

PE SECTOR SPOTLIGHT

# Tectonic States

How technology will make or break  
business success for PE leaders

# Table of contents

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<b>INTRODUCTION, THE FOUR WORLDS OF BUSINESS IN 2026</b>	<b>3</b>
<b>ALL-WORLD IMPLICATIONS</b>	<b>4</b>
Cyber security risks	
Innovation	4
Culture	4
<b>WORLD ACCELERATED</b>	<b>5</b>
What does a World Accelerated look like?	5
What can PE professionals expect in a World Accelerated?	5
Do PE leaders anticipate a World Accelerated?	5
<b>WORLD SUSTAINED</b>	<b>6</b>
What does a World Sustained look like?	6
What can PE professionals expect in a World Sustained?	6
Do PE leaders anticipate a World Accelerated?	6
<b>WORLD FRAGMENTED</b>	<b>7</b>
What does a World Fragmented look like?	7
What can PE professionals expect in a World Divided?	7
Do PE leaders anticipate a World Fragmented?	7
<b>WORLD DIVIDED</b>	<b>8</b>
What does a World Divided look like?	8
What can PE professionals expect in a World Divided?	8
Do PE leaders anticipate a World Divided?	8
<b>ABOUT THE STUDY</b>	<b>9</b>

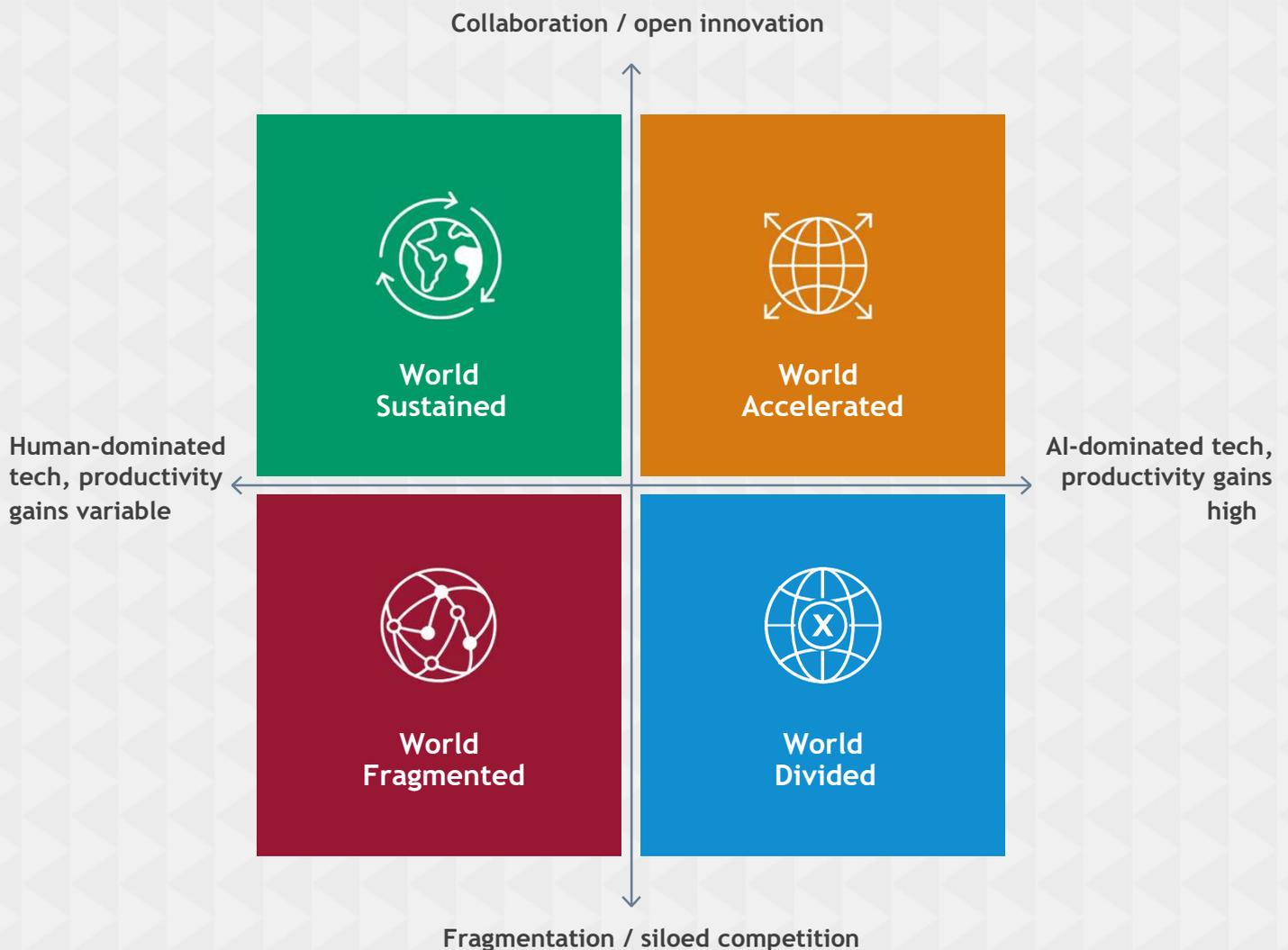
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# Introduction

**BDO's Tectonic States study** - which combines scenario planning with opinion research amongst business leaders - envisions four 2026 scenarios, analysing technology and market dynamics. In each scenario, advanced technology is critical, empowering organisations to mitigate risks and increase resilience.

This report examines the views of leaders in the PE industry and explores ways that they can mitigate risk and embrace opportunities in each of our four future scenarios. The PE market is undergoing radical tech-driven transformation, as innovation reshapes the market, but it is also one of the industries most vulnerable to cyber threats.

Tighter regulation is also impacting the investment sector, meaning that PE firms need to prepare for new legal and regulatory barriers while grasping the opportunities that new technology brings. PE firms have the power to harness innovative technology, such as automation and AI, to supercharge the whole lending landscape and unleash transformation and innovation across the wider corporate ecosystem by providing capital.



# All-world implications

## Cyber security risks

In all future scenarios, the risk of cyber-attacks is high, and our opinion research study reveals that leaders are feeling the strain. PE leaders are concerned about the risks that enhanced technology could bring, with 81% saying that technological advances are intensifying cyber risks and generating new forms of cybercrime - higher than any other sector in our study.

## Innovation

Over eight in 10 PE leaders (84%) believe that their business **will only survive if it significantly accelerates its technological innovation**, and 77% believe that organisations that fail to embrace data-driven change are increasingly unviable, while 63% are extremely concerned by the lack of tech innovation in their organisation.

“Data-based innovation of services, products and processes” and the “adoption of AI and other advanced digital solutions”, are the top two strategies PE organisations are pursuing to gain a competitive advantage over the next 12 months. Firms also plan to shift their focus to higher-value products and services and increase automation of tasks to improve productivity.

## Culture

While over 80% of PE leaders believe that the data their organisation possesses will be their most valuable asset in the next three years, they will only be able to extract the incredible value of this data with the proper technological infrastructure in place and employees educated on how to make the safest and most productive use of it in a new regulatory environment. However, only 6% of PE leaders are currently prioritising change management and user adoption as part of their wider tech strategy.



### Top 5 strategies that PE firms are pursuing to gain a competitive advantage over the next 12 months:

- 1 Data-based innovation of services, products and processes
- 2 Adoption of AI and other advanced digital solutions
- 3 Shifting focus to higher-value products and services
- 4 Increasing automation of tasks to improve productivity
- 5 Reshaping our business model around AI, digitalisation and big data

### Top five measures that PE leaders are taking to deal with the risks that their organisation faces

- 1 Increased research and development (R&D)
- 2 Investing in innovation
- 3 Investing in AI
- 4 Investing in technology and digital transformation
- 5 Increased cyber-protection

# World Accelerated



## Tech and productivity

AI-dominated tech with high productivity gains

Market conditions and business models

Collaboration and open innovation

### What does a World Accelerated look like?

This world is defined by accelerated tech and aligned business networks. In this world, experts predict that global challenges drive greater collaboration and alignment across business networks, governments, finance, and academia. More extensive and efficient use of AI, data-based services, and analytics will drive new business models and customised solutions - resulting in productivity gains and accelerated transformation. There is an urgent focus in this scenario on developing international standards to advance tech regulation and build trust amongst investors.

### How can PE professionals succeed in a World Accelerated?

Equity valuations for companies that are able to deploy technologies profitably will increase, but risks remain. The predicted ample financial liquidity could lead to undifferentiated investments and create a tech market bubble and market saturation. Investors able to consider these related scale-up and commercial challenges will have the opportunity to leverage revenue and growth opportunities in newly created industries and differentiated supply chains, enabling accelerated economic growth and superior return-on-investment.

### Do PE leaders anticipate a World Accelerated?

PE leaders' expectations for the future align closely with a World Accelerated; they envision a positive, tech-driven 2026. Almost seven in 10 PE leaders (66%) believe that over the next three years, technology will have a transformational impact on productivity, and 84% of PE business leaders see technology as a key strategy for solving global challenges such as climate change.



# World Sustained



## Tech and productivity

Human-dominated tech with variable productivity gains

## Market conditions and business models

Collaboration and open innovation

### What does a World Sustained look like?

This world is one of gradual, continued evolution where global growth is slow and corporate volatility is high. This outlook predicts that trade and investment borders will remain relatively open but, when faced with uncertainties and disruptions, businesses will shift investments towards local sourcing for critical products and services.

Technological progress is fast in this scenario, with the growing application of AI and digital solutions witnessed but there is a varied pace of adoption across markets and sectors means that major productivity breakthroughs are less likely than in a 'World Accelerated'. Cross-regional cooperation and sustainability commitments are sustained, but policy coordination is limited due to predicted volatility.

### How can PE professionals succeed in a World Sustained?

In this world of increasing uncertainty, corrections to asset valuations could result in a decline in portfolio value, particularly if investment in tech companies slows and productivity increases are not realised at a rapid rate. Retaining access to funds will be paramount in a world of restricted global growth and corporate volatility.

The growing focus on green credentials, sustainability and ethical considerations could impact flows of capital in a World Sustained, which will encourage more focus on sustainability factors in investment decisions.

### Do PE leaders anticipate a World Sustained?

The risks that a World Sustained entails are on leaders' radars: 62% of PE leaders believe that economic downturn will have a big impact on their organisation over the next three years, making this the highest-ranked risk, and 78% of PE leaders say that lack of tech expertise is the greatest risk to their organisation's growth, the highest of any sector in the study.

# World Fragmented



## Tech and productivity

Human-dominated tech with variable productivity gains

## Market conditions and business models

Fragmentation and siloed competition

### What does a World Fragmented look like?

This world is defined by deeply fragmented markets and supply chains. In a tumultuous corporate landscape, shifting alliances and conflicts heighten unpredictability for businesses. Mid-market companies with international exposure in particular will face supply chain volatility due to complex regulation and trade policies and growing protectionism. As inflation spikes and recessions recur finance becomes more costly. Investment in tech stalls due to heightened regulation and there is a lack of critical materials and skills. Climate progress stalls as green tech efforts lag, intensifying the destructive impact of climate change in some regions.

### How can PE professionals succeed in a World Fragmented?

Despite asset devaluation of technology-driven 'growth' companies and a general pull back from PE investment from larger deals, funds will have a prime opportunity to invest in corrected assets and companies with higher growth potential in this world. This will apply particularly to those with more localised supply chains and those with key sustainability objectives.

### Do PE leaders anticipate a World Fragmented?

Leaders anticipate tightening regulation: 76% of PE leaders believe that regulation is likely to increase in the next three years, the highest of any sector. Leaders are also worried about the dark side of AI developments: 76% of PE leaders are very concerned about the potential negative social impacts of AI, again the highest of any sector. A World Fragmented may appear more likely to PE leaders than leaders in other sectors.

A minority of PE leaders also fear supply chain disruption and increased protectionism over the next three years: 41% believe that supply chain disruption will have a big impact on their business between now and 2026, and the same proportion cite anti-globalisation sentiment and increased protectionist policies in their organisation's HQ market as an impactful risk.



# World Divided



## Tech and productivity

AI-dominated tech with high productivity gains

### Market conditions and business models

Fragmentation and siloed competition

### What does a World Divided look like?

This world is defined by East-West bifurcation. This business world is divided into two economic models: one led by China; and the other led by the US, EU, UK, Japan, Australia, and Canada. Countries such as India and Brazil attempt to remain neutral but face challenges as rules of engagement, technology, and regulatory standards diverge. Competition between the two camps accelerates the development and adoption of certain technologies, with data ownership highly contested and data security a highly significant risk.

### How can PE professionals succeed in a World Divided?

In a World Divided, there is heightened competition for critical materials, parts and technologies, caused by an intense East-West competition. In this potential scenario valuations fall as global business prospects and access to funds contract during financial market restructure. This could provide a prime opportunity for regional fund managers and investors to look at companies with growth prospects in localised supply chains and companies with tangible assets and strong cash flows. This divided geopolitical environment also gives rise to increased cross-border cyber activity and an enhanced focus on risk management will be crucial to success.

### Do PE leaders anticipate a World Divided?

Almost half of PE leaders (46%) believe that geopolitical volatility will have a big impact on their organisation over the next three years. The issue of tech ethics and data ownership - a fraught one in a World Divided - is also high on the agenda. Almost three-quarters of PE leaders (73%) say that this will be important to their organisation's corporate social responsibility (CSR) agenda in three years' time.

# About the study

*Techtonic States* is the result of a two-part research study that combines scenario planning with global opinion research among 500 business and public sector leaders in mid-market and large organisations.

Respondents were based in Australia, Canada, Germany, Ireland, Israel, the Netherlands, the US, and the UK. The study focused on the following sectors: financial services, PE, manufacturing, technology, and public sector. This report focuses on the opinions of 100 leaders from the PE sector.

The research was designed by BDO Digital and Man Bites Dog.

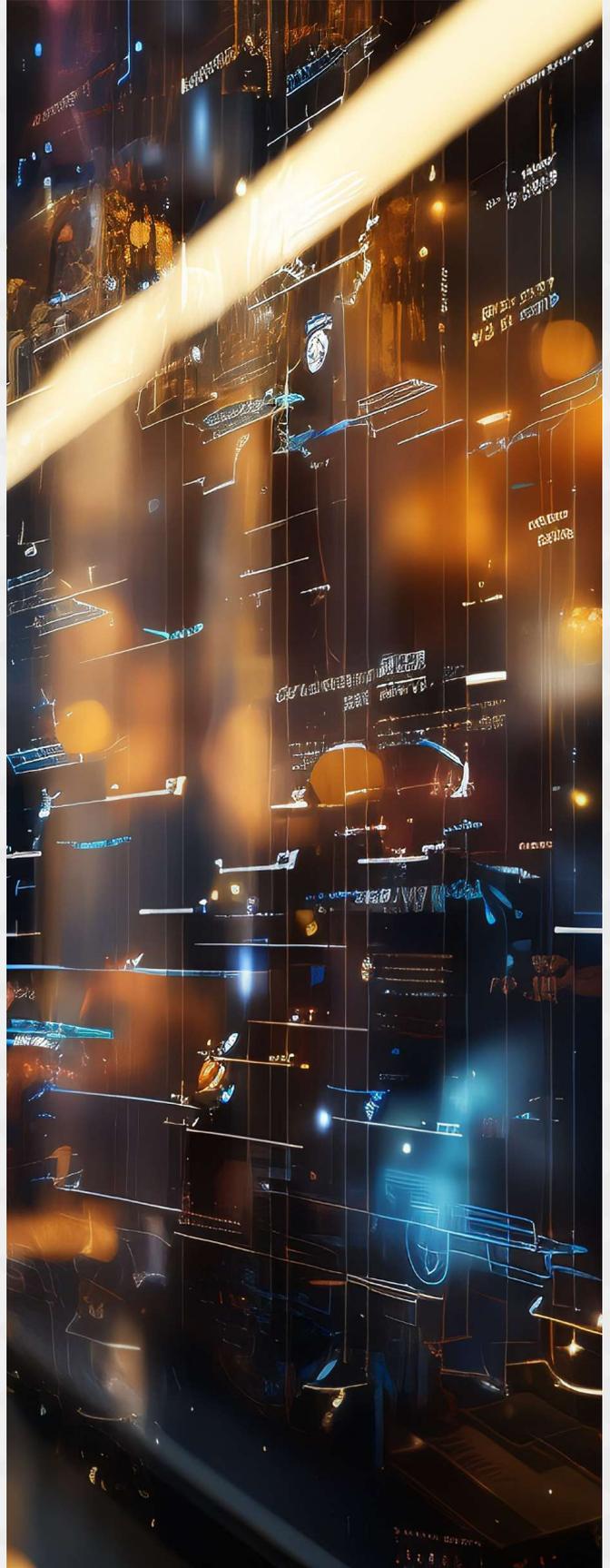
The full report, including the full research methodology, can be found [here](#).



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Jamie Austin,  
Head of Global Private Equity



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