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Voice of the
CIO

A recurring conversation with CIOs
on IT-related issues

June 2025

CIOs' shift AI focus to practical applications

AI is transitioning from the realm of hype to pragmatic implementation. Since the launch of the first public large language model (LLM) in November 2022, AI has captivated the attention of CIOs worldwide. However, as the initial excitement wanes, and AI evolves, CIOs' views about the technology are maturing, and their conversations are beginning to focus on practical applications, strategic integration, and rewiring the workforce.

The days of isolated, low-impact AI use cases are fading. Instead, CIOs are exploring ways to embed AI deeply within their organizations to drive broad business transformation. CIOs across industries are now tasked with validating AI initiatives against business objectives, ensuring meaningful value creation and higher success rates.

At the same time, data governance and security are being re-examined. As a tool for optimizing operations, AI offers potential but requires careful consideration to unlock its full capabilities without compromising security or workflow efficiency. CIOs are addressing these risks by implementing data loss prevention tools and strict monitoring, while also managing open access toAI interfaces.

CIOs are also realizing that to fully leverage AI's potential, a cultural and organizational shift is necessary. By rethinking business roles and processes, CIOs can ensure that AI is deeply integrated, validated for business value, and aligned with broader organizational goals. Despite these complexities, the potential for AI to revolutionize business operations and deliver substantial ROI remains vast.

Although there have been significant advancements and widespread media coverage indicating rapid adoption of LLMs, the journey toward AI integration varies among companies. Factors such astalent and skills, industry, regulatory environment, and data quality and availability play a crucial role in this variability.

Separately, CIOs tackle the dual challenges of navigating tariffs and integrating AI to drive real business value. Tariffs are causing increased costs for IT equipment and supply chain disruptions, leading CIOs to adopt strategies such as stockpiling hardware, extending asset lifecycles, and maintaining close supplier relationships to ensure inventory availability.

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From AI promise to pragmatism

CIOs pursue strategic integration of AI for business transformation

AI increasingly stands for "All In." Ever since the launch of public LLMs in 2022, AI has been a steady topic of conversation for CIOs. But now, the hype around artificial intelligence (AI) and generative AI (Gen AI) is starting to diminish. Conversations among CIOs around AI are becoming more mature and pragmatic.

One top-of-mind topic is transitioning from low-value use cases to impactful implementations that engage the entire organization. CIO thinking has shifted toward using AI as a tool for broad businesstransformation, moving beyond experimental phases to embedding it deeply within core functions.

This approach can sometimes be a difficult sell to management.

"This is a challenge for them to really understand what AI can do and talking with senior business leaders on how it transforms the business," John Celi, KPMG principal, Advisory Technology, said.

Nevertheless, some CIOs are moving toward integrating AI into existing business strategies rather than treating it as a standalone initiative.

One CIO from a retailing company highlights that at their company there's a focus on integrating AI into existing business processes, like product development and search functionalities.

In other words, companies are no longer implementing an AI strategy per se but rather looking at the business strategy and determining how can AI enhance it. To illustrate how that shift is playing out, a CIO from a public utility described how functional owners are now required to validate the value of their proposed AI projects before proceeding.

"The functional owner actually has to sign up for that business value, which is then validated by the finance team and our business transformation team."

This step is leading to higher success rates in proof of concept (POC) initiatives and value creation.

CIOs are now seeing AI as integral to refining processes, like product development. This strategic integration aims to leverage AI to optimize and streamline operations, reflecting a holistic approach to technology adoption.

"A little more efficiency is going to yield small returns," said Marcus Murph, KPMG US Technology Consulting Leader. "We must go through a rethinking and rewiring process as profound as when computers first entered the workplace. The interest in AI isn't going away."

A critical consideration surrounding AI is data, including an enterprise's comprehension of its own data, the data's availability within the organization, and its ease of access. While data serves as the fuel for the AI revolution, it is noteworthy that over half of enterprise data resides in legacy systems, which may pose challenges in leveraging it for AI transformation.

"Companies don't need an AI strategy. They need a business strategy."

—CIO for an automotive company

Balancing ROI and security

Navigating AI integration challenges

As AI expands within the organization—and its hype diminishes—CIOs emphasized the importance of demonstrating ROI when implementing AI solutions. In other words, how do you demonstrate to the executive team that the investment is worth the money, especially as AI becomes more integrated into functions and away from trial use cases? In many ways, this assessment is part of the natural maturation process when adopting new technology.

However, CIOs also acknowledged the difficulty in quantifying the value of AI initiatives, with typical metrics revolving around user adoption rather than direct cost savings or headcount reductions.

Nevertheless, some reported initial success in measuring value by focusing on efficiency gains through leveraging AI. Some are tracking at a 10 percent boost in productivity while others are at 15 percent on up to 20 percent. Other CIOs said they are more successful in determining value, when AI is defined against a specific capability, like measuring call deflection at call centers.

Another concern for CIOs as AI becomes more widespread is data sensitivity, particularly when it becomes integrated with existing data platforms. AI tools, being used company wide, can make sensitive documents more easily accessible to anyone in the organization.

To address the issue, some CIOs are implementing data loss prevention measures to manage AI's access to sensitive information to mitigate risks.

The question of security is of particular concern when it comes to the management of open access to external LLMs. Opinions among CIOs vary between blocking or allowing access. Companies that allow access have proactive governance strategies to protect company information. Others allowed access on a case-by-case basis, but only after the function made a strong business case of its use, and with strict monitoring to protect sensitive data.

One CIO of a franchise described his policy around open Gen AI.

"We have a security team around it to understand what the risks are. We are just starting to approve a concept around open AI enterprise because it comes with prebuilt functions that give people capabilities that they feel like they will find useful in their particular functions."

A CIO at a retailer noted that consumers can now use certain Gen AI sites to shop, so retailers will need to interact with the external AI tools to some degree.

"Search engine optimization was the thing for many years. I think the Gen AI LLM engine optimization is going to be the [next] thing for retailers."

"AI agents can go crawl your entire database and deliver significant damage if you're not properly protected etcetera."

—CIO of an industrial manufacturer

Unlocking AI's potential

Cultural shifts, upskilling, and innovative operational structures

CIOs underscored the cultural and organizational shifts necessary to fully realize AI's potential. Encouraging AI adoption across teams is essential, with CIOs exploring strategies such as upskilling employees, dedicating office hours to AI initiatives, and embedding AI competencies into performance metrics.

Some CIOs advocate for tracking AI usage diligently, integrating it into performance metrics to drive adoption and innovation across teams.

However, adoption can even be a struggle for technology companies, noted one tech CIO.

"Obviously, if you've played with AI, you could see the power that the capability has just even on the basics. And it was surprising to us how many were not still just experimenting even just in their normal consumer lives." But by mandating AI use, the company's usage went from about 30 percent weekly to more than 60 percent.

Looking ahead, CIOs recognize that business roles and processes may require significant reevaluation. The current AI model of prompts and responses is anticipated to become inadequate. This forward-thinking viewpoint highlights the necessity of reconfiguring business structures to fully leverage AI capabilities. Additionally, upskilling employees and cultivating a culture of innovation are considered crucial for optimizing the advantages of AI.

Concerns were also raised about IT becoming irrelevant if they don't keep pace with AI innovations spearheaded by business units. There's a need for IT to see themselves as innovators and enablers rather than solely implementers.

Cautioned one pharmaceutical CIO, "I think it's going to be primarily non-IT folks that come up with the true innovation that drives value for organizations. As much as we would like to think IT is going to drive it, I think in many cases we are enablers and putting the checks and balances in place. But a lot of the value is going to come from others."

CIOs agreed on the need for organizations to rethink their operational processes and roles in light of AI advancements, which will entail companies reconsidering how they structure their teams and processes. For example, AI will change the entire software development lifecycle and enhance the ability to deliver solutions at a greater pace.

"In the future because AI will be integrated into everything we do, we are asking ourselves, how do we upscale the entire organization so they're proficient with AI and even within the IT team?"

—CIO at a retailer

Tariff explainer

What CIOs should know

Technology plays a critical role in managing tariffs that CIOs should know about. Data models and digital twins equip companies to conduct scenario planning and run what-ifs based on the latest tariff changes. Tariffs also impact IT. A tariff on hardware can lead to increased costs for servers andlaptops while a delivery delay of key components can disrupt operations.

KPMG Senior Economist Yelena Maleyev knows both the good and bad sides of tariffs. "Tariffs on their own and when done in a surgical fashion can be beneficial, especially if the goal is to nurture industries for national defense or pursue a strategic initiative," Maleyev said. "Tariffs,

however, broadly implemented do not bode well for investment outcomes or future expectations. They can be quite detrimental, and that's the general view of economists."

The CIO of a building materials company shared his approach to tariffs to ensure he has equipmentin inventory. He revisited the equipment inventory program he developed during the pandemic in anticipation of tariff-based price increases.

Another CIO for a multinational food processing company cut back on equipment lifecycles in response to tariffs and shared how the company manages suppliers.

"From a server and storage perspective, we've stayed really close in contact with our major suppliers and are assured of available inventory for a big buy in June."

Stocking up on equipment, extending sunsets, and other strategies can help ease shortages. According to Maleyev, while GDP shrunk by 0.2 percent in the first quarter, business investment surged 10 percent. She also cited a particular statistic that caught the attention of CIOs.

"Computer information processing equipment surged by more than 70 percent on an annualized rate, which is the fastest recording since the invention

of the computer mouse in 1963."

For a multinational with 110,000 employees worldwide and 30,000 to 40,000 employees in China, the focus is on value, cost-benefit, and a dose of pragmatism. The CIO shared his directive: "We're not going to do refreshes. The computers are working just fine."

The only issue with delay or waiting is a security concern. The last thing CIOs need is a major incident on top of everything else.

"Businesses are front-loading computer equipment in advance of tariff implementations."

—Yelena Maleyev, Senior Economist, KPMG Economics

Key considerations

- Shift AI focus to value and business outcomes
- Quantify AI value and prepare for workforce changes
- Forge closer ties with suppliers

Additional resources

Beyond the hype: GenAI is delivering, new KPMG survey shows

Public Policy in Motion: Key Regulatory Changes for Businesses

2025 Survey: Boardroom Lens on Generative AI

Trust, attitudes and use of Artificial Intelligence

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