

TECH SECTOR SPOTLIGHT

Techtonic States

How technology will make or break business success for technology leaders

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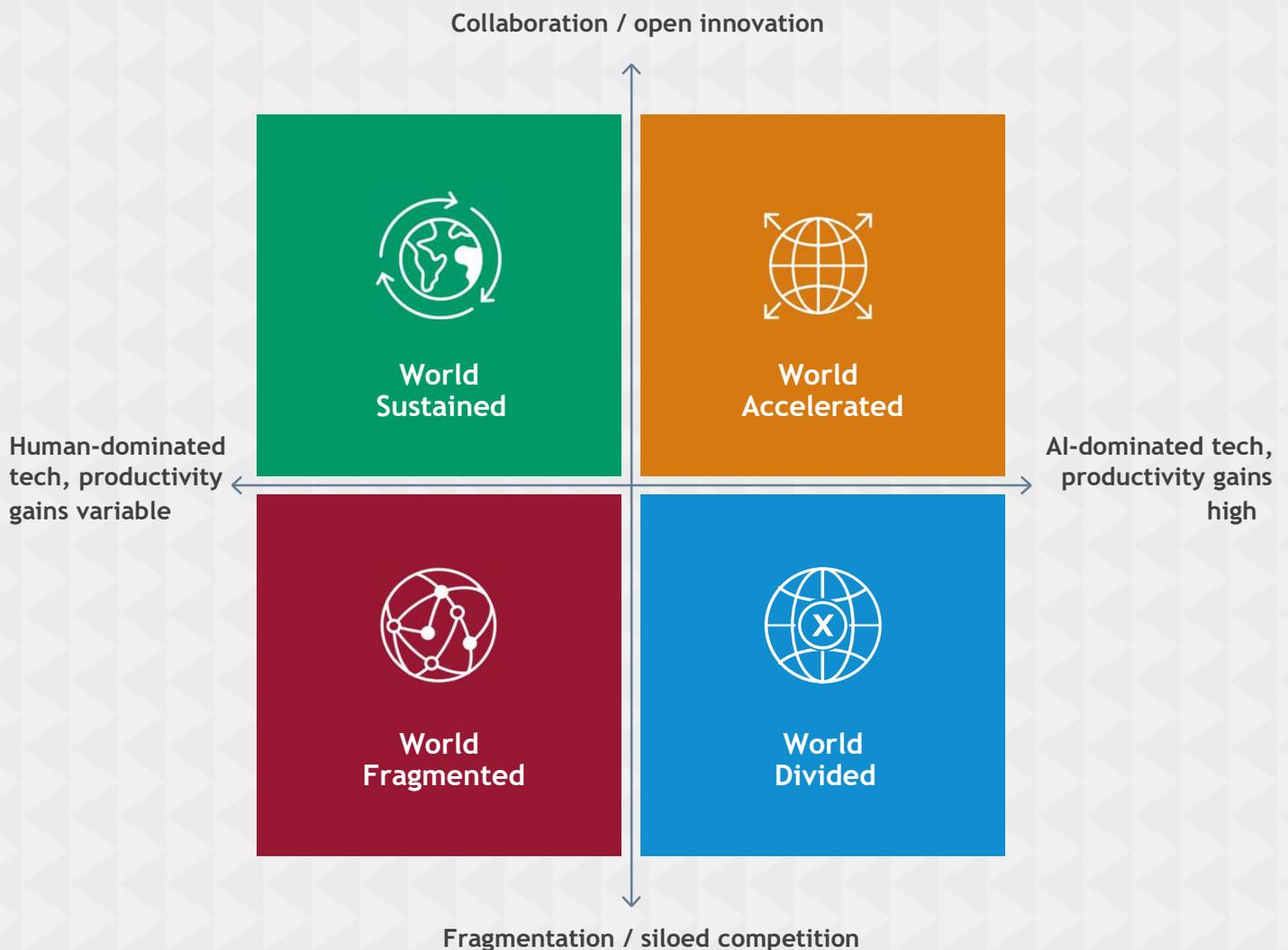
Introduction

Amid challenges including economic downturn and geopolitical turbulence, businesses must adapt if they are to survive, and businesses in the tech sector are under more intense pressure than most. But the technology industry stands in a unique position, at the helm of innovation with the ability to spearhead the development and implementation of technology to solve business problems.

BDO's *Tectonic States* study envisions four 2026 scenarios, analysing technology and market dynamics. In each scenario, advanced technology is pivotal, empowering organisations to manage risks and bolster resilience.

The study - which combines scenario planning with opinion research amongst business leaders - emphasises technology's transformative role in addressing business challenges and fostering innovation for growth. Regardless of what lies ahead, innovation will remain the catalyst for sustainable business growth.

This report examines the views of leaders in the technology sector and explores ways that they can mitigate risk and embrace opportunities in each of our four future scenarios.



All-world implications

Cyber security risks

In all future scenarios, the risk of cyber-attacks is high, and our opinion research study reveals that technology leaders are feeling the strain. Cyber risk - including cyber fraud, espionage, and ransomware attacks - is seen as the most impactful risk to technology businesses over the next three years. Almost three-quarters of technology leaders (73%) believe that technological advances are intensifying cyber risks and generating new forms of cybercrimes. Our research shows that technology organisations are currently gearing up for an environment of intensified cybercrime. Cyber security and data risk is the second most important priority for technology organisations' tech strategy, just behind cloud-first strategy and cloud transformation. To survive, strong cyber protection will be critical.

Innovation

Innovation is seen as critical to an organisation's success, but tech sector leaders believe they have work to do. Almost nine in 10 technology leaders (88%) believe that their organisation **will only survive if significantly accelerates its technology innovation**, the highest out of the five sectors in the study.

AI is central to this technological innovation. Out of all the sectors in the study, technology leaders are the most likely to claim that organisations that are AI 'first movers' will have a significant competitive advantage over their rivals.

Culture

Increased productivity can only be achieved through the alignment of technology and skills. However, our study shows that technology leaders are concerned that they may fail to grasp this opportunity. Just over nine in 10 technology leaders (92%) say that failure to leverage the benefits of tech (including AI) and data is a risk that will impact their organisation over the next three years. Lack of implementation strategy and lack of tech skills are the two most common reasons for this concern. Despite this, only 8% of technology leaders are currently prioritising change management and user adoption as part of their wider tech strategy.

Furthermore, only 27% of technology organisations are prioritising workforce upskilling, the lowest out of the five sectors in the study. Without a sufficiently skilled workforce, organisations will fail to leverage the benefits of technology. A culture of agility and curiosity will be key to an organisation's survival.

- Top 10 strategies that technology organisations are pursuing to gain a competitive advantage (or, in the case of public sector organisations, increase efficiencies) over the next 12 months
- 1 Adoption of AI and other advanced digital solutions
 - 2 Supply chain restructuring and pivoting into new lines of business
 - 3 Shifting focus to higher-value products and services
 - 4 Data-based innovation of services, products and processes
 - 5 Increasing automation of tasks to improve productivity
 - 6 Reshaping our business model around AI, digitalisation and big data
 - 7 Strengthening our ESG and sustainability credentials
 - 8 Increased cross-border and cross-sector-wide collaboration
 - 9 Agility: pivoting quickly; experimenting and 'failing fast'
 - 10 Highly personalised / persona-based marketing and workforce management



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. 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 drive new business models and customised solutions - resulting in productivity gains and accelerated industry transformation. Technology also drives solutions to global challenges, including climate change, sustainable development, healthcare, and demographic shifts. There is an urgent focus on developing international standards to advance tech and build trust.

How can technology leaders succeed in a World Accelerated?

In a World Accelerated, the push for technology is fast and productivity results significantly increase. Technology is a lever for aiding both domestic and international collaboration and addressing global challenges. An increase in public and private sector funding for technology scale-up and adoption improves innovation. Technology companies will achieve business growth and the increase in technology adoption will help companies meet sustainability targets.

The expanding influence of technology sees mid-market technology companies continuing to diversify into new sectors such as healthcare and financial services. As technology becomes a driving force for productivity and sectoral expansion, tech companies can anticipate a surge in revenue and overall business growth.

Do technology leaders anticipate a World Accelerated?

Technology leaders' expectations for the future align closely with a World Accelerated; they envision a positive, tech-driven 2026. Almost seven in 10 tech leaders (69%) believe that over the next three years, technology will have a transformational impact on productivity.

Yet, the impact of technology goes beyond internal organisational growth; it extends to shaping environmental and social progress. In fact, 84% of technology leaders say that technology is the key strategy for solving such challenges, including climate change, sustainable development, healthcare, and demographic shifts.



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. Trade and investment borders remain relatively open but, faced with uncertainties and disruptions, businesses shift towards local sourcing for critical products and services. Global growth is slow and corporate volatility is high, with capital cost and availability for mid-market companies diverging across sectors.

Technological progress is fast, with the growing application of AI and digital solutions helping solve some challenges; but the varied pace of adoption across markets and sectors means major productivity breakthroughs are lacking. Cross-regional cooperation and sustainability commitments are sustained, but policy coordination is limited.

How can technology leaders succeed in a World Sustained?

In a World Sustained, diminishing capital affects funding start-ups and scaling technology companies. The pace of change may make it difficult for mid-market technology companies to compete with their larger counterparts, particularly when it comes to AI innovations. Large technology companies will look to acquire SMEs faced with technology adoption challenges. As large corporations accelerate acquisitions, loss of intellectual property for smaller companies will most likely hinder technology developments.

However, faced with open market conditions the opportunities for cross-border and sector-wide collaboration are great, if harnessed correctly. Companies will need to be prepared for the risk of talent shortages which could impact growth in key sectors.

Do technology leaders anticipate a World Sustained?

The prospect of economic downturn and talent shortages, features of a World Sustained, concerns technology leaders: 58% believe that an economic downturn will have an impact on their organisation over the next three years, and 76% say that lack of tech expertise is a great risk to their organisation's growth. Technology organisations must look to build their skilled workforce to mitigate the risks associated with an environment of tight skills and slow growth.

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 face supply chain volatility due to complex regulation and trade policies, and growing protectionism. Inflation spikes and recessions recur; finance is costly; and tech adoption falters due to regulatory interference, and 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 technology leaders succeed in a World Fragmented?

In a World Fragmented, growing public concern over AI prevents significant technology development and adoption. In a world marred by cyber threats, it will be critical to maintain focus on cybersecurity. Tech companies will need to be prepared for increasing regulation as public discontent towards AI grows and gives way to an 'offline movement' amongst consumers.

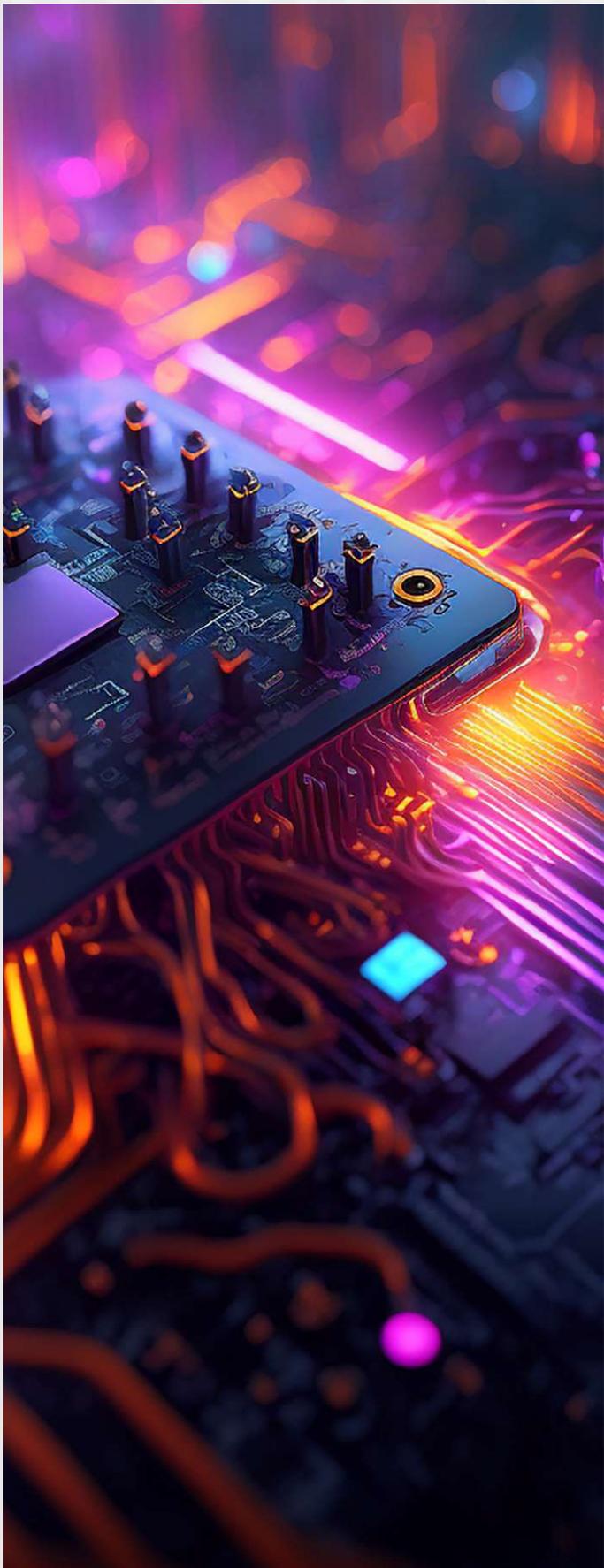
Mid-market companies with sophisticated cybersecurity defenses will be better equipped to manage the risks of a World Fragmented. In this volatile environment, technology organisations that demonstrate ethical and productive AI use cases are more likely to see business growth, building on customer trust. Mid-market technology companies with established customer relationships will perform well in this environment.

Do technology leaders anticipate a World Fragmented?

Our research finds that technology leaders are anticipating a future environment characterised by cyber fraud and ransomware attacks. Cyber risk is the number one risk that technology leaders believe will affect their organisation over the next three years; 65% say it will have a significant impact.



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. The business world is divided into two economic models: one led by China and the other, a democratic and free-market-based model, 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 significant risk. There is no coherent climate mitigation strategy.

How can technology leaders 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 world, government support for domestic industries facilitates access to capital for mid-market companies, creating an opportunity for many.

Maintaining focus on supply chain will be critical as this East-West divide could lead to increased disruptions as businesses relocate sourcing and offshore production of critical inputs to allied states. Cybersecurity must also be top of the agenda, given the divided geopolitical environment and the increased threat of cyber-attacks and espionage.

Do technology leaders anticipate a World Divided?

Our research reveals that just four in 10 technology leaders believe that geopolitical volatility will have a significant impact on their organisation in the next three years. However, technology leaders are re-assessing their supply chains: 42% of technology leaders state that they will pursue supply chain restructuring and pivoting into new lines of business as a strategy in the coming 12 months. Technology leaders should look to harness technology to optimise supply chains to ensure traceability and transparency.

About the study

Tectonic 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.

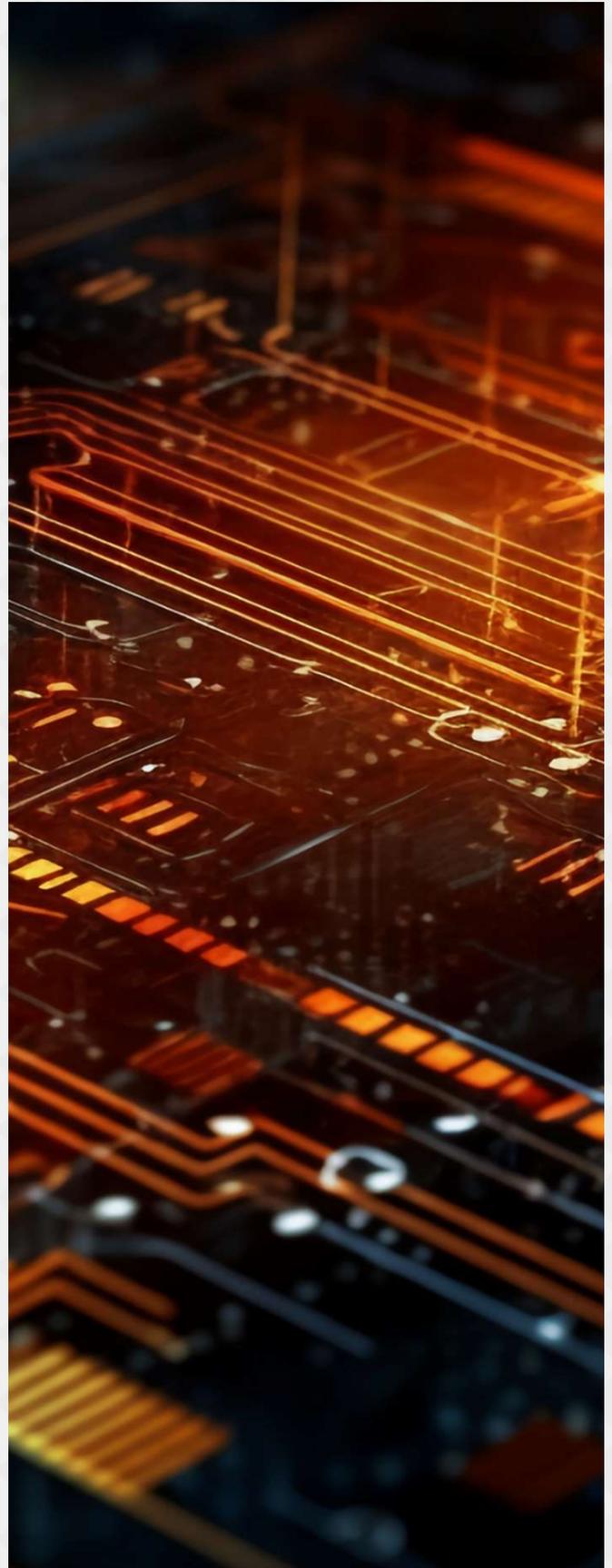
The research was designed by BDO Digital and Man Bites Dog.

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

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Teresa Morahan
Head of Global Technology, Media & Entertainment, Telecommunications



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