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Cybersecurity will be one of the biggest growth engines for the technology sector in 2016, right alongside personal technology.

According to BDO USA, LLP's 2016 Technology Outlook Survey, which polls 100 technology company CFOs, one in four tech CFOs view cybersecurity concerns as the primary driver of industry growth this year, outflanked only by consumer demand for innovative personal technology, selected by one in three CFOs as the most important factor driving industry growth. Researchers estimate the cybersecurity market will grow 9.8 percent annually to \$170 billion by 2020.

Cybersecurity is not only fueling innovation within the industry, but also driving tech companies to shore up their own cyber defenses. More than half (57 percent) of respondents increased spending on cybersecurity during the past year in response to the growth of cloud services, mobile devices and the proliferation of sophisticated cyber attacks.

"The tech industry is responding to rising concerns about cybersecurity across all industries, making tremendous progress in advanced analytics and artificial intelligence to anticipate and respond to cyber threats earlier," said Shahryar Shaghaghi, National Practice Leader for Technology Advisory at BDO. "It's reassuring to see that tech companies are practicing what they preach; the industry is prioritizing cybersecurity internally and embedding cyber principles and machine learning techniques into their product and service offerings."

Several macroeconomic issues are expected to weigh heavily on tech companies this year. When asked to weigh in on the biggest challenge, tech CFOs were nearly

equally divided between policy and tax changes (26 percent), healthcare reform (25

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on par with last year.

Rounding out respondents' top three tax issues for 2016 are aggressive state tax laws (19 percent) and taxation of overseas activities (17 percent).

"The presidential election this year will likely put corporate tax issues on center stage, with much hanging in the balance until voters make their decision in November," said David Yasukochi, partner and leader of the Technology and Life Sciences Practice at BDO USA, LLP. "Tech CFOs will also be watching for changes in tax policy at the state and local level, as the states continue to take a patchwork approach to taxing the cloud."

Additional findings from the 2016 BDO Technology Outlook Survey include:

**Good talent is exceedingly hard to find.** When tech CFOs weighed in on their organization's greatest challenge in 2016, recruiting or retaining workforce talent (32 percent) was cited nearly as often as competition (39 percent). The talent issue has become an increasingly pressing priority, at its highest proportion in the past nine years, after rising fairly steadily from 11 percent in 2008. More than half (55 percent) of tech CFOs said that staffing would remain level with last year, while 44 percent expect their organization will hire more employees. Sales and marketing positions are the primary focus area for hiring, according to 52 percent of respondents, followed by research and development positions (21 percent).

**Tightening security measures.** To address growing cybersecurity concerns, respondents report their organizations have taken a number of actions over the past year including using new software security tools (93 percent), performing a cybersecurity risk assessment (81 percent) and creating a response plan for security breaches. Regulators are placing more scrutiny on security breaches stemming from vendor relationships, so tech companies are tightening policies in response, with 65

percent of tech CFOs reporting that their company has updated third-party risk

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retrospective option, although prospective is the more popular choice among those who have decided (21 percent). Implementation of the standard has been delayed until 2017, and some clarifying changes have yet to be resolved. For now, 77 percent believe the standards won't have any impact on their organization.

**Financial compliance issues weigh on CFOs.** The majority (57 percent) of tech CFOs cited financial reporting as their most serious compliance concern in the year ahead, followed by general fraud and corruption (19 percent) and export controls (11 percent).

These findings are from the ninth annual 2016 BDO Technology Outlook Survey, a national telephone survey conducted by Market Measurement, Inc., an independent market research consulting firm, whose executive interviewers spoke directly to 100 chief financial officers at leading technology companies throughout the United States. The survey was conducted from December 2015 to January 2016. Additional findings from the study will be released in the coming weeks.

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