

Growth reimagined

Technology industry summary

*Key industry findings from
14th Annual Global
CEO Survey*



Technology industry summary

The global economy is still recovering from the worst economic crisis in 75 years, as many countries grapple with the aftermath of the recession. So we set out to uncover how chief executive officers (CEOs) are approaching growth during a time when sustainable economic growth is far from certain. We surveyed 1,201 business leaders in 69 countries around the globe in the last quarter of 2010, and conducted further in-depth interviews with 31 CEOs.

We also identified three strategic focal points to achieve that growth: innovation, talent and a shared agenda with government. These three business imperatives have always had their place on the CEO agenda. But now, with the worst fears of the crisis behind them and an emerging recovery ahead, CEOs are adopting new attitudes and approaches, tailored to deal with the issues of the global recovery that they hope is underway.

The PwC 14th Annual Global CEO Survey documents a high level of confidence in this environment; chief executives are nearly as confident of growth this coming year as they were in the boom years before the crisis. The survey also revealed where CEOs see growth coming from in 2011, and how they are going to achieve it. In 'Growth reimagined: Prospects in emerging markets', we show how CEO confidence is being driven by targeted investments in particular emerging markets—often far from home.

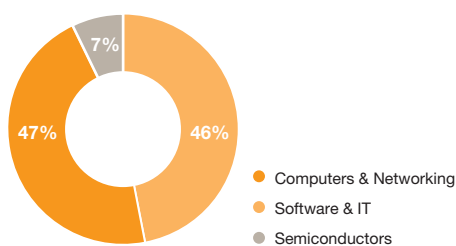
The following pages are a summary of the findings in the technology sector. To explore the full results from the 14th Annual Global CEO Survey, please visit www.pwc.com/ceosurvey.

Sector demographics

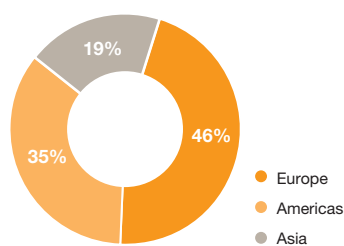
In the technology sector, PwC surveyed 59 CEOs from 20 countries. Revenues ranged from less than US\$2 million to more than US\$10 billion. See the charts below for further details.

Chart 1: Sector demographics

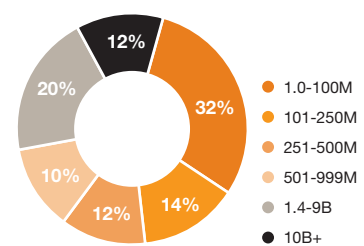
Subsectors



Geography



Revenue



The new growth picture emerges

Having spent the last two years cutting costs and making their companies as efficient as possible, technology CEOs are now optimistic about the business outlook. A full 91% are either ‘somewhat’ or ‘very’ confident of being able to generate higher revenues over the next 12 months—and that figure increases to 93% when looking at the next three years.

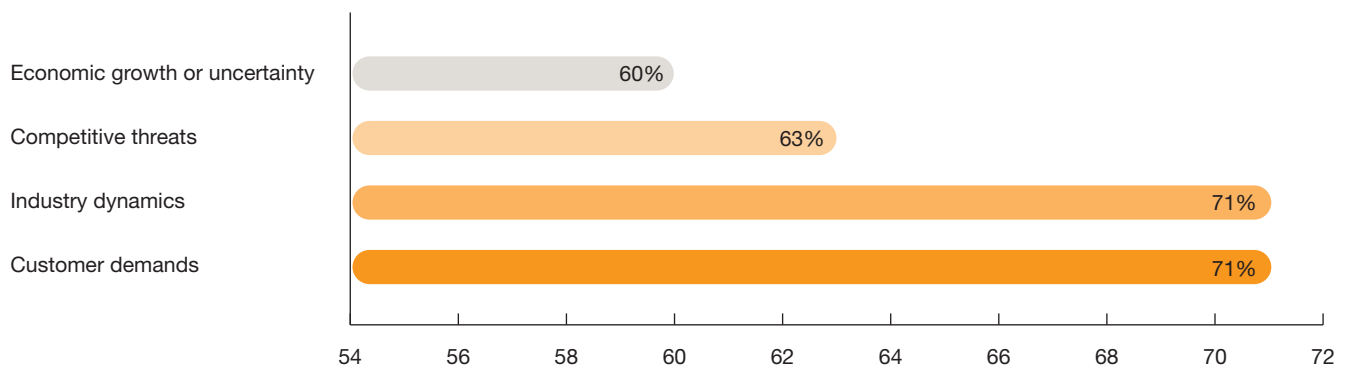
Many technology CEOs have already prepared the ground with significant strategic changes. Seventy-one percent told us that they’d altered course over the

past two years, primarily in response to new industry dynamics and shifts in demand (see Figure 1).

Their responses reflect three overarching trends currently affecting every area of the technology industry: the explosion in popularity of mobile devices such as smartphones and tablets; the ‘consumerisation’ of technology; and the adoption of cloud computing. These trends, in combination with the increasing importance of emerging markets, are disrupting everything from business models to talent strategies—and simultaneously creating huge opportunities and challenges.

Figure 1: Why technology CEOs have changed their strategies

Q: Of the following factors that may be changing in your business, which have significantly influenced your need to change your strategy?



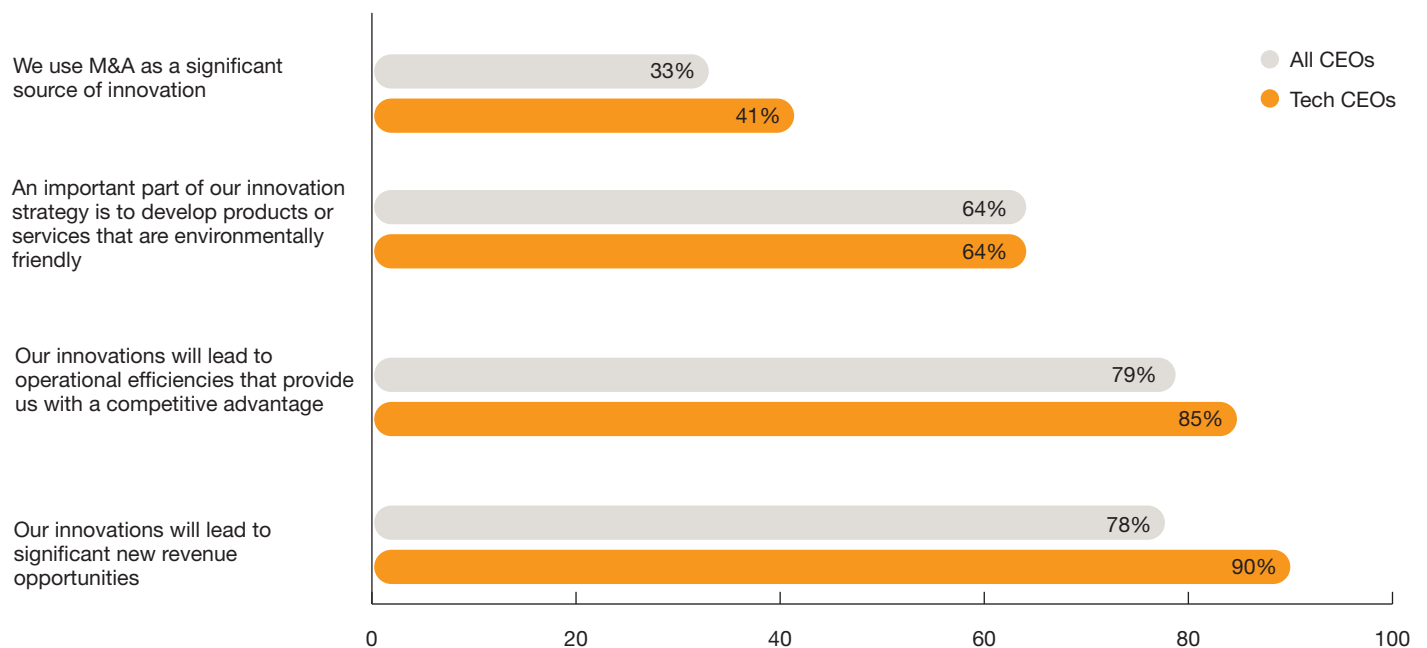
Base: All respondents who stated ‘changed in fundamental ways’ or ‘somewhat changed’ (52 of 59 respondents).
Source: PwC 14th Annual Global CEO Survey

Opportunities for innovation

Most technology CEOs are looking to innovation as the primary driver for growth. Ninety percent of those we surveyed believe innovation will open up new revenue streams (see Figure 2), and 34% see the development of new products or services as their biggest opportunity for growth over the next 12 months.

Figure 2: Technology CEOs are pinning their hopes for growth on innovation

Q: To what extent do you agree or disagree with the following statements about your expectations regarding your company's innovation over the next 3 years?



Base: Respondents who stated 'agree' or 'agree strongly' (59 of 59 respondents).

Source: PwC 14th Annual Global CEO Survey

Mobile computing

The surge in demand for smartphones and tablets offers one such opportunity for innovation. In the semiconductor industry, for example, it's boosting the need for cost-effective wireless combination chips that also provide the power management, bandwidth and data transfer process speeds needed for video

streaming, fast data downloads and continuous connectivity. In the software sector, it's opening up a whole new world of mobile applications and encouraging the shift to the Software-as-a-Service (SaaS) model. And in the hardware sector, tablets are rapidly eclipsing PCs, with 'app' stores and elegant user interfaces driving revenues.

Consumerisation

The ‘consumerisation’ of the technology industry offers other opportunities for innovating and generating new revenues. The industry has traditionally developed different products and services for each of its three customer bases: companies, governments and consumers. Businesses and governments demand security and standardisation, while consumers look for convenience, innovation and ease of use. But many companies are now responding to increasingly tech-savvy workers who want to access the same device and apps at work that they use in their personal lives.

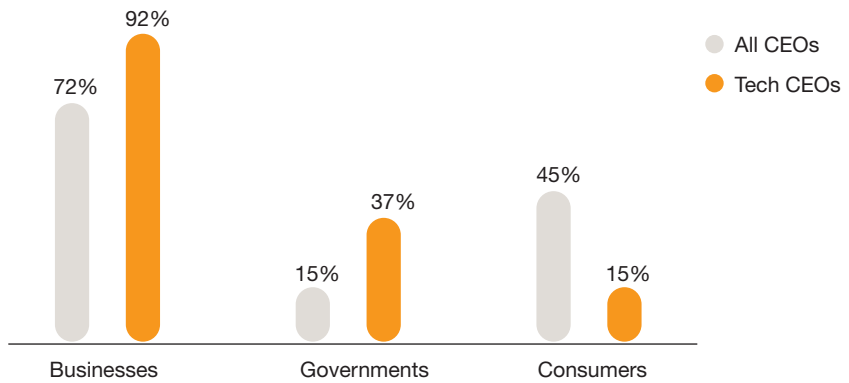
While on the surface, supporting personal devices in the enterprise environment may seem like nothing more than a strategy to retain employees—an important objective given today’s scarcity of key talent—looking deeper it provides companies with an innovative way to increase productivity among their workforce. Today’s ‘digital native’ employees rely on personalised access to a cloud of relevant information accessed through their handhelds to innovate, collaborate and produce and companies who provide this access are benefitting. Tech companies, in turn, are seeing growth opportunities in everything from the need for enhanced data security, more sophisticated networking, and the explosion of mobile devices and applications.

Cloud computing

Yet another area that’s likely to grow very fast is cloud computing. The main reason why companies in all industries invest in IT is to cut costs and become more

Figure 3: Technology customer segmentation

Q: For each of the following groups of end-customers, do they directly represent more than 33% of your revenues today?



Base: Respondents who stated ‘yes’ (1,201 for all CEOs; 59 for Tech CEOs).

Source: PwC 14th Annual Global CEO Survey

efficient (see Figure 4). Cloud computing does this by allowing companies to scale IT activities up or down without investing in expanded data centres by relying on shared resources outside their IT infrastructure. But given their response to the question about IT investments no longer being necessary, almost none of the CEOs we spoke to expect cloud or SaaS to replace the need to invest in IT. Rather than replacing internal IT, SaaS will be integrated into their overall IT strategy. Cloud is certainly causing a great deal of disruptive change, and it is this very change that is presenting new revenue opportunities and driving innovation for tech companies.

A second key reason for investing in IT is the desire to capitalise on the increasing importance of mobile devices and social networking. The business dialog is now digital, supported by mobile devices providing anytime/anywhere capabilities

for both voice and data. Savvy companies across all industries are utilising social networks as a marketing medium, an intelligence-gathering medium and as an internal collaboration enabler. Whether it’s a Facebook page, a blog or tweets, digital media outlets provide an immense opportunity for unprecedented dialog between companies and their various stakeholders. Companies have access to a wealth of information about their customers while customers have the opportunity to influence and or customise product design and service offerings.

For tech companies, this explosion in digital communication provides a number of opportunities for growth and innovation. Take Apple as an example. By allowing customers to design apps for their products they’ve increased the level of innovation for their products without hiring a single employee. The disruption

Figure 4: IT investment goals

Q: To what extent do you agree or disagree with the following statements about capital investments in strategic IT that your company is making over the next three years?

| | All CEOs | Tech CEOs |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|
| Our IT investments are made primarily to reduce costs and become more efficient operationally | 69% | 66% |
| Our IT investments are made primarily to support growth initiatives and leverage emerging innovations, such as mobile devices and social media | 54% | 54% |
| Our IT investments are frequently the focus of boardroom discussions | 39% | 42% |
| Our IT investments are no longer necessary now that innovative software is available as a service on the Internet | 10% | 2% |

Base: All respondents who stated ‘agree’ or ‘agree strongly’ (1,201 for all CEOs; 59 for Tech CEOs).

Source: PwC 14th Annual Global CEO Survey

'We view innovation as being driven by four mega-developments. The first, of course, has to do with ongoing technological improvements and breakthroughs. The second is the rise of the emerging economies, which will bring entire populations onto digital networks. The third is the new way that digital services are consumed, as exemplified by the preferences of Generation Y. And the fourth is the re-pricing that will be necessary to make digital services ubiquitous around the globe. So you see, innovation is not just technology-led.'

Vineet Nayar
Vice Chairman and CEO, HCL Technologies, India

in existing sales, marketing and customer service models brought on by this new communication method will require innovations in hardware, software and network connectivity.

Targeting emerging markets

Technology CEOs also have their eyes firmly fixed on emerging markets—where demand is soaring, thanks to double-digit economic growth and huge consumer populations with increasing disposable incomes. They're particularly interested in China and India, both for the purposes of growth and as future sourcing locations. Hence the fact that 88% expect their key operations in Asia to grow, and that 36% are looking for acquisition targets in the region.

But technology CEOs aren't ruling out developed markets. Indeed, the US comes second on the list of countries they regard as most important to their companies' future growth and sourcing requirements. Eighty-one percent therefore anticipate expanding their operations in North America.

Bridging global skills gaps

While technology CEOs see a great deal of opportunity for growth over the next few years, they also recognise the existence of threats. Some are uncertain about whether the global economy has really recovered, for example. They're worried about the prospect of tax increases in countries with high public-sector deficits and the competition from new market entrants, too.

However, one of their biggest concerns—as it is for their counterparts in other industries—is the availability of talent. Eighty-four percent of the technology CEOs participating in our survey plan to maintain or increase their companies' headcount over the next 12 months. But 66% report that there's a limited supply of candidates with the right skills, and 64% see the shortage of talent as the most serious threat to their companies' growth. They point, among other things, to challenges in recruiting and integrating younger employees and poaching by competitors.

Some technology CEOs hope to address the lack of talent in key markets via international assignments: 59% say they plan to deploy more staff globally over the next 12 months, but 51% anticipate problems—recognising that experienced employees may be reluctant to relocate to other countries, especially countries with very different cultures. Clearly, this could impede some CEOs' plans to expand in emerging markets.

Conclusion

Overall, technology CEOs feel confident that their companies and their industry are well positioned to grow in the next few years. New technologies supporting the advancement of mobile devices, social networking and cloud computing are providing a wealth of opportunities to grow revenues through innovation, collaboration and M&As. Many technology companies will also continue to expand globally, particularly in increasingly influential and rapidly expanding markets that offer new revenues as well as suppliers and talent.

About our technology industry practice

PwC works with technology companies around the world to help them fulfill the promise of their great ideas. Whether it's driving innovation to meet the growing consumer opportunity of the global markets, or adopting new 'digital' business models, our strong relationships and track record of delivering value have made us the trusted adviser or auditor to the majority of the Global Fortune 500 and Global Financial Times 500 technology companies.

There is an ever-present state of change and evolution in each of the technology sectors which today is impacting everything from the structure of their business models to the delivery of products and services to customers.

Given our significant client base and considerable resources, our technology professionals work from an exceptional base of experience. We're in touch with your industry—and ready to work with you.

For more information on how PwC's technology industry practice can help your company, or to get in touch with a technology industry partner in your area, please visit us at www.pwc.com/technology or contact one of the professionals listed below.

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