



Collaboration between
humans and technology is
creating a new labor class

**U.S. CEO Technology
Industry Outlook**

Executive Summary

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“Disruptive technologies are reshaping all industries to the point that most companies will become software companies, blurring the lines between product, services and industry categories. The most successful companies will be those that can most effectively prioritize and monetize emerging technology opportunities as part of their overall company strategy and take advantage of new cross-industry collaboration partnerships.”

Gary Matuszak, Global and U.S. Chair, Technology, Media and Telecommunications, KPMG

Executive summary

The U.S. Technology Industry CEO Outlook identifies key trends including strategic priorities, revenue/headcount/geographic growth, innovation management and risk concerns.

As the technology industry landscape continues to evolve at a rapid pace, market leadership will depend not only on innovation, but also on a company’s ability to integrate emerging technologies. Innovation and the adoption of disruptive technologies remain foundational for U.S. tech CEOs, both in bringing new products and services to market and in implementing strategic initiatives.

Like the customers they serve, tech CEOs are addressing constant change with transformation efforts aligned to strategic priorities including digitization of their business, a stronger client focus, implementing disruptive technologies and talent development – all while minimizing cyber security risk.

Tech CEOs cited enhancing their product and service offerings as the most important factor driving their near-term success. This constant focus on improvement is

followed closely by enhancing interactions with customers, driving more tech CEOs to devote significant investment and resources on the customer. These efforts include increasing data analysis capabilities, implementing cognitive computing and artificial intelligence, and continuous focus on measuring and analyzing the customer experience.

And as part of this strategic priority to successfully integrate disruptive technologies to create unique customer value propositions and new ways to compete, tech CEOs say they are investing heavily in talent development, workforce automation and machine learning. The majority of technology companies plan to increase their human workforce at least 6 percent over the next three years while adding cognitive systems to create a new class of digital labor that can enhance human skills and expertise, allowing employees to innovate constantly.

U.S. tech CEOs expect in the next 3 years

automation / machine learning to replace at least 5% of their workforce in key functions...

Sales force

78%

Marketing

74%

Technology

73%

Manufacturing

70%

...as they grow human headcount



95% expect an increase in headcount



while only 2% say decrease and 3% stay the same

KPMG Technology Industry CEO Outlook July 2016

“Aligning technology and people investments to allow the redeployment of a workforce to its highest and best use, and to solve previously unsolvable problems, is key for companies to succeed in the future. Companies that successfully implement the structure, process and governance to connect the dots to create new customer experiences and value are likely to gain competitive advantage.”

**Richard Hanley, Advisory Sector
Leader, Technology, Media
& Telecommunications,
KPMG in the U.S.**

As their workforces change, so do CEOs’ interactions with competitors and business partners. Nearly 8 out of 10 tech CEOs see growth based on collaboration, joint ventures and partnering as the leading approach to driving shareholder value for the next three years.

U.S. technology industry CEOs remain optimistic about revenue opportunities for their companies in the next three years. As the technology industry landscape evolves, so do respondents’ expectations about geographic opportunities. India, which boasts the fastest growing large economy in GDP percentage and the demographic dividend of a young population, and the United States are cited as leading markets for new growth in the next three years. In another geographic shift, tech leaders are less bullish about China’s prospects.

With cyber risks and security threats expanding constantly, so is the pressure on the CEOs of technology companies to maintain effective security — not only on their own

systems, but also in providing their customers with tools to maintain information security and privacy. The technology companies that successfully establish and help customers adopt effective security measures will gain competitive advantage.

Innovation, agility to implement disruptive technologies, and customer centricity will remain as key priorities for CEOs in the tech sector. For technology companies, whether they are creators of these disruptive technologies, solution providers who use these technologies, or suppliers to companies who create or integrate these technologies, innovation and business agility are key to driving market leadership. An area to watch as an example of turning technological disruption into a competitive advantage is the convergence of automation/machine learning with human capital investments to get the most from the efficiencies of digital labor.



“Technology industry CEOs see the benefits of digital labor augmenting workforce capabilities and enabling new ways of doing business to add customer value, improve efficiencies and reduce cost. They see the combination of digital and human labor as an effective way to execute their strategy.”

Gary Matuszak, Global and U.S. Chair, Technology, Media and Telecommunications, KPMG

Highlights

In the next 12 months, CEOs are more confident in global economic growth (66 percent) than U.S. growth (45 percent).



Revenue and Geographic Growth

Almost 60 percent of CEOs expect 2 percent to less than 5 percent annual revenue growth for their organizations over the next three years, while 17 percent expect growth between 5 and less than 10 percent.

U.S. Tech CEOs indicate India and the U.S. have the greatest potential for new market growth over the next three years, followed by Brazil and China.



Employment Growth

Tech CEOs plan to grow digital and human labor forces as their co-existence can enhance human skills and expertise. About three-fourths of U.S. technology industry CEOs believe automation and machine learning are likely to replace at least 5 percent of their sales force, marketing, technology, and manufacturing workforce over the next three years. At the same time, more than half (55 percent) expect their company's headcount to grow at least 6 percent.



Strategic Priorities

Respondents identified digitization of their business, stronger client focus, implementing disruptive technology, minimizing cyber security risk, and talent development as the top strategic priorities for their organizations.

CEOs remain bullish over the next 3 years. U.S. Tech CEOs are confident in the U.S. and global growth prospects (97 percent and 86 percent respectively).



Innovation

U.S. technology industry CEOs know market leadership depends not only on innovation, but also on a company's ability to integrate emerging technologies. Almost half of the U.S. tech CEOs describe their approach to innovation as accelerated, and 80 percent said they use disruptive technologies to improve products and services.

Innovation and integration of disruptive technologies helps address tech CEOs' top concern (93 percent) – product relevancy – three years from now.



Cyber Security Challenges and Other Risks

Recognizing the importance of information security to protecting their companies and maintaining customer trust, about 4 in 10 tech CEOs identified cyber security as their top risk, followed by regulatory and brand/reputational risk.

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Demographics & Methodology

The KPMG study involved 138 U.S. technology industry CEOs from internet, hardware, software, cloud and IT services companies. 72 percent of respondents reported revenue of \$1 billion or more. 61 percent of the companies are public, and 39 percent are private. The survey was conducted from April to May 2016.

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Our network of professionals in 155 countries, have extensive experience working with global technology companies ranging from the Fortune 500 to pre-IPO startups. We aim to anticipate the short- and long-term opportunities of shifting business, technology and financial strategies.

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