KPMG Private Enterprise

KPMG global tech report: Private enterprise insights

Why the private organizations should tackle legacy issues and shake off short-termism to reach their full potential.

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Executive summary

Research from KPMG studying 2,038 executives in private companies finds that the sector's robust investment decisions are empowering organizations to unlock new value from technology, with AI being a prime example. This report provides insight and analysis into their digital transformation strategies and how the sector's approach needs to evolve moving forward.

This report advocates that private company technology leaders should focus on long-term planning, mitigating technology debt, and most importantly, creating an AI-first work culture. By doing so, you can ensure that your digital transformation journeys are not only successful and sustainable but also at the forefront of technological innovation.

Private companies have made smart digital investments, but a short-term approach that overlooks flaws in existing systems exposes them to service disruptions and technology debt. By addressing these challenges and heeding the advice within this report, private organizations can build more adaptable organizations that balance digital innovation with long-term durability.

Key findings

Private companies have sharp investment decision-making skills

Private companies surpass their public sector peers in making effective digital transformation investments. Almost three-quarters (74 percent) of sector respondents agree that decision-making processes for tech investments are clear, consistent, and accurately followed. Private companies are also more likely than their public sector counterparts to involve their cybersecurity teams from the earliest planning stages of a digital transformation project, meaning they bake effective defense into project design.

But flaws in IT systems are disrupting private companies' digital transformation journeys

Flaws in foundational enterprise IT systems disrupt private companies' workflows on a weekly basis. The private sector is 11 percentage points more likely to experience this issue than the public sector.

Private companies are using AI effectively, but employees can feel left behind

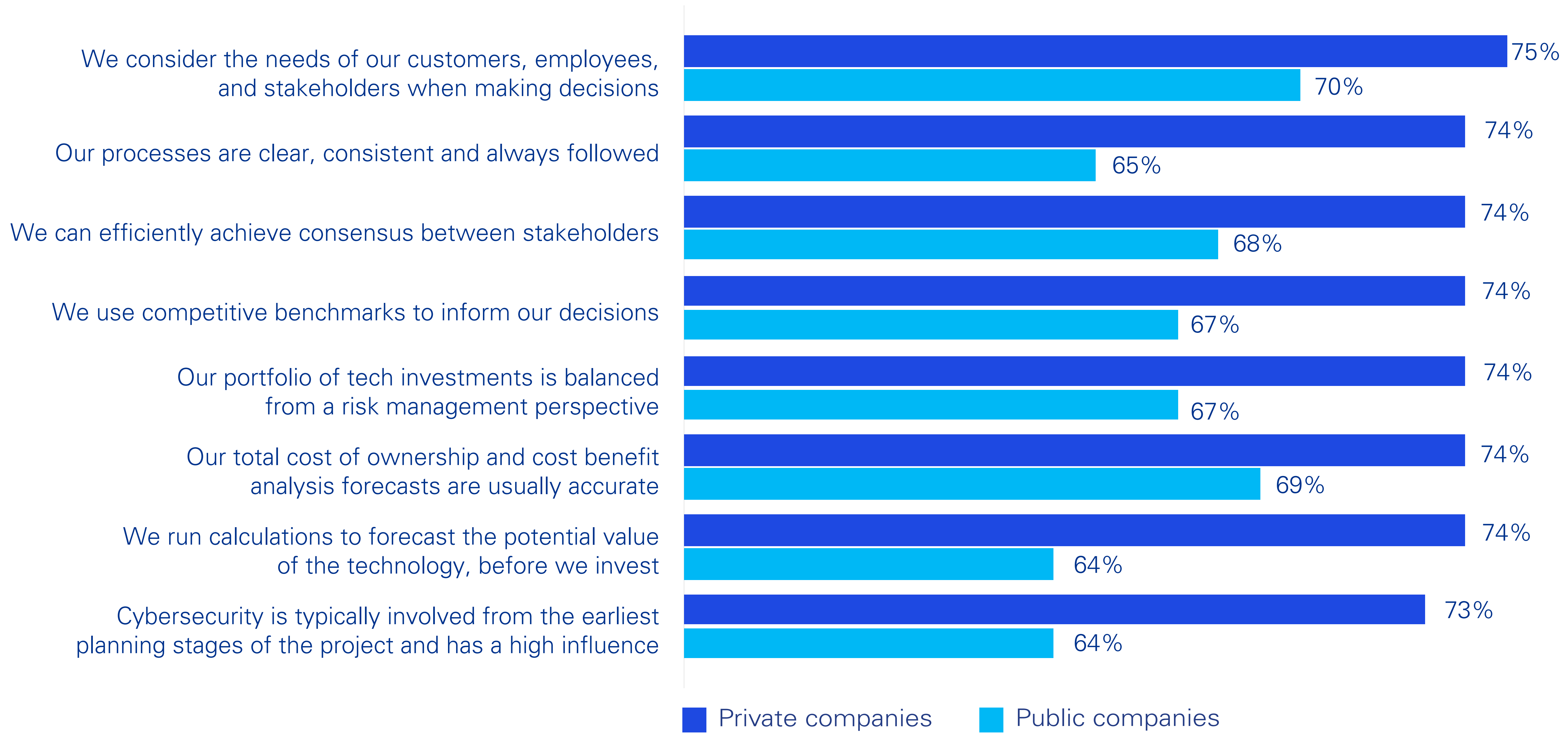
Private organizations are more likely than public firms to have achieved business benefits from AI. But some employees are finding it difficult to overcome the challenges of adapting to the evolving tech landscape.

Private companies have sharp investment decision-making skills

At first glance, private companies excel at making astute technology investments. They outperform public firms across all best practices measured in our survey. From a technical perspective, private firms display exemplary decision-making processes, with 74 percent saying these are clear, consistent and accurately followed — 9 percentage points higher than public firms. Equally notable is their commitment to forecasting the potential value of technologies prior to investing, with private companies scoring 10 points higher than public firms in this regard.

Private companies can move through digital implementation stages faster than their public counterparts and have more room for creativity and flexibility in their workflows, as they are subject to fewer rules and regulations, Conor Moore, Global Head of KPMG International, Private Enterprise, explains. They often have fewer hurdles to factor into their processes, requiring less extensive contingency plans.

Private companies outperform public firms across all investment decision-making best practice categories



Source: KPMG global tech report 2024

Looking at the outputs of these decisions, most private firms surveyed have seen digital transformation across various technology categories lead to an increase in profitability, which is in line with the global average. For instance, a higher proportion of private companies than public ones see profit increases of at least 10 percent from their low-code/no-code investments.

"A low-code/no-code method can significantly boost organizational efficiency by allowing employees that aren't tech experts to deploy solutions quickly and efficiently, and at a lower cost than with previous technologies," says Moore. "This also means users can quickly implement fixes for customers without having to wait for the next available developer."

Private companies are also seeing benefits from their investment decisions in cybersecurity, where it's taking a proactive approach. "The consequences of a breach are likely to cost significantly more than the up-front costs of a proactive cybersecurity solution, making investment in this area akin to an insurance policy," says Moore.

Private companies' cybersecurity teams are more likely than those in public companies to get involved from the earliest planning stages of a digital transformation (9 percentage points higher than public sector), giving them more influence. "It's easier for private companies to get this early engagement, as cyber risk stakeholder groups are typically smaller than those in publicly traded firms," confirms Moore.

But it's not just cyber security and low-code/no-code where the sector's smart investments are bearing fruit. As a result of their strong decision-making, private companies are more likely than public ones (70 percent versus 63 percent) to say they're satisfied with the amount of value obtained from tech overall. However, private companies must take care that the 'sugar rush' of short-term profit does not lead them to disregard the organizational health benefits of long-term planning and addressing longstanding issues in legacy IT systems.

Private companies are more likely than public ones

70% vs **63%**

to say they're satisfied with the amount of value obtained from tech overall.

Source: KPMG global tech report 2024

Flaws in IT systems are disrupting private companies' digital transformation journeys

Digital transformation has its pitfalls for the private companies. Private companies are 11 percentage points more likely than public companies to say that flaws in their foundational enterprise IT systems disrupt 'business as usual' on a weekly basis. This trend stands as an indication that, on average, private firms are struggling with tech-related service disruptions more than public organizations.

One reason for this, says Moore, is the number of homegrown or proprietary systems many private companies have in place. "These often lack scalability, and their pervasiveness leads to errors that disrupt entire operations, unlike modular third-party solutions, where issues are contained within specific areas."

The sector's tendency to focus on new technologies over addressing their legacy systems is another likely contributing factor. Over the next 12 months, 72 percent of private firms — which is on par with public organizations — plan to prioritize investing in new technologies over maintaining legacy technologies. The sector should consider reframing this mindset, mainly because, in comparison with the public sector, the private sector already has a heightened predisposition to experience service disruptions because of flaws in its legacy tech. The tendency to prioritize a focus on new technologies rather than legacy ones can lead to a failure to address critical technical debt that stems from flaws and weaknesses in existing systems. These flaws can obstruct the implementation of new systems, undermining the overall transformation progress.

To minimize technical debt, private companies must retain the knowledge of employees that have experience of working with legacy systems. Reviewing the validity of existing processes is also vital, says Moore.

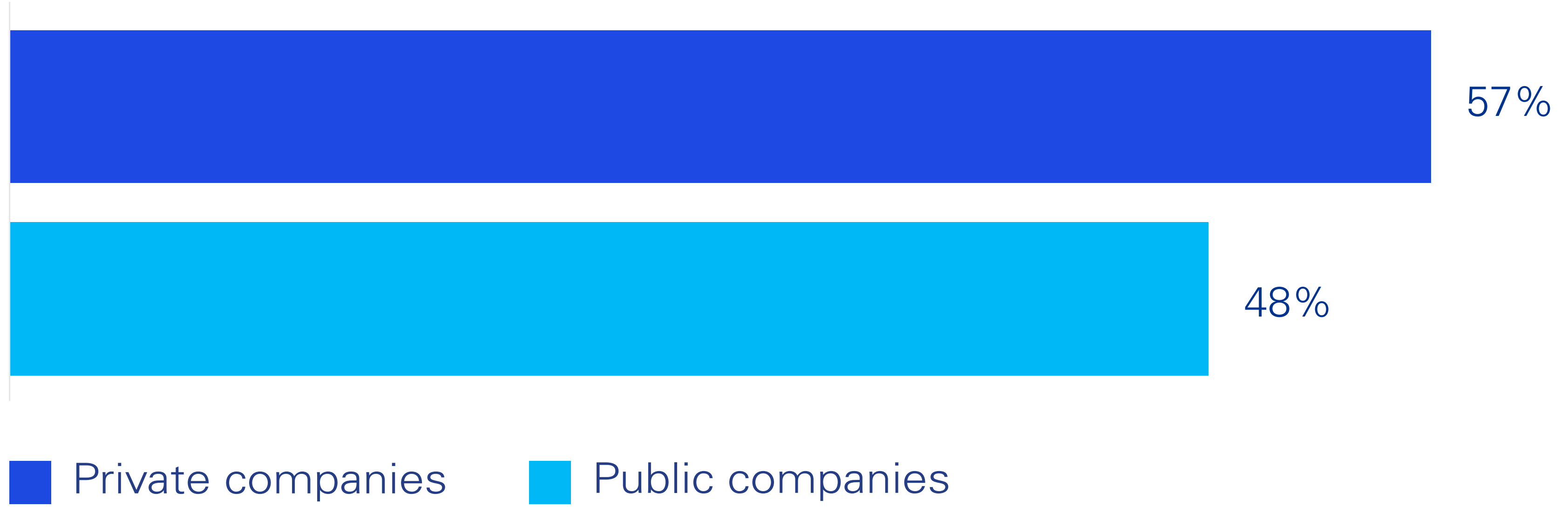
> "These must be vetted before initiating transformation projects to ensure the desired end state is achieved. Applying good tech to a bad process still results in a bad process."

Conor Moore
Global Head of KPMG Private Enterprise,
KPMG International and Head of KPMG Private Enterprise,
KPMG in the US

Managing legacy technologies is an essential part of long-term planning. But in the private sector, leaders often take an "everything is fine until it isn't" approach, says Moore. Indeed, 57 percent of private sector executives say they frequently prioritize short-term gains over long-term benefits, compared with 48 percent in the public sector. This short-termism can lead organizations to delay comprehensive digital transformation until they have no choice, meaning the process is frequently rushed and poorly planned, and therefore, almost inevitably more complicated and costly.

The good news is that the private sector has successfully harnessed AI and predictive analytics to measure technology performance, with 73 percent of private sector respondents saying their company is doing this — 9 percentage points higher than respondents from public firms. AI-powered systems assist detection and resolution of systemic flaws and inform prioritization of solutions to technical debt in legacy systems, empowering private sector companies with accessible tools to embrace a more sustainable long-term mindset.

We prioritize short-term gains over long-term benefits



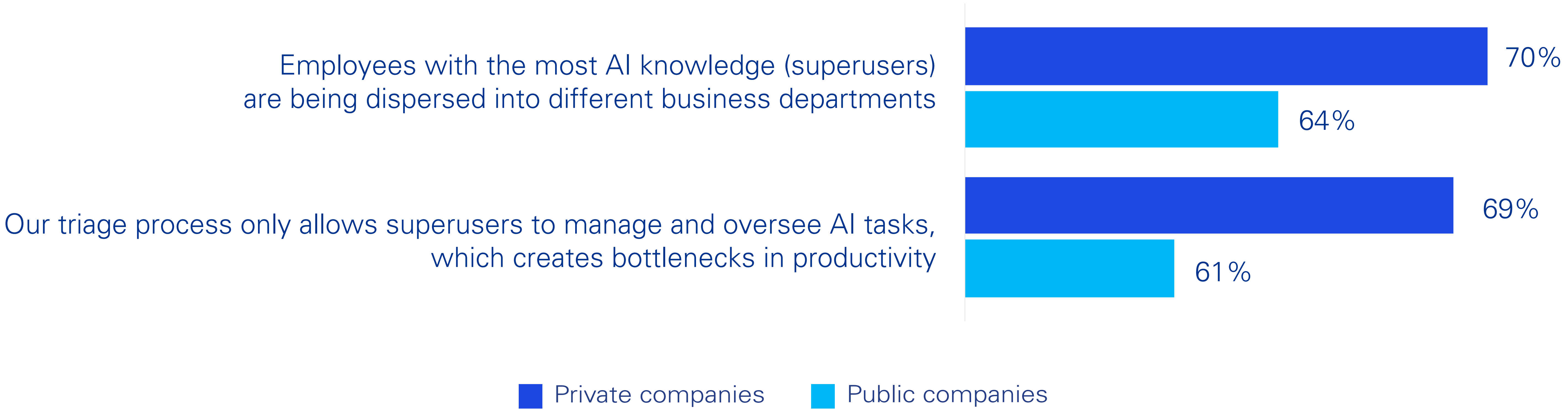
Source: KPMG global tech report 2024

Private companies are using AI effectively, but some employees feel left behind

Broadly speaking, AI investments are paying off for the private sector, with most executives (75 percent) saying they have already achieved business benefits from AI technology. Private companies are 9 percentage points more likely than public companies to feel that AI solutions, including automated accounting solutions, enhanced forecasting and budgeting, and AI-powered customer service routine tasks, save time and help workers to be more productive and engage in higher-value activities. According to the KPMG 2024 CEO Outlook, 62 percent of private company CEOs say that despite economic uncertainty, Gen AI is still a top investment priority for their organization.

When implementing AI, private firms are more likely than public firms to follow a triage process that allows only 'superusers' — those employees with the best AI knowledge — to manage and oversee AI tasks. While they admit that an unintended consequence of this is productivity bottlenecks, most private company leaders maintain that they are coordinating deployment of these superusers across business departments more so than their public company counterparts (70 percent compared with 64 percent).

Private companies are more likely to lean on superusers for their AI implementation strategies



Source: KPMG global tech report 2024

Being a superuser comes with significant responsibility, especially when others in the organization are further behind in the learning curve.

Moore highlights the potential complications of empowering a select group in this way: "Being a superuser comes with significant responsibility, especially when others in the organization are further behind in the learning curve. Superusers can also get distracted by the technology itself and lose sight of the most important operational issues at hand, which is why trust, accountability and supervision are critical."

Rather than restricting specialist knowledge to a small group of staff, Moore believes companies will need to invest in training, adopting a company-wide AI philosophy, and constantly reviewing processes to ensure optimization and relevance.

And where required, private organizations should be able to access sufficient support for funding these AI ambitions. VC investment globally has been rising to seven-quarter highs as AI interest skyrockets, attracting a major proportion of all global VC funding this quarter according to the KPMG Venture Pulse Q4 2024 analysis.

As private sector workforces are more likely (by 10 percentage points) to embrace cutting-edge technologies, their companies should feel encouraged to involve employees in AI activities as early as possible. This can help avoid workers feeling left behind by the digital transition (a trend that is more prevalent in the public sector). So, to enhance workforce productivity with AI, private companies should invest in employee upskilling and education to create an inclusive environment around technology shifts.

> "KPMG expects to see the use of more autonomous AI agents (AI agents rather than humans) that run multiple prompts automatically and pull from various data streams to undertake multiple tasks. As companies look to implement more training for employees, understanding the strength of these AI agents will be imperative."

Francois Chadwick
Global Lead, KPMG International and KPMG Private Enterprise Emerging Giants Partner, KPMG in the US

The future for private companies

To get the most out of their technology, private sector executives should expect:

01.

Harness their strong decision-making skills to channel capital and resources toward the areas of the business where they can help ensure long-term sustainable growth. While private firms have already achieved strong initial profits from a low-code/no-code approach, the next step is to aim to ensure these digital solutions are scalable and compatible with enterprise-wide systems. This will likely not only boost functionality, but also enable a more seamless integration of new data sources and technologies, helping ensure they do not become future bottlenecks.

02.

Enhance long-term, large-scale planning capabilities to mitigate technology debt and IT system disruption. Striving to ensure digital solutions are aligned with business strategy, conducting regular holistic infrastructure reviews that address the use of new technologies, as well as maintenance of existing systems, are all key tactics for success. By embracing structured technical debt management and encouraging a culture of proactive planning, companies can better anticipate future risks, challenges and system errors, which helps lead to fewer costly setbacks.

03.

Reinvest the initial dividends of technology adoption in creating an AI-first work culture. By positioning AI as a productivity tool, companies can empower employees to deliver more value and thrive in their new AI-enabled roles. This involves upskilling and cultivating a mindset that views AI as a strategic and collaborative partner. Testing workforce competence and sentiment can help organizations identify areas where knowledge-sharing and cross-functional collaboration is most needed.

Addressing these actions can help private firms to build more adaptable organizations that balance digital innovation with long-term durability. The key is to approach digital investments not as one-off solutions, but as part of an evolving ecosystem that helps create sustainable business value. Private companies that embrace this mindset will likely be able to reap the expected benefits far into the future.

“Many family (private) businesses have yet to explore AI and very few have implemented it as part of their business. Given the substantial part in the global economy family businesses play, this report and these three calls to action are a good framework to adopt when embarking on the deployment of AI in family businesses.”

Robyn Langsford
Lead of Global KPMG Private Enterprise Family Business,
KPMG International and Partner in Charge of Family Business &
Private Clients, KPMG Australia

How KPMG can help

Transformation is an ongoing journey

There's no quick fix for today's business challenges. Major changes are commonplace, often happening in parallel — involving more stakeholders, with more at risk and more complex decision-making required. All this can put relentless pressure on you, your people and your broader ecosystem. This journey of constant change is unpredictable but how you approach it should not be. The KPMG Transformation Journey helps you navigate these shifting end points to help deliver the results that matter. But the journey doesn't end here. KPMG professionals combine advanced technology, deep knowledge, and operational excellence to continually evolve your processes — on a subscription, as-a service basis.

With KPMG Managed Services, we help you create nimble, scalable business functions that both evolve as you grow and pivot quickly amid changing priorities. That's how we accelerate your transformation journey, sustain it and help you stay ahead of competitors — while helping minimize disruption and risk. Learn more.

You can with AI

In the AI era, anything seems possible. Untapped value, constant innovation, new frontiers. Especially with a knowledgeable guide by your side. We help clients harness the power and potential of AI. From strategy to implementation. Small steps to help solve seemingly impenetrable problems. Underpinned by trust. You can discover endless opportunities with AI. KPMG has been named a worldwide Leader in Artificial Intelligence in the IDC MarketScape: Worldwide Artificial Intelligence Services 2023 Vendor Assessment report. According to the report, "KPMG also showcased strengths in achieving business outcomes for clients with AI services."

KPMG has developed a suite of capabilities that combines a feature-rich AI development platform with a robust portfolio of prebuilt, tested AI-enabled technology solutions, backed by KPMG firms' deep industry and domain experience. KPMG offers developer and user interfaces to build, train, configure and deploy customized AI-enabled technology solutions, which in turn helps a client's solutions stack to work cohesively as they scale AI across their organization.

Let KPMG show you how. Learn more.

Methodology

The KPMG global tech report 2024 surveyed

29%
Americas

44%
Europe, Middle East and Africa (EMEA)

27%
Asia Pacific (ASPAC)

2,450 technology leaders from **26 countries/territories/jurisdictions across 8 industries:** financial services, tech, retail and consumer packaged goods, industrial manufacturing, life sciences and pharmaceuticals, healthcare, government and public sector, and energy.

Survey respondents represented organizations with annual revenues above **US$100 million** and included a diverse group of technology leaders, such as **Chief Digital Officers, CIOs, CTOs, CISOs, Chief AI Officers, and others**. A significant proportion of the respondent sample was composed of senior leaders:

50%
were board members or members of the C-suite.

15%
held director or senior manager level positions.

The private company perspective of the KPMG global tech report 2024 draws on the views of **2,038 leaders** at private companies.

Meet the authors

Conor Moore
Global Head of KPMG Private Enterprise, KPMG International and Head of KPMG Private Enterprise, KPMG in the US

Conor serves as the Global Head of KPMG Private Enterprise, bringing to bear nearly 30 years of experience providing auditing and accounting services to high-growth companies. He is well known for his work style and strong technical skills, including significant experience with revenue recognition, equity accounting and stock compensation. Conor's client experience includes working with high-growth companies in the development stage, through subsequent rounds of financings and other capital formation transactions, or to an initial public offering or acquisition by a larger-market participant.

Francois Chadwick
Lead of Global KPMG Private Enterprise Emerging Giants, KPMG International and Partner, KPMG in the US

Francois is a partner at KPMG in the US and also serves as a leader in the KPMG Emerging Giants Practice — the practice serving numerous high-growth private companies and assisting them with their exit strategies. Francois has 30 years of experience, including holding operator roles as CFO, CAO and Global Head of Tax, among others. These roles have provided Francois deep experience in accounting, strategy, business operations and process design, mergers and acquisitions, and financial planning. He has also been the lead on numerous IPOs, including S1s, SPACs and Direct Listings.

Robyn Langsford
Lead of Global KPMG Private Enterprise Family Business, KPMG International and Partner in Charge of Family Business & Private Clients, KPMG Australia

Robyn is a partner and serves as the Global Lead of KPMG Family Business. Robyn has over 30 years of experience providing strategic financial and tax advisory services to privately held businesses, including family enterprises, startups and expanding businesses. Robyn has worked with some amazing startups that are revolutionizing business through AI technology. AI's ability to automate routine tasks and undertake data analytics enhances productivity, freeing up valuable time to focus on strategy and enhance decision-making.

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