cloud. It will be interesting to validate if the IT foundations are appropriate to implement new technologies. Topics like investing in data foundations and renewing the IT architecture were always important, but are now essential if the business is to have a chance of taking full advantage of the new technologies coming online.

This IT for IT agenda – and its focus on investing in the tech foundations – brings the board into play. This is not about an individual business unit or division agenda, but focuses on the entire business. The board, working with top management, should guide and direct the effort. A good rule of thumb is that 15-20% of IT's change budget needs to be allocated to this foundation work. For the board to be able to engage at this level, IT leaders will need to have more continual and frequent dialogue with individual members of the board about tech priorities and needs.

[2] The top 5 Technology challenges in 2023, Bernard Marr, Forbes, November 2022
[3] Where is Tech going in 2023, Harvard Business Review, Armer Baig c.s., January 2023

In our daily work, we see good examples of this dialogue – but challenges as well. There is a tendency to focus on the big IT projects and changes and less on bringing or keeping the foundational IT level to the right quality level. Furthermore, focusing on controls and the change thereof is still lagging in most IT projects. Although we all subscribe to the benefits of secure by design, it often gets prioritized too late. The balance between hard and soft controls is also important. Soft controls, like culture, tone at the top and transparency are relevant in combination with the "hard coded" technology controls.

The soft controls basically bring us to the people agenda of IT leaders, which all predictions suggest will be huge in the coming years. The war for talent is ongoing in the tech domain and the reality is that people work remotely and across the globe. This development was accelerated during the pandemic and is now a mainstay of business practice.

Dialogue between the board of directors and IT leaders should therefore not only focus on compliance, security and project issues, but – just as importantly – also on the people agenda. Key questions include: What are the drivers for a business-focused mindset among tech employees? How can you foster diversity? And how can you increase retention rates? This logically could be part of the scorecard used to measure the outcomes of the IT function and, as discussed in previous articles, could be used for trend analysis.

Summary

To summarize, a key takeaway is the need to ensure the IT foundations are solid as the only basis for implementing new tech solutions successfully. Second, is the importance of driving a strong people agenda to ensure you have to people to handle the IT solutions. Validate where your company stands in this regard.

Well-informed decisions are vital in this process. The board should create the environment for this, seeking insights and challenging the input of the IT leaders, who can also proactively initiate this conversation.

By the end of this year, we will know more about the outcomes and learnings of the 2023 technology ourney. At KPMG, we will keep measuring and auditing the quality of technology during the year and help boards in having informed insights into what is going on.

Professor Rob Fijneman
Partner, Audit,
KPMG Switzerland

+41 58 249 23 27
robfijneman@kpmg.com