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Tech CEOs Optimistic about 2014 Revenue Growth, Hiring Plans as Recovery Takes Shape

Chief executives of leading global technology companies are confident they'll see increased revenue this year, prompting a rise in expansion and hiring despite lingering concerns about global growth caused by a slowdown in emerging markets, a PwC survey shows.

'Technology has moved from the back office to the corner office' as 90% of technology CEOs surveyed by PwC said they are 'bullish' of revenue growth over the next 12 months, and this growing optimism extends three years out, to 2017. That's one of the key findings about the technology industry from PwC's 17th Annual Global CEO Survey.

Vilaiporn Taweelappontong, Partner at PwC Consulting (Thailand) Ltd., said that top executives in the technology sector are encouraged by a brighter economic outlook in both the United States and Europe, signalling a rise in expansion and hiring despite the challenges of cyber threats, and the ability to innovate new products and services is seen as critical to driving growth.

“As the global economy slowly recovers, technology CEOs are becoming more upbeat in assessing their revenue growth prospects than they were last year,” Vilaiporn said.

“Confidence—in established markets in particular—is rebounding, with the US moving ahead of the BRICs and other emerging markets, where credit conditions are becoming increasingly tighter and foreign capital less abundant.”

After years of economic rout and a grim outlook, the U.S. is now benefiting from steady consumer and business spending, fuelled by a housing rebound, rising stock prices, and a greater willingness by banks to lend. Europe’s economy is also picking up as government spending cuts and tax increases ease, she explained.

According to the PwC survey, which includes responses from 117 technology CEOs in 42 countries, 93% of them believe that the world economic recovery, though likely to see a bumpy ride, will be sustained or improved over the next 12 months, up from 74% last year. Only 7% forecast that the global economy will decline—sharply down from 23% in 2013.

This buoyant outlook is also reflected in the fact that more than half (62%) plan to take on more staff over the coming year.

“But despite a high degree of optimism about the prospects, the limited availability of key skills, intellectual property protection and mounting cyber threats still pose the greatest challenges to their prospects, not to mention their concerns over a slowdown in emerging markets,” Vilaiporn added.

Emerging markets are facing headwinds going into 2014 as investors shift funds to advanced economies as political unrest, mounting concerns about the debt situation in China’s shadow banking system and the withdrawal of U.S. monetary stimulus cause a pullback across all risk assets, according to Vilaiporn.

“Although many emerging markets are expected to grow more slowly this year, we don’t expect widespread contagion,” said Vilaiporn, adding that high-growth markets other than the BRICs—including South Africa, Mexico and Indonesia—offer the best prospects for growth in the next three to five years.

When technology CEOs were asked which regions they targeted for M&A, joint ventures or strategic alliances this year, many returned to developed regions, with 31% among them picking North America, followed by Western Europe (29%), and East Asia (18%).

According to the respondents, the best strategic growth opportunity to help stay viable and competitive over the next 12 months will come from focusing more heavily on the development of new products and services (47%), an increased share of existing markets (26%) and expansion in new geographic markets (11%).

Tech Talent Shortage

Ninety percent of technology CEOs said technological advancements are going to transform their businesses over the next five years.

Many established and rapidly growing companies around the world, including in Thailand, are taking advantage of social, mobile, analytics and cloud (SMAC), among other transformative technologies that businesses plan to invest in, Vilaiporn said.

"Industry leaders see technology, including the digital economy, social media, mobile devices, big data and other developments, as being likely to transform their businesses over the next five years.

"They're coming to realise that no matter what their industry, they must now think like technology companies: how they can meet changing client expectations and reimagine how to deliver a product or service in a new way, at a new price point, or in a new market," Vilaiporn said.

Thailand was ranked in eighth place among PwC's top ten most attractive destinations for overall growth prospects this year, according to its 17th Annual Global CEO Survey, and demand for digital transformation and IT spending, driven by the private sector—i.e. banking, financial services and IT companies—would remain intact despite the short-term risks, including the latest round in Bangkok's political unrest of recent months, she said.

"Nevertheless, the shortage of skilled professionals remains a major challenge in Thailand when it comes to the IT industry. The primary cause isn't a shortage of graduates, but rather a skill mismatch in terms of relevant technical qualifications and communication skills," Vilaiporn said.

According to a PwC Survey, the number of networked devices is expected to reach 50 billion by 2020 from a figure of 12.5 billion expected in 2015. The global population would also increase to 7.6 billion by 2020 from an expected 7.2 billion by the end of next year.

"What this means is that by 2020 there will be nearly seven times more connected devices than people in the world. So clearly, the greatest business threat of all here is the limited availability of key skills," Vilaiporn said, adding that 68% of CEOs say they're still struggling with finding and attracting the right talents.

They're also concerned about their inability to protect intellectual property (57%) and cyber threats including lack of data security (56%).

In conclusion, 55% of technology CEOs thought a 'top priority' of government should be to create a more internationally competitive and efficient tax system, followed by ensuring financial sector stability (52%) and developing an innovation ecosystem that supports growth (50%).