KPMG global tech report 2024

Beyond the hype: Balancing speed, security and value

Executive summary

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Foreword

The relentless speed of technology innovation is undeniable. When combined with a natural fear of missing out, ideas that may once have seemed like science fiction are rapidly converting into tangible reality. From generative AI to quantum computing, the potential benefits are huge, and so is the risk of making costly mistakes.

A key theme from this year's research is the perception among tech executives that they are struggling to keep up with the pace of change. In response to this sense of falling behind, organizations may be tempted to make a hurried response. However, this can lead to misguided investments that may prove both risky and expensive, potentially increasing the burden of technical debt which many well-established organizations are already struggling with.

Our research suggests that organizations are increasingly aware of this dilemma, and they are looking to pivot from imitating others to becoming leaders themselves. Typically, technology leaders are paving the way by bringing structure, discipline and an enterprise mindset to the adoption of new technology.

In doing so, they are looking to evidence-based investment decisions that align to the broader business and technology strategies and balance value creation with appetite for risk.

Overall, the sense from our respondents is that organizations are doing well with measurable improvement in many areas over the past year. Mistakes provide great learning opportunities for the future, and the positive perspective on progress shared by our survey participants is encouraging.

By taking a measured approach to technology investment, executives are already benefiting from key advancements while keeping a firm hold on their business models and successfully running the enterprise. A willingness to enter the realm of science fiction does not mean leaving the facts of sound business management behind.

2,450

technology professionals worldwide from a variety of industries

Guy Holland
Global Leader, CIO Centre of Excellence
KPMG International

Guy Holland is the global leader of KPMG's CIO Center of Excellence, a board member of KPMG Australia, and he leads KPMG Australia's Technology Advisory practice. Guy's career in technology spans over 30 years and he has worked in senior leadership roles for global consulting and technology companies in Europe and ASPAC. Working with senior business leaders and C-suite executives he helps organizations across a wide range of industries to harness technology and data to transform, innovate and create business advantage.

Gains being made

Some strong improvements are being made in 2024:

59% of respondents have **achieved over 10% profit** from digital transformation in the last 24 months.

74% of respondents are **generating value** from how they have implemented AI into their business.

87% of respondents reporting **higher profits** thanks to their tech (25 percent point increase **in respondents** compared to 2023).

Barriers remain

Yet, there are still challenges:

78% of respondents worry their organization **struggles to keep up** with the pace of change.

Only 31% of businesses have **successfully scaled AI** to production.

1/3 say **hidden costs disrupt** tech optimization.

57% of respondents state flaws in foundational enterprise IT **still disrupts business-as-usual** on a weekly basis.

35% of respondents say cybersecurity and privacy concerns are the **most likely roadblocks** to slow down a digital transformation initiative.

77% of respondents **expect AI to pose challenges** to existing operational structures.

Key insights

1 Identifying value amid the hype

To harness the full potential of the wave of new tech advancements, organizations must sustain a measured, strategic approach to investment.

Rapid change is driving fear of missing out (FOMO)

78% are concerned that they are not keeping with the pace of change, while **80%** believe that risk aversion is at least partially to blame.

Despite FOMO, organizations are taking a more balanced approach to investment decisions

89% reported that a top reason for tech investment decisions is third party guidance, with tech maturity and profitability levels relatively even across tech domains.

Organizations are getting better at delivering value from tech investments

Across tech categories, an average of **87%** of organizations have managed to use tech to increase profits over the past 24 months.

Neglecting legacy systems can derail new tech initiatives

74% of respondents say that over the next 12 months, they plan to focus on investing in new tech, despite **57%** experiencing weekly disruptions to business-as-usual from foundational tech.

2 Optimizing value through evidence-based decisions

To overcome progress paranoia and FOMO, execs need to get better at conscious, value-driven evaluation of their tech investment portfolios.

Investing for the long term is still a good discipline to follow

53% of our study's top performers reported strategically evaluating their tech investment portfolio, compared with **41%** of remaining respondents.

Organizations are raising the bar on data maturity

Data maturity increased across the board with **52%** of respondents at the top two stages (influential and embedded) compared to **40%** last year.

Businesses can do more with customer feedback

Despite acknowledging the importance of customer insights in strategic decision making, **78%** execs admit their business fails to use those effectively.

Value must be quantifiable and comparable

73% of respondents said they perform accurate cost forecasts in their digital transformation projects. As a result, majority (**67%**) manage to prevent hidden costs from disrupting those initiatives.

3 Delivering resilient solutions

Delivering resilient solutions and building trust requires a focus on data, security and governance. Neglecting those could lead to severe roadblocks and failures in tech projects

Data proficiency should be a core competency for the organization.

While data maturity is increasing across all dimensions, only **24%** of respondents are focusing on nurturing a data-centric culture and ensuring interoperability in the near-term. This oversight may limit the pace of value realization resulting from the remaining data maturity gains.

For sustainable innovation, execs need to prioritize trust and security

The survey respondents positioned cybersecurity and privacy concerns as the factors most likely to derail a digital transformation program. Yet, **78%** admit cybersecurity is treated in staff training as a box-ticking exercise and is not embedded as extensively as it could be.

There is a need to overcome the common threats to digital transformation

Apart from cybersecurity concerns, risk aversion and poor governance ranked as the top threats to tech initiatives. Organizations can overcome these issues by involving security teams from the outset, challenging risk aversion by articulating the costs of inaction, and consciously identifying and removing governance bottlenecks.

4 Scaling AI with confidence

Many organizations are starting to reap rewards from AI, but managing employee concerns and balancing risk with generating value at scale remains a challenge.

The AI 'black-box' is causing workforce anxiety

While **74%** of respondents say AI is already increasing productivity and performance, **77%** fear it will pose challenges to their operational structures, drive job reduction and cause ethical concerns.

Most organizations are now seeing some return on AI, but value at scale remains more elusive

Almost three quarters of respondents report already achieving business value from AI, but only **31%** are deploying at scale.

A systematic approach is key to prioritizing AI investment in alignment with business goals

74% of respondents follow democratized approaches to AI experimentation, with many planning a gradual shift to a more centralized approach to drive efficient use of shared technical infrastructure, to increase AI accuracy and safety, and to maximize value capture across the organization.

Success that outlasts the hype will require consensus across the enterprise

Organizations that can clearly define and communicate AI's value to all stakeholders, and execute through thoughtful collaboration, will have a greater chance of maximizing the impact of AI across the enterprise.

Seven tips to gain value from tech investment

01.

Resist being hypnotized by FOMO

While a desire to progress and outpace your competition is healthy, do not let this boil over and distort your judgment. Rather than blindly following the herd, anchor decisions in your organization's strategic objectives and look for tangible primary evidence of the right path to take.

02.

Be empirical about defining and delivering value

Align stakeholders around a clear definition of success that cascades into a set of tangible metrics. Adopt an "always-on" approach to performance management and continuously monitor and adjust metrics in accordance with internal and external changes. These steps will help the organization to confidently make decisions and deliver the value promised.

03.

Mitigate technical debt

Embrace structured technical debt management. Establish clear remediation plans and robust architecture principles to contain and rationalize the technology landscape.

04.

Harness the power of partnership

Innovation is not restricted to new technology. Explore new ways to collaborate, co-invest and share risk with your chosen partners. Use their networks to gain access to the latest technology and inventive ideas from around the globe.

05.

Prioritize trust and security

Ensure solutions are secure by design and embed trust and security assurance from the outset. Design, build, deploy and use AI and emerging tech solutions in a responsible and ethical manner so your organization can accelerate value with confidence.

06.

Build a strong data backbone

Establish a robust data management framework that combines data, people, processes and policies to ensure information is reliable, relevant and appropriately used. Drive a shared understanding across the organization of how to harness data more effectively to support rapid and informed decision-making.

07.

Accelerate AI proficiencies through knowledge sharing

Test your workforce competence and sentiment on AI, and use this to determine the best way to bridge knowledge gaps, facilitate continuous learning and encourage cross-functional collaboration.

Conclusion

While the pace of digital transformation can be daunting, our research shows that many organizations are taking considerable strides forward in their implementation journeys, especially with AI, XaaS and cybersecurity.

The report demonstrates that the key to tech success is basing investment decisions on genuine value, drawing on data insights, prioritizing resilient solutions, and scaling with confidence.

The additional profitability that transformation has yielded so far is certainly encouraging and organizations are seeking value beyond profits. Execs are calibrating their digital transformation formulas to supercharge progress across a range of strategic objectives, including ESG responsibilities and customer experience elevation.

This year's findings reveal that primary evidence, such as PoC tests and ROI, is taking precedence over a herd mentality. This empirical ethos will be integral to securing value and making wise choices, especially as tech execs try to balance the maintenance of legacy systems with a focus on new technology.

To help guard against stakeholder skepticism associated with the safety and viability of new digital transformation opportunities, organizations should also bring structure, discipline and an enterprise mindset to the adoption of new technology, to mitigate risks and optimize value realization.

The tech execs who make the superior decisions, safely steering their organization through various headwinds and risks, will be those that stay firmly rooted in a data-centric and value-led approach. These transformers will draw on both real-time and predictive data insights from a broad range of sources to make balanced judgment calls that align to the broader business and tech strategies, to drive sustainable value.

Organizations that consistently demonstrate these behaviors can outpace their competition and unlock the potential of their technology investments, securing and growing market share as they do so.

How KPMG firms can help

Our research indicates that as tech execs look to harness the potential of various technological innovations, they must navigate a tangle of threats and demands, including cyber attackers, stubborn tech debt and complex value equations.

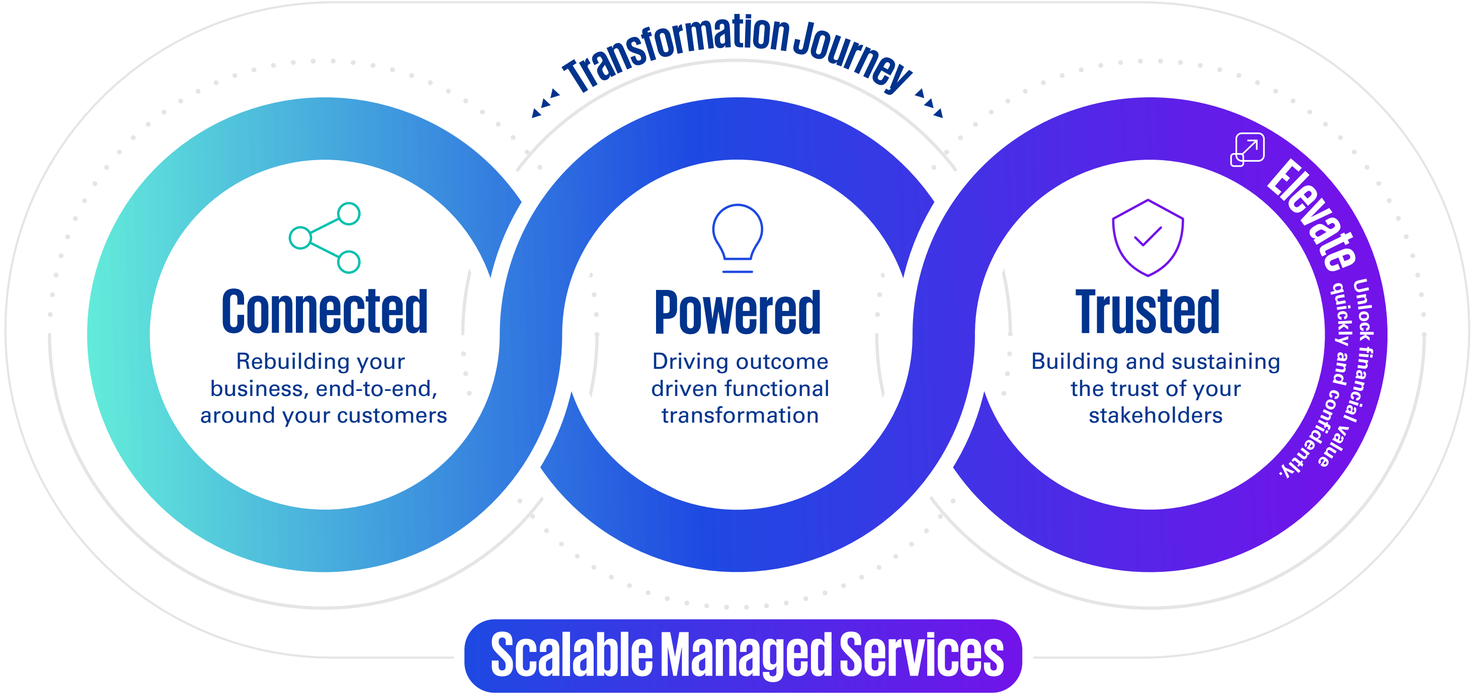
To assist you in combatting these concerns, KPMG professionals can help you set the vision for the future based on your organizational goals, execute digital transformation and deliver managed services. KPMG firms' tech consulting practices have extensive experience in key tech capability areas and a global delivery network to support your digital transformation.

We offer leading products, solutions, and accelerators to jump start your transformation and help leverage the latest tech.

We offer a broad set of tech services across strategy, platforms, cybersecurity, data, AI and emerging tech, cloud, and risk, so we can help deliver results that matter.

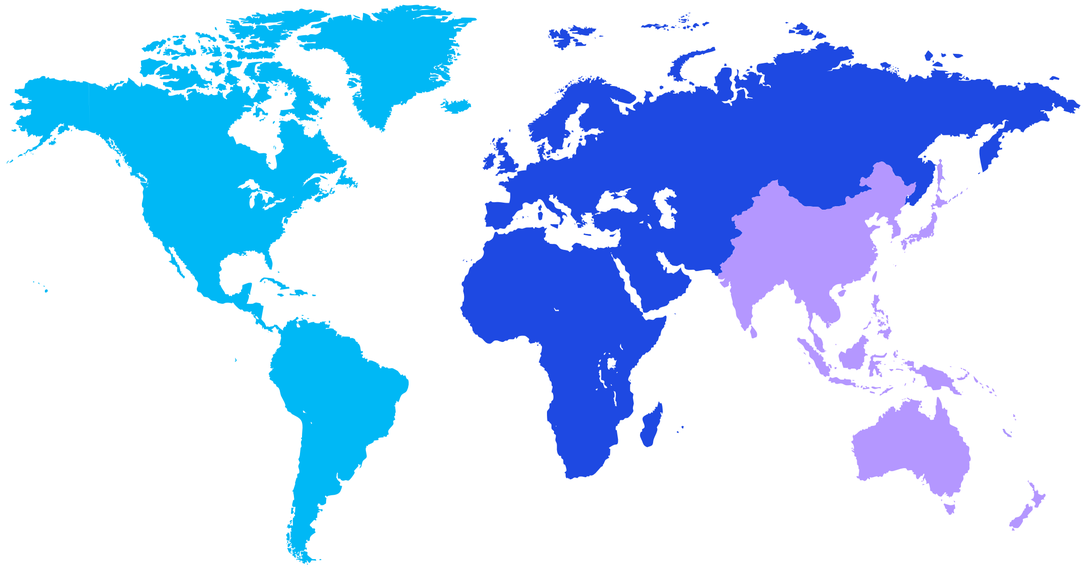
Our alliance partnerships allow us to approach your most pressing tech-based challenges and offer broad solutions and services via expanded product offerings and increased capabilities.

The KPMG digital transformation suite



Helping to sustain your business transformation across the front, middle, and back office.

About the research



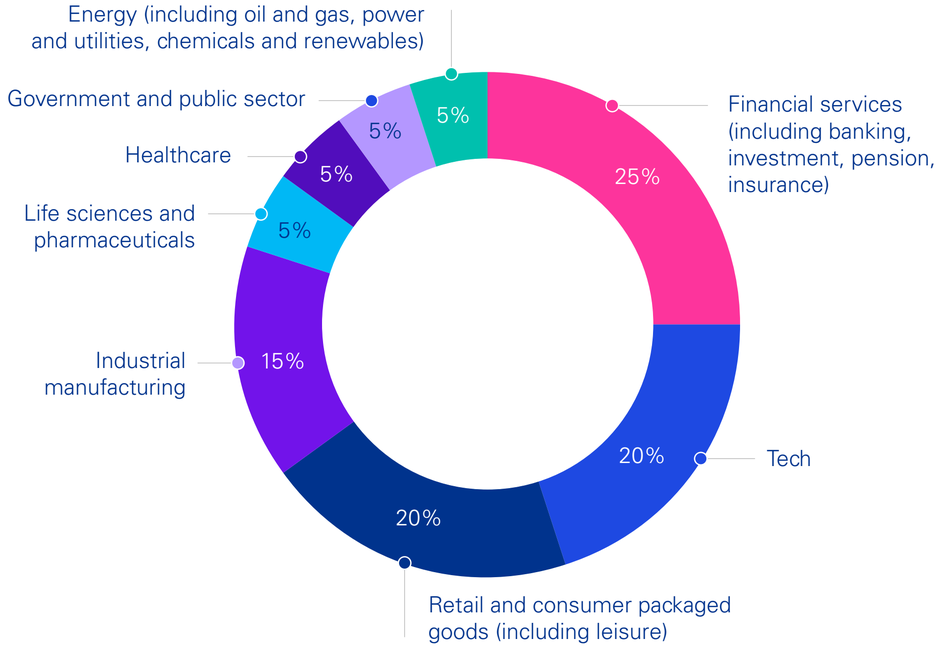
The study is based on a survey of **2,450 executives** from **26 countries**:

29%
Americas

44%
Europe, Middle East and Africa (EMEA)

27%
Asia Pacific (ASPAC)

There are representatives of eight industries: financial services, tech, retail and consumer packaged goods, industrial manufacturing, life sciences and pharmaceuticals, healthcare, government and public sector, and energy.



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