

News Release

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Heightened Competition and Race for Talent Seen as Top Potential Risks For Technology Companies, PricewaterhouseCoopers Finds

First in PwC's "Technology Executive Connections" series finds that flexible strategies, business models and cultures are keys to managing changing industry dynamics

Brussels, 8 November 2005 – Technology company executives around the world say that intense competition from both established companies and new ventures, and the fierce battle for talent are the most significant challenges facing their businesses, according to a study from PricewaterhouseCoopers. And though the pace of change in the tech industry has moderated, executives say they must remain flexible in their strategies, business models and cultures in order to keep pace and prosper.

Technology executives also believe convergence to digital services and economic expansion in China, India and Europe will have the biggest impact in their businesses in the next 10 years, the study found.

PricewaterhouseCoopers' "Embracing Change in the Technology Industries" is the first in a series of studies entitled "Technology Executive Connections." This first study included a survey of 126 technology executives in 34 countries. PwC found that:

- To profit from change, technology companies must manage rapidly evolving risks by using flexible strategies, business models and cultures.
- The frantic pace of change in the technology industry during the 1990s has slowed. Executives are now more confident in their company's ability to keep pace, evolve and thrive.
- Developing partnerships and alliances are crucial for technology companies to gain access to new technologies and ideas.
- Attention to customers' needs remains the predominant force for change in technology companies

"The near-constant change in products and markets, and the combat for the best talent are abiding challenges for technology companies. Technology executives say their companies are becoming more adaptable and better able to assess and manage risks and opportunities," said William Cobourn Jr., PricewaterhouseCoopers' Global Technology Leader. "Flexibility is essential if technology companies want to remain successful."

According to the survey, competition from well-established companies, cited by 48% of respondents, is the top potential risk they face, followed by attracting employees and expertise, 42%, and emergence of new start-up competitors, 31%.

“The Technology industry is probably better adapted to change than any other. However, our survey highlights that executives are still facing new challenges: to drive change which responds to customer needs; to build new partnerships and alliances to meet the risks of increasing complexity; and to find the best people to help them,” said Daniel Evrard, Partner, PricewaterhouseCoopers.

The survey also found that executives believe the pace of change in the technology industry is slowing. While 82% described the changes of the past 10 years as profound, just 71% anticipate the same level of change in the next decade. When asked what will have the greatest positive impact on technology companies in the next 10 years, respondents listed convergence to digital services (75%) and economic expansion in Europe (64%), China (63%) and India (62%). Surprisingly, negative issues and trends like global terrorism, rising energy prices and cyber terrorism seem to weigh lightly on technology executive’s minds.

The survey also highlighted the importance of technology partnerships and joint ventures. Executives rated such collaborative efforts the second most-valued strategy, trailing only customer interaction. As a result of the high cost of integration and development, most technology companies are involved in constantly shifting alliances. This is important as high-tech partners help one another identify new technologies and customers. Seventy percent of executives believe that a small or start-up technology competitor is more likely than a larger, established company to create a breakthrough product or business model.

When asked which events or trends of the coming decade will be regarded in 100 years as the most important, most executives chose: the growth of the internet, the emergence of China and rise of information-driven consumer power.

The Technology Executive Connections series was developed in partnership with the Economist Intelligence Unit and was completed in May 2005. Almost half of the companies that participated had annual revenues of more than \$1billion. The “Embracing Change” edition is the first of six that will issued over the next 18 months. More information about the study is available at (www.pwc.com/techconnect).

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Notes to Editor

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