



# KPMG US tech report 2026: Technology and telecommunications



Rewiring for the AI era

# Rewiring the tech and telecoms sectors for the AI era

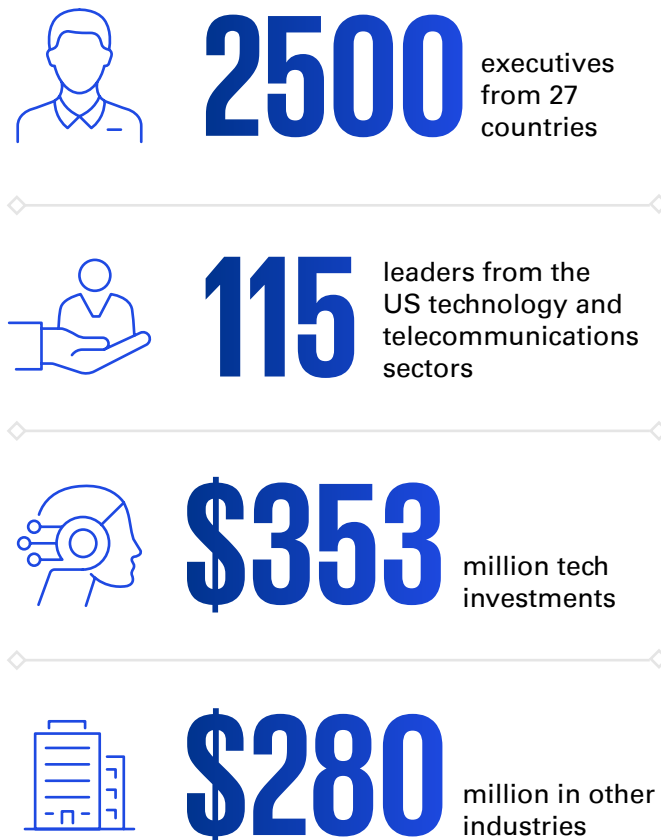
# Laying the foundations for AI transformation

The technology and telecommunications sectors are outpacing other sectors on digital transformation, and they're seeing the benefits. But as transformation reveals hidden tech debt and exposes data fragmentation, further success will require a radical change to the operating model.

The technology and telecommunications sectors are investing more than other industries in digital transformation. The average investment of organizations in these sectors is about \$235 million, compared with an average of about \$181 million for organizations in other industries.

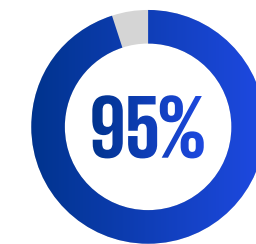
This reflects the sectors' strong appetite for innovation. The [KPMG Global Tech Report 2026](#) surveyed 2,500 executives from 27 countries, including 115 leaders from the US tech and telecoms sectors. More than four in 10 tech and telecoms executives (42 percent) identify as early adopters that are among the first in their market to experiment and adopt new technologies, compared with 29 percent of executives from other industries. And tech and telecoms executives are 10 percentage points more likely to say they would be concerned about falling behind competitors in technology innovation as a consequence of technology budget cuts.

Their willingness to spend on innovation seems to be paying off. On average, tech and telecoms organizations are realizing more value from their tech investments: about \$353 million, compared with about \$280 million in other industries.

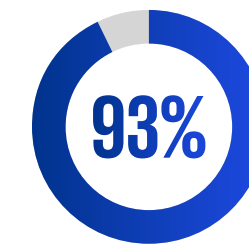


## Agentic AI represents a huge opportunity, if organizations can tackle their tech debt

More than nine in 10 tech and telecoms executives (95 percent) say they're already investing in building agentic AI into their systems, and 93 percent say that managing AI agents will become an important skill within the next five years.



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Frank Albarella, US Media and Telecommunications Sector Leader at KPMG LLP, suggests that AI agents have a big role to play in boosting the sector's customer satisfaction: "The biggest use cases we're seeing there are around customer service and customer support. Agents can manage the customer call all the way to resolution." But the use of agents does not end there. Telecoms organizations are starting to use AI agents to actively fix network issues. "The other agentic use cases are for optimizing and maintaining the network," says Albarella.

And telecoms are expecting even wider applications for agentic AI in future. [Nokia and Telefónica](#), for instance, have announced a partnership aimed at using the technology to streamline their adoption of network APIs.

But while telecoms are racing to implement agentic AI, they're facing a parallel struggle with tech debt. "We call it telco to techco," says Albarella.



These organizations are reimagining themselves as technology companies as they transform over the next three to five years. There's a lot of transformation happening to an industry that's grounded in legacy technology."



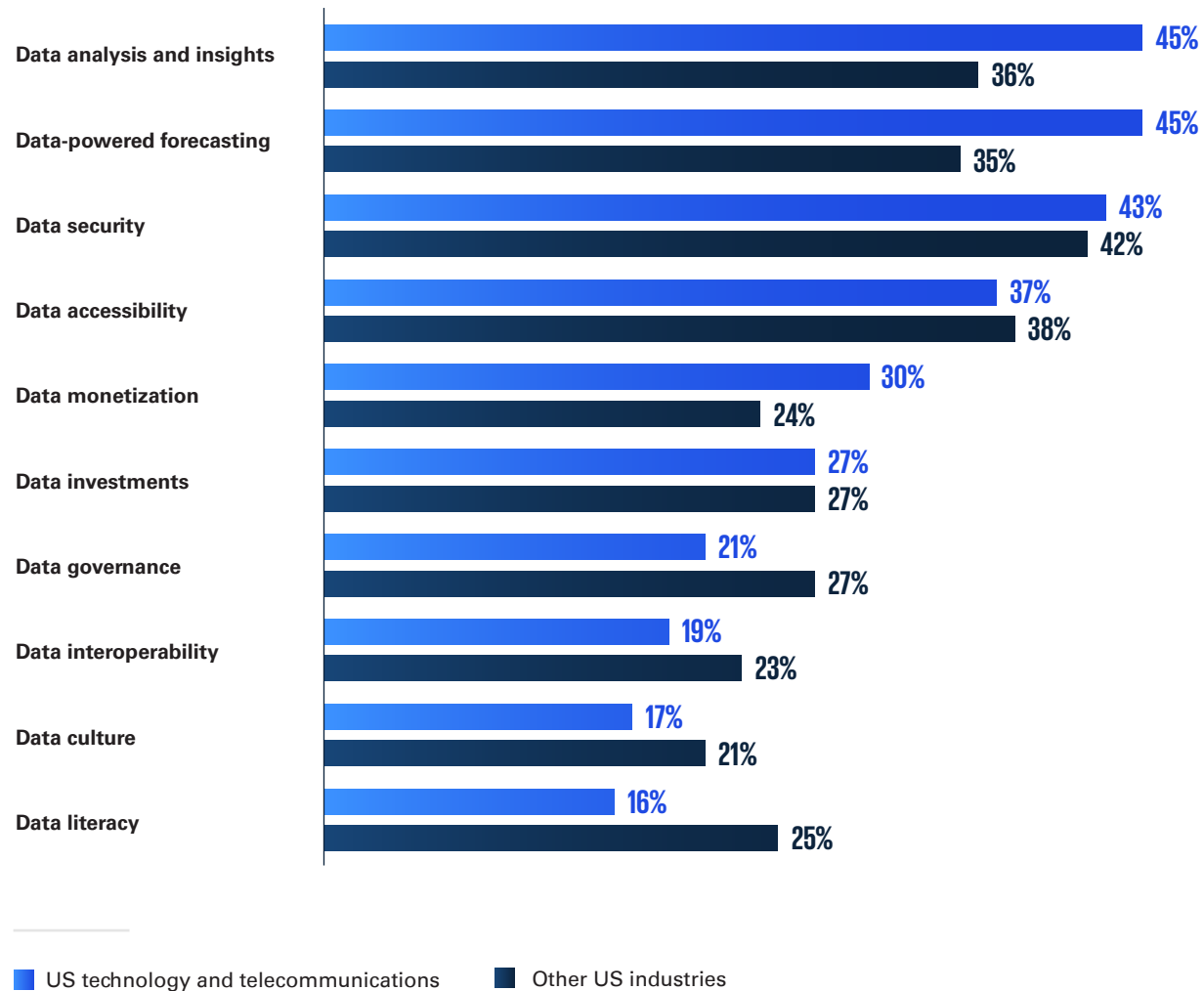
**Frank Albarella**  
US Media and Telecommunications Sector Leader

## Strengthening data architecture

Beyond looking at their legacy technology, tech and telecoms organizations have to ensure that their underlying data architecture can keep up with growing complexity. Netflix, for example, recognized that its different internal systems were modeling concepts in different ways, which made it more difficult to share data across the company (according to public statements and blogs). To remedy this, it built a unified data model to define and link data consistently across the business.

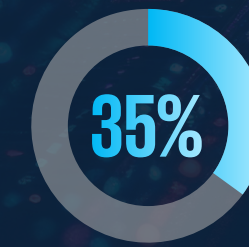
As tech companies embrace new technologies, their success will depend on the quality of each organization's data. But some areas of the data pipeline are getting more attention than others: asked which areas of data and analytics will be most critical for their organization in the next 12 months, tech and telecoms executives say analysis and forecasting. Building blocks of the data pipeline, such as governance and interoperability, come lower on the list. Some tech and telecoms firms will need to redirect their efforts toward strengthening their underlying data architecture.

Tech and telecoms respondents indicate which of the following data and analytics improvement areas will be the most critical for their organization to achieve its strategic goals over the next 12 months.



## Innovation without governance puts organizations at risk

Digital transformation can create governance challenges, and that's especially true of AI initiatives. Just 35 percent of tech and telecoms organizations describe their tech governance and strategy as "optimized." And they seem to be underestimating the risk associated with inadequate AI governance—just 14 percent place lack of governance in their top three AI-related risks.

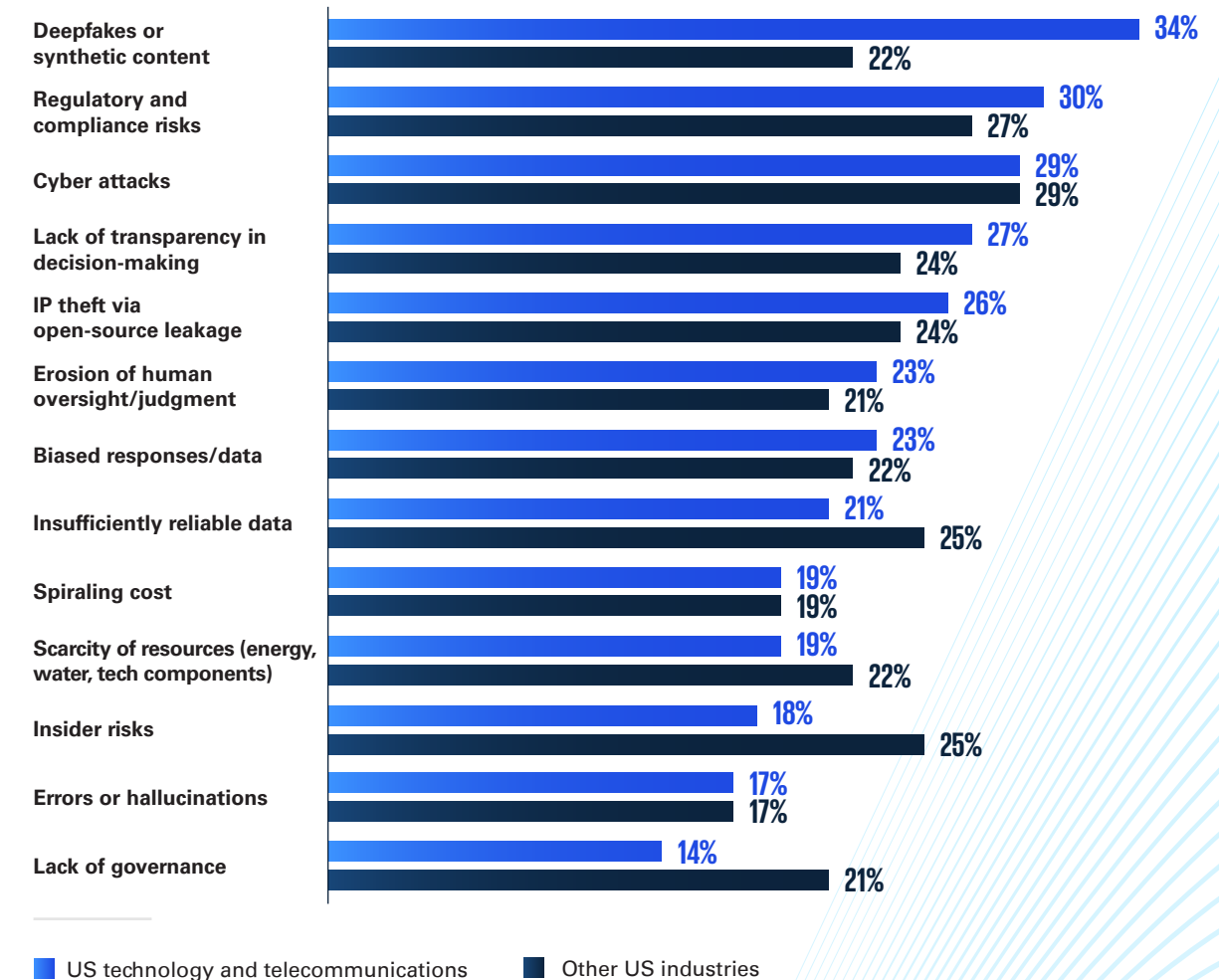


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Cecil Mak, US Technology Sector Leader at KPMG LLP, says that questions about the risks of agentic AI have prompted businesses to test out the technology in lower-risk areas of the business first. "Companies are seeing more successes adopting agentic AI in customer service management, where tasks such as data intake, retrieval and routing are highly repeatable," says Mak. "If the agent does make a mistake, it can be fixed without significant consequences."

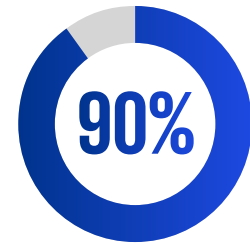
Businesses are having to make calculations about how much trust they want to give their AI systems, and these calculations are complicated by the speed at which AI technology is developing. "It's finding that balance between reliance on the technology and oversight," says Albarella. "The level of trust and how much human intervention you need is evolving, and there's a risk of inadvertent reliance."

Tech and telecoms executives rank the top three AI-related risks their organizations are most concerned about today.

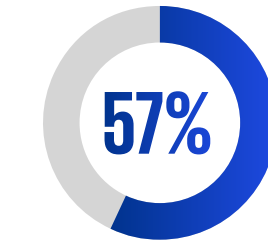


## AI ambitions will stall without horizontal integration

Tech and telecoms organizations are betting big on AI: 90 percent are prioritizing investing in AI in the next 12 months, compared with 79 percent of organizations from other sectors. And their AI investments are already returning value: 57 percent of executives say they're at the stage of AI implementation where they have strategic investment in core business capabilities and some AI use cases running across the organization that are returning business value, compared with 44 percent of executives from other sectors.



90% of tech and telecoms organizations are prioritizing investing in AI in the next 12 months



57% of executives say they're at the stage of AI implementation where they have strategic investment in core business capabilities

Although they're getting returns in isolated AI applications, tech and telecoms companies aren't taking a wide enough view of their AI investments, according to Rahul Mehta, the TMT US AI and Digital Transformation Leader at KPMG LLP: "One of the most common traps I see is organizations using AI to automate what they already run, rather than rethinking how work should be done in the first place."

Mehta argues that the true value of AI is in its ability to link historically siloed parts of the business. "AI offers a unique view horizontally across the organization," he says. "A CFO should be able to glean financial insights from what's coming down the pipeline from sales and marketing, and a sales and marketing leader should be able to look right into the financial impact on the bottom line."

A siloed approach to AI transformation makes it harder for businesses to scale AI projects. And only 25 percent of US tech and telecoms organizations say they're innovating and deploying AI use cases into production at scale, delivering ROI across multiple use cases. However, 83 percent do expect to be at this stage in 12 months.

According to Mak, jumping from successful pilot to scale requires organizations to reimagine existing processes. "Pilots are normally smaller scale with a specific use case, and to scale effectively you need to transform existing processes with AI as part of its core," he says. "If you treat it as an add-on to an existing process, you'll never be able to scale efficiently."

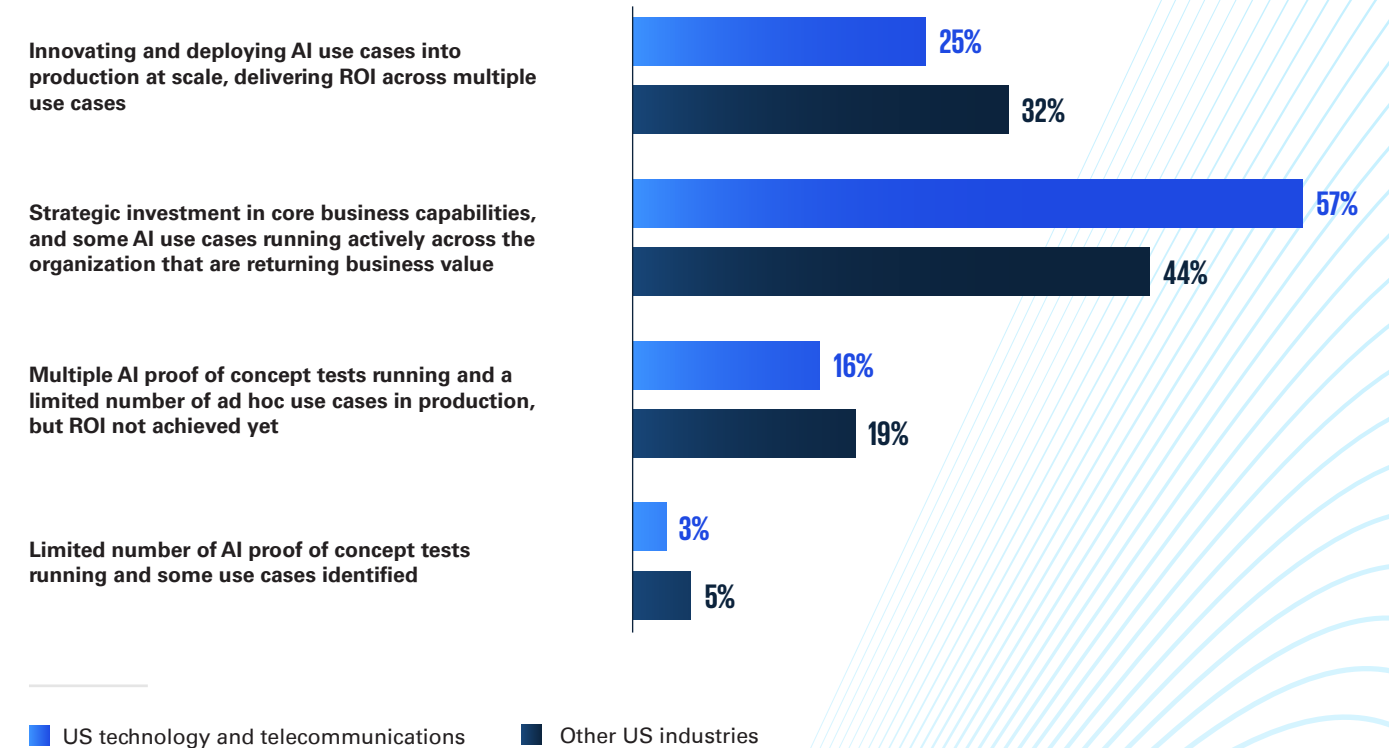


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**Cecil Mak**  
US Technology Sector Leader

## Tech and telecoms respondents indicate which of the following best describes their organization's current level of AI adoption.



One of the most common traps I see is organizations using AI to automate what they already run, rather than rethinking how work should be done in the first place."



**Rahul Mehta**  
TMT US AI and Digital Transformation Leader

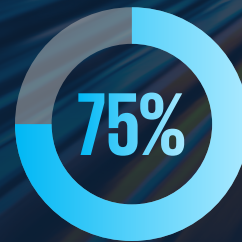
# The tech blueprint for tech and telecoms

## Partner to move faster

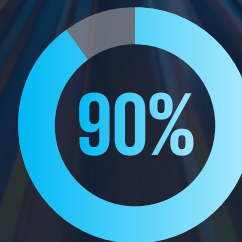
The pace at which AI is developing can make it difficult for companies to keep up, but partnerships can help. "This space is moving so fast," says Mehta. "But there are hidden pockets of knowledge in the venture capital community, in academia and in AI-native start-up communities that can provide unique perspectives many enterprises don't yet have."

Partnering with organizations that specialize in other parts of the tech ecosystem, such as data centers and semiconductors, can support tech transformations. For example, Nokia and Nvidia have announced a partnership whereby Nokia agrees to use Nvidia's AI technology to upgrade networks. The partnership gives Nokia the resources to build infrastructure needed for next-gen, AI-enabled networks, helping propel the company to the forefront of AI-native networks.

Tech and telecoms organizations seem to understand how useful partnerships can be: 75 percent of executives say they frequently collaborate with external partners in tech ecosystems, compared with 64 percent of executives on average in other sectors. And 90 percent say they plan to expand and strengthen their tech ecosystem and partnerships so they have the expertise they need.



75% of executives say they frequently collaborate with external partners in tech ecosystems



90% say they plan to expand and strengthen their tech ecosystem

## Govern to stay safe

But these organizations have governance challenges to resolve before they can benefit from collaboration. Their top barriers to greater collaboration on emerging technologies are an absence of internal governance or limited in-house expertise to drive strategic collaboration, intellectual property and data protection concerns, and security concerns.

"If you're opening up your ecosystem of partnerships, what net new risk are you introducing into your operations?" asks Mehta. "It comes back to finding an AI operating model that balances governance and innovation. How do you have an always-on risk monitor?"

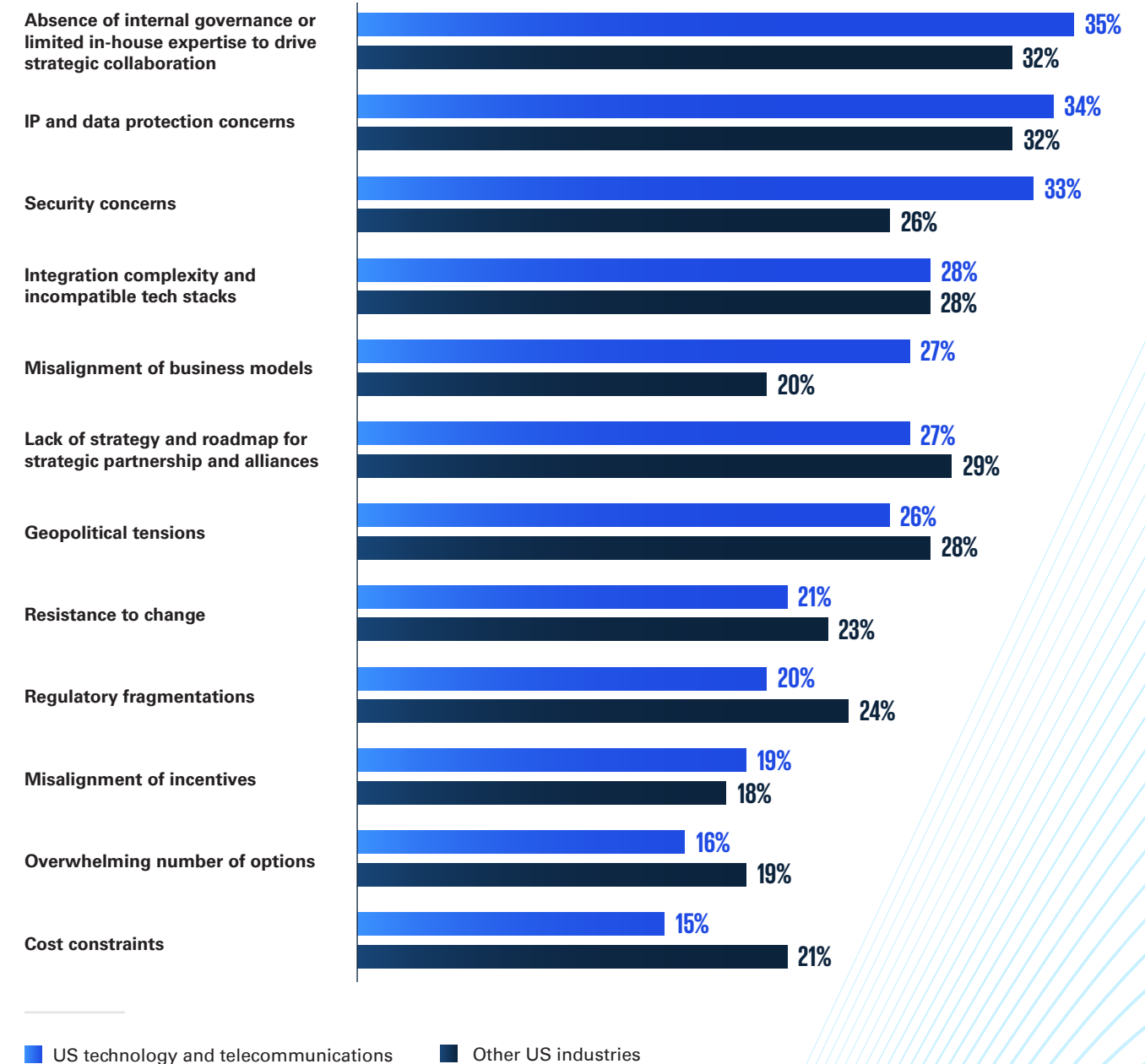


**It comes back to finding an AI operating model that balances governance and innovation. How do you have an always-on risk monitor?"**



**Rahul Mehta**  
TMT US AI and Digital Transformation Leader

## Tech and telecoms executives indicate the biggest barriers to greater collaboration between organizations on emerging technologies.



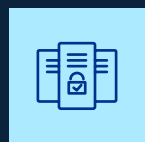
# Three moves for technology and telecommunications leaders in the next 12 months

Tech and telecoms organizations are investing heavily in technology transformation, and they're already seeing returns. But future gains will depend on thinking more radically about their operating models. That means moving from using AI to automate existing use cases to deploying it to gain a 360-degree view of their organization. To do this, they should focus on:



## Redesigning the AI operating model

Organizations will have to change their operating models to move beyond silos and connect the organization horizontally, instead of just automating existing use cases. Without this structural shift, they will continue to find AI difficult to scale.



## Tackling data architecture and tech debt before agentic AI exposes it

Cutting-edge technologies such as agentic AI and digital twins risk exposing structural weaknesses in data pipelines and legacy infrastructure. Organizations will have to make data architecture and tech debt a priority in the coming years by mapping data silos and rationalizing fragmented systems. Addressing data interoperability and discipline now will avoid risk and unlock innovation.



## Building governance muscle at the same as encouraging innovation

Governance has to keep up as organizations continue to invest in AI and pursue valuable partnerships to strengthen ecosystems. That means embedding cross-functional AI governance to gain continuous oversight, with clear guardrails for agentic AI. Stronger governance could also unlock innovation in higher-risk parts of the business, such as finance.

The next generation of digital leaders will be the companies that move fastest now to fix data foundations, reduce tech debt, and embed AI governance.

## How KPMG can help

From start-ups to Fortune 500 companies, technology and telecommunications companies worldwide aim to secure their market position through disruptive innovation. As new technologies are adopted around the world, the leaders are those who understand and address the complexity and business transformation impact of rolling out new products and services. KPMG can help.

Our technology and telecommunications sector professionals understand today's changing and challenging environment. Our network combines industry knowledge with technical experience to provide insights that help leaders transform and simplify their complex business models.

With a keen understanding of the changing marketplace, our professionals go beyond today's challenges to anticipate the potential long- and short-term consequences of shifting business, as well as financial and technology strategies. We also work with clients to explore potential obstacles to change and collaborate on critical decisions that can help deliver real value to their businesses.

To explore further insights, please visit the KPMG US technology, media, and telecommunications industry web page.

## Why KPMG?

According to [Source's Perceptions of Consulting in Technology, Media and Telecoms 2025 report](#), KPMG was ranked #1 by clients for overall quality of work in TMT, #1 for HR & change management in TMT, and #1 for financial management in TMT. This study surveyed 678 TMT executives, directors, and senior managers from diverse global organizations (83 percent with over \$500 million in revenue) to understand their perceptions of leading consulting firms, from initial awareness through direct client experience.



KPMG is also honored to be positioned as a Leader in the 2025 IDC MarketScape for Worldwide AI Services and receive the IDC 2024 Customer Satisfaction Award for Enterprise Intelligence Services.

This study assesses the strategies and capabilities of 20 vendors who have established themselves as trusted providers across the full lifecycle of AI services, with the ability to assist clients both to establish AI-fueled business plans and to transition to AI-ready technology operating models.

## Explore our AI services

Build an effective AI strategy to deploy AI and deliver value at scale. [Discover how](#) KPMG can help you build an effective AI adoption strategy with technology solutions that are designed to support your entire business transformation journey.

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