KPMG 2024 Technology and Telecommunications CEO Outlook

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Foreword

We are pleased to present the results of a global TMT sector (Telecommunications, Media, and Technology) CEO Outlook. Traditionally, the TMT sector has been at the forefront of implementing various IT innovations, and the perspectives of its leaders often serve as key indicators of the trends and needs shaping the global economy. This year, the survey included more than 200 companies worldwide. As expected, TMT executives across all regions highlighted the critical importance of investments in AI, cybersecurity, and ESG. At the same time, these areas were also cited as major sources of concern. Notably, many TMT leaders have already identified where their organizations plan to leverage generative AI. While IT sector leaders generally view investments in IT and ESG as essential and beneficial, their views on the expected timelines for returns on these investments vary significantly.

Cybersecurity has consistently remained a top priority for TMT executives over the years, and it is frequently referenced throughout the research. Beyond the typical risks associated with cybercrime and potential AI threats that all sectors face, TMT leaders also highlighted the impact of rising global living costs on their companies' growth prospects. Despite these challenges, most TMT companies maintain a cautiously optimistic outlook on business growth, projecting modest increases in both financial and workforce metrics in the near term. Enhancing operational efficiency, transforming business models, and investing in security, AI, and, to a lesser extent, ESG continue to be priorities for TMT leaders in the Caucasus and Central Asia.

We believe the data presented in this report reflects the key dynamics and trends within our region.

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Executive summary

In 2024, technology and telecommunications CEOs are generally optimistic about the future growth of their industries, the economy and their companies.

Key challenges

- The top three challenges for technology and telecommunications CEOs include the adoption of Gen AI (55 percent), economic uncertainty (49 percent) and geopolitical complexities (49 percent).
- Ethical concerns are the biggest barrier when implementing Gen AI, with cost of living and cyber security among some of organizations' biggest threats to growth.
- Sector CEOs cite the challenge of deglobalization, driven in large part by the decoupling of global value chains.
- Seventy-one percent feel increasingly pressured to ensure the long-term prosperity of their business.

Key opportunities

- Gen AI can help upskill the workforce, assist in fraud detection and cyber attack response, and increase innovation.
- ESG strategies can help improve customer relationships, support positive brand association and shape capital allocation.

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Key findings

The survey gained insights from 240 technology and telecommunications CEOs on a range of questions across various themes.

In 2024, CEOs in technology and telecommunications sector view cost of living, cyber security and Gen AI to be the biggest threats to their organizations' growth but ethical concerns are the biggest barrier while implementing Gen AI.

Understanding and implementing Gen AI and advancing digitization and connectivity of all functional areas remains a top operational priority for nearly **23 percent of CEOs** over the next three years.

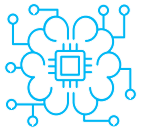
40% of the CEOs expect their organizations to grow by 0.01–2.49 percent over the course of next three years.

78% of the CEOs anticipate Gen AI to be the top investment priority for their organization.

25%

of the CEOs anticipate the complexity of decarbonizing supply chains to act as the major barrier towards achieving net zero or similar ambitions.

23% of the CEOs anticipate implementing Gen AI to be the top operational priority for improving their operations.

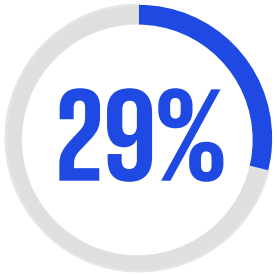


55%

of the CEOs anticipate the movement to embed Gen AI as the most important potential risk to their organization.

21%

of the CEOs agree that technological advancement is a major risk factor impacting their organization over the next three years.



29% of the CEOs believe that competitors gaining an edge over them is the major downside of failing to meet stakeholder expectations in ESG, in 2024.

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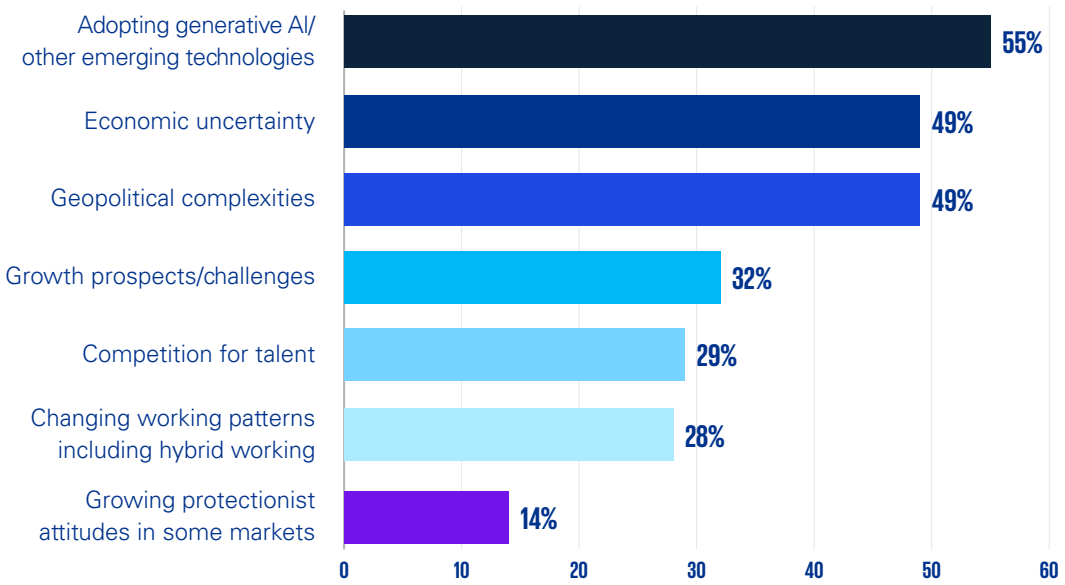
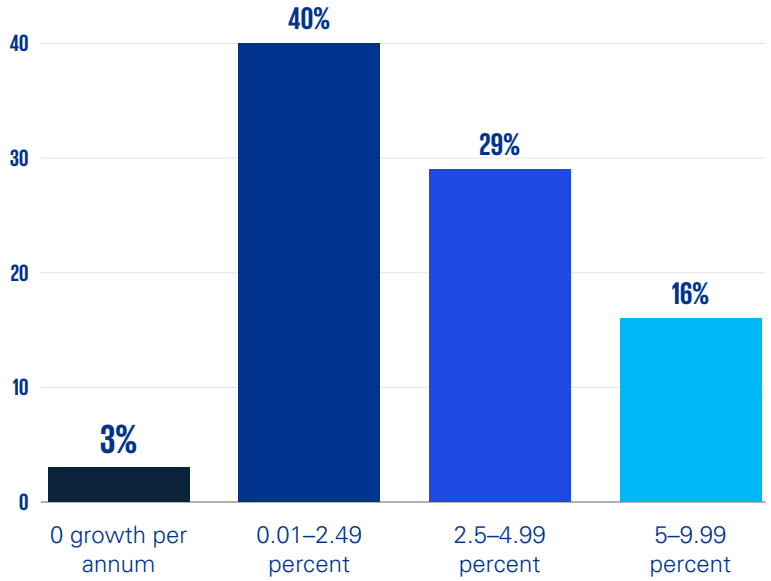
Section 1

Economic growth

Challenges that are top of mind for CEOs



Earnings outlook for the next three years



Source: KPMG 2024 Technology and Telecommunications CEO Outlook

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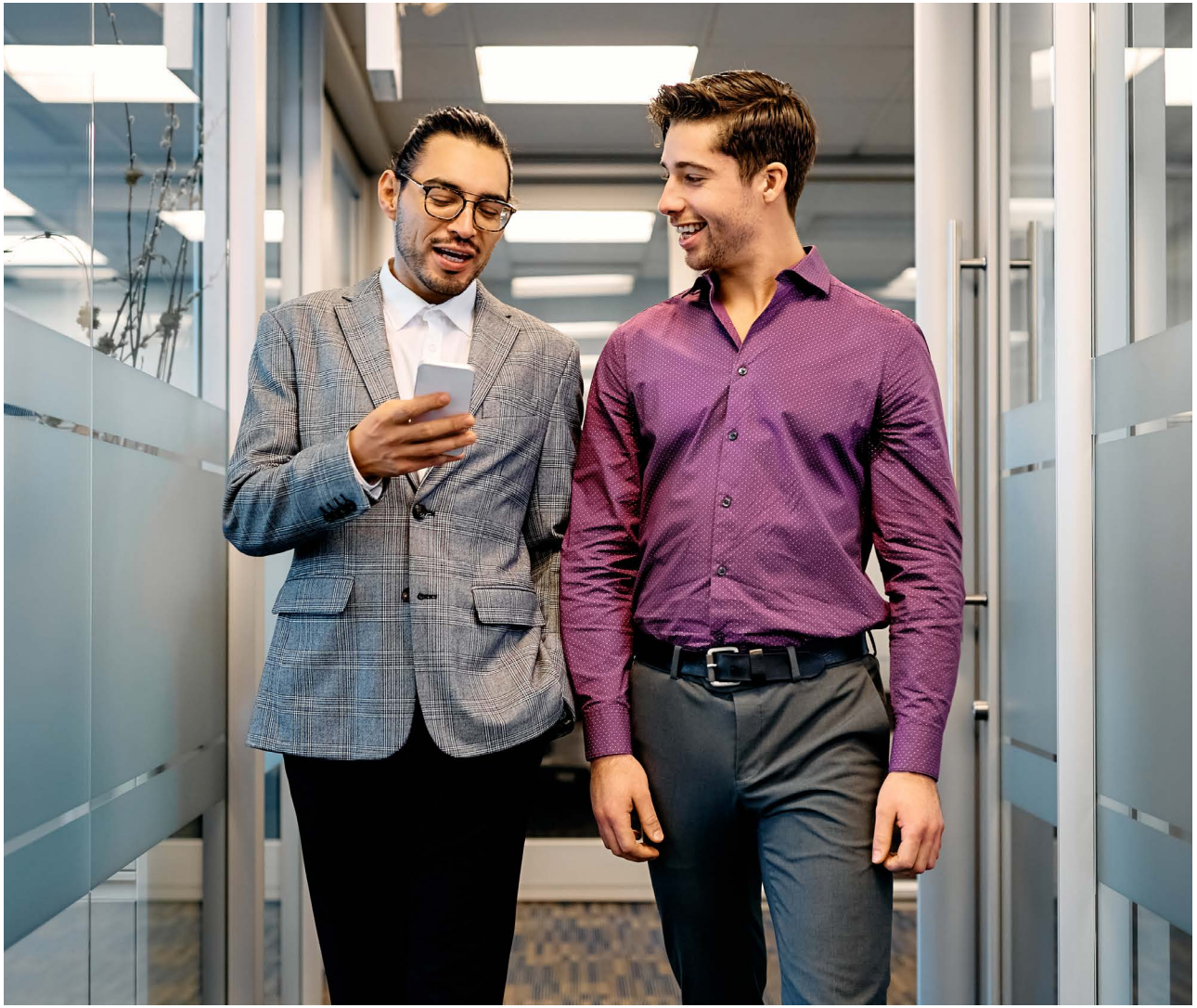
Technology and telecommunications CEOs are overall optimistic about the prospects for growth in their industries, their companies and the economy at large. But this optimism has declined somewhat over the past year in response to persistent and widespread concerns about the adoption of new technology like Gen AI, economic uncertainty and global geopolitical complexities. In terms of specific factors having the biggest impact on their companies over the next three years, CEOs cite the cost of living (81 percent), cyber-crime and cyber insecurity (81 percent), and Gen AI (76 percent) as their top three.

This qualified view about near-term growth can be found across a wide range of survey responses. Nearly three-quarters (74 percent) of sector CEOs are confident about industry growth over the next three years, but this confidence declined by six percentage points from 2023. Eighty five percent expect earnings growth for their company over the next three years, but their confidence in growth for the company has decreased by eight percentage points from 2023. A total of 59 percent expect their company's headcount to increase by less than five percent during the year.

In the face of these concerns, sector CEOs and their companies are placing a growing emphasis on strategic planning to help ensure growth. Seventy-one percent have now adapted their growth strategies. In addition, 71 percent say they feel under more pressure to ensure the long-term prosperity of their businesses.



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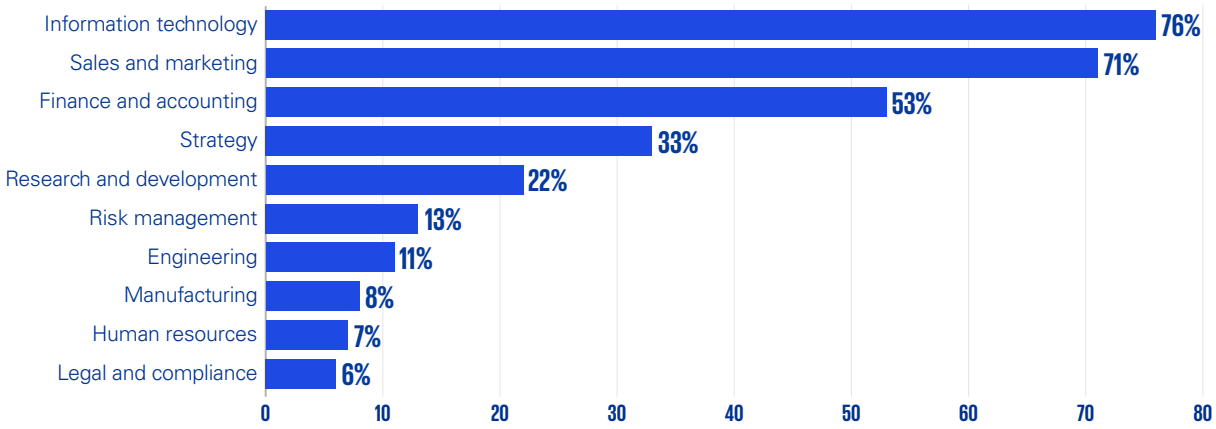
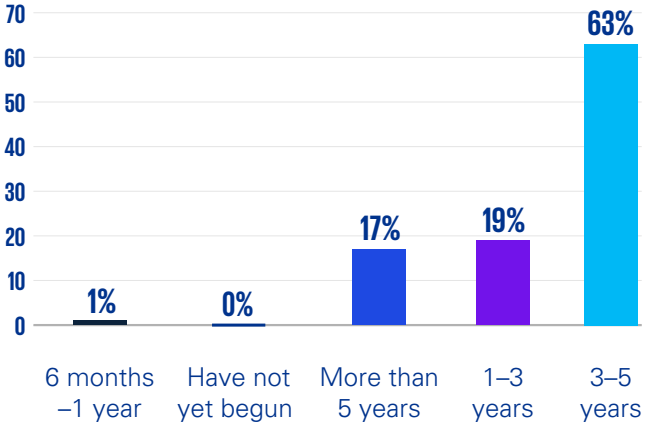
Section 2

Gen AI

Key functional areas that are attracting Gen AI investments



CEOs' confidence in anticipated period for return on investment after Gen AI implementation



Source: KPMG 2024 Technology and Telecommunications CEO Outlook

Support for Gen AI remains a key issue across technology and telecommunications. Sector CEOs report that Gen AI is a top investment priority (78 percent) in their company. In addition, 65 percent are placing more capital investment in buying new technology in 2024, an increase of eight percentage points compared to 2023.

In general, sector CEOs believe that Gen AI has the potential to benefit the industry through increased innovation, workforce enablement, fraud detection and response to cyber attacks. In addition, most indicate that leadership has a clear view on how Gen AI will disrupt current business models and create new opportunities (76 percent) while a similar number (77 percent) say their leadership teams have clarity on how Gen AI will benefit their organizations and create a competitive advantage.

In terms of benefits, CEOs cite an upskilled workforce, fraud detection and cyber attack response, and increased innovation. Increased efficiency and productivity dropped in rank from first in 2023 to fourth in 2024 as companies shifted focus toward long-term growth.

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As for risks and concerns, CEOs believe that ethical challenges (66 percent) and a lack of regulation (53 percent) are major barriers in the implementation of Gen AI.

In addition, only 35 percent reported confidence in data readiness to effectively integrate Gen AI across their systems, while just 38 percent feel that their employees were equipped with the right skills to leverage this technology. Interestingly, our survey reveals a decrease in capital investment for developing workforce skills and capabilities (from 43 percent in 2023 to 35 percent in 2024).

The top concern for many CEOs regarding Gen AI is cyber security. While 75 percent feel that a cybersecurity-centric culture is critical to AI integration across organizations, only about one in two (53 percent) remain confident that cybersecurity measures can safeguard against rapid AI advancement.

Three-quarters of sector CEOs have increased investments in cybersecurity and are confident about procuring adequate cybersecurity solutions and talent. Less than half (46 percent) agree that they are well-prepared for future cyber-attacks on their company.But 10 percent still feel they are under-prepared for a future cyber-attack, although this represents a 16-percentage-point improvement from 2023.

In short, Gen AI is recognized across technology and telecommunications as a critical driver of long-term growth and profitability, but sector CEOs also acknowledge the risks involved. More than three quarters (76 percent) agree that Gen AI could have a potential blowback due to rapid digitalization of business processes that could negatively impact their companies.

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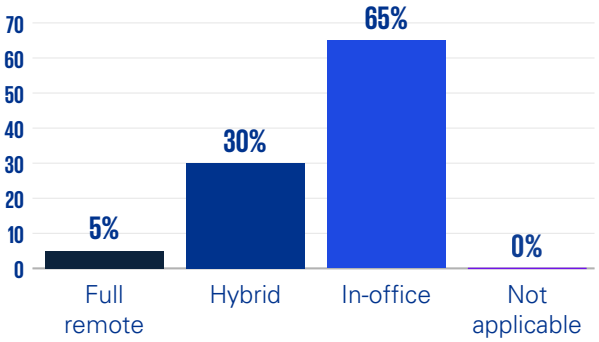
Section 3

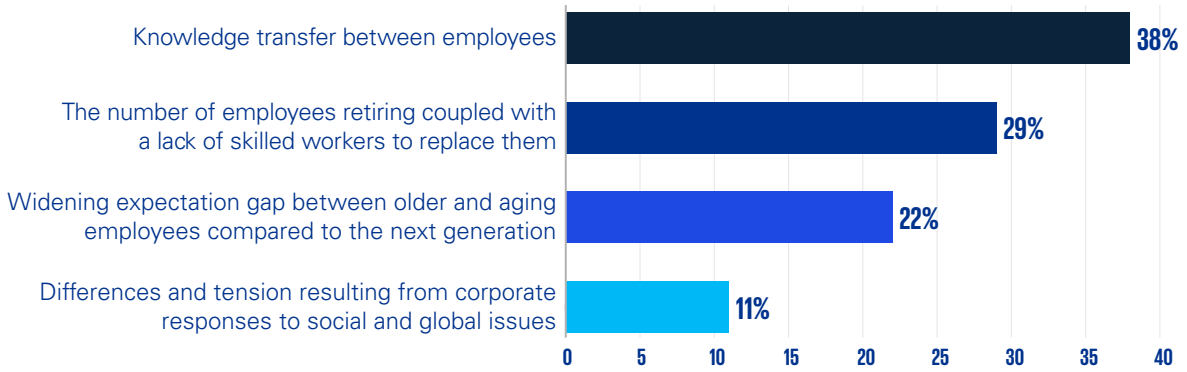
Workforce

Choice of working environment for corporate employees



Source: KPMG 2024 Technology and Telecommunications CEO Outlook

Factors impacting the workforce dynamics of organizations



The workplace continues to adapt to a post-Covid business world where millions of workers are either working remotely or coming into the office for only a few days a week. Although most companies support a flexible work environment, 65 percent of technology and telecommunications CEOs prefer an in-office workplace. In most cases (86 percent), they are more likely to reward those who regularly work at the office with bonuses, raises and promotions.

Another workplace dynamic involves the impact of an aging workforce. Knowledge, skills and working relationships acquired over the years must now be supplemented and eventually replaced by the next generation of workers. Sixty-two percent expect labor market shifts, such as an aging workforce, to impact labor dynamics, at least to a moderate degree. At the same time, CEO concern about talent availability has seen a sharp decline (63 percent, compared to 73 percent in 2023).

As noted earlier, Gen AI is on the way to revolutionizing the way employees learn, work, and develop as business professionals. These changes include empowering the rapid design and development of learning and development programs, transforming the learning experience to drive rapid retraining, upskilling the workforce, and helping employees be more productive and inspired to innovate.

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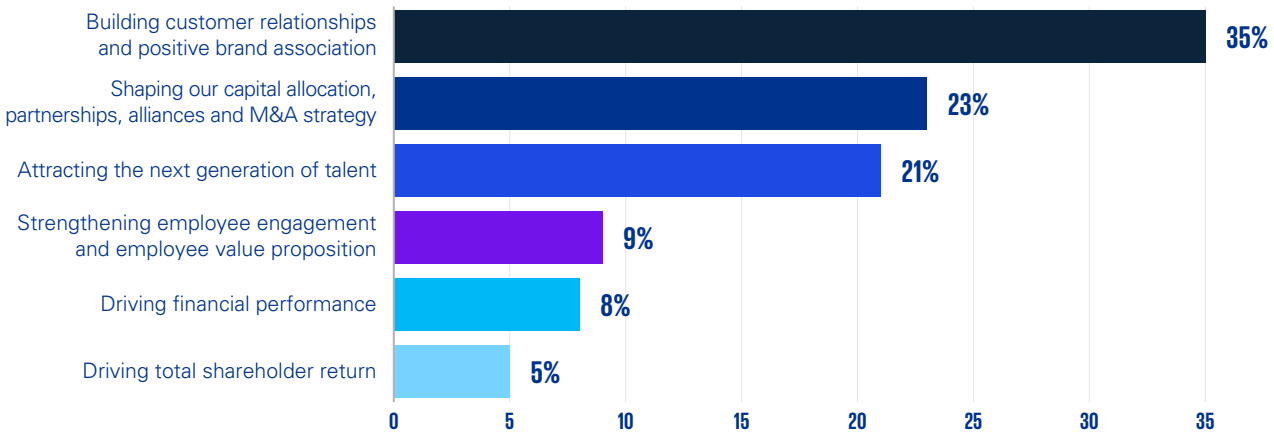
Section 4

ESG

Adoption of ESG strategy over the next three years



Source: KPMG 2024 Technology and Telecommunications CEO Outlook

ESG issues continue to increase in size and complexity. Our survey results suggest that technology and telecommunications CEOs strongly support ESG strategies and are increasingly optimistic about their company's ability to reach ESG goals. Additionally, they believe that failing to meet ESG expectations can lead to a loss in competitive advantage and a threat to long-term business activities.

Half (50 percent) believe that ESG investments can provide a significant rate of return over the course of three to five years. A similar number (48 percent) believe it is possible to address all ESG priorities simultaneously, an increase of five percentage points from 2023. Meanwhile, 46 percent are confident about reaching their net-zero goals by 2030, an increase of 10 percentage points from 2023.

At the same time, sector CEOs are realistic about the challenges of achieving their ESG goals. Complexity of decarbonizing supply chains, lack of skills and expertise, and lack of appropriate technology solutions are cited as core barriers to achieving net-zero targets. Eight percent believe that the lack of internal governance can affect their net-zero goals, a 13 percentage points decline from 2023.

Nevertheless, a majority (75 percent) express confidence in their ability to meet new reporting standards. More than 80 percent feel that companies, ESG priorities should include skill development, engage with local communities and attempt to address the impact of political conflict and climate change.

The survey also suggests that building public trust is a key priority among sector CEOs, and 58 percent agree with the statement that "as confidence and trust in governments decline, the public is looking to businesses to fill the void on societal challenges." About 86 percent believe that, as business leaders, they have a responsibility to drive greater social mobility — an eight percent increase over 2023.

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A total of 70 percent are willing to take a stand on a politically or socially contentious issue, even if the board was concerned about the risks of taking a public stance. But 77 percent state that they are willing to take a public stance on behalf of their company on issues that may conflict with their own personal beliefs.

In terms of ESG and the workforce, 83 percent agree that companies should invest in skills development and lifelong learning in communities to safeguard access to future talent. In addition, 80 percent agree that companies should engage with communities and foster positive internal cultures to safeguard future productivity.

Looking ahead, sector CEOs agree that ESG initiatives will become increasingly important. Nearly three-quarters (73 percent) believe that the scrutiny of companies' diversity performance will continue to increase, and 79 percent believe that diversity in workplaces will require implementing a change across leadership at the senior level (an increase of two percentage points from 2023).

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How KPMG can help

Backed by an understanding of today's challenges and opportunities in the technology and telecommunications industries, leaders can look to KPMG people to make the difference on your journey. Together, we can help you to orient your business around the customer, enhance functions for a new era, support enterprise risks and regulations for a safer future, rise to a new level of value creation and create an environment for managing ongoing change.

The global KPMG organization of experienced professionals provides clients with deep industry knowledge, actionable insights and implementation experience, helping to realize the full potential of their people and technology.

KPMG Trusted AI framework

As KPMG harnesses the power of AI and accelerates adoption, we recognize that advanced technologies can introduce complexity and AI risks that should be addressed clearly and responsibly. Learn more

Consulting

From addressing risk to full-scale, broad transformation, KPMG firms' suite of consulting solutions can help organizations engineer a different future — of new opportunities that are designed to help create and protect value. Learn more

Environmental, social and governance (ESG)

Unlock the power of ESG to transform your business. In today's increasingly disruptive world of climate disasters, political conflict and societal inequalities, rapid ESG progress is crucial to achieving a more sustainable future. Learn more

Contact your local KPMG firm to learn how we can help you successfully prepare your organization for the future.

KPMG Clara

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KPMG's Digital Gateway for Tax, powered by Microsoft Azure and built on the cloud, provides tax leaders with access to technology-driven solutions, including KPMG's suite of tax technologies and supporting services, industry news and current KPMG Tax thought leadership. Learn more

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Methodology

The KPMG 2024 Technology and Telecommunications CEO Outlook, part of the 10th edition of the KPMG 2024 CEO Outlook, is compiled from the views of 240 technology and telecommunications chief executive officers, which was conducted between 25 July and 29 August 2024, providing unique insight into the mindset, strategies, and planning tactics of CEOs.

All respondents oversee companies with annual revenues over US$500M, and a third of the companies surveyed have more than US$10B in annual revenue. The survey included CEOs from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK, and US) and 11 key industry sectors, including technology and telecommunications. NOTE: some figures may not add up to 100 percent due to rounding.

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