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Fit for the future 17th Annual Global CEO Survey

Key findings in the technology industry

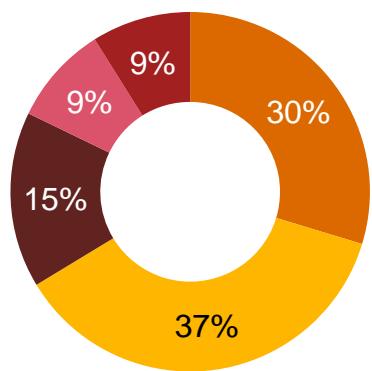
February 2014



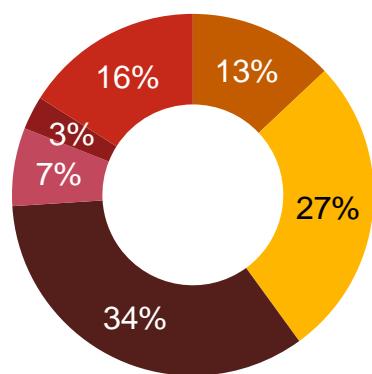
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Technology sector sample demographics

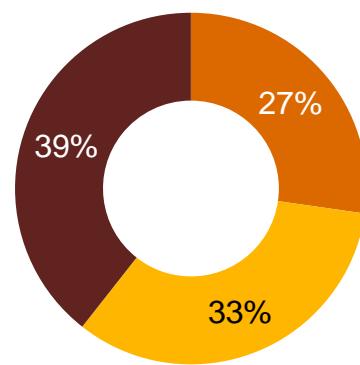
Revenue



Subsector



Geography



- \$0 to \$100M
- \$101 to \$999M
- \$1 to \$10B
- Over \$10B
- Not stated

- Computers & Networking
- Electronics Manufacturing/Distributors
- Software/Information Technology
- Semiconductor
- Internet
- Other

- Americas
- Europe
- Africa, Asia, Middle East, Australia

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Sector snapshot

Sector snapshot

Technology CEOs are more optimistic and confident in this year's CEO Survey, but they have some challenges as well, including improving their ability to innovate and dealing with cyber threats. They're focused on changes in R&D and innovation, but customer growth and retention as well as talent strategies remain priorities too.

Sector snapshot

Confidence is on the rise

Technology CEOs are more optimistic about the global economy compared to last year. And they are more optimistic compared to their peers. 90% of technology CEOs are bullish when it comes to revenue growth in the next year and their optimism extends three years out to 2017.

When it comes to growth, confidence in established markets has rebounded.

However looking three to five years out, they view Mexico and Indonesia as important growth markets beyond the BRICs.

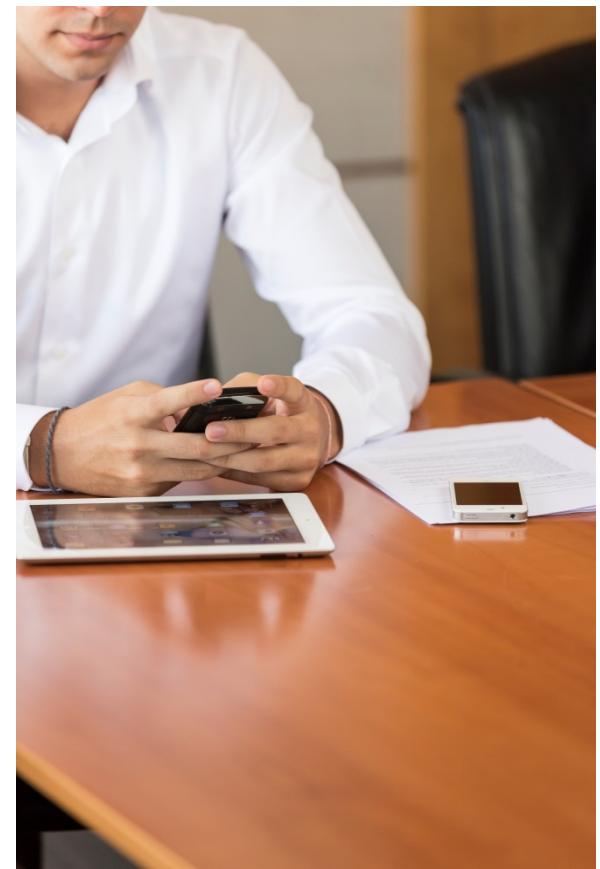
Hiring is expected to increase.

62% of technology CEOs plan to increase hiring compared to 50% of the total sample.

93% of technology CEOs believe the economy will stay the same or improve

Technological advances accelerate business transformation.

90% of technology CEOs agree that technological advances continue to be the principal catalyst driving business change. In their organisations, customer growth and retention, talent, and innovation remain the top areas they target for change.



Sector snapshot

Strategic alliances and cross-border M&A receive renewed interest.

48% of CEOs entered into a new strategic alliance, up from 32% last year, and 28% were involved in cross-border M&A compared to 18% in 2012. Of note is they are broadening their focus beyond North America and Europe, placing increased emphasis on East and South Asia.

Concerned about the speed of technological change

60%

Technology CEOs are dissatisfied with their company's speed of change.

60% of technology CEOs are concerned about the speed of technological change. They view innovation as the key to addressing this challenge so place major emphasis on improving innovation in their organisation. But whilst they have plans, just one third have started or completed programmes to make their companies more innovative.

Competitive and efficient international tax policy is top of mind.

More than half of CEOs (55%) agree it's the most important thing governments can do to support tech companies.

View cyber threats as growth threat

56%

Cyber threats rise to one of the top five business threats.

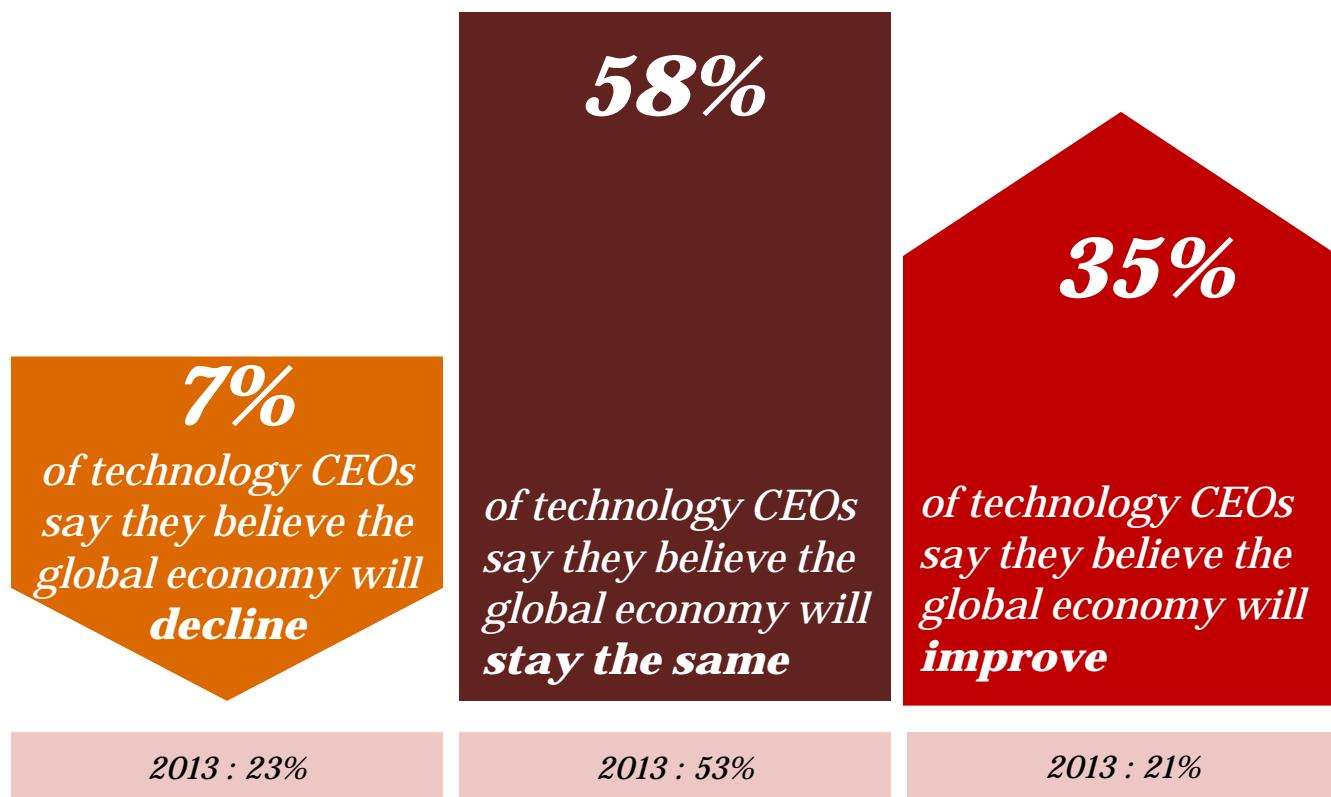
Over half of those surveyed (56%) view cyber threats as a significant growth risk. Availability of key skills and intellectual property protection also remain in the top five (68% and 57% respectively). Compared to previous years, more CEOs are worried about government protectionist tendencies and exchange rate volatility (55% and 67% respectively).

Confidence is on the rise

93%

of technology CEOs believe that the global economy will stay the same or improve in the next year.
(2013: 74%)

Technology CEOs are much more optimistic about the global economy this year...



Q: How confident are you about the global economy in the next 12 months?

Base: All respondents 2014 (Total Sample, 1,344, Technology, 117) 2013 (Total sample, 1,330; Technology, 154),

Source: PwC 17th Annual Global CEO Survey 2014, PwC 16th Annual Global CEO Survey 2013

17th Annual Global CEO Survey – Key findings in the technology industry

PwC

February 2014

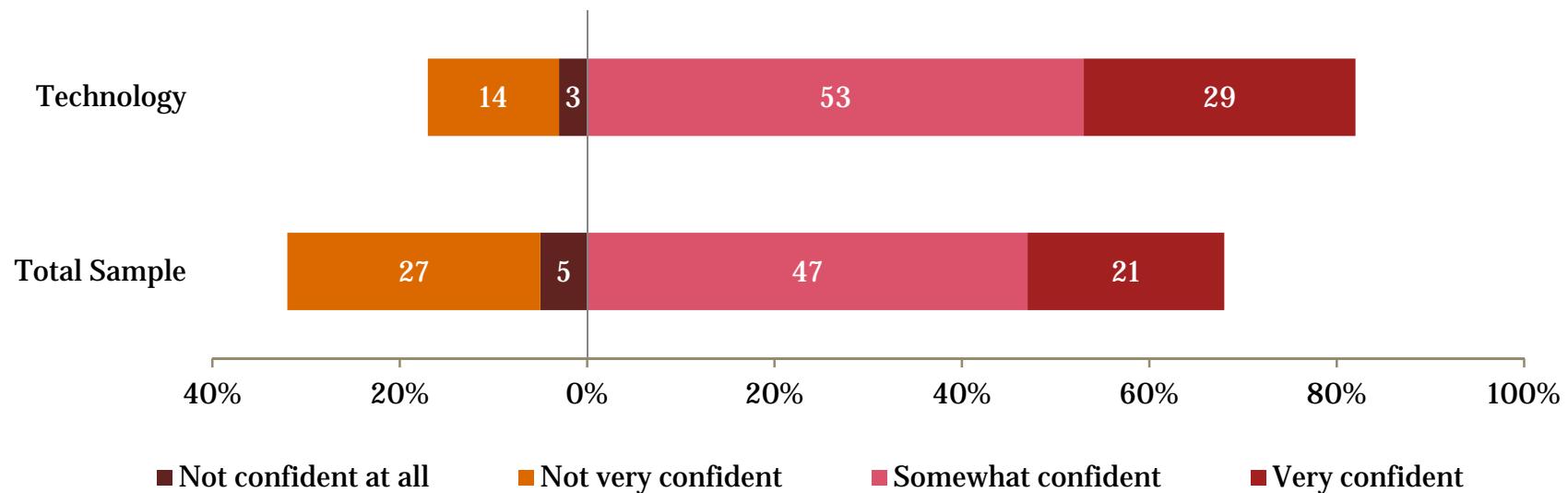
...but they remain watchful about the potential risk of slowdown in both developed and high-growth economies



They are also more confident about the technology industry's growth than their peers in other industries

Over the next 12 months, 82% of technology CEOs say they are somewhat or very confident compared to 68% of the total sample.

Q: How confident are you about your industry's prospects for revenue growth over the next 12 months?



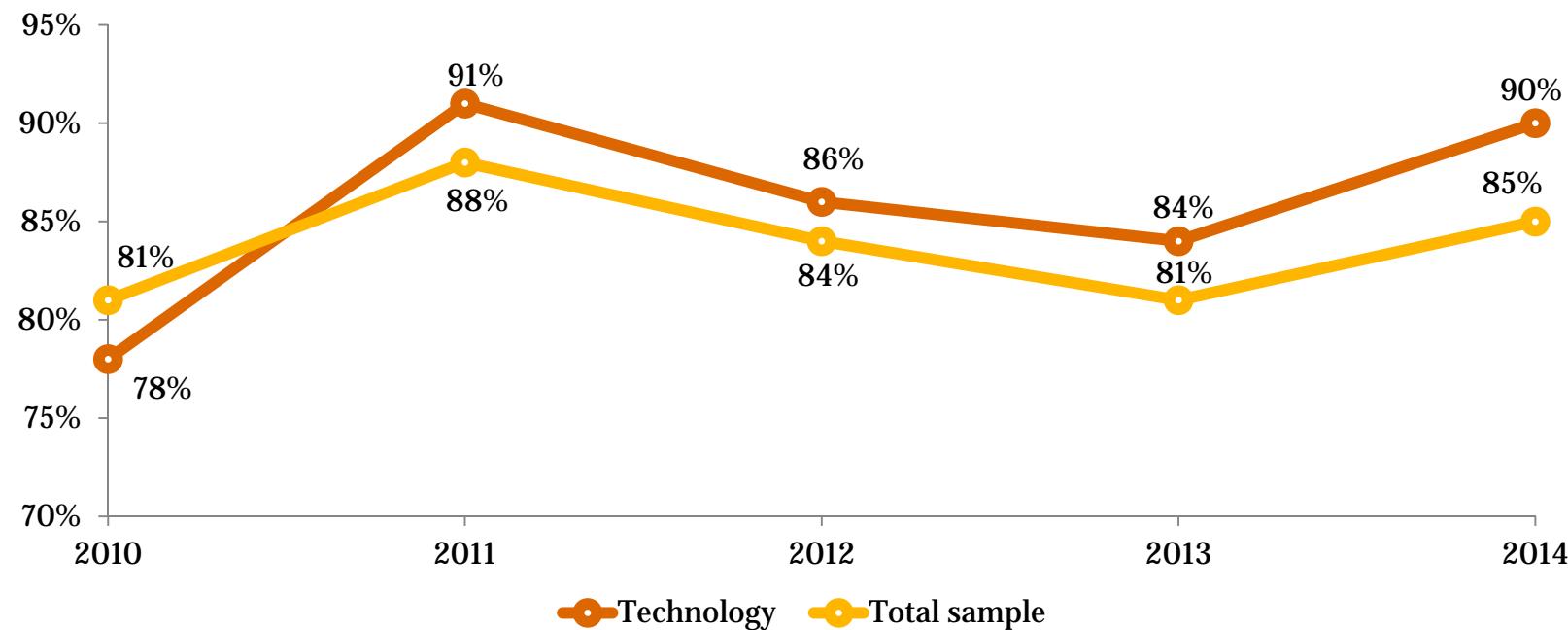
Base: All respondents (Total sample, 1,344; Technology, 117)

Source: PwC 17th Annual Global CEO Survey 2014

Technology CEOs are also more confident about their company's prospects

About 90% of technology CEOs are confident they can raise company revenues over the coming year. The corresponding number for the entire sample was 85%.

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?



Base: All respondents 2014 (Total Sample, 1,344; Technology, 117) 2013 (Total sample, 1,330; Technology, 154), 2012 (Total sample, 1,258; Technology, 115), 2011 (Total sample, 1,201; Technology, 59), 2010 (Total sample, 1,198; Technology, 59)

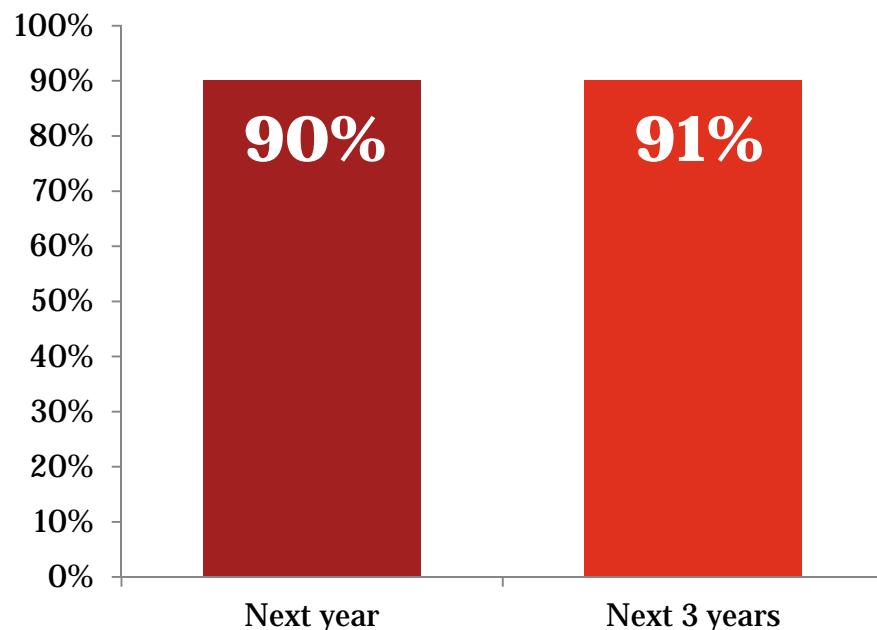
Respondents who stated 'somewhat' and 'very confident'

Source: PwC 17th Annual Global CEO Survey 2014

And they remain bullish looking further out

91% of technology CEOs are confident that revenue growth will continue for the next three years.

Technology CEOs' confidence about revenue growth



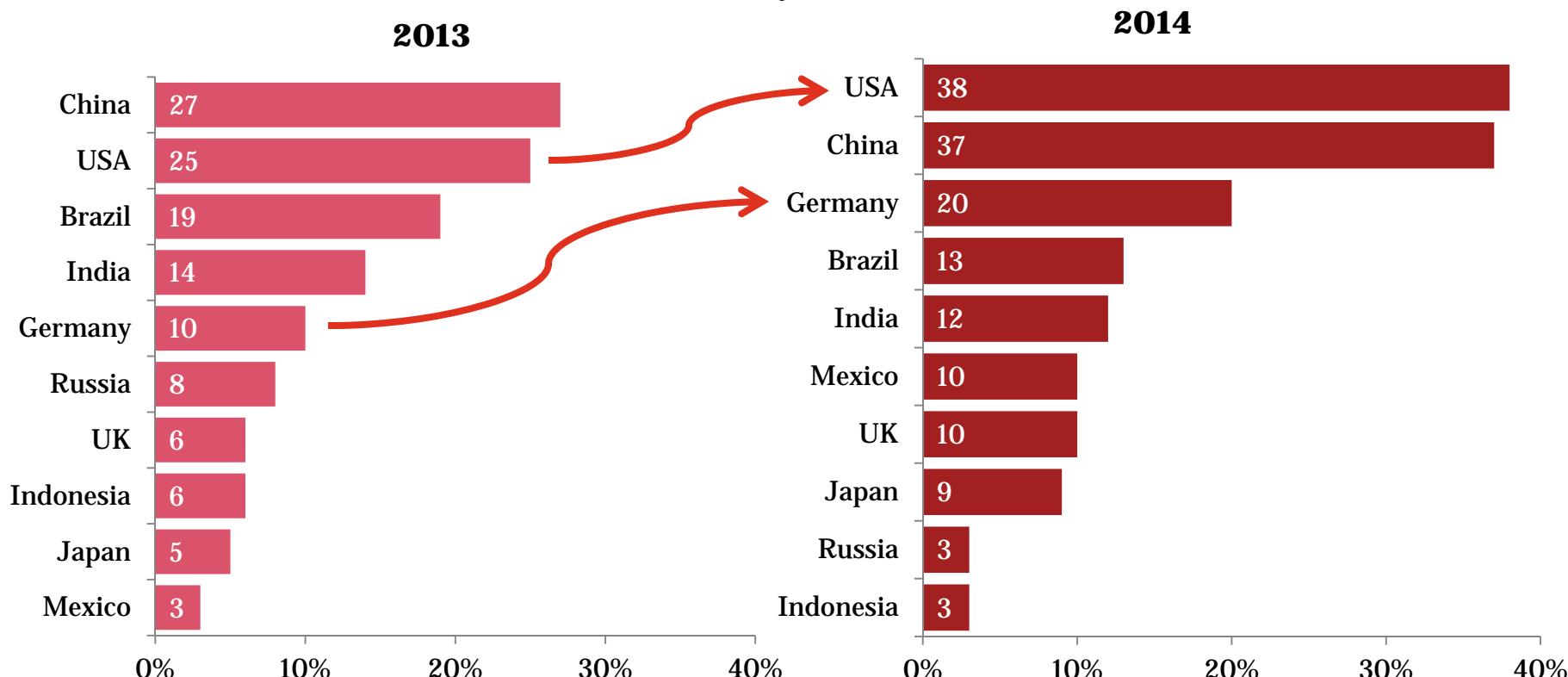
Q: How confident are you about your company's prospects for revenue growth over the next 12 months/ three years?

Base: All respondents (Total sample, 1,344; Technology, 117)

Source: PwC 17th Annual Global CEO Survey 2014

Their confidence in established markets is rebounding

The US has moved ahead of China and Germany has moved ahead of Brazil and India.



Base: All respondents 2014 (Total Sample, 1,344, Technology, 117) 2013 (Total sample, 1,330; Technology, 154),

Source: PwC 17th Annual Global CEO Survey 2014, PwC 16th Annual Global CEO Survey 2013

Looking further into the future, excluding BRIC and South Africa, Mexico and Indonesia are viewed as important growth markets

Q: Thinking specifically about high growth markets beyond the BRICs, which three markets excluding Brazil, Russia, India, China and South Africa do you consider most important for your growth prospects over the next 3 to 5 years?

Percentage who rank US as most important

29%

Mexico ranked second most important after US

14%

Indonesia ranked third most important after US

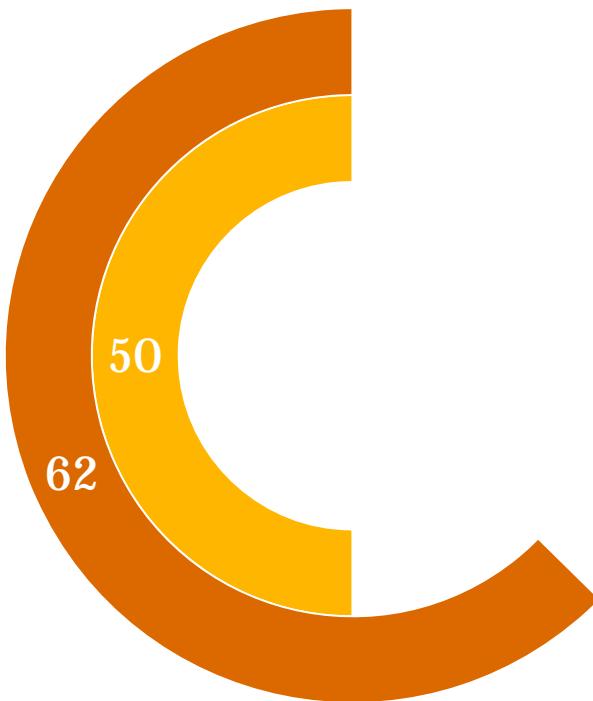
13%

Base: All respondents 2014 (Total Sample, 1,344, Technology, 117)

Source: PwC 17th Annual Global CEO Survey 2014

And it's no surprise they expect to hire more than their peers in the next 12 months

62% of technology CEOs expect to increase headcount compared to 50% of the CEOs in the total sample.



Technological advances accelerate business transformation

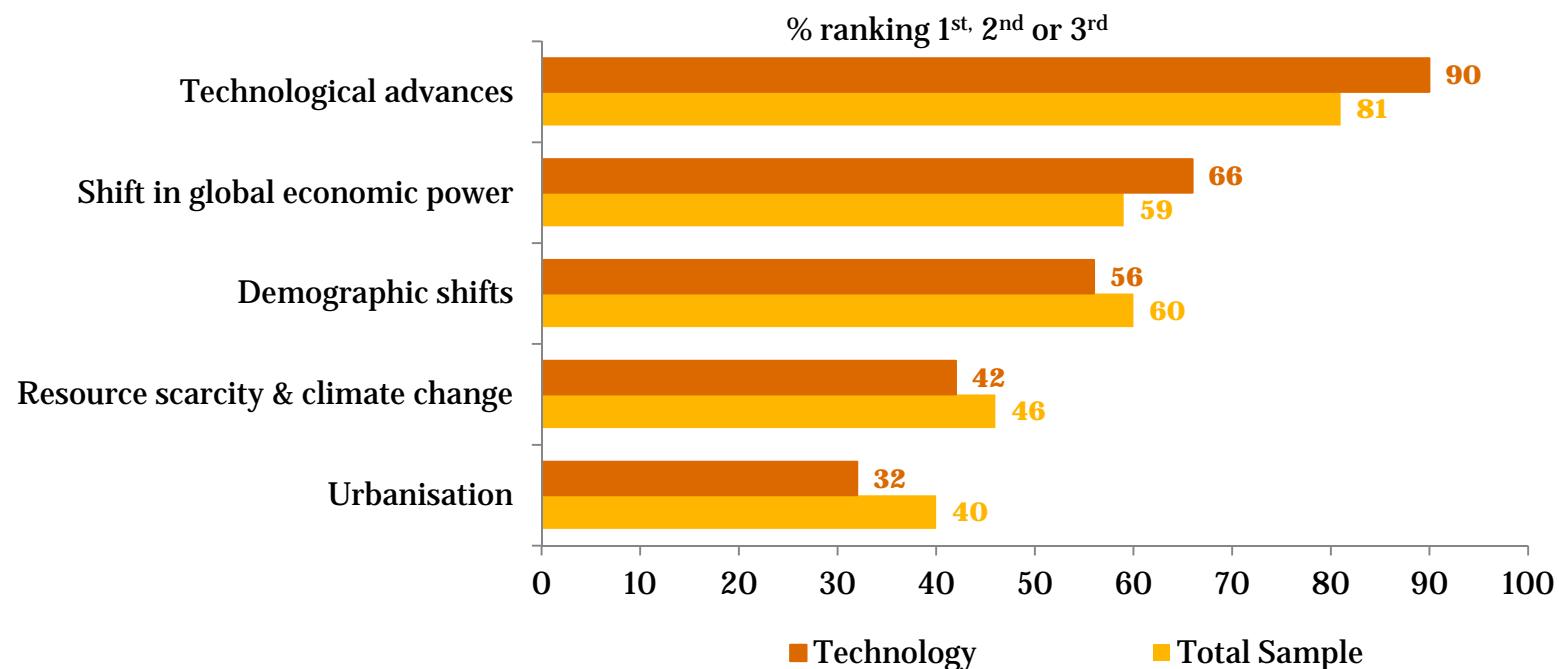
90%

of technology CEOs believe that technological advances will transform their business over the next five years.
(total sample: 81%)

‘Technological advances’ continues to be the principal catalyst driving business change

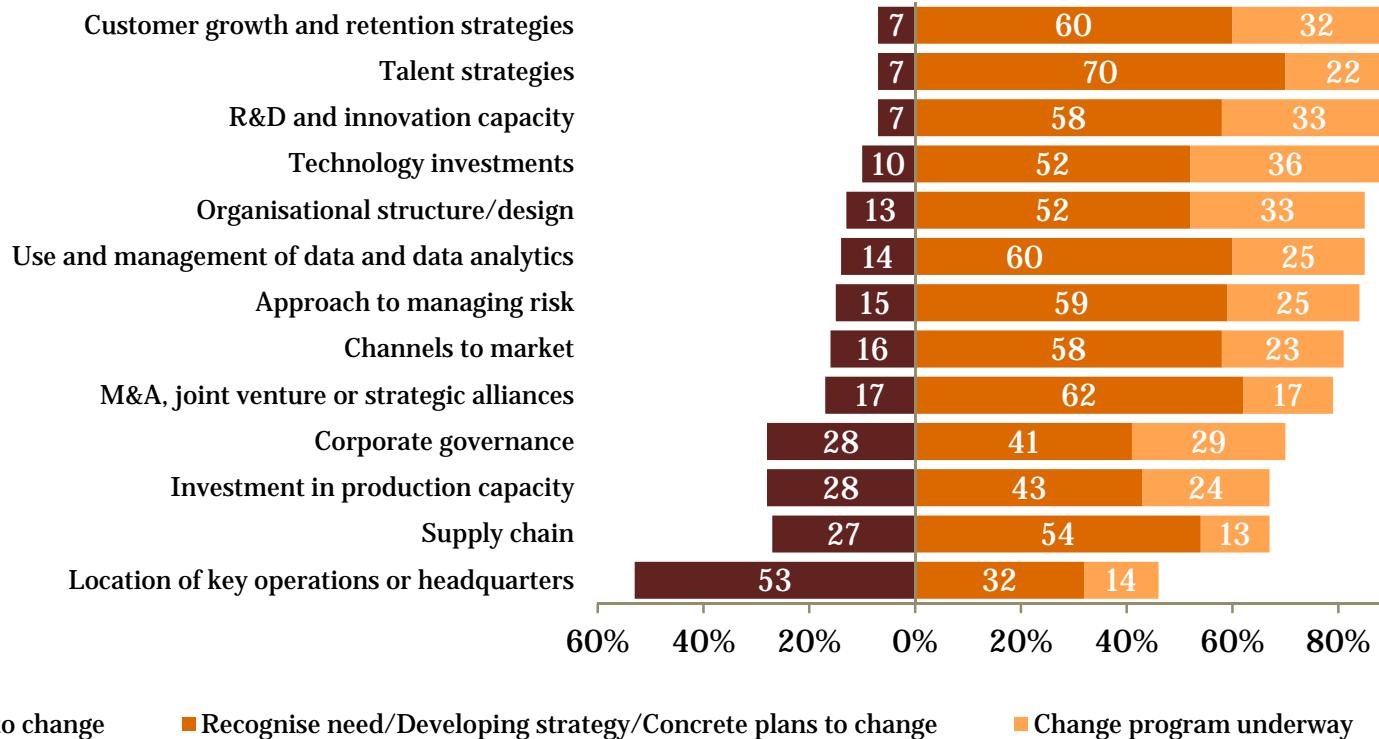
Other trends that technology CEOs believe will transform their business are a shift in global economic power (66%) and demographic shifts (56%).

Q: Which global trends do you believe will transform your business the most over the next five years?



Technology CEOs cited their marketing, procurement and sourcing departments as areas for improvement to capitalise on transformative global trends.

In their organisations, customer growth/retention, talent and innovation remain the top areas CEOs target for change



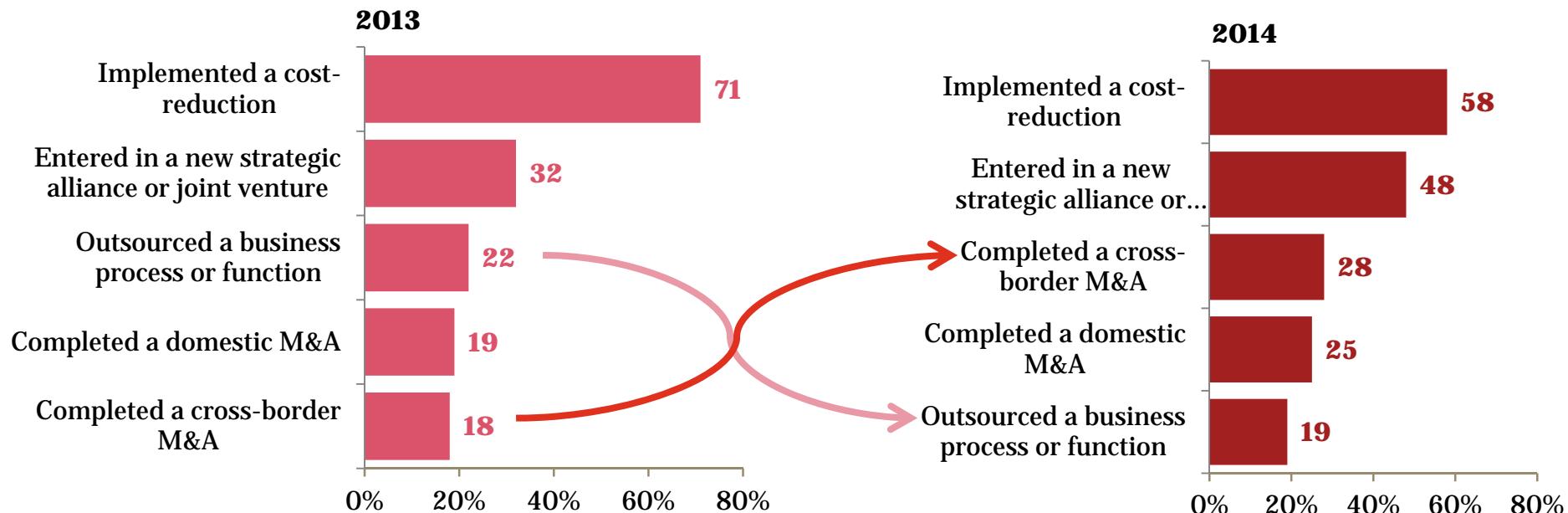
Q: To what extent are you currently making changes, if any, in the following areas?

Base: All respondents (Total sample, 1,344; Technology, 117)

Source: PwC 17th Annual Global CEO Survey 2014

And they've raised priority of strategic alliances and cross-border M&As, but remain committed to cost reduction

Q: Which, if any, of the following restructuring activities have you initiated in the past year? Which do you plan to initiate in the coming twelve months? (not all choices listed)



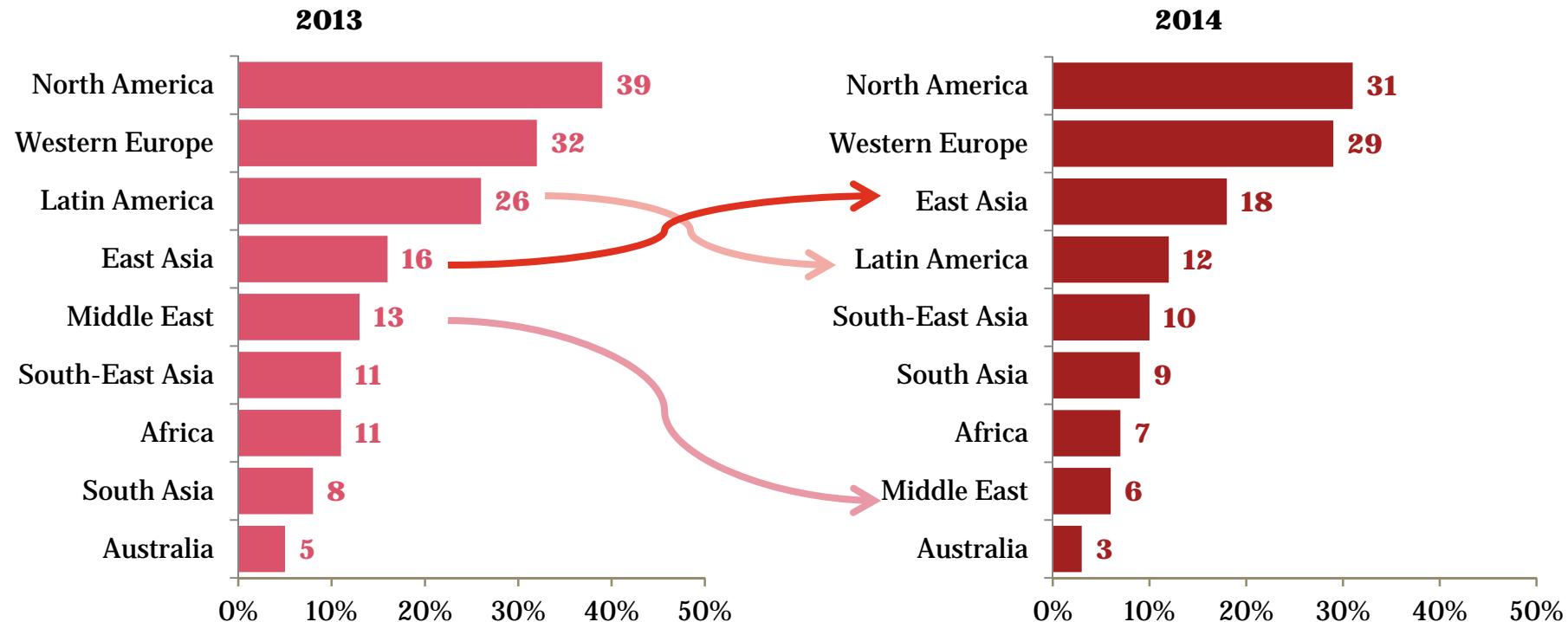
Base: All respondents 2014 (Total Sample, 1,344, Technology, 117) 2013 (Total sample, 1,330; Technology, 154),

Note: Neither concerned nor unconcerned not pictured.

Source: PwC 17th Annual Global CEO Survey 2014, PwC 16th Annual Global CEO Survey 2013

In search of M&A, CEOs have broadened their focus beyond North America and Europe, with greater emphasis on East and South Asia

Q: Which regions are you planning to carry out M&A, joint venture or strategic alliance in next 12 months?

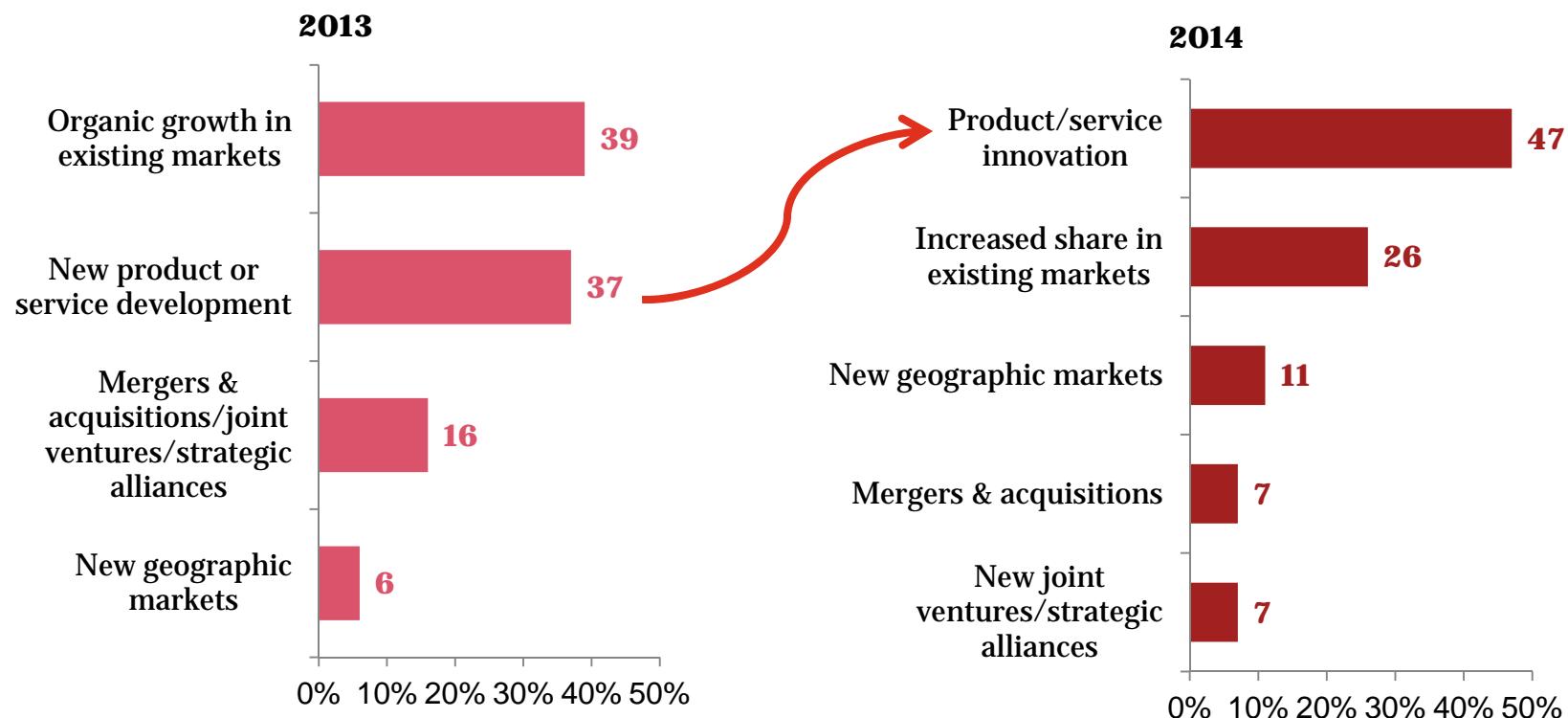


Base: All respondents 2014 (Total Sample, 1,344, Technology, 117) 2013 (Total sample, 1,330; Technology, 154),
 Source: PwC 17th Annual Global CEO Survey 2014, PwC 16th Annual Global CEO Survey 2013

Innovation is critical to growth as technology CEOs view it as key to creating value

47% view product and service innovation as the main route to growth.

Q: Which one out of the following list of potential opportunities for business growth do you see as the main opportunity to grow your business in the next 12 months?



Base: All respondents 2014 (Total Sample, 1,344, Technology, 117) 2013 (Total sample, 1,330; Technology, 154),

Source: PwC 17th Annual Global CEO Survey 2014, PwC 16th Annual Global CEO Survey 2013

Harnessing technology to create value in totally new ways

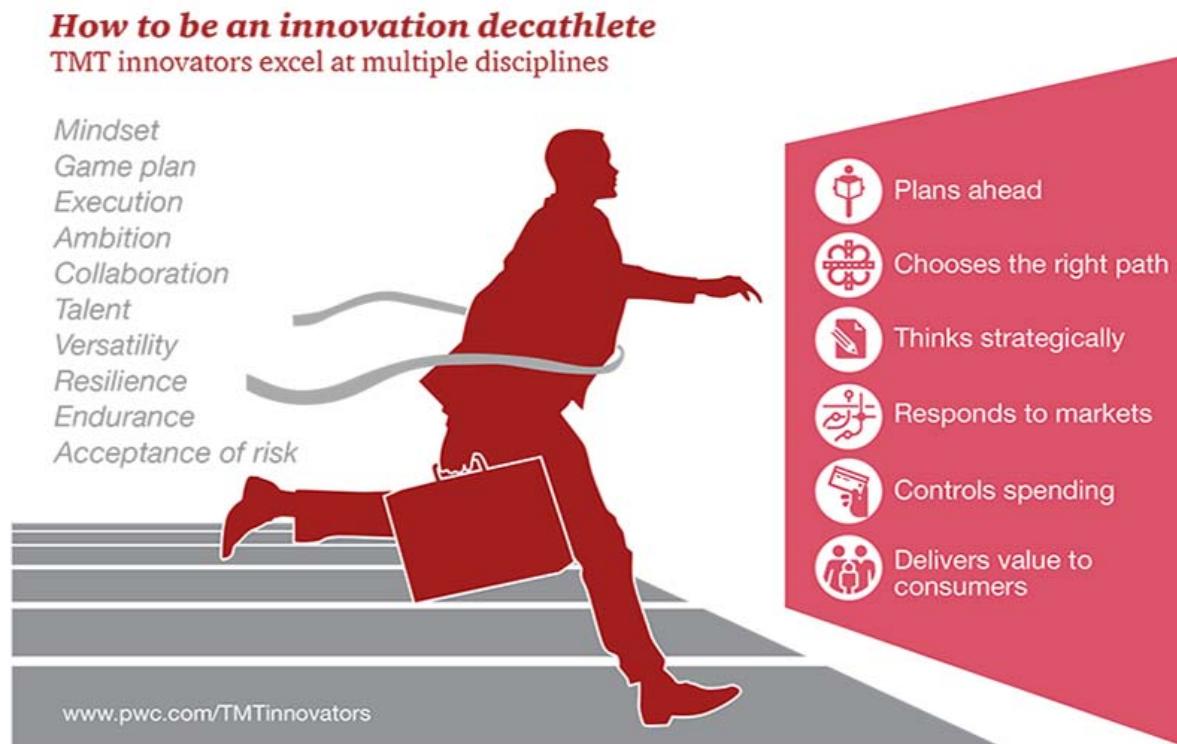


“There is the notion of the “Internet of everything,” where all things around us will be connected—the phone will sit at the center of that. There will be sensors in the environment around us, sensors on our bodies; we’ll have wearable devices, both for measuring us and for giving us feedback. These will interface into the phone. The net effect will be this merging, blurring of cyberspace and real space, because the phone is giving you access, telling you what content, services, and people are around you that you can interact with.”

***Dr. Paul E. Jacobs, Chairman & CEO,
Qualcomm Incorporated, United States***

The world is changing fast, and the speed of innovation needs to accelerate too

60% of technology CEOs are concerned about the speed of technological change



Innovation



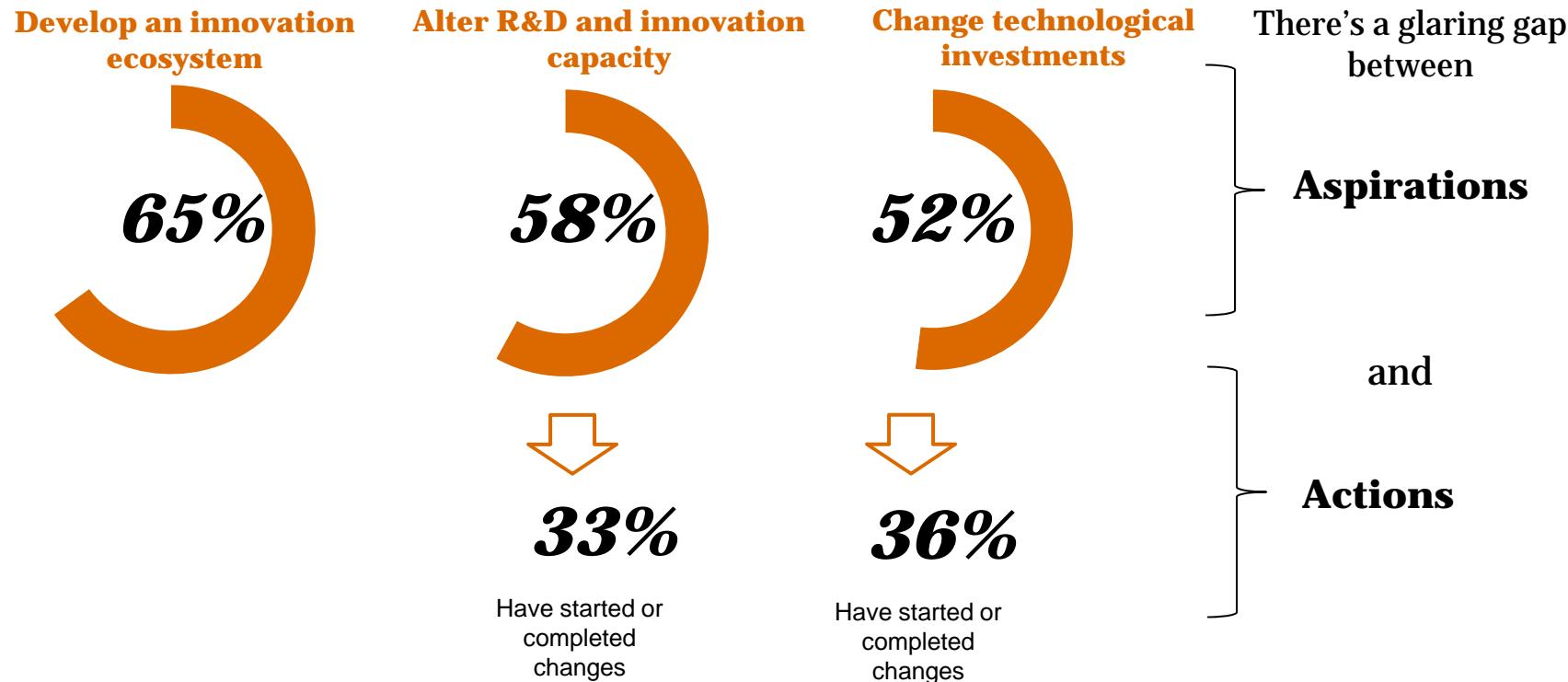
“One of the key fundamental cultural changes is moving away from incremental innovation to more disruptive innovation. First of all, going about that change requires you to be global in terms of your footprint. Some of the best ideas around disruptive innovation come from other parts of the world, be they in India; or Waterloo, Canada; or Israel; and even right here in the US. You have to have a connected engineering workforce, which has the license to be disruptive. And you give your team time to think creatively, to have the remit to believe that they have the opportunity to be disruptive. For us, it’s about culture as well, what kind of an environment are we serving up to our teams?”

“Because it’s not just engineers. I want people working on mundane processes to be disruptive. Quote-to-cash (the sales process management), some might argue, is a mundane process enterprise-wide, but I would argue that you can be disruptive in thinking about how you handle that long-term, and I want every employee to feel empowered to think that way.”

William Nuti, Chairman, CEO and President, NCR Corporation, United States

But whilst they have plans, just one third have acted

Most technology CEOs want to improve their company's ability to innovate



Develop an innovation ecosystem - Q: Which of these national outcomes is your organisation focusing on as a priority over the next three years?

Alter R&D and innovation capacity, change technological investments - Q: To what extent are you currently making changes, if any, in the following areas?

Base: All respondents (Total sample, 1,344; Technology, 117)

Source: PwC 17th Annual Global CEO Survey 2014

Innovation

“The number one thing I worry about is just as we grow and get bigger, that employees get complacent, that we lose the atmosphere of risk-taking, because we’re fundamentally an innovation-driven company. If we don’t innovate and bring new technologies and products to the market, our products will become commoditized. That’s number one on my list.”

***Dr. Paul E. Jacobs, Chairman & CEO,
Qualcomm Incorporated, United States***



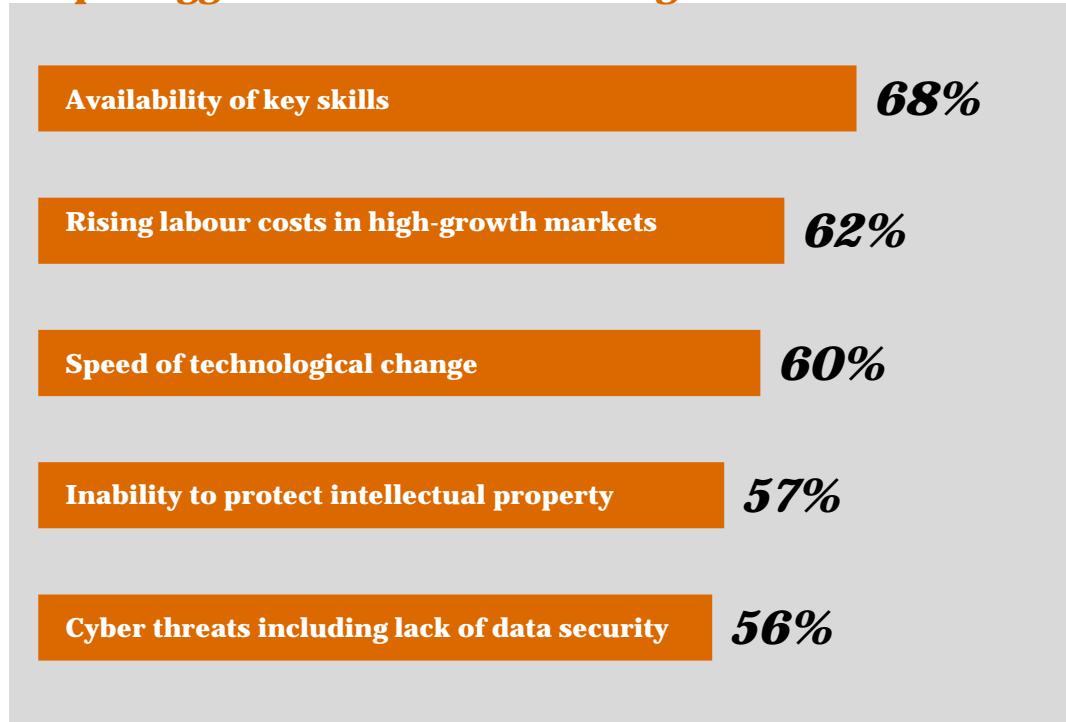
A changing threat landscape

56%

of technology CEOs believe that cyber threats and lack of data security are serious threats to growth
(total sample: 48%)

The threat landscape is changing too, cyber threats are now viewed as one of the top five growth risks

Top 5 biggest business threats to growth



- Technology CEOs are still worried about availability of key skills, up 4% from last year. 52% say it's been harder to find or attract skilled talent due to regulations.
- They are also more concerned about their inability to protect intellectual property than the total sample.

Q: How concerned are you about the following potential business threats to growth?

Base: All respondents (Total sample, 1,344; Technology, 117)

Note: Respondents who stated 'extremely' or 'somewhat concerned'

Source: PwC 17th Annual Global CEO Survey 2014

Cyber security

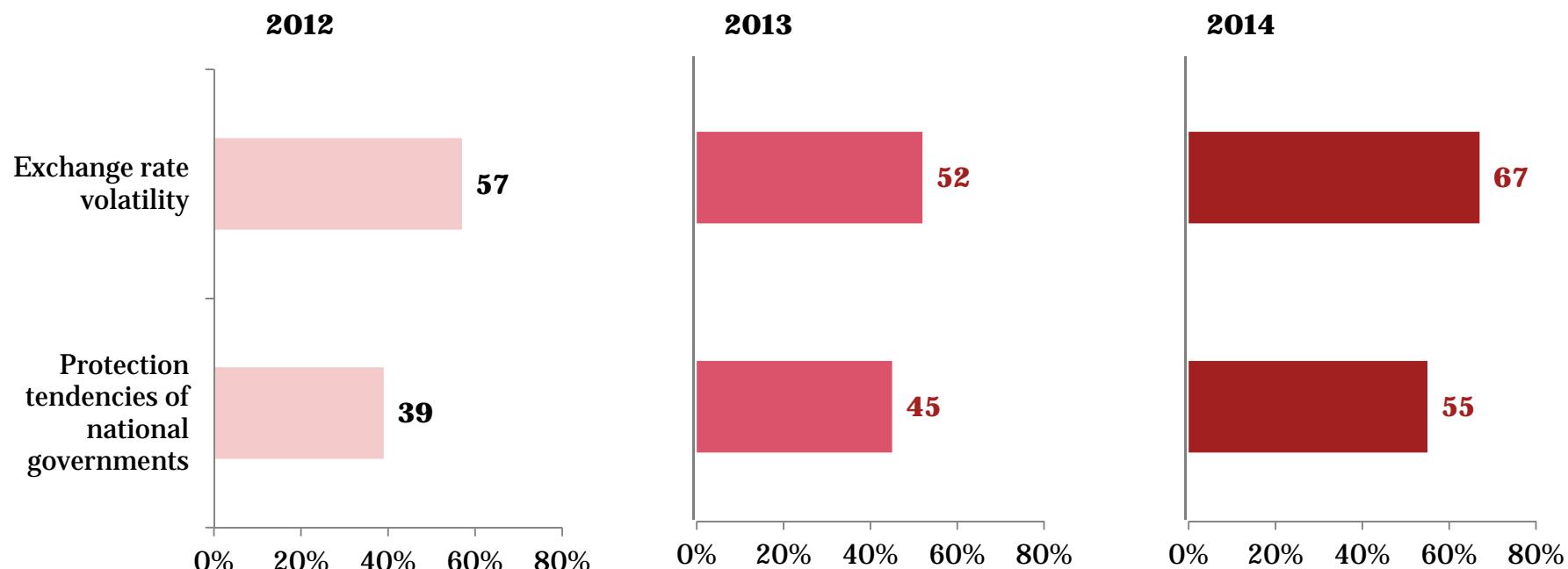


“Cyber security is one of those future trends to watch very carefully in tech. The more flexible, adaptive, and easy to use that technology gets, the more susceptible it is for error and security issues.”

Robert M. Dutkowsky, CEO, Tech Data Corporation, United States

And more technology CEOs are concerned about protectionist government policies and exchange rate volatility

Q: How concerned are you, if at all, about the following potential economic and policy threats to your organisation's growth prospects?



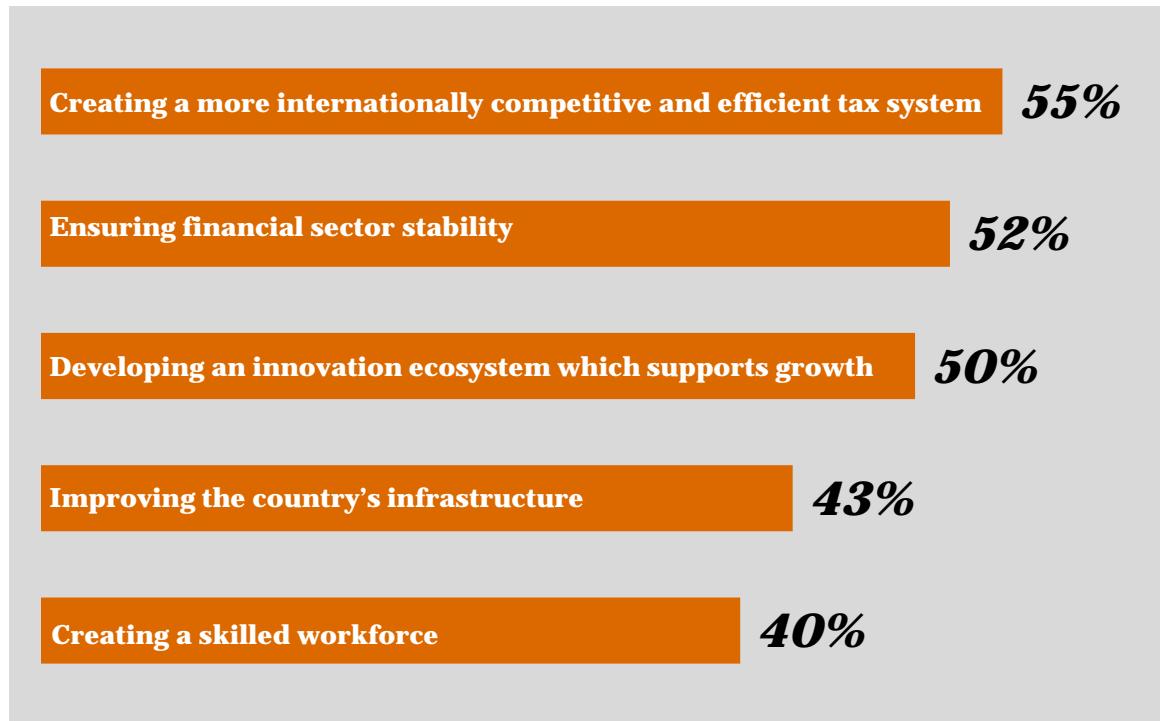
Base: All respondents 2014 (Total Sample, 1,344, Technology, 117) 2013 (Total sample, 1,330; Technology, 154),

Note: Respondents who stated 'extremely' or 'somewhat' concerned.

Source: PwC 17th Annual Global CEO Survey 2014, PwC 16th Annual Global CEO Survey 2013

They cite revising the tax system as the top action governments can take to support tech companies

Over half say the most important thing is creating a more internationally competitive and efficient tax system.



Q: Which three areas should be Government priorities, in the country in which you are based?

Base: All respondents (Total sample, 1,344; Technology, 117)

Source: PwC 17th Annual Global CEO Survey 2014

What's next

Radical shifts in technologies translate to radical shifts in business models, operating models, and the entire market landscape. What are the critical steps to ensure your organisation's relevance in the face of such rapid and disruptive change? We've distilled five key questions from the feedback CEOs have given us in this year's CEO Survey:

- What are you doing to become a pioneer of technological innovation?
- Do you have a strategy for the digital age? And the skills to deliver it?
- How are you adapting your sales cycle to avoid product obsolescence, as new technologies emerge at breakneck speed? And how are you accelerating innovation to increase revenues?
- What sort of benefit/risk-sharing models will you need to encourage innovation within collaborative networks?
- How do you drive growth that is lasting, responsible, real and inclusive?

About PwC's 17th Annual Global CEO Survey



We surveyed 1,344 business leaders across 68 countries around the world, in the last quarter of 2013, and conducted further in-depth interviews with 34 CEOs.

Our overall survey sees a leap in CEOs' confidence in the global economy – but caution as to whether this will translate into better prospects for their own companies. The search for growth is getting more and more complicated as opportunities in both developed and emerging economies becomes more nuanced, leading CEOs to revise the portfolio of overseas markets they will focus on.

In 'Fit for the future: Capitalising on global trends', we also explore three forces that business leaders think will transform their business in the next five years: technological advances, demographic changes and global economic shifts. We show how these trends, and more importantly the interplay between them, are creating many new – but challenging – opportunities for growth through: creating value in totally new ways; developing tomorrow's workforce; and serving the new consumers.

We also show how, in responding to these trends, CEOs have the opportunity to help solve important social problems.

Sector interviews

117

In countries across the world

42

(2013: sector interviews: 154, countries: 38)

In short, the demands being placed on business leaders to adapt to the changing environment are increasing exponentially; CEOs are having to become hybrid leaders who can successfully run the business of today whilst creating the business of tomorrow.

This technology sector key findings report takes a closer look at responses from technology CEOs. It is based on 117 interviews, conducted in 42 countries around the world. We also cite in-depth conversations with three technology sector CEOs.

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NCR Corporation, United States



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