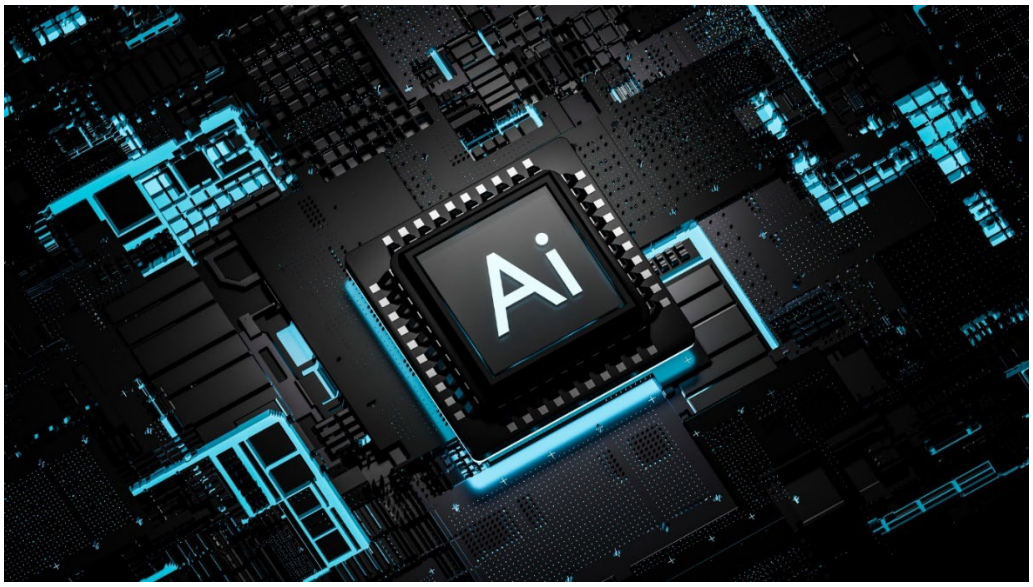
Note: Below are extracts from an article published by Ernst & Young Global Limited (7th December 2023) as referenced below.

Top 10 Opportunities for Technology Companies in 2024.



Reshaping, repositioning, and innovating for success in a GenAI-led world.

In their recent EY.com paper, Englund, Van Rhee, Watt, Wolf and Young (2023) reveal their take on the top 10 opportunities for technology companies in 2024, given the undoubted shift to greater focus on GenAI in companies' strategic planning and the role it will play in enhancement of company operations and performance. These are a summary of the key takeaways:

- Embrace GenAI as game-changing technology and increase levels of expertise and experience in the organization.
- Leverage an integrated suite of all emerging technologies, including GenAI, to improve operations.
- Invest in digital infrastructure to increase agility and performance.

> Technology companies worldwide are embarking on 2024 following a year in which their sector managed to elevate its future trajectory. During 2023, the industry successfully navigated global economic headwinds and rising geopolitical tensions while also generating widespread optimism, excitement, and expectation around the potential of emerging technology, especially artificial intelligence (AI). Although by no means offering a panacea for all ills, advances like GenAI, large language models (LLMs) and industry-specific co-pilots are rapidly re-writing the narrative.
>
> Englund, Van Rhee, Watt, Wolf and Young (2023)

According to Englund, Van Rhee, Watt, Wolf and Young (2023), tech companies have a renewed focus on growth as a result of the emergence of GenAI technology despite the associated global challenges and macro-economic influences:

> The result is an outlook that's far brighter than 12 months before. Early in 2023, when valuations in the sector were under pressure from macroeconomic weaknesses, tech companies turned to cost savings and rightsizing to help shore up margins. As well as achieving their primary goal, these measures also freed up funds to invest in new technologies to fuel future growth. Companies saw AI as the most promising of these technologies, offering growth prospects across the entire sector, including hardware, software, and services.
> Tech companies' new AI-centred strategies triggered a rebound in investor confidence, despite a range of macro challenges that are continuing to affect the industry. Economic headwinds are weighing down on sales. The high number of geopolitical conflicts and trade disputes are threatening companies' access to various markets, technologies, raw materials, and components. Changes to data protection rules will also alter how companies can monetize data, while digital taxation and antitrust regulations may change the competitive dynamics overnight.
>
> Englund, Van Rhee, Watt, Wolf and Young (2023)

Englund, Van Rhee, Watt, Wolf and Young (2023) go on to make the point that, in relation to identifying their top 10 opportunities for tech companies in the coming year, it is clear that AI tools can be applied to virtually every operational activity, including supply chain optimisation, automation, risk management, customer alignment and new business development:

> In compiling our list of the top 10 opportunities, we've looked to provide a balanced view of the potential actions for tech companies across various operational processes and different subsectors. By moving decisively to seize these opportunities, tech companies will enable themselves to focus on what they do best: innovating, developing breakthrough technologies and bringing new service offerings to market.
>
> Englund, Van Rhee, Watt, Wolf and Young (2023)

Below is a quick synopsis of the Top 10 Opportunities as identified by Englund, Van Rhee, Watt, Wolf and Young (2023) in their recent EY.com paper:

1. **Inject GenAI into digital transformation strategies and establish a control tower.**
   GenAI is ushering in a new era of digital transformation. For tech companies, the effect is double-edged. Many are already far along in their digital transformation journeys, and leaders will need to reassess and pivot their ongoing digital strategies to ensure that AI takes a central role. Faced with this balance of risks and opportunities, tech companies that are looking to retain or achieve industry leadership in digital transformation should establish an AI control tower — a dedicated steering group comprising a mix of business unit heads and other key executives, such as chief digital or data officers.

2. **Experiment with GenAI in targeted front-office and back-office use cases.**
   GenAI tools do bring some challenges, including that they can be cost- and resource-intensive. Tech companies looking to initiate or ramp up their GenAI investments may target a select handful of front-office use cases that can support profitable growth without disrupting capital allocation strategies. Note, 65% of tech CEOs recognize that their organization must act now on GenAI to avoid giving their competitors a strategic advantage, according to an EY, CEO Outlook Pulse Survey, 2023.

3. **Invest in new forms of digital infrastructure in the burgeoning "edge economy".**
   Emerging technologies' transformative capabilities rely heavily on ultra-fast data collection and computation. In light of the rapid advance of AI, the proliferation of use cases requiring ultra-fast processing "at the edge" and continual shifts in regulation, it's imperative that tech companies optimize their investments in digital infrastructure to support reliable connectivity and rapid compute capabilities. New types of digital infrastructure — especially ubiquitous, high-speed connectivity and low-latency computing — are foundational requirements for a wide range of new opportunities. While tech companies can benefit from harnessing these capabilities, they must be careful to avoid overspending on infrastructure that's not fit-for-purpose.

4. **Establish additional supply lines in emerging markets.**
   The risk of supply chain decoupling is still very real for the more hardware-focused tech companies. As a result, a race is underway in subsectors such as semiconductors to realign supply chains in ways that avoid the impacts of geopolitical disruptions. For companies that serve customers around the globe, in both Mainland China and the West, diversifying or establishing a secondary supply chain is a good way to reduce future risks of trade disruptions.

5. **Shape corporate investment strategy around the AI roadmap.**
   We believe that the optimal way to expand in AI is through a mix of small- to medium-sized acquisitions, corporate investments, and partnerships. The acquisitions will help companies access intellectual property and the talent and skills needed to develop new propositions quickly. The corporate investments will help with "long shots" in new technologies, developing different roadmaps to future applications that may not seem feasible today, and the partnerships will deliver immediate access to data sets, services and markets needed to pursue new opportunities.

6. **Harness platform business models to industrialize and scale advancing technologies.**
   Platform business models are central to the GenAI revolution. Tech companies are both going to market with GenAI platforms and integrating externally developed GenAI capabilities into their internal operations. The tech sector is going through a period of transition and reinvention. During it, companies that take a purpose-driven approach to accelerating the implementation or evolution of their platform business model, including their data strategy, will be best positioned to capture value. Going forward, as AI triggers new upheavals and opportunities across the industry and companies race for market share and influence, the ability to deploy a robust and diversified platform will be a key attribute differentiating the winners.

7. **Establish proactive and holistic responses to new and forthcoming tax burdens.**
   The global tax system in place from January 1, 2024, will have significant layers of complexity — and the impacts for tech companies will extend far beyond their tax departments. Tech companies with a global footprint, cross-jurisdiction platform strategy, distributed user base and complex supply chain stand to benefit particularly from thorough and thoughtful preparation for the changes. Being proactive in assessing and responding to the new requirements will be vital in weathering the storm and minimizing disruption to their business. The new global minimum income tax rate is 15%, beginning in 2024: large technology companies have the opportunity to structure their global supply chains and support operations in such a way as to achieve 15% in the jurisdictions in which they operate and, as a result, free up working capital to invest in their business.

8. **Prioritize energy efficiency of data centres in environmental efforts.**
   Now is the time for tech companies to invest in and collaborate with energy equipment providers to develop new and innovative ways to power their data centres. Making data centres more energy-efficient will reduce the impact of any future energy crises and reduce production costs for digital services in the short term. And the efforts will also pay off in the longer term, as, on the road to net zero, energy that isn't used doesn't have to be decarbonized.

9. **Invest in advanced risk tools and revisit trade-offs between costs, risks, resiliency, and agility.**
   Tech companies are eager to improve their ability to address emerging risks — a task given greater urgency by the lengthening roll call of emerging risks facing the sector. Trade disputes, geopolitical conflicts, taxation and legislative changes, government interventions, cybercrime, and data protection regulations all present risks that are especially relevant to the sector, on top of more general risks, such as climate events, financial risks, the next pandemic and keeping pace with innovation by competitors. Individually, these risks can be monitored and managed through data collection and analysis — and even more effectively when enhanced with AI. However, a number of risks could strike simultaneously or influence each other. This possibility means that advanced risk assessment and scenario planning are vital in determining a tech company's exposure.

10. **Deploy advanced technology to reduce current and future cyber risks.**
    While emerging technologies, like GenAI and quantum technologies, offer many benefits to enterprises, they're also radically changing the nature of cyber threats and amplifying the risks that they pose. For years, tech companies that invested in advanced threat detection and response capabilities have been better able to ride out cyber-attacks. The same applies in the era of GenAI and quantum technologies, where companies can use these advanced technologies to improve their cyber defences and differentiate themselves from their competitors. GenAI also has a role to play. Today, tech companies can use GenAI to clarify their business processes, better understand their operations, and accurately classify and label their data and systems. Tackling the drivers of cyber risk in an automated way through GenAI can mitigate cyber risks faster, more comprehensively and at a lower cost.

Englund, Van Rhee, Watt, Wolf and Young (2023)

Englund, Van Rhee, Watt, Wolf and Young (2023) conclude that "in 2024, technology companies should invest in the next generation of emerging technologies — including GenAI — to keep up with competitors and prepare the organization for the full-scale implementation of new business models enabled by these technologies. "

References

Englund, K., Van Rhee, S., Watt, T., Wolf, O., and Young, A. (2023). 'Top 10 Opportunities for Technology Companies in 2024'. *Ernst & Young Global Limited December 07.* Available at: https://www.ey.com/en_gl/tmt/top-10-opportunities-for-technology-companies-in-2024 (Accessed 08 January 2024).