



Enterprise reboot perspectives

**900 organizations share
strategies for driving
value from emerging
technologies**

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KPMG research, drawn from surveys of 900 enterprise executives, reveals how perspectives on and priorities for emerging technology have shifted due to COVID-19 — and how businesses must shift alongside.

The data shows that emerging technology is absolutely critical to companies managing current challenges and driving future success. COVID-19 is like kerosene on a fire that was already burning. Going digital is no longer a choice; it's a requirement. And if you haven't started investing in digital yet, it might already be too late.

Some enterprises will flourish beyond these challenging times. COVID-19 is propelling the purest digital flip in history, enabling companies with the right model, mindset, and capabilities to do things faster, cheaper, and better than we ever imagined. Pulling the right emerging technologies together will help see these companies through the crisis and enable them to come out in a strong position.

Some enterprises will die. Exposed as too tied to analog production and too reliant on physical infrastructure, they will not be able to compete with businesses that are already operating in a completely digital environment. Replacing them will likely be a wave of super agile, digitally savvy businesses that will further disrupt legacy models and usher in a new reality that looks very different than the pre-pandemic world.

¹ Enterprise reboot: Scale digital technologies to grow and thrive in the new reality, August 2020. HFS Research in conjunction with KPMG International.

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The KPMG Enterprise reboot perspectives series digs deeper into insights captured from the global Enterprise reboot report.¹ Leveraging insightful data from the two-phased global research effort, augmented with experienced guidance from KPMG leaders, we offer this pragmatic series to help our readers better understand how to leverage emerging technology to thrive in the new reality.

This piece culminates the series with a recap of insights from live virtual discussions focused on the study findings and what they mean for the future of emerging technology spending, adoption, and business priorities. Developed by Cliff Justice, KPMG Global Lead for Intelligent Automation at KPMG International and US Lead for Digital Capabilities, it features the viewpoints of Justice as well as Phil Fersht, HFS CEO and Chief Analyst; Saurabh Gupta, HFS Chief Research Officer; and Traci Gusher, KPMG in the US principal, National Leader Enterprise Innovation, Data & Analytics.

Saving the business requires strategic investments in emerging technology

COVID-19 has pushed the global economy into a sudden and deep recession of unprecedented complexity. The pace of recovery and the degree of permanent change to industry economics will vary dramatically.

Some companies are in much more dire financial circumstances than others.

Even through the crisis, certain sectors such as online retail, technology, telemedicine, and streaming media are doing quite well, with some hitting record-high revenues and stock valuations. Continued innovation in advanced digital tools will help them continue to flourish as the economy rebounds.

Meanwhile, airlines, hotels, restaurants, brick-and-mortar retail, and others are experiencing shrinking customer bases and crumbling revenues. Stuck in low-growth, cash-constrained industries, they may have to fundamentally rethink how they do business to weather the storm.

To withstand this choppy recession, enterprises in all industries must find their bottom. Only with a financial plan that protects the core of the business can enterprises move out of panic mode and come up with a game plan for adapting to changing markets — leveraging emerging technology as the enabler.

Businesses that integrate technologies as platforms for ongoing innovation are strengthening their position

Despite today's myriad challenges, certain organizational mindsets and capabilities in the emerging technology arena are putting some organizations on a strong upward trajectory, while others fall further behind.

The KPMG study looked at investment in and adoption of emerging technology, success in scaling up and realizing tangible enterprise value from emerging technology, and the impact of COVID-19 on both. By looking at the size and pace of the investment among respondent organizations, we segmented enterprises into distinct categories of maturity.

Leading the way are Superheroes. These companies are spending robust sums on emerging technologies and realizing significant impact. But what really makes them stand out is their investment and adoption approach.

Superheroes aren't just throwing money at the next big thing. They understand the importance of combining and integrating technologies together to turbocharge results and create platforms for future innovation. They are supporting their projects with simultaneous investments in organizational capital — things like technical expertise, centers of excellence, and revamped internal processes that give emerging technology programs a far greater chance of success.

Last come Stragglers. They have relatively low investments and the poorest results from emerging technology. They are half as likely as Superheroes to invest in key internal factors that often shape the outcome of emerging technology projects.

Stragglers, the data shows, are especially exposed by today's disruptive environment. They lack the mindset, resources, tools, and culture needed to withstand current pressures, anticipate what's to come, and make the right decisions to propel future growth.



“The recovery is not going to be the same for everybody. It is exposing industries in different ways and requiring different investments in emerging technology to survive the crosswinds and emerge on the other side.”

— Cliff Justice, Global Lead for Intelligent Automation, KPMG International, and Digital Capabilities Lead, KPMG in the US

Recessionary times are causing enterprises to develop hyper-focused technology portfolios

As the new reality unfolds, companies across the board are being forced to be very selective about where and how they invest in new technology. Almost 60 percent of respondents said COVID-19 is forcing them to accelerate digital initiatives. But very few — just 13 percent — said they have significant money to invest in emerging technology.

Companies are continuing to invest in emerging technology through this crisis, but they are investing more dollars in fewer areas. Looking to reduce near-term costs, they are pausing or canceling investments in technologies that are further out on the horizon, such as edge computing, blockchain, and 5G. Rather, they are prioritizing technologies they deem essential for survival, such as artificial intelligence (AI), automation, and cloud.

To prepare for an uncertain future, most companies are focusing on “have-to-have” technology investments. These are proven technologies, backed by a clear and tangible business case, supported by boards and management teams, and likely to generate quick returns. For example, AI-powered cloud platforms are drawing increased investment dollars as they allow enterprises to optimize customer and employee interactions in the digital world unfolding before us.

Likewise, the biggest challenges to emerging technology adoption — demonstrating return on investment (ROI), developing the business case, and gaining commitment of the C-suite — are directly related to the expectation of the business to validate the necessity of investment in difficult times.

Quickly improving emerging technology capabilities is crucial to competing over the long term

Across industries, rapid digital acceleration is now underway. Many people saw it coming: Before COVID-19, digital-first companies were on the rise and traditional companies were experiencing slowing growth. But this was all happening at a smaller scale.

Now, changes that may have taken five years to unfold are suddenly happening in one. Digital natives are reshaping entire industries, from food delivery to healthcare. As more experiences and interactions of all kinds take place through online channels, the virtual organization is taking off. Massive numbers of both customers and employees are operating in a remote world that will probably stay with us beyond this pandemic.

While digital first companies bask in the value of the investments they made years back, traditional companies are being forced to speed up their digital investments by significant levels. Emerging technology will be the foundation of their future. It is becoming increasingly clear that businesses that leverage emerging technology to be flexible and responsive to changing customer needs are the ones that will thrive in the new reality.

These trends are impacting where emerging technology are being applied within the enterprise. Projects are now increasingly likely to target the critical core of the business, such as sales, marketing, risk, and compliance. For example, many companies plan to ramp up AI and machine learning capabilities in order to embed data, thinking, and learning into processes, enabling them to predict needs and wants and move customers and employees toward the center of the corporate strategy.

Many companies are also planning to use automation tools to take over mundane processes and free up people to do the challenging work of strategizing and problem solving, using their uniquely human traits: intelligence, empathy, and communication. Already propelled forward by rapid innovation and technology convergence, the COVID-19 lockdown is an accelerant for the ongoing automation of business processes. As more enterprises get more mature at deploying cloud-based automation platforms featuring RPA, low-code software, deep learning, and other tools, customers are getting more comfortable using them, perpetuating the upward adoption cycle.



“ROI is now the critical lever for activating technology investments. Today’s companies must come up with a completely new playbook for doing much more, with much less. The ability to focus on the right set of technologies is very critical.”

— Saurabh Gupta, Chief Research Officer, HFS Research

These tips can help businesses capitalize on emerging technology in times of disruption

Put survival first: The recession is forcing companies to evaluate which enterprise activities are essential for survival, and emerging technology fits the bill. Decide what trade-offs to make to get the funds to invest.

- **Prioritize investments:** Focuses on the highest value actions right now: “Have to have” technology investments tied to viable and tangible improvements.
- **Take a broad view:** Combining technologies together is the key to enabling game-changing solutions that drive meaningful change.
- **Integrate IT:** By consciously integrating technology into organizational structure and strategy, enterprises can overcome internal challenges to emerging technology value realization.
- **Leverage data as an asset:** Build trust in valuable data through internal policies and principles for data collection, management, and use.
- **Adapt the organization:** Invest in business and organizational expertise alongside technical expertise to guide enterprise digital transformation.



“In this world, we can’t waste a good crisis. This is the time to be realistic yet creative and passionate: to learn things we didn’t know before, confront our fears of change, and do things differently.”

— Phil Fersht, CEO and Chief Analyst, HFS Research

To learn more about *Enterprise reboot*, our latest research report that explores the current and future state of emerging technologies, please visit: home.kpmg/enterprisereboot.

Enterprise reboot survey methodology:

From March–June 2020, KPMG International and HFS Research conducted two global, cross-industry quantitative surveys of 900 business and technology executives about their enterprise’s investment in and adoption of emerging technology. All respondents held executive-level positions at Global 2000 enterprises with over US\$1B annual revenue. The study was conducted in two phases: March–April, when many countries were starting to see the impact of COVID-19, and May–June, when many economies and societies were shut down due to the virus. By conducting two phases of research, we sought to achieve a fuller picture of the impact of COVID-19 on enterprise approaches to emerging technology adoption and the sentiment toward the evolving emerging technology landscape. Research covered process automation, artificial intelligence, smart analytics, hybrid cloud, multicloud, blockchain, 5G, edge computing, IoT, augmented/virtual reality (AR/VR), cybersecurity, quantum computing, and trusted data backbone.

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