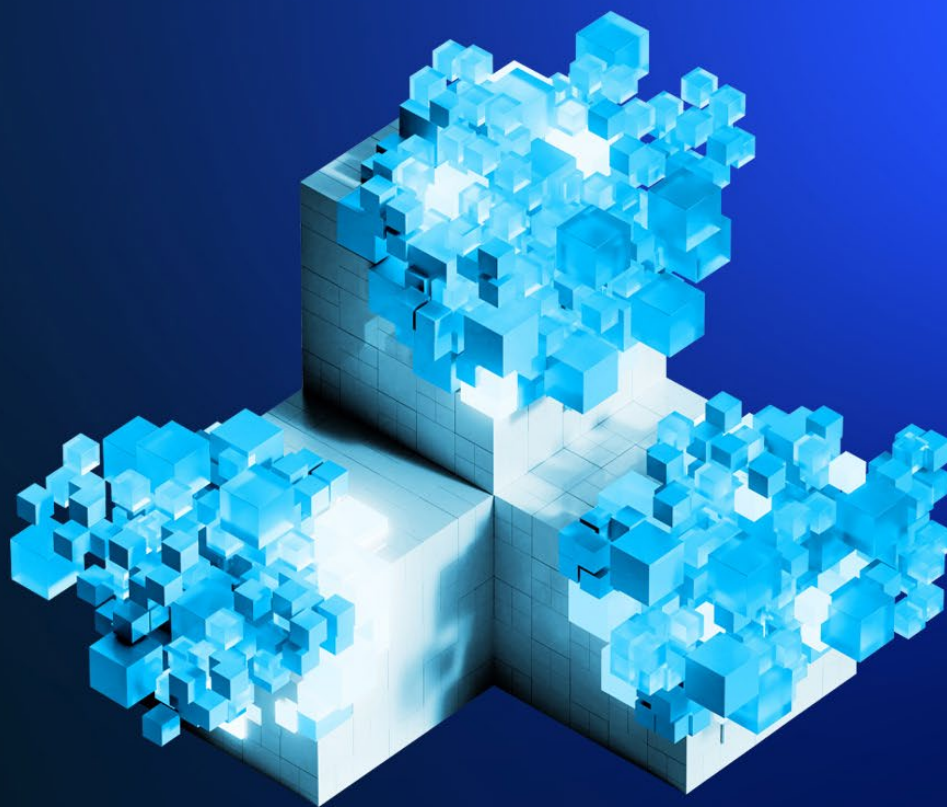# Investing in the future of tech: Lessons from winning companies

Survey results suggest that while the overall outlook for tech investments is strong, only a select few companies are investing in the foundations and people that can support future success.

by André Jerenz and Anusha Dhasarathy
with Anna Halawa and Pranav Himatsingka

As the suite of technology tools at companies' fingertips continues its exponential growth, so does the demand for technology's role in business. Tech transformations are not singular events but rather a constant reality of corporate life.[1] According to our latest McKinsey Global Survey of technology and business leaders,[2] most companies are investing in tech with future growth in mind, and they're seeing positive results from the transformation work they've already done.

At the same time, the results suggest that there's still a significant gap between the best tech transformations and the rest. We looked closely at the responses from financially successful organizations, which we refer to as "top performers."[3] According to respondents, these companies are further along than others in optimizing their technology organizations in the following ways, all of which can boost a tech transformation's likelihood of success:

— modernize architecture and platforms

— build a future-ready tech talent pool

— eliminate operating-model silos

— demonstrate clear business value from tech investments

Modernize architecture and platforms

To overcome the often slow delivery of IT solutions that stem from legacy architecture and platforms,[4] top performers are investing more than others in cutting-edge technology, including cloud.

We know from other research that the cloud opportunity for business is huge, though still largely untapped—and that cloud delivery correlates strongly with high profit margins. And, according to our survey, top performers know this as well: three-quarters of them say their companies are adopting cloud at scale (that is, a full or large-scale transformation in which all eligible workloads are migrated and/or refactored), compared with just one-third of all other respondents. This aligns with our findings from the previous survey, in which 61 percent of top performers—compared with half of other respondents—said they were investing in infrastructure, including cloud.

In fact, the results indicate that cloud is the most common advanced technology that businesses are using—though top performers are also more likely than their peers to report adoption of a range of other technologies, including AI and generative AI, Internet of Things, and edge computing, during implementation of their technology initiatives (Exhibit 1).

Tech transformations are not singular events but rather a constant reality of corporate life.

Exhibit 1

At top-performing companies, respondents report higher adoption of advanced technologies to support their tech transformations.

Advanced technologies and methods organizations have adopted at scale during transformations,[1] % of respondents

● Top performers[2] (n = 131)
● All other respondents (n = 359)

[1]Question was asked only of respondents who said their organizations have pursued at least 1 technology transformation initiative in the past 2 years. Those respondents who answered "other" or "don't know/not applicable" are not shown.
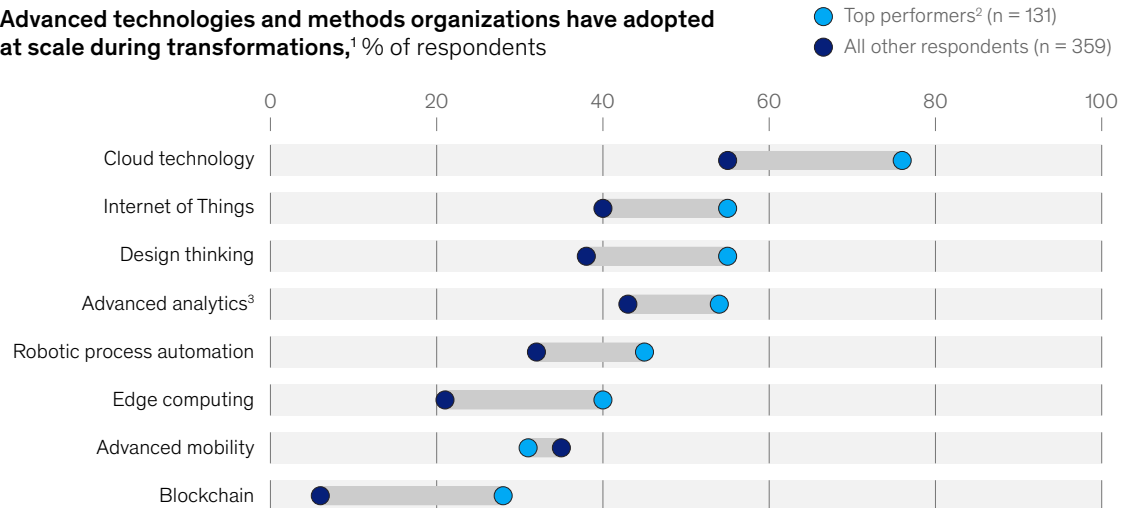[2]Top performers are organizations that, according to respondents, have seen an average growth rate of at least 10 percent in both revenue and EBIT over the past 3 years.
[3]Ie, AI- and machine-learning-based solutions, generative AI.
Source: McKinsey Global Survey on technology transformations, Sept 19–Oct 19, 2023 (n = 500)

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Companies tend to take a multicloud approach, regardless of their financial performance, and the overall investment appears to be paying off. Only 8 percent of all respondents say their companies have realized no business value from their cloud migrations. Respondents identify a range of benefits from cloud migration, all of which are cited more often by the top performers (Exhibit 2). Increased speed and agility tops the list, followed by growth in the business, including new capabilities, which top performers are nearly twice as likely than others to cite.

Relatedly, top performers tend to have strong FinOps capabilities: that is, financial-management capabilities that help with decisions about cloud consumption and cloud economics overall. While 52 percent of these respondents report strong

FinOps capabilities, such as dedicated full-time employees for FinOps, resource tagging, moderate visibility into cloud spending, and forecasting capabilities—compared with only 27 percent of other respondents who say the same—there's room to improve. Only 18 percent of top performers report expert FinOps capabilities, such as high visibility into cloud spending and dynamic forecasting.

Build a future-ready tech talent pool

Developing a future-ready talent pool, with the right skills to support the overall tech strategy, remains a formidable challenge for many companies. The top performers are tackling this issue head-on by investing significantly more than others in their people to ensure that their tech strategies and organizational cultures are in sync.

Exhibit 2

Respondents, and top performers in particular, cite a range of benefits from cloud migration.

Types of value realized from organizations' cloud migration,[1]
% of respondents

● Top performers[2] (n = 72)
● All other respondents (n = 174)
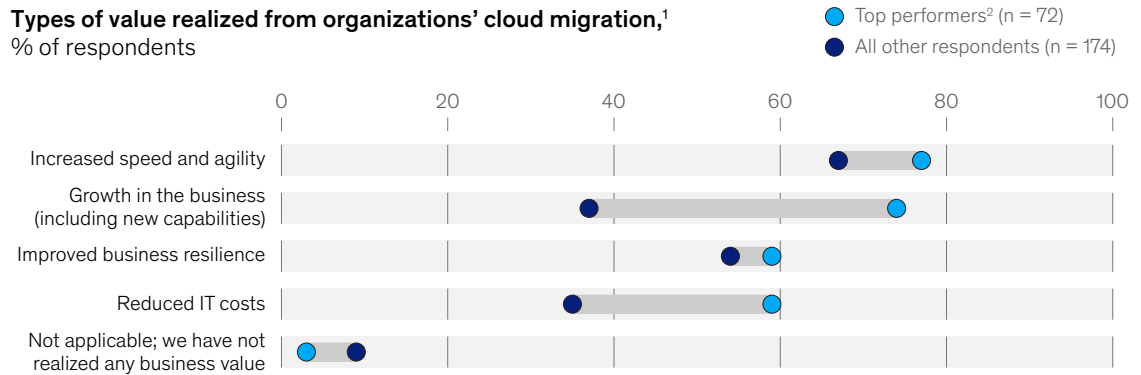
¹Question was asked only of respondents who said their organizations have initiated a strategy to migrate to the cloud. Those respondents who answered "don't know" or "not applicable; we have lost business value" are not shown.
²Top performers are organizations that, according to respondents, have seen an average growth rate of at least 10 percent in both revenue and EBIT over the past 3 years.
Source: McKinsey Global Survey on technology transformations, Sept 19–Oct 19, 2023 (n = 500)

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According to the survey, they are pursuing a higher number of talent strategies than the others are, most often focusing on reskilling, training, and development at scale (Exhibit 3). In the previous survey, only 28 percent of top performers (and 17 percent of all other respondents) said their organizations were very effective at training and development, which seems to reflect the top performers' efforts to improve on this critical dimension. What's more, the top performers are more likely than others to say their companies have transformed their talent, partnerships, and capabilities in the past two years—and more likely (50 percent, versus 37 percent) to say they will continue transforming their talent management in the years ahead.

Top performing companies invest significantly more than others in their people to ensure that their tech strategies and organizational cultures are in sync.

Exhibit 3

Top performers are making more effort than others to improve their tech talent strategies.

Strategies organizations are pursuing to improve technology talent, next 2 years,[1] % of respondents
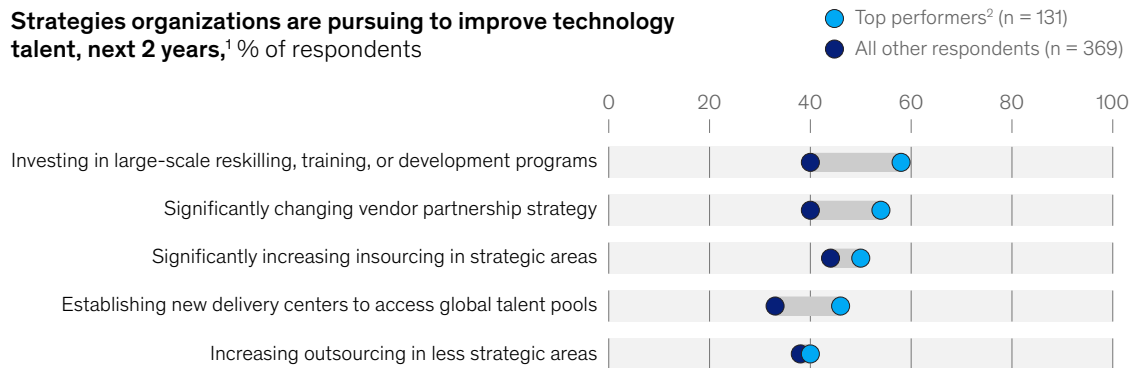
● Top performers[2] (n = 131)
● All other respondents (n = 369)

	0	20	40	60	80	100

Investing in large-scale reskilling, training, or development programs

Significantly changing vendor partnership strategy

Significantly increasing insourcing in strategic areas

Establishing new delivery centers to access global talent pools

Increasing outsourcing in less strategic areas

[1]Respondents who answered "don't know" or "not applicable; we have lost business value" are not shown.
[2]Top performers are organizations that, according to respondents, have seen an average growth rate of at least 10 percent in both revenue and EBIT over the past 3 years.
Source: McKinsey Global Survey on technology transformations, Sept 19–Oct 19, 2023 (n = 500)

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In terms of hiring needs, respondents at both the top performers and all other companies are most focused on cybersecurity roles, followed by roles in project and/or program management. The top-performing respondents report a greater focus on hiring for cloud roles: 28 percent say so, versus 19 percent of others. Since our previous survey, cloud expertise has also grown as a recruitment priority for top-performing companies.
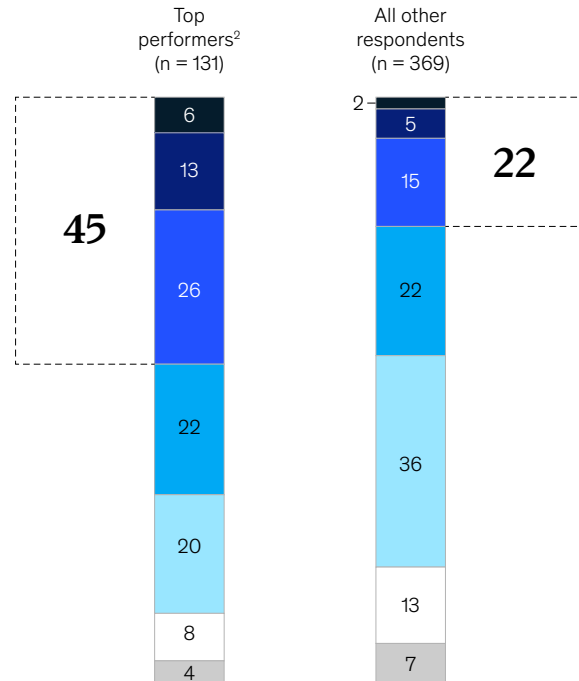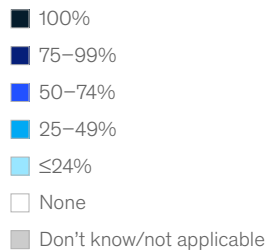
Eliminate operating-model silos

Compared with the previous survey, the top performers are even further ahead than their peers in their commitment to technology—and in the ways of working that best support it. Top-performer respondents are more than twice as likely as other respondents to say their engineering teams are organized in product- or platform-centric operating models (Exhibit 4). In addition to breaking down silos between tech and the business, these types of operating models create a range of business benefits, such as reducing time to market, reducing the costs of tech solutions, and enforcing greater accountability on the part of both business and tech (to meet objectives and key results, for example).

Exhibit 4

Top performers are twice as likely to say their engineering teams follow a product- or platform-based operating model.

Share of organizations'
engineering teams that
follow a product- or
platform-centric model,[1] %

- ■ 100%
- ■ 75–99%
- ■ 50–74%
- ■ 25–49%
- ■ ≤24%
- □ None
- ▨ Don't know/not applicable

Top
performers[2]
(n = 131)

All other
respondents
(n = 369)

45

	Top performers
	6
	13
	26
	22
	20
	8
	4

22

	All other respondents
	2
	5
	15
	22
	36
	13
	7

Note: Figures may not sum to 100%, because of rounding.
[1]Ie, teams and their work are cross-functional, persistent, led by product managers, and organized around a user-facing product or tech platform, rather than a project.
[2]Top performers are organizations that, according to respondents, have seen an average growth rate of at least 10 percent in both revenue and EBIT over the past 3 years.
Source: McKinsey Global Survey on technology transformations, Sept 19–Oct 19, 2023 (n = 500)

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Demonstrate clear business value from tech investments

According to the survey, the top performers are more effective than others at executing specific transformation initiatives (or "plays") and at realizing the business value they're seeking as a result.

For all but one of the eight plays we asked about (modernizing infrastructure), the top performers rate their technology organizations as more
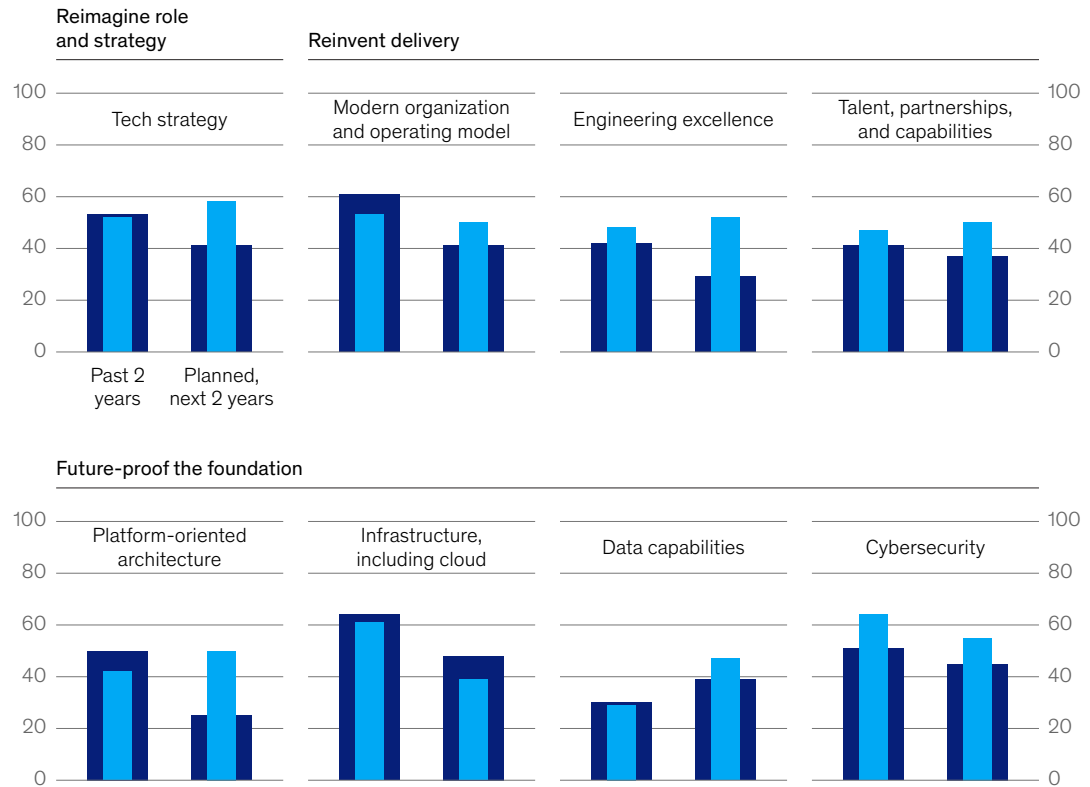
effective. What's more, they plan to invest further in nearly every play (Exhibit 5), including cybersecurity and talent, with the greatest focus on continuing to shape a technology-based business strategy. Again, the one exception is infrastructure modernization, likely because these companies have already been investing in this for several years. Last year, we found that most top performers had focused on future-proofing their foundation in the past two years.

Exhibit 5

Across eight tech transformation initiatives, or 'plays,' top performers invest more than other companies in pursuing nearly every one.

Tech transformation initiatives at respondents' organizations,[1] %

■ Top performers[2] (n = 131)
■ All other respondents (n = 369)

Reimagine role and strategy — Tech strategy: Past 2 years, Planned, next 2 years

Reinvent delivery — Modern organization and operating model; Engineering excellence; Talent, partnerships, and capabilities

Future-proof the foundation — Platform-oriented architecture; Infrastructure, including cloud; Data capabilities; Cybersecurity

[1]Respondents who answered "other" or "don't know/not applicable" are not shown. The 3 categories, or "vectors," of initiatives are based on McKinsey's Tech:*Forward* framework for successful technology transformations.
[2]Top performers are organizations that, according to respondents, have seen an average growth rate of at least 10 percent in both revenue and EBIT over the past 3 years.
Source: McKinsey Global Survey on technology transformations, Sept 19−Oct 19, 2023 (n = 500)

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As we found in our previous survey, the greatest impact top performers see from tech transformations continues to be new revenue streams and more revenue from existing streams (Exhibit 6). At the same time, other companies appear to have caught up in their ability to reduce business costs and improve employee experience through their technology investments.[5]

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[5] When asked about the impact that technology transformation initiatives have had on their organizations' ability to reduce costs and improve employee experience, the top-performer respondents cite similar effects as all other respondents. Sixty percent of top-performer respondents report a positive impact on reducing costs, compared with 63 percent of other respondents; 69 percent of top-performer respondents report a positive impact on improving employee experience, compared with 72 percent of other respondents.
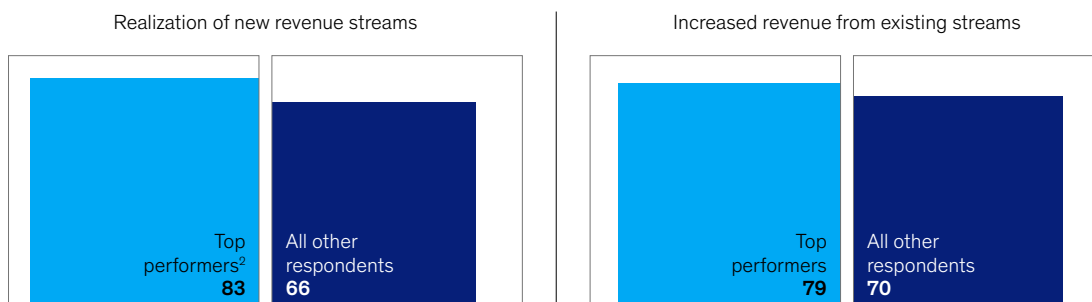
Exhibit 6

For top performers, tech transformations continue to have greater impact on their revenue.

Share of respondents reporting positive impact from tech transformation initiatives, by measure,[1] %

Realization of new revenue streams

Increased revenue from existing streams

| Top performers[2] **83** | All other respondents **66** | | Top performers **79** | All other respondents **70** |

[1]Respondents who answered "don't know/not applicable" are not shown. Includes both "some positive impact" and "significant positive impact" responses.
[2]Top performers are organizations that, according to respondents, have seen an average growth rate of at least 10 percent in both revenue and EBIT over the past 3 years (n = 131). All other respondents, n = 369.
Source: McKinsey Global Survey on technology transformations, Sept 19–Oct 19, 2023 (n = 500)

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Tech transformations have become an ongoing feature of today's business environment, and it's critical that organizations understand how best to invest in and use that tech to enable their most important business goals. To ensure success, companies should follow the top performers' lead and focus on eliminating operating-model silos, modernizing their architecture, aligning tech strategy and organizational culture, and demonstrating business value—all of which are vital to transformation success.

The future of tech is bright: its role in business is increasingly critical, and the habits of top performers have helped them overcome some significant challenges to realizing value from tech transformations. With much more innovation to come and many more benefits to reap, it's time for all companies to place their tech bets for the future, especially on cloud and talent management.

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