2023 KPMG US Technology Survey Report

Confident but not complacent

Financial services sector insights

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Financial services firms tend to be confident users of digital technologies. The KPMG 2023 US Technology Survey[1] reveals that senior technology executives in the financial services sector are almost unanimously convinced their organizations will be able to meet their efficiency and cost-cutting goals using their existing technology platforms.

They also are more likely than executives in other sectors to say investments in public cloud and anything-as-a-service (XaaS) technologies have improved their organizations' data management and integration capabilities.

Still, financial services executives are far from satisfied. They are eager to become faster at delivering customer service. More often than their peers in other sectors, they want technology to drive further process improvements across their businesses. They remain highly focused on strengthening their organizations' cybersecurity capabilities. And they are clear-eyed about the ongoing advances their organizations will need to make to keep pace with the evolving digital revolution, especially in the fast-moving field of artificial intelligence (AI).

A focus on AI

While AI has assumed an increasingly important role at business organizations over the past decade, the urgency to harness its potential leapt dramatically this year following the public debut in late 2022 of ChatGPT, one of a new class of generative AI tools that use machine learning (ML) to train on vast sets of data and then produce original content.

Like tech executives in other sectors, those in financial services anticipate that two types of technology will be most important in helping their businesses achieve their ambitions over the next three years: AI/ML (including generative AI) and virtual reality/augmented reality (VR/AR) (including the metaverse). But they also are more convinced than executives in most other industries that 5G will be important to their efforts. Forty-one percent identify 5G as important, versus 30 percent of all executives surveyed.

1 In May and June 2023, KPMG surveyed 400 US-based, executive-level technology leaders across eight industry sectors to find out how their organizations are looking forward to the next stage of the digital transformation journey, where they expect emerging technologies to drive new value, and how they will move forward with pace and confidence. This report highlights the most significant differences in the survey findings for the financial services sector relative to all sectors represented in the survey.

Financial services executives are eager to become faster at delivering customer service.

Forty-six percent of financial services executives say their organization is prioritizing AI/ML because of its proven return on investment. But even more—57 percent—say they're doing it because leaders in their market have already adopted the technology, suggesting that many of them are playing catch up on this front (see Figure 1).

Where financial services firms are scrambling to get current with AI, it may reflect a hesitancy to this point about how the AI regulatory environment will shake out, says Kevin Martelli, principal, national technology cloud AI/ML engineering lead, KPMG in the US.

"Regulators have not yet provided clear guidance on how AI, and certainly generative AI, can be used," Martelli says. "A lot of financial services firms are struggling to determine how they can adopt these technologies while aligning with any regulatory constraints that might be coming down the road."

Martelli adds that many financial services firms are moving slow with generative AI because they are still trying to determine what the right use cases are for the technology and what kind of returns they can expect from deploying it. For now, he says, early use cases are likely to involve individual employees using generative AI to support them in their jobs, rather than broader, enterprise-level projects. For example, they may turn to programs like Microsoft's Copilot, which works across Microsoft applications to automate tasks and create content. Or Anthropic's Claude Chatbot to support email communication and documentation summarization.

While they may be playing catch up with AI, financial services firms are more aligned with those in other sectors in seeking to take advantage of AR and VR, with 28 percent of tech executives in the sector saying their business is prioritizing those technologies based on in-house trials and analysis, compared with 26 percent of all executives interviewed. In a world where consumers increasingly express a preference for conducting business digitally rather than in person, VR/AR tools could be important for meeting customer expectations on faster service by making it easier to interact with them digitally rather than in person. Indeed, 56 percent of tech executives in the financial services sector say customer expectations around the speed of service are an important driver of their firm's digital transformation strategy, versus 45 percent across all sectors.

Customer feedback also is playing a role in helping to drive interest in 5G, the fifth generation of wireless technology for cellular networks. By enabling faster data speeds, 5G promises to help financial services firms meet the needs of their customers more expeditiously no matter where they are or what type of device they're using.

Figure 1

Playing catch up with AI

Why is your business prioritizing AI/machine learning (including generative AI) to support its short-term ambitions?

TRIGGER	FS COMPANIES
Leaders in our market have already adopted	57%
Proven return on investment	46%
Customer feedback	38%
Employee feedback	38%
Preference of senior leadership team	38%
In-house trials/analysis	32%
Cost effectiveness	16%

Source: KPMG 2023 US Technology Survey, KPMG LLP (US)

Looking ahead: Process improvements, a continued shift to the cloud

As they look to navigate an ever-shifting competitive and technological landscape, financial services executives will be leaning not just on AI/ML and VR/AR, but also on the cloud as a fundamental enabler of those technologies. Like most companies represented in the survey, their most shared ambition for cloud right now is to support the operation of emerging technologies such as AI (see Figure 2).

When asked which innovation goals their technology function will primarily contribute to in the next two years, financial services executives most often point to "improving processes across the business" (53 percent cite it, versus 43 percent of all executives surveyed). Indeed, it is the most often-cited goal in this sector, followed by reaching new regions/customer demographics (49 percent, about in line with the 47 percent of all executives who selected it).

Figure 2

Moving to cloud to support emerging technologies, data analytics

What are your primary ambitions for cloud at the current time?

	FS COMPANIES
Supporting the operation of emerging technologies (e.g., AI, quantum computing, etc.)	56%
Connecting data sources to enable advanced analytics	49%
Supporting new products/service development	41%
Transforming the business model	41%
Cost optimization (FinOps)	40%
Enhancing security and compliance	32%
Maximizing the amount of applications that are shifted to public cloud (XaaS technologies)	31%

Source: KPMG 2023 US Technology Survey, KPMG LLP (US)

53% of executives point to "improving processes across the business."

Challenges: Cybersecurity, data privacy

Challenges to digital transformation are, of course, plentiful. Those most likely to slow digital transformation efforts in the financial services sector, tech executives say, are cybersecurity and privacy concerns (cited by 44 percent), lack of skills within their organization (42 percent), and a risk-averse culture that is slow to embrace change (42 percent).

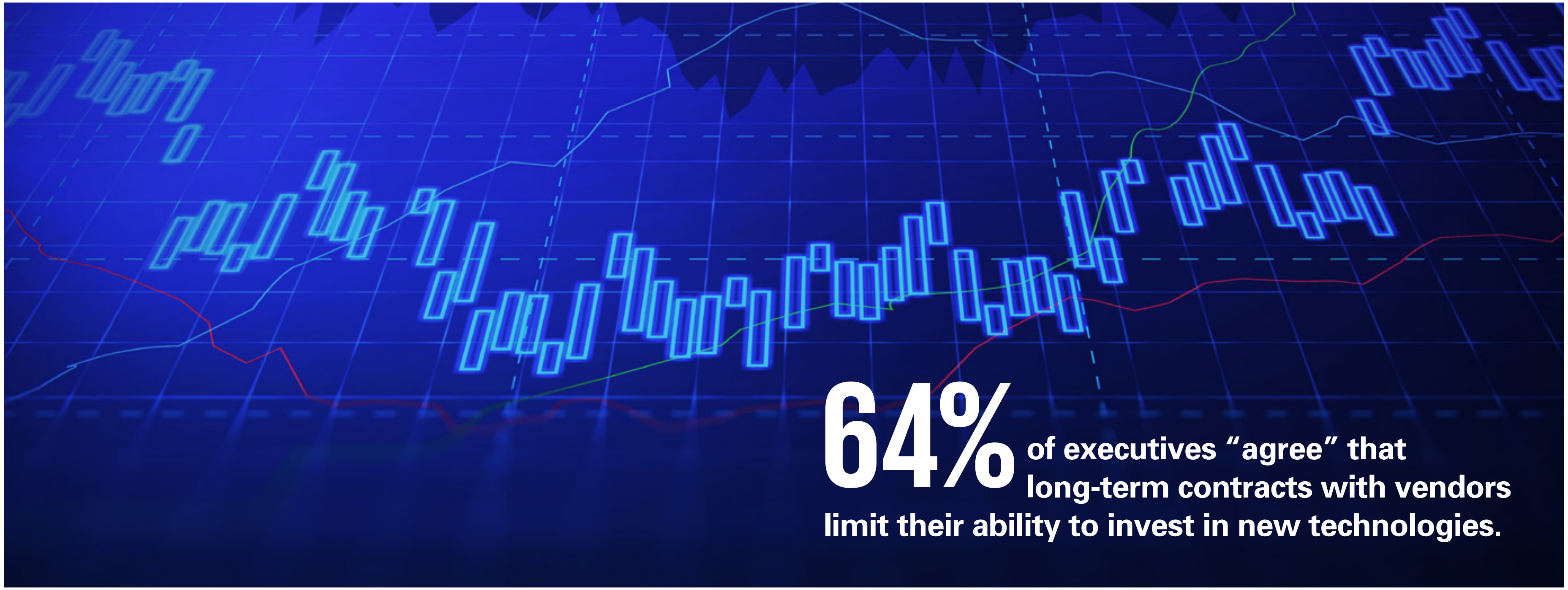
Risk aversion is an inherent cultural phenomenon at many financial services firms, which face pressure from shareholders, depositors, insureds, and regulators to safeguard the assets entrusted to them and the promises they have made in loan documents and insurance contracts. But like the hesitancy around the adoption of AI, that risk-averse culture also could be attributable in part to concerns about what regulators will have to say about the use of emerging technologies.

"There's risk aversion because they don't know what regulators are going to say and they do not want to get to far out in enabling AI until they have clarity, as is evident with President Biden's Executive Order on AI[2] announced recently" Martelli says.

Financial services executives also are slightly more likely than others to agree that long-term contracts with vendors limit their organization's ability to invest in new technologies. Sixty-four percent "agree" or "strongly agree" that this is the case, versus 55 percent of all executives surveyed.

"The concern around long-term contracts is significant," Martelli says. "When financial services firms get locked into these contracts, they're also getting locked into a given vendor's technology, which may later limit their ability to capitalize on newer offerings coming to market from other providers. When looking at vendors, aligning to ones that have a more open architecture could reduce this risk."

2 Source: Whitehouse.gov, FACT SHEET: President Biden Issues Executive Order on Safe, Secure, and Trustworthy Artificial Intelligence, October 30, 2023



Key next steps

KPMG has identified five steps financial services firms may want to consider as they seek to employ technology to improve their efficiency, create opportunities for growth, provide security and privacy around the data they collect, and allow for faster and better customer service.

1 Develop more robust processes for quickly evaluating fast-emerging technologies.

The sudden emergence of generative AI caught a lot of financial services firms—like companies in a wide range of industries—off guard. While some technologies, like blockchain and VR/AR, gain traction over a period of years, the message from generative AI is that not all new technologies will need that much time to take root.

2 Conduct regular cybersecurity risk assessments that pay special attention to emerging technologies like generative AI.

Cybersecurity is an ongoing and ever-evolving discipline where static processes and procedures invite compromises. As generative AI and other emerging technologies become mainstream, it will be important that the risks they present are identified, prioritized, and, to the extent possible, mitigated. Rather than assume this work is being done, financial services firms will want to clearly identify who is responsible for this undertaking.

3 Build more diversity into the technology function.

"Diversity brings different perspective and points of view to bear on challenges and opportunities," says Martelli. "It's a real benefit, and it can help you differentiate yourself and your products in the marketplace." Financial services tech executives appear to agree. Seventy-two percent—versus 62 percent of all executives surveyed—agree that their technology function would benefit from a higher degree of diversity as it seeks to support collaboration with the wider business.

Key next steps

Continued

4 Consider shorter-term contracts with tech vendors.

While it may lead to incrementally higher costs, shorter-term contracts with technology vendors also could provide greater flexibility in taking advantage of newer and better products and services as they become available. Where shorter contracts aren't feasible, financial services firms may want to ask for contract language that commits vendors to ensuring their products keep pace with what's available elsewhere in the market.

5 Start stocking up on agile, creative people who have the ability to teach others.

Hardcore technical skills in the IT department, while important, won't be enough to take full advantage of technology moving forward. In addition to hiring data scientists, financial services firms need to be on the search for IT experts with a broad range of soft and hard skills. When asked which technical skills will be essential for the technology leaders of tomorrow, financial services tech executives surveyed point first to an ability to teach others (cited by 54 percent), followed by data fluency (51 percent), and only then technical/digital literacy (49 percent). When asked which personality attributes will be most important for technology leaders of tomorrow, they lead with creativity and innovation (cited by 71 percent) and agility (59 percent).

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– Kevin Martelli
Principal, national technology cloud AI/ML engineering lead, KPMG in the US

How KPMG can help

At KPMG, we know business technology. Over the last dozen years, we've built a leading technology organization designed specifically to help technology leaders succeed at the accelerated pace business now demands.

Unlike business-only consultancies, our technology professionals have the resources, the engineering skills and experience, the tested tools and methodologies, and the strategic alliances with leading technology companies needed to help achieve your vision quickly, efficiently, and reliably. And unlike technology-only firms, we have the business credentials and sector experience to help you deliver measurable business results.

We are recognized by industry analysts as a leader in advanced technologies, including AI and automation, data and analytics, cyber, low-code, and more.

Our experience deploying Microsoft, Oracle, Salesforce, Workday, and other leading cloud solutions, combined with our proprietary preconfigured cloud solutions, means much of the work you need done has already been completed before you even call us.

Whether we're helping you deploy a new technology, migrate to a new cloud platform, or outsource challenges with our managed services, you can count on us to deliver—fast.

Click here to learn how KPMG can help your organization reap the full promise of a tech-enabled transformation.

Download the full report and discover how KPMG can help you with digital transformation go to: **visit.kpmg.us/techsurvey2023**

Contact us

Kevin Martelli
Principal
National Technology
Cloud AI/ML Engineering Lead
KPMG in the US
kevinmartelli@kpmg.com