



# Disruption Decoded

## Private company survey results

Perspectives on growth, AI, and reporting  
from private and newly-public companies.

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# Introduction

The 2020s is a decade already defined by disruption.

We have seen a global pandemic that massively disrupted supply chains and heightened employee expectations of employers that may forever change the way we work. Technological advancements, particularly in Generative AI, promise to revolutionize business operations.

Simultaneously, businesses are confronted with the compounding effects of a number of additional social, economic, and political issues. The convergence of these forces has compounded and created volatility where short-term disruptions such as COVID-19, wars, and climate-induced natural disasters intersect with long-term economic shifts, leading to unpredictable conditions for both companies and consumers.

The count of publicly listed companies traded on US exchanges has fallen substantially over the past several years, and that trend is expected to continue. At the same time, the number of private equity-backed, venture capital-backed, and other types of private companies has grown significantly.

This new reality necessitates that companies exhibit greater agility, robust risk management, and adaptive long-term planning to assure resilience and the ability to thrive, and even be disruptors, in today's ever-changing business environment.

To understand how these forces and others are affecting private companies, and those that have recently gone public, KPMG (KPMG LLP) surveyed more than 600 leaders of US-based businesses, revealing insights into how private, soon-to-be public, and recently public companies are dealing with these dynamics and how they perceive their prospects for growth and disruption in today's ever-changing business landscape.

The survey included three broad audiences across a range of industries:

- **209 Emerging Giants:** private companies planning to go public in the next 5 years. Includes pre-revenue companies.
- **207 Traditional Private:** private companies that do not plan to go public in the next five years and have at least \$100M in revenue.
- **205 Recent IPOs:** companies that went public in the last 3 years and have at least \$100M in revenue.



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# Executive summary

**There is strong optimism about growth potential, but also concern about the impact of economic and geopolitical barriers, particularly cybersecurity threats and supply chain disruptions.**

Companies are increasingly looking to leverage new and evolving technologies such as artificial intelligence (AI), machine learning, robotics, and other advances to drive efficiency and create new business opportunities. However, this optimism is tempered by concerns about economic and geopolitical barriers. Cybersecurity threats have become a predominant risk, as has supply chain management. Increasingly frequent severe weather events and geopolitical risks such as trade wars and international conflicts can disrupt supply chains and create uncertainty in global markets. These factors necessitate robust risk management strategies to mitigate potential disruptions and ensure sustainable growth.

**Over half of companies surveyed see themselves as strong disruptors or game changers. And nearly all companies surveyed consider themselves at least moderate disruptors that have introduced innovations making them unique in the market.**

This self-perception as disruptors is fueled by their ability to introduce innovative products and services that differentiate them from competitors. This drive toward innovation is essential for staying competitive in a rapidly changing business environment.

**Most expect a longer run to realize AI benefits and opportunities, with three-fourths seeing significant opportunities in the next 18 months to three years, but only a little over half in the short term.**

This reflects the complexities involved in integrating AI technologies into existing business processes and the need for investment in infrastructure and talent. Companies recognize that the transformative potential of AI will unfold gradually as they overcome technical challenges, regulatory hurdles, and the need to attract and retain talent. This suggests companies have realistic expectations as they continue to invest in AI initiatives and governance.

**Cybersecurity risk is seen as most relevant for reporting beyond financial statements. Ethical use of AI is emerging as another relevant reporting area.**

Cybersecurity risk is increasingly seen as a critical area for reporting beyond traditional financial statements. The rise in cyber-attacks and data breaches has highlighted the need for greater transparency and accountability in how companies manage and mitigate cybersecurity risks. Reporting requirements by the SEC for cybersecurity breaches are being implemented and investors are also taking a hard look at cybersecurity risks and demanding more transparency on how companies manage these risks, what steps they are taking to avoid cyber-attacks, and what their disaster planning and mitigation strategies are.

Ethical use of AI is also emerging as a relevant reporting area, as companies grapple with the implications of AI technologies on privacy, bias, and decision-making processes. While regulations around the ethical use of AI are still developing, it receives a significant amount of media attention and is an area companies must pay attention to.

**We invite you to continue reading for additional details and insights on each of these areas and more!**



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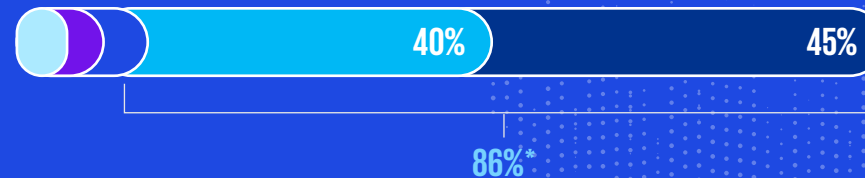
# There is strong optimism about growth potential, but also concern about the impact of economic and geopolitical barriers.

Nearly all companies surveyed are optimistic about their future growth prospects, both in the short-term (next 18 months – 86%) and medium-term (18 months to 3 years – 87%). Positive economic indicators, consumer confidence, and favorable market conditions post-pandemic, coupled with the acceleration of innovation and technology have likely bolstered these companies' confidence in future growth. While they recognize many barriers or threats to growth, including inflation in the short term, these companies are often more agile and able to quickly adapt to new trends and technologies, giving them a competitive edge and growth potential.

## Optimism about company's growth prospects

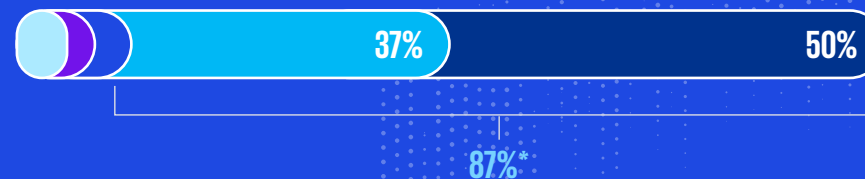
### Short-term

Optimism for company's growth in next 18 months



### Medium-term

Optimism for company's growth in next 18 months to 3 years



- Very optimistic
- Somewhat optimistic
- Neither optimistic or pessimistic
- Somewhat pessimistic
- Very pessimistic

\*Totals may not add up due to rounding.

## Across industries most are also optimistic about future growth with some nuances.

While all sectors are optimistic about medium-term growth, Healthcare & Life Sciences are significantly more optimistic than other sectors, and Consumer & Retail are the least optimistic.

### Medium-term growth prospect optimism by industry

	Total 621	FS 105	CR 104	IM 104	HCLS 101	TMT 104	ENRC 103
<b>Total: Optimistic</b>	<b>87%</b>	<b>81%</b>	<b>79%</b>	<b>92%</b>	<b>93%</b>	<b>89%</b>	<b>87%</b>
Very optimistic	<b>50%</b>	43%	38%	53%	<b>67%</b>	49%	48%
Somewhat optimistic	<b>37%</b>	38%	40%	39%	26%	40%	40%
Neither optimistic nor pessimistic	<b>6%</b>	14%	12%	3%	1%	3%	2%
<b>Total: Pessimistic</b>	<b>7%</b>	<b>5%</b>	<b>10%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>11%</b>
<b>Difference over time</b>	<b>+5</b>	<b>+13</b>	<b>-5</b>	<b>+3</b>	<b>+14</b>	<b>+2</b>	<b>-1</b>

**FS:** Financial Services    **CR:** Consumer & Retail    **IM:** Industrial Manufacturing

**HCLS:** Healthcare & Life Sciences    **TMT:** Technology, Media & Telecommunications

**ENRC:** Energy, Natural Resources & Chemicals



## Most are also prepared to capitalize on major growth opportunities.

Almost 75% of the companies surveyed are prepared to capitalize on growth opportunities. Traditional Private believe they are the most prepared companies. Across industries, Healthcare & Life Sciences believe they are the most prepared, while Financial Services and Consumer & Retail believe they are the least prepared.



### Current preparedness to capitalize on major growth opportunities

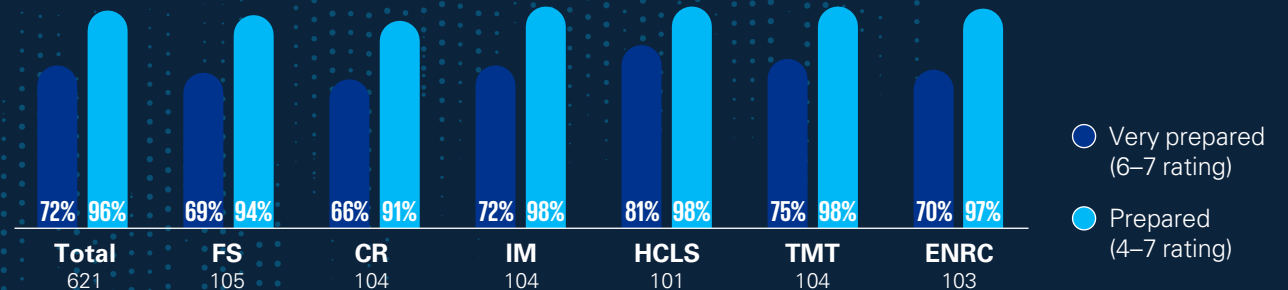


- Extremely prepared (7 rating)
- Prepared (6 rating)
- Somewhat prepared (4-5 rating)
- Not prepared (1-3 rating)

**72%\*** of companies say they feel prepared to capitalize on major growth opportunities today

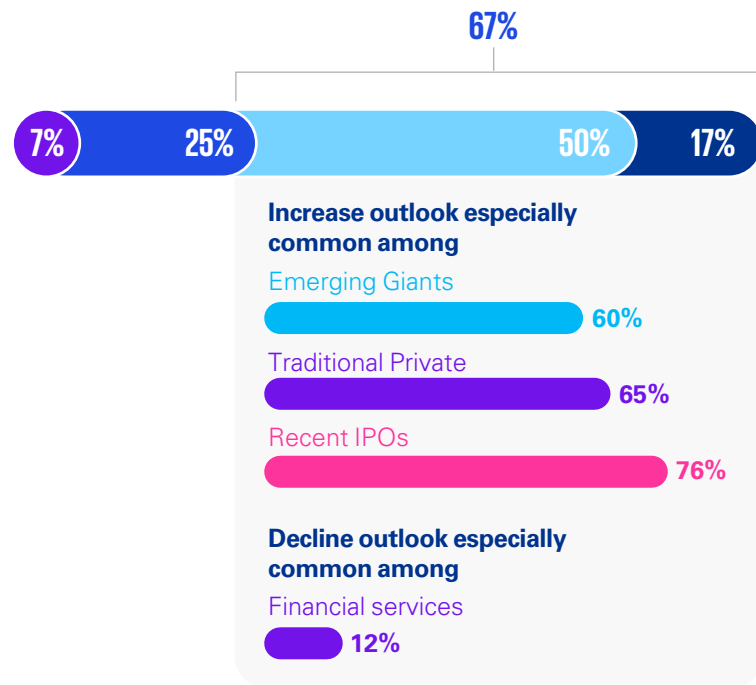
### Current preparedness for growth opportunities by industry

\*Of the 72% of companies who say they feel prepared to capitalize on growth opportunities, below are breakouts by industry as prepared and very prepared.



Nearly 70% of the companies surveyed are also projecting an increase in their M&A deal activity over the next 18 months, despite current higher interest rates. Influencing factors in this may be that private equity companies are sitting on significant amounts of "dry powder"; in addition, acquisitive companies may anticipate that potential targets will be priced more attractively over coming months. That said, based on survey responses, recent IPOs are much more likely to forecast an increase in their deal activity – potentially seeing it as a way to fast-track further growth and expansion of their businesses and/or to acquire disruptive AI technology.

### Deal market forecast in next 18 months



- Slight decline in deal market
- The deal market will remain stable
- Moderate increase in deals
- Significant increase in deals

### Despite optimism about growth opportunities, companies also recognize many barriers to growth.

Companies are also concerned that growth could be negatively impacted by certain economic and market disruptors. In the near term (next 18 months), they are very concerned about a slowdown in innovation and technological advances (55%), increasing cybersecurity threats (53%), ongoing inflation (52%), and an inability to acquire and retain talent (52%).

Looking further out (18 months to 3 years), cybersecurity and a slowdown in innovation and technology persist as top concerns, but recession and increasing energy costs also top out the list of conditions that can stymie growth. Traditional Private companies express the most concern about these disruptors while Emerging Giants express less concern about these issues.



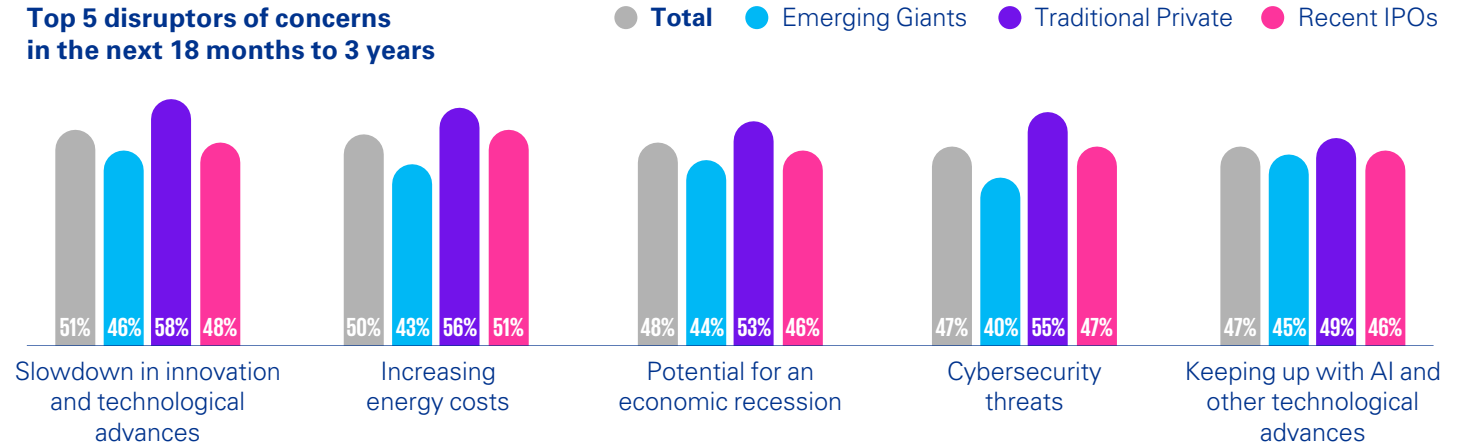


## Private equity-backed companies have more future concerns compared to venture capital-backed companies.

Private equity-backed companies are more concerned about disruptions in the next 18-months to 3 years compared to venture capital-backed companies, such as the potential for an economic recession (50% very concerned versus 41%), unforeseen accidents such as a container ship getting stuck in the Suez Canal or the Key Bridge Collapse in Baltimore (45% versus 37%) and severe weather events due to climate change (47% versus 35%). One reason for this may be that private equity funds themselves tend to be more mindful in how they view external variables such as these, leading the portfolio companies to better prioritize these risks.

About half of the companies surveyed expect geopolitical issues to threaten their growth prospects, in the form of supply chain disruptions (52%), cybersecurity threats from state actors or state sponsored actors (47%), and an over-dependence on supplies from offshore countries (47%).

**Top 5 disruptors of concerns in the next 18 months to 3 years**



**Significance of perceived geopolitical threats to growth prospects**

	Total	Emerging Giants	Traditional Private	Recent IPOs
Supply chain disruptions	52%	43%	56%	57%
Cybersecurity threats from state actors or state sponsored actors	47%	36%	57%	49%
Over dependence on supplies and materials from other countries	47%	34%	56%	50%
Intellectual property theft	43%	36%	52%	42%
Potential trade wars	43%	33%	52%	44%
Israel-Hamas war	42%	29%	54%	43%
Terrorist attacks in the US or other areas that could impact your business or business operations	42%	32%	52%	41%
Russia-Ukraine war	39%	27%	47%	43%

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# Over half of respondents see themselves as strong disruptors or game changers.

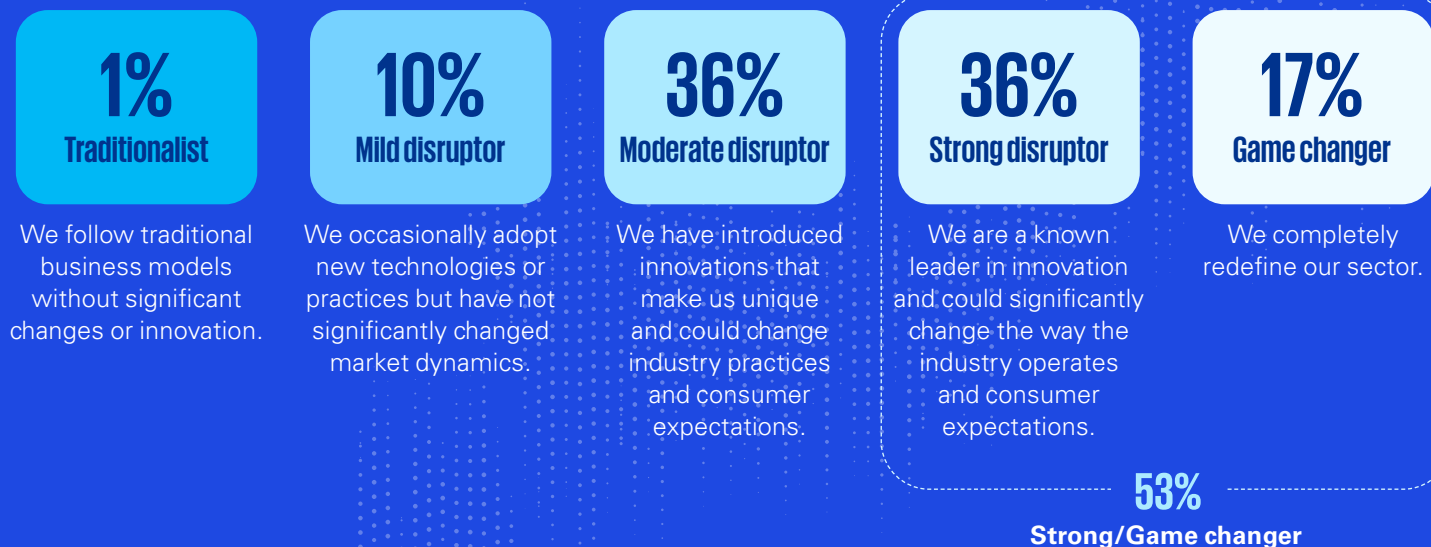
Companies need to be moderately disruptive to grow and capture market share, and most of the companies surveyed believe they fall into this category, as nearly all classify themselves as at least moderate disruptors.

But being a 'game changer' is a higher hurdle as only 1 in 6 companies is willing to categorize itself as a 'game changer'.

## Self-reported company approach to disruption

CONSERVATIVE

DISRUPTIVE



## 'Game changer' status varies by company type.



### Emerging Giants

consider themselves the least disruptive, with about half saying they are moderate disruptors and just over one-third saying they are strong disruptors. Only 7% of Emerging Giants consider themselves game changers. While this may be surprising given these are private companies that plan to go public the soonest, they are still in the growth phase so there may be resource constraints or lack of market influence to be game changers yet, as they look to build up their capabilities.



### Traditional Private

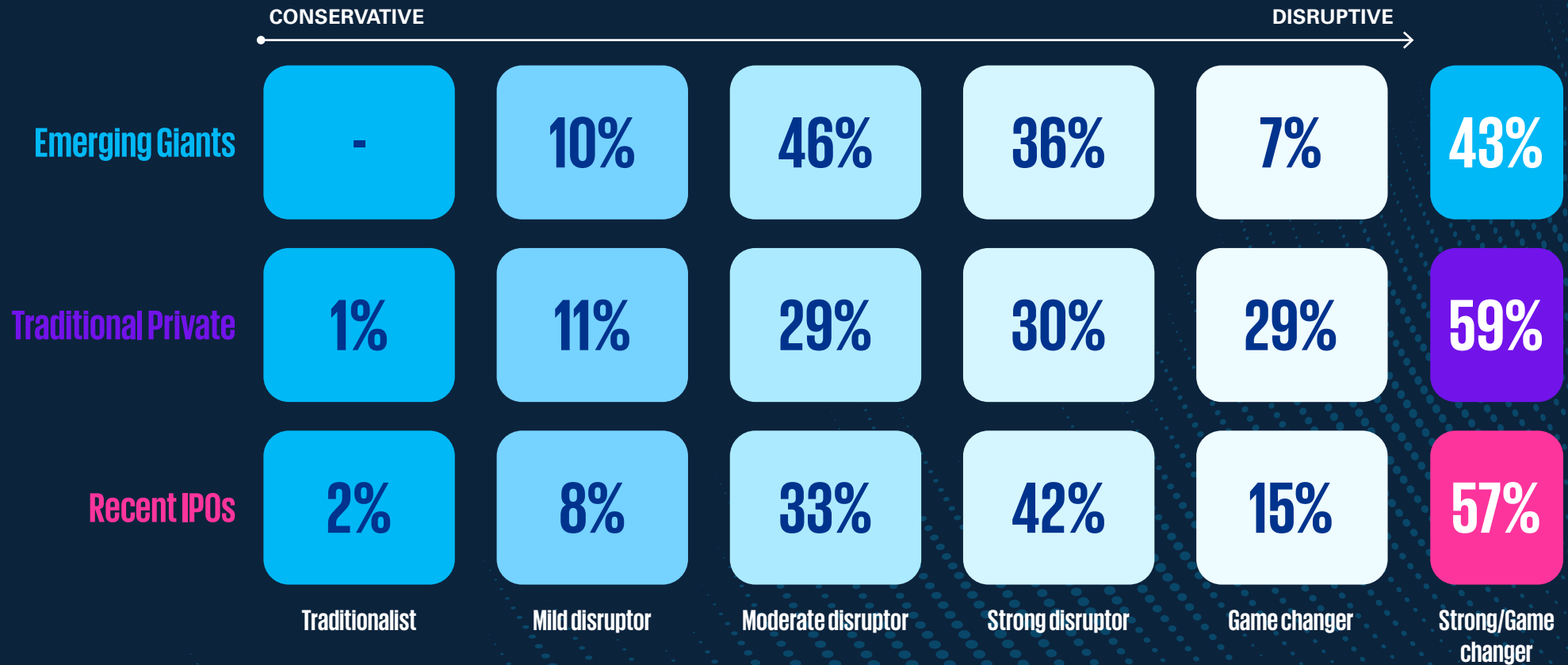
companies consider themselves the strongest disruptors with three in ten saying they are game changers (29%), which is significantly higher than others. Another three in ten Traditional Private companies (30%) say they are strong disruptors. Private companies often have greater flexibility to innovate and pivot quickly with fewer constraints and public market expectations.



### Recent IPOs

also consider themselves disruptive with over 40% saying they are strong disruptors and about one in seven saying they are game changers. While companies that have recently gone public may have an influx of capital that enables them to be disruptive, adjusting to new regulatory and reporting requirements and shareholder expectations are likely to be constraining resources and tempering their risk taking and disruptive efforts.

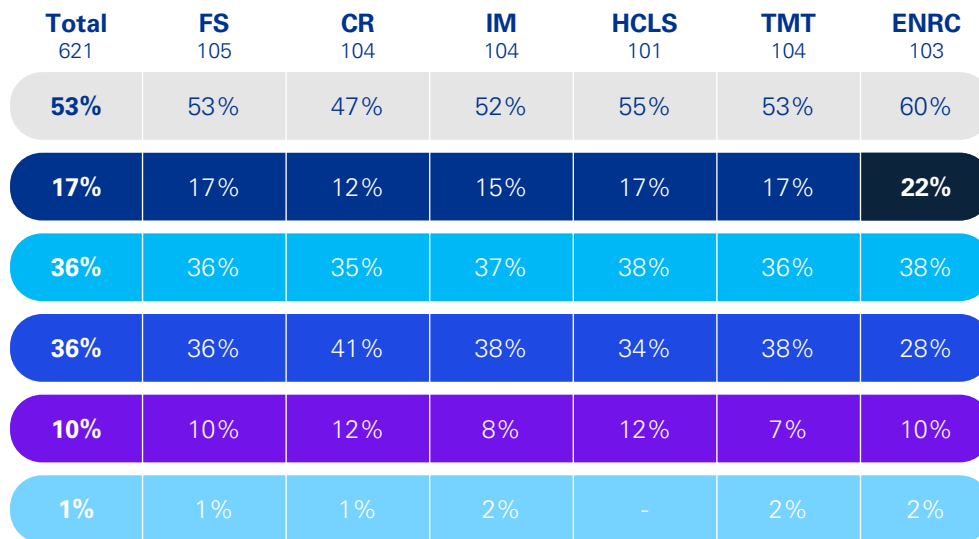
Self-reported company approach to disruption by company type



## Comparisons across industries are similar.

Around half in each industry sector describe themselves as strong disruptors or game changers. Companies in the Energy, Natural Resources & Chemicals sector (60%) are most likely to identify themselves as game changers or strong disruptors, while Consumer & Retail are least likely (47%).

### Self-reported company approach to disruption by industry



● Total  
 ● Game changer  
 ● Strong disruptor  
● Moderate disruptor  
 ● Mild disruptor  
 ● Traditionalist

## Challenges limiting disruption are mostly related to limited resources and absence of a dedicated platform.

Disruptor initiatives are being met with multiple challenges but having limited resources is the most significant. The absence of a dedicated platform to share best practices, inadequate collaboration and networking are also top challenges to implementing disruptive initiatives.

### Areas lacking to effectively support disruptive initiatives (All)



\*Multiple responses allowed

## And some challenges are unique to company type:

**Emerging Giants** also struggle with finding funding/investment and a regulatory environment that is supportive of their disruptive ambitions.

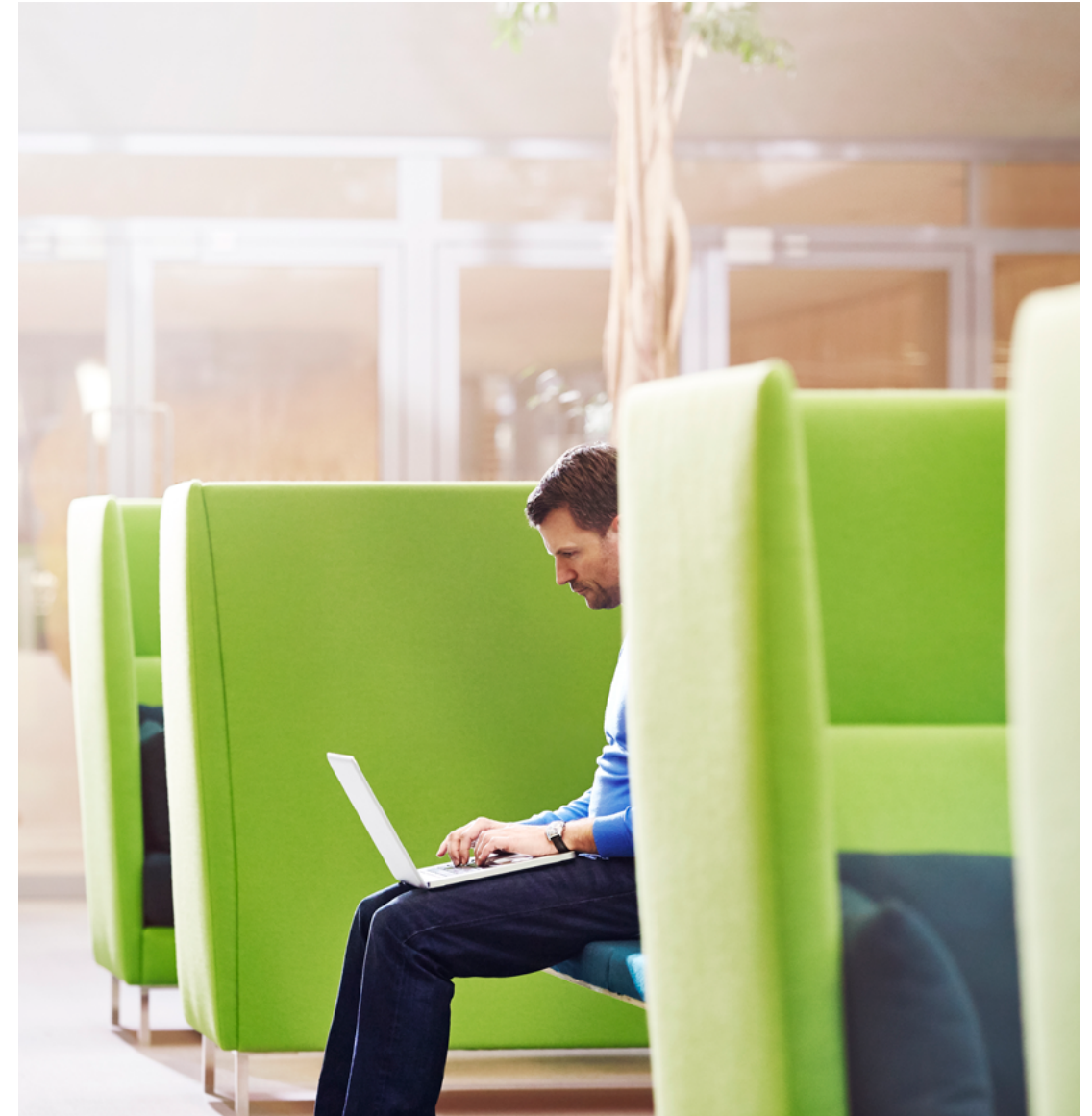
**Traditional Private** companies are most limited by the absence of a platform where they can share best practices that have the potential to drive disruption.

**Recent IPOs** are looking for industry experts to provide guidance around disruption opportunities and have limited funding/investment to execute disruption initiatives.

### Top 3 challenges to effectively support disruptive initiatives by company type

	#1	#2	#3
Emerging Giants	Limited resources (35%)	An enabling regulatory environment (34%)	Lack of access to industry experts (32%)
Traditional Private	Absence of dedicated platform to share best practices (39%)	Limited resources (30%)	Inadequate support for collaboration & networking (29%)
Recent IPOs	Limited resources (35%)	Lack of access to industry experts (34%)	Limited availability of funding or investment (33%)

\*Multiple responses allowed



# 3

# Most expect a longer run to realize AI benefits and opportunities.

## The relevance of AI will increase over time.

Artificial intelligence is transforming all areas of business and bringing its own level of disruption, so to that end we asked respondents for their perspectives on several aspects of AI. Most respondents believe that AI's relevance will increase over time—over half see it as very relevant in the short-term (next 18 months), but three-fourths expect it will have greater relevance for them over time (in 18 months to 3 years).

Findings here are similar to those in another recent survey **by KPMG among large public companies about AI in financial reporting and audit**. However, these results indicate more muted excitement among smaller privately held companies and recent IPOs, possibly because they are still developing their AI strategy.

A similar trend emerges for the opportunities that respondents believe AI can deliver, with just over half seeing immediate prospects for AI and about three-fourths expecting the technology to create new business opportunities in 18 months to 3 years.

## Perspectives on relevance of AI

### Short-term

Relevance of AI to sector in next 18 months



- Extremely relevant (7 rating)
- Relevant (6 rating)
- Somewhat (4-5 rating)
- Not relevant (1-3 rating)

### Medium-term

Relevance of AI to sector in next 18 months to 3 years



## While AI is considered highly-relevant in the medium-term across industry sectors, there is some variation.

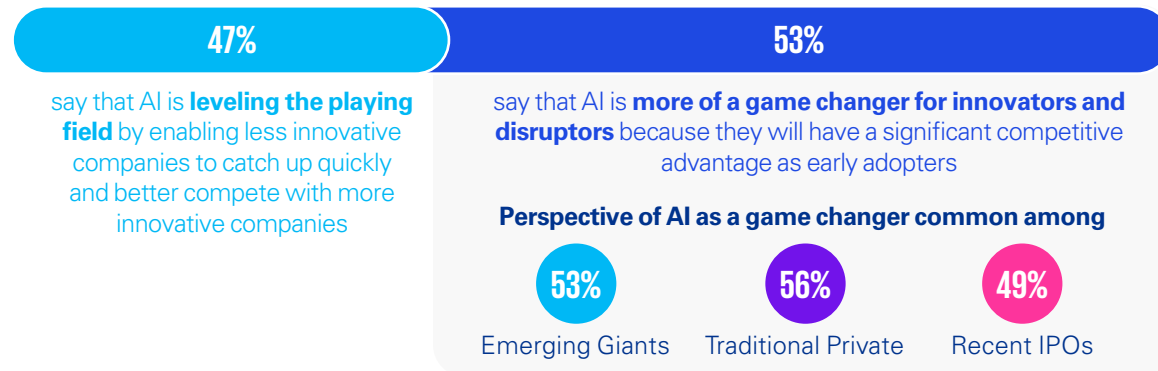
Financial Services and Consumer & Retail are less likely to say AI has significant relevance in the medium-term than other sectors (two-thirds versus eight in ten for most other sectors).

### Perspective on relevance of AI by industry

	Total 621	FS 105	CR 104	IM 104	HCLS 101	TMT 104	ENRC 103
Short-term	55%	52%	47%	58%	56%	64%	50%
Medium-term	75%	67%	68%	75%	81%	81%	80%
Difference	+20	+15	+21	+17	+25	+17	+30

## Perception of AI as a competitive disruptor is divided.

The companies surveyed are divided as to whether AI can be considered as leveling the playing field (47%) or as a game changer that provides early adopting innovators and disruptors with a significant competitive advantage (53%).





## Recent IPOs are least likely to see AI as a game changer, while Traditional Private are the most bullish on AI as a game changer and growth engine.

Despite being the most optimistic about medium-term growth opportunities presented by AI, only half of Recent IPOs see AI as a game changer, while the other half view it as leveling the playing field. This is likely because, having recently gone public and receiving an influx of capital, many Recent IPOs are competing with established companies with higher revenue and market share. While implementing and managing the risks of AI requires upfront resources, some may see AI as a means to increase efficiencies and maintain competitive parity cost effectively while growing revenue. Conversely, others may view AI as enabling them to not only catch up and maintain parity but also to be disruptive in their sector.

Traditional Private companies exhibit high optimism about AI medium-term growth opportunities, and most view it as a game changer likely because of their long-term vision, flexibility, and focus on competitive advantage. However, their concerns about risks and lag in managing AI risks and compliance might be due to resource constraints, less regulatory pressure, and an entrepreneurial spirit that prioritizes opportunity over risk aversion. As these companies continue to grow and integrate AI, they are likely to develop more advanced risk management and compliance practices to sustain their innovation-driven strategies.

Two-thirds of Emerging Giants see significant growth opportunity for AI and most have established adequate risk and compliance oversight, but just over half see AI as a game changer. This split in perception, much like Recent IPOs, reflects differing outlooks on strategy and resource allocations. Some may view AI primarily as a tool for improving operational efficiency and maintaining competitive parity.

For these companies, AI is essential for growth and a tool for them to quickly catch-up with more established competitors but not necessarily transformative. Conversely, others see AI as a disruptive force capable of redefining their industry and providing a significant competitive advantage.

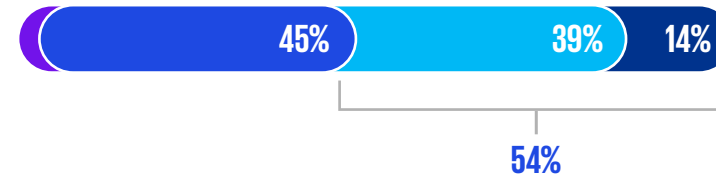
## Across sectors, companies are split almost equally on whether AI is a game changer or levels the playing field.

Most are prepared to capitalize on major growth opportunities presented by AI.

### Perspectives on opportunity of AI

#### Short-term

Relevance of AI to sector in next 18 months



#### Medium-term

Relevance of AI to sector in next 18 months to 3 years



- Significant opportunity (7 rating)
- Opportunity (6 rating)
- Some opportunity (4-5 rating)
- No opportunity (1-3 rating)

\*Totals may not add up due to rounding.

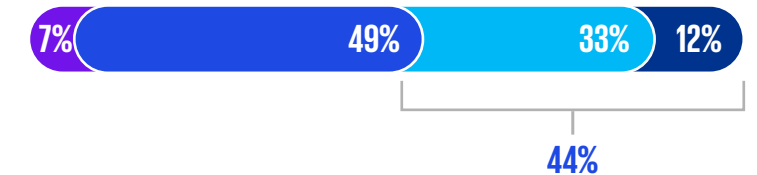
## AI challenges have an upward trajectory as use expands.

Challenges with AI are viewed as more medium-term than short-term. As companies take advantage of more AI opportunities, they expect to unlock new challenges. Just over four in ten see significant short-term challenges, but almost six in ten anticipate challenges in the 18 months to 3-year timeframe.

### Challenges of AI for business growth

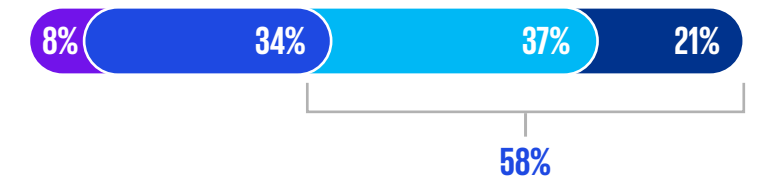
#### Challenges of AI for company in the next 18 months

Relevance of AI to sector in next 18 months



#### Challenges of AI for company in the next 18 months to 3 years

Relevance of AI to sector in next 18 months to 3 years



- Significant challenges (7 rating)
- Challenges (6 rating)
- Some challenges (4-5 rating)
- No challenges (1-3 rating)

\*Totals may not add up due to rounding.

## AI is seen as the most important technology enabling growth, although Traditional Private companies rank AI about equally with other technologies.

Compared to other technologies, nearly half of companies surveyed rank AI as one of the top three technologies for enabling business growth and investment in their sector, and far more respondents ranked AI first among technologies in terms of that enabling capability. 5G, Internet of Things (IoT) and cloud computing are next in line as growth enablers, but trail considerably behind AI. Ironically, despite having a great deal of optimism for AI as a growth opportunity and most seeing it as a game changer, Traditional Private companies rank AI almost equally with other technologies in terms of importance for supporting growth and investment. This suggests a measured approach whereby Traditional Private companies are just as focused on infrastructure (cloud computing) and connectivity (IoT and 5G) elements that are necessary to help ensure AI is a growth enabler for the business.

### Trends enabling growth and investment

% ranked #1–3 as “most important”

Artificial Intelligence (AI)

% Ranked #1



**Trends enabling growth by company type  
(ranked in top 3)**

	Total	Emerging Giants	Traditional Private	Recent IPOs
Artificial intelligence (AI)	46%	56%	33%	47%
5G connectivity, Internet of Things (IoT)	37%	35%	35%	40%
Cloud computing	35%	34%	36%	34%
The metaverse and virtual and augment reality technologies	32%	32%	34%	35%
Fintech and digital finance	32%	28%	37%	32%
Human capital / skilled workforce	31%	30%	35%	29%
Big data	30%	32%	30%	29%
Defense technology	29%	25%	31%	30%
Renewable energy and sustainability	28%	31%	28%	25%

**These technology trends enabling growth are similar to a recent study by KPMG among large public companies about AI in financial reporting and audit.**

The KPMG report on **AI in financial reporting and audit** surveyed U.S. companies and found top benefits expected in 3 years include real-time insights into risks, fraud, control weaknesses (73%), increased data accuracy and reliability (67%), and lower costs (62%). In addition, 60% expect greater ability to predict trends and impacts.

Despite industry concerns that AI will disrupt the workforce, some believe it will act as a magnet for talent and innovation. 34% expect AI to attract talent, while 26% believe AI will help fill staff shortages. 37% believe AI assistants will enhance staff skills.



## Companies are preparing to manage AI risk, but they still have work to do.

Over half of the companies surveyed say they have implemented at least adequate AI risk and compliance oversight, but just under a quarter (23%) say their risk compliance efforts are proactive and robust.

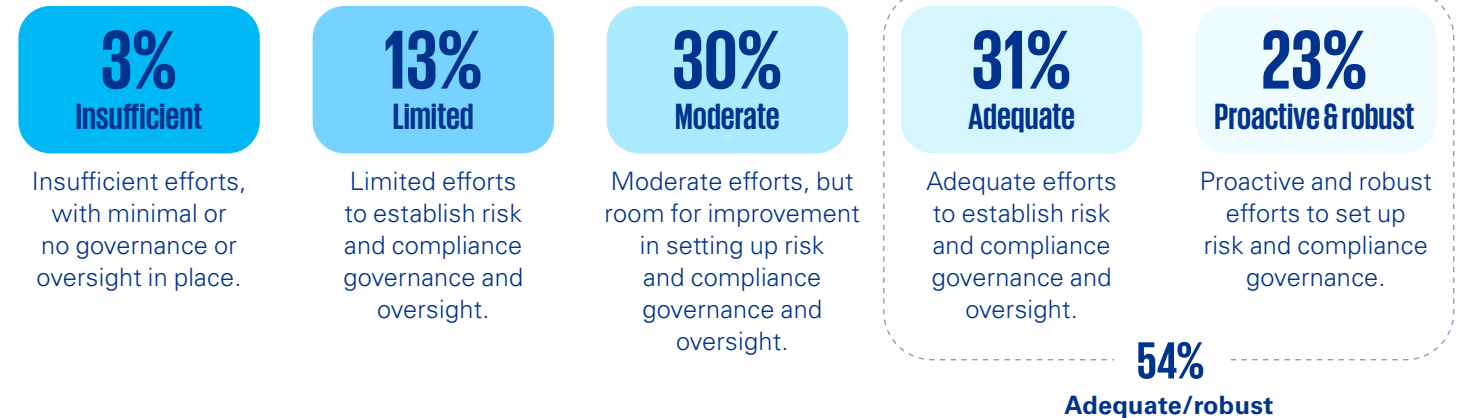
Traditional Private lags behind other business types with fewer than half (47%) indicating they have at least adequate efforts.



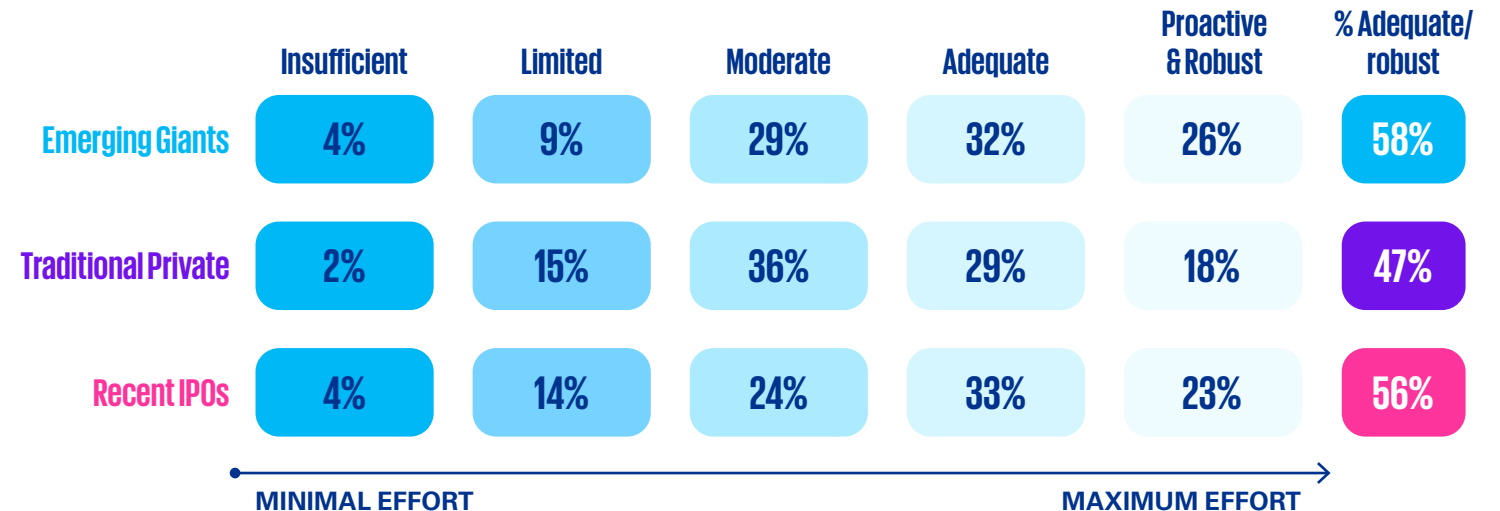
### Efforts around risk and compliance governance and oversight for AI

MINIMAL EFFORT

MAXIMUM EFFORT



### Efforts around risk and compliance governance and oversight for AI by company type



Efforts to address AI risk mitigation are largely focused on training programs, establishing internal teams to oversee risk management, and collaboration with experts and consultants.

### Managing opportunities and risks of AI use

Training programs for employees to ensure effective use of automated systems while understanding associated risks



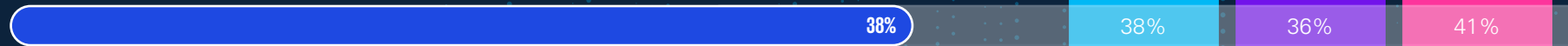
Establishment of internal team to develop, implement, and oversee risk management protocols for automation



Collaboration with industry experts and consultations for risk mitigation strategies in automation initiatives



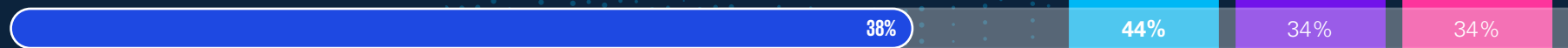
Establishment of risk governance frameworks for overseeing automation initiatives



Implementation of risk management protocols specifically tailored for automation



Regular risk assessments and audits of automated processes



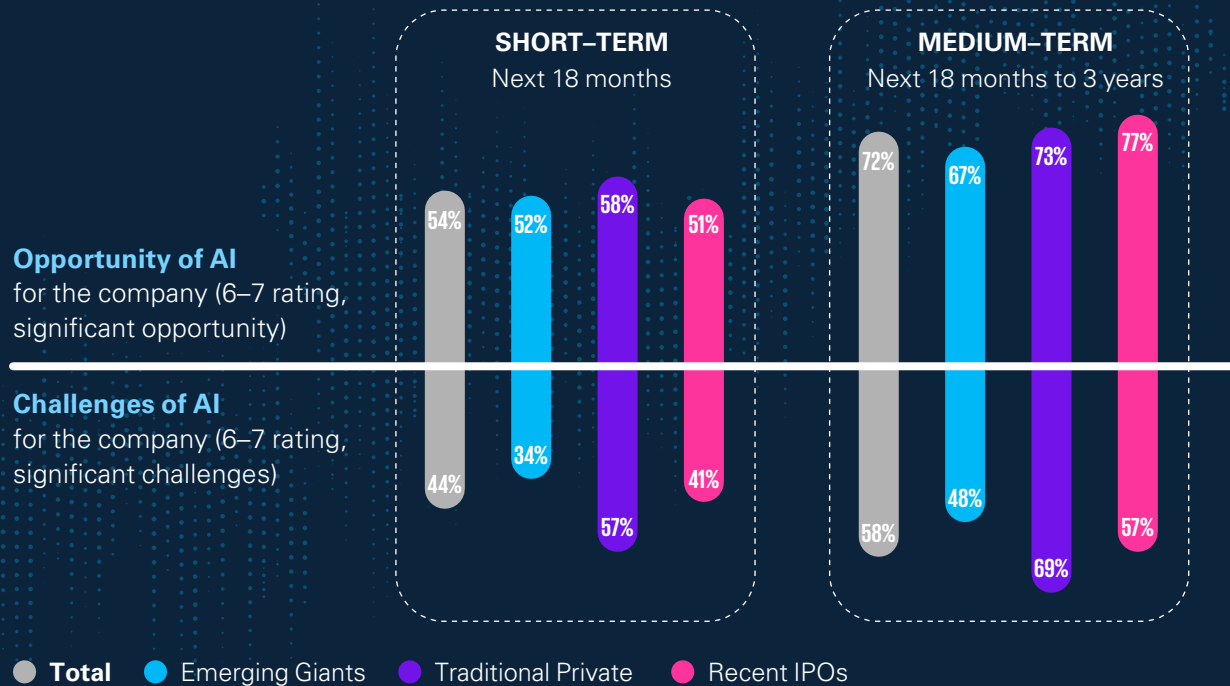
- Emerging Giants
- Traditional Private
- Recent IPOs

## Recent IPOs report a stronger future position to capitalize on AI growth opportunities.

**Emerging Giants** are somewhat less optimistic about opportunities and see fewer challenges.

**Traditional Private** companies are similarly optimistic but are more cautious about the challenges.

**Recent IPOs** are most optimistic about AI opportunities ahead, but they also recognize there will be significant challenges.



Recent IPOs may see more opportunity related to AI in the longer term because they generally have more access to capital to make AI investments and face pressure to show growth and innovation and increase efficiency in operations, making focus on the potential for AI particularly important. While they are optimistic about AI's potential, they are also aware of the hurdles, such as scaling AI solutions and integrating them into their operations, as evidenced by their likelihood to have made efforts to manage risk and compliance.

Emerging Giants are often in a rapid growth phase and may show comparatively less optimism about AI due to resource constraints or competing priorities. They may also be more focused on short-term growth rather than longer-term AI implementation. However, they also see significantly fewer challenges, possibly because they are nimbler and more willing to embrace new technologies, and they are the most likely to have taken steps to manage risks and compliance.

Traditional Private companies show high optimism for AI and see greater challenges. Privately held companies can take a longer-term view on AI adoption, without some of the pressure for immediate growth of Emerging Giants and Recent IPOs. Their optimism for AI is tempered by the realistic evaluation of its implementation challenges. And many lag in managing risk and compliance issues, with fewer than half claiming to have sufficient measures.

Data management and infrastructure are the biggest areas of challenge that companies expect to deal with as they look to take advantage of AI opportunities. About 40% cite other challenges such as government compliance, talent and skills, ethical use of AI, risk management, and trust and transparency. Emerging Giants anticipate more challenges, especially in possessing the talent and skills to implement AI initiatives and managing risks that come with technology.

### Areas of challenge

	Total	Emerging Giants	Traditional Private	Recent IPOs
Data management and infrastructure	48%	50%	47%	47%
Governance and compliance	43%	48%	40%	42%
Talent and skills	43%	51%	35%	43%
Ethical and responsible AI implementation	43%	42%	40%	48%
Risk management	40%	48%	34%	39%
Ensuring trust and transparency	39%	45%	36%	36%

Again, referencing a recent study by KPMG among large public companies about **AI in financial reporting and audit**, executives in that study indicated certain barriers around AI risk identified last year may have eased.

- 31% of financial reporting leaders indicated ethical concerns, such as bias or misinformation as a barrier to adoption, down from 48% last year.
- Keeping up with regulatory changes has also fallen to 41% from 49%.
- Risks from using algorithms without human oversight fell from nearly half to 35%.

Meanwhile, 56% of respondents identified data security and privacy concerns as the biggest barriers to companies' adoption of AI, compared to just 32% of respondents last year. Other barriers include limited skills and talent (46%), difficulty gathering relevant and consistent data (44%), and inadequate funding and investment levels (43%).

U.S. financial reporting leaders also noted the most effective practices for mitigating GenAI risks include regular audits and monitoring (50%), education and training (50%), ethical frameworks (47%), and human oversight (42%). Other important actions include collaboration and regulation adherence, third-party reviews, privacy measures, and disclosures.

## AI is expected to have an impact on all primary business functions.

Customer relationship management (CRM) is where most expect AI to play a key role for their business, but nearly the same number expect AI to be very important to all other business functions in both the short and long term.

There are no significant differences across the three company types, except ESG strategy is more important in terms of AI's role for Recent IPOs (60%) compared to Emerging Giants (50%) and Traditional Private companies (52%). This is likely because Recent IPOs are likely to face more rigorous regulatory reporting requirements as ESG reporting rules evolve.

Surprisingly, only around 57% believe AI will play a major role in fraud detection and cybersecurity, considering the perceived importance of cybersecurity risk. The development of AI can be seen not only as a tool for combating fraud and cyber-attacks but also a potential cybersecurity threat as malicious individuals can use AI to compromise systems.

Business functions	Role of AI in next 2 years (% Extremely + Very important)	Role of AI in 2 to 5 years (% Extremely + Very important)
<b>Customer service: Customer relationship management (CRM)</b>	<b>62%</b>	<b>60%</b>
<b>Product development: Incremental improvements to product and/or service quality</b>	<b>58%</b>	<b>57%</b>
<b>Supply chain: Supply chain optimization</b>	<b>58%</b>	<b>57%</b>
<b>Finance: Financial analysis and reporting</b>	<b>58%</b>	<b>57%</b>
<b>HR: Employee training and engagement</b>	<b>57%</b>	<b>57%</b>
<b>Strategy: Reimagining business models</b>	<b>57%</b>	<b>54%</b>
<b>Legal: Regulatory compliance</b>	<b>55%</b>	<b>57%</b>
<b>ESG / Sustainability: Environmental sustainability strategy</b>	<b>55%</b>	<b>54%</b>
<b>Risk: Fraud detection and cybersecurity</b>	<b>54%</b>	<b>57%</b>
<b>Back-office: Back-office efficiencies</b>	<b>52%</b>	<b>53%</b>



# 4

# Cybersecurity risk is seen as most relevant for reporting beyond financial statements.

As regulators have lately given more scrutiny to expanded reporting areas outside of financial statements, particularly sustainability and cybersecurity, we asked respondents what they think the most relevant reporting areas are today.

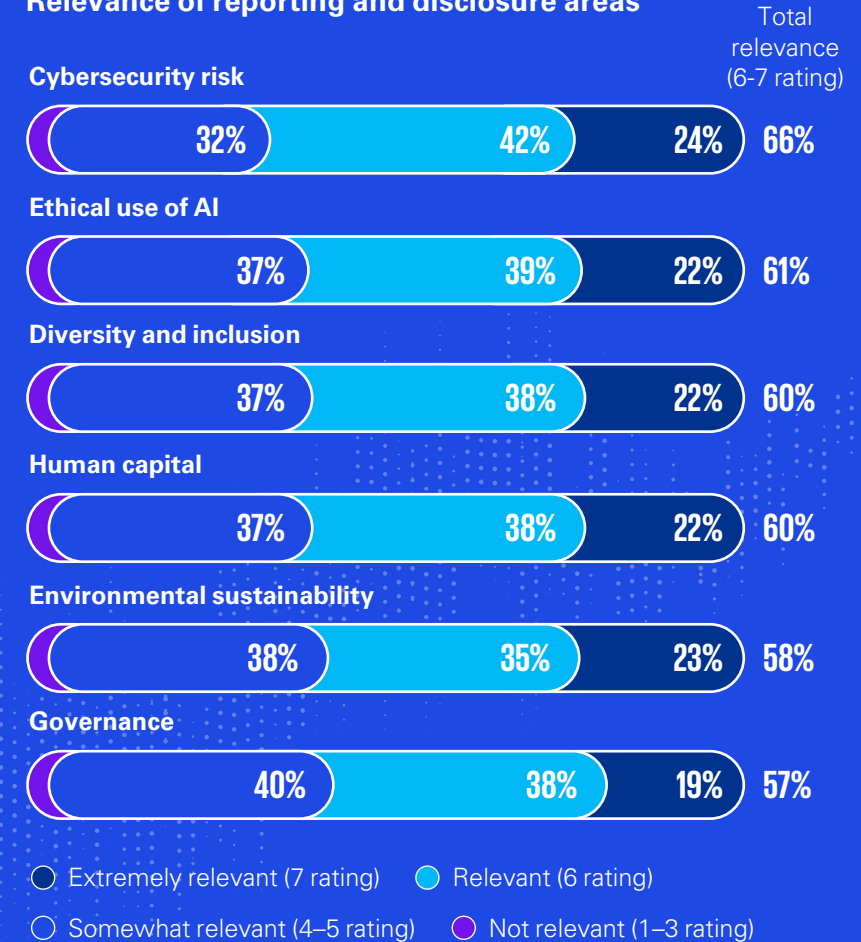
Cybersecurity risk ranks the highest for Traditional Private companies and Recent IPOs (and also ranks high for Emerging Giants). Given the recent increase in cybersecurity attacks and a newly adopted SEC rule on cybersecurity reporting for public companies, it is not surprising that cybersecurity reporting is top of mind for all companies.

For Emerging Giants, ethical use of AI is ranked as most important, potentially because they are looking to go public and there is a great deal of media scrutiny on AI and investors will expect some governance in place to mitigate risks that could materially impact companies going public.

Interestingly, environmental sustainability is viewed as important but generally ranks toward the middle or bottom compared to other potential reporting areas. This is likely because sustainability reporting requirements in the US are still somewhat in flux, and companies that operate in Europe will need to comply with robust overseas requirements. Further, some companies already have mechanisms in place to report on sustainability efforts, which may contribute to respondents ranking it slightly lower than otherwise might have been expected.

Similarly, across most sectors, cybersecurity ranks as the most relevant disclosure area outside of financial statements, except for in Consumer & Retail where ethical use of AI is most important, and Healthcare & Life Sciences where governance is most important.

## Relevance of reporting and disclosure areas



**Relevance of reporting/disclosure areas (company type)**

	Total	Emerging Giants	Traditional Private	Recent IPOs
Cybersecurity risk	66%	66%	62%	70%
Ethical use of AI	61%	56%	60%	65%
Human capital	60%	58%	58%	63%
Diversity and inclusion	60%	57%	60%	62%
Environmental sustainability	58%	54%	63%	57%
Governance	57%	51%	62%	59%

Relevance rating (6-7)

Cybersecurity risk	41%	42%	41%	40%
Ethical use of AI	38%	47%	31%	34%
Environmental sustainability	33%	29%	34%	37%
Diversity and inclusion	30%	31%	31%	27%
Governance	30%	26%	34%	30%
Human capital	28%	24%	29%	31%

Relevance ranking (Top 1-2)

	Total 621	FS 105	CR 104	IM 104	HCLS 101	TMT 104	ENRC 103
<b>Cybersecurity risk</b>	<b>66%</b>	60%	<b>70%</b>	<b>66%</b>	<b>65%</b>	63%	<b>71%</b>
<b>Ethical use of AI</b>	<b>61%</b>	51%	63%	58%	63%	66%	61%
<b>Diversity and inclusion</b>	<b>60%</b>	44%	61%	65%	57%	<b>71%</b>	61%
<b>Human capital</b>	<b>60%</b>	<b>62%</b>	58%	55%	61%	59%	65%
<b>Environmental sustainability</b>	<b>58%</b>	50%	56%	57%	61%	61%	64%
<b>Governance</b>	<b>57%</b>	49%	55%	56%	62%	68%	52%
<b>Rank #1-2</b>							
<b>Cybersecurity risk</b>	<b>41%</b>	<b>43%</b>	37%	<b>45%</b>	31%	<b>46%</b>	<b>45%</b>
<b>Ethical use of AI</b>	<b>38%</b>	30%	<b>39%</b>	42%	34%	43%	36%
<b>Environmental sustainability</b>	<b>33%</b>	34%	34%	34%	32%	33%	33%
<b>Governance</b>	<b>30%</b>	25%	33%	25%	<b>45%</b>	27%	28%
<b>Diversity and inclusion</b>	<b>30%</b>	31%	31%	27%	28%	27%	36%
<b>Human capital</b>	<b>28%</b>	36%	27%	27%	32%	24%	22%

## Sustainability reporting is seen by most as relevant for building stakeholder value or for both building stakeholder value and meeting regulatory requirements.

Given the focus on sustainability reporting over the past several years, we explored perspectives on sustainability reporting specifically.

61% of surveyed companies say their sustainability reporting efforts are either mainly intended to build value for stakeholders or both to build value and to meet regulatory requirements. But that means 39% are only looking at sustainability reporting as a regulatory requirement and therefore potentially doing the minimum necessary to comply.

Traditional Private companies are more likely to say that sustainability disclosures are for both building value and meeting regulatory requirements equally, while Emerging Giants are more likely to say they are to meet regulatory requirements.

The differing perspectives on sustainability disclosures are likely because Emerging Giants are often in stages of rapid growth and preparing for a potential IPO where regulatory and stakeholder scrutiny is higher, so they are more focused on meeting those requirements to ensure compliance and a smooth transition to public ownership.

Traditional Private companies have less immediate regulatory pressures but still need to focus on maintaining strong relationships with stakeholders and investors, so they are more focused on adding value than meeting specific regulatory requirements that public companies are held to.



### Companies perspectives on ESG disclosures



Most industries also see sustainability disclosures as relevant for building stakeholder value or both building stakeholder value and meeting regulatory requirements.

Over 40% in Industrial Manufacturing, Healthcare & Life Sciences and Energy, Natural Resources & Chemicals say they engage in sustainability reporting primarily to meet regulatory requirements, while over 40% in Financial Services say sustainability disclosures are more to build value for stakeholders.

Total	FS	CR	IM	HCLS	TMT	ENRC
621	105	104	104	101	104	103
39%	39%	36%	45%	42%	28%	45%
34%	44%	33%	20%	36%	33%	38%
27%	17%	31%	34%	23%	38%	17%

- To meet regulatory requirements
- To build value for stakeholders
- Both equally

# Conclusion

**This 2024 Disruption Decoded survey shows a business landscape for private companies and recent IPOs where there is clear optimism for growth potential tempered by concerns over economic and geopolitical barriers.**

There is strong optimism about growth potential among nearly all companies surveyed and a little over half consider themselves to be disruptors or game changers in the marketplace.

But there are many challenges to growth and disruption, including economic or market disruptors like slowdown in innovation and technological advances, increased energy costs, cybersecurity, and the potential for an economic recession.

There are also geopolitical threats to growth including supply chain disruptions, state sponsored cyber-attacks, dependence on supplies from other countries and intellectual property theft.

AI is considered an extremely important technology enabling growth, more so in the longer than short term, with three-fourths seeing significant opportunities in AI in the next 18 months to three years. The relevance of AI is expected to increase over time, reflecting the complexities of integrating AI technologies and governance into existing business processes.

Companies are also increasingly seeing the relevance of disclosures and reporting in areas outside of financial statements. Cybersecurity risks and ethical AI practices are seen as the most immediately relevant. Sustainability reporting is also seen as important to both comply with regulations and provide stakeholder value. Sustainability reporting will remain an important focus area for businesses with domestic and international regulators continuing to place more scrutiny on its depth and accuracy.

# Objectives and methodology

This survey was designed to understand the outlook for growth and disruption dynamics for different types of private companies and recent IPOs for insight into:

- Growth and disruption prospects.
- The nature of disruption anticipated by AI.
- Beyond AI, what are the other disruption drivers impacting the market.
- Potential barriers to growth and disruption.
- Reporting priorities, beyond the financial statements.

Decision makers responded to a 20-minute, online survey and included VP+ executives and finance function leaders in the US. The survey was fielded May 29–June 10, 2024.

The sample includes 621 respondents split into 3 company profile types:

- Emerging Giants (n=209): private companies planning to go public in the next 5 years. Includes pre-revenue companies.
- Traditional Private (n=207): companies that do not plan to go public in the next five years and have at least \$100M in revenue
- Recent IPOs (n=205): companies that went public in the last 3 years and have at least \$100M in revenue.



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