Interview with Paul Sallomi

Technology is increasingly a story about enterprise transformation, according to Paul Sallomi, Global Technology, Media & Telecommunications Industry leader and US and Global Technology Sector leader. To deliver the end-to-end solutions their customers need, technology companies are increasingly focusing on what they do best and commonly forming unusual partnerships—both outside their industries and sometimes with their own competitors.
Where do you see opportunities for growth in 2017?

The technology growth story has long focused on the consumer—and that story continues. But as enterprises in every industry sector look to technology to facilitate their own transformations, the opportunities for technology companies have broadened considerably.

The race for competitive advantage has led businesses everywhere to embrace the new and the cutting-edge. Many technologies are now coming into their own as their power and speed increase and the cost of delivering them goes down. These so-called “exponentials,” including robotics, virtual and augmented reality (VR) (AR), 3-D printing, and artificial intelligence (AI), are opening up significant areas of opportunity.

Cognitive technologies such as computer vision, machine learning, natural language processing, and speech and pattern recognition are being embedded in software applications, imbuing big data with superior capabilities.

**Machine learning** shows the most immediate promise; it has the capacity to enhance a wide array of applications, particularly those involving classification, prediction, anomaly detection, and personalization. The tremendous investment and research in all of these areas is a strong indicator that we will soon be witnessing the emergence of ecosystems and platforms that deliver a whole new level of value.

One very early stage platform that is gaining considerable traction in terms of investment is **blockchain**, the foundation for the digital currency bitcoin. A distributed database of transaction blocks, blockchain allows participants in a network to share a digital ledger, yet prevents them from tampering with any of the transaction records. This has enormous implications not only for the financial services industry, but potentially for any company that has significant amounts of asset transfers or manages a complex global supply chain.

The **digitization of the enterprise** is also opening up whole new markets, creating ecosystems that often extend across multiple sectors. Connected and autonomous vehicles, e-medicine, fin tech, e-tail, and smart cities are all enabled by connectivity, growth in storage and bandwidth, advances in cognitive technologies, and increasingly sophisticated data analytics. They are spawning a myriad of new products and services that will continue to excite and astonish us.

We are also still in the early innings of **cloud adoption**, and more “anything as a service” offerings that allow usage-based consumption are likely to emerge. This development will give small-to-medium sized enterprises access to sophisticated capabilities once only available to huge multinationals, increasing demand and creating a virtuous cycle for more products and services. Furthermore, because the success of cloud offerings relies heavily on companies’ ability to secure their environments, **cybersecurity** products and services are another area with a bright future.
What strategies are tech companies using to facilitate growth?

While opportunities abound as these exponential technologies come to market, enterprises will likely need to transform some of the ways in which they do business. The transformation of an enterprise is a complex undertaking, and the digital solutions needed by companies don’t come neatly bundled out of the box. Rather, they are combinations of hardware, software, networking, data storage, analytics, and cognitive technologies. Furthermore, the complexity involved in designing today’s technology platforms requires deep expertise in a wide array of areas. This is causing a historic wave of collaboration across different industries. For instance automotive companies and technology enterprises have entered into joint ventures and partnerships aimed at equipping the auto makers with self-driving functionality, services and features. Many partnerships are also focused on promulgating connected vehicle open-source platforms. The list of these cross-industry partnerships is quite extensive.

Another example of companies working together is the Partnership on Artificial Intelligence (AI), which includes companies such as Amazon, Google, and Facebook. The partnership aims to conduct research, organize discussions, share insights, and provide thought leadership in order to advance understanding of AI technologies, including machine perception, machine learning, and automated reasoning. Companies that are open and adept at this type of teaming will be able to find a broader network of opportunities for their products and services.

Finally, over the past decade, many of the major tech players have grown rapidly into conglomerates with multiple areas of expertise. This has often placed them at a disadvantage when competing in a space that rewards agility and focus over a broad swath of products and services. The pressure to be nimble—to be able to turn on a dime—has led many of these companies to pursue a “shrink to grow” strategy. Consequently, we have seen continued activity in both divestitures and acquisitions, as tech companies choose to focus on what they do best and shed the rest. Probably one of the most well-known examples is Hewlett-Packard’s 2015 split into two companies—an information technology business, Hewlett Packard Enterprise (HPE), and the personal computer, printer and 3-D print business, HP Inc. Since the split, HPE announced additional separations to provide greater focus for its software and enterprise services business and HP Inc. has made a number of selective acquisitions, most recently its planned acquisition of Samsung’s printer business. Becoming the best of the best in a narrow field enables these companies to take advantage of opportunities to participate in emerging technology ecosystems and also positions themselves for rapid, albeit more specialized, growth.

Another important strategy technology companies are using to gain a leg up involves partnering for the purpose of advancing a particular field or building end-to-end customer solutions that harness the best of each of their assets and capabilities. A case in point is the recently launched partnership between IBM and Cisco. Focused on growing revenues in emerging fields like AI and IoT to offset declining sales in more traditional areas, the deal leverages the cognitive and business analytics capabilities of Watson’s IoT platform and Cisco’s expertise in hyper-distributed IoT networks and edge analytics.
Successfully leveraging the huge promise for the tech industry, and making sure a company has compelling offerings that fit within a larger ecosystem, will depend on several factors. One of the most significant is how quickly companies can transform their own business models to accommodate shifting customer demands. We are seeing a rising tide of requests from enterprise customers for their technology providers to sell solutions using a pay-per-use or “flexible consumption” model. This trend began with cloud-based software-as-a-service offerings that allowed customers to move away from buying hardware and software outright and instead to purchase computer power and storage as needed. Today those models are growing in prevalence. In fact, according to Gartner, by 2020, 80 percent of software vendors will be using a consumption-based model.

Switching to such a fundamentally different business model has profound implications for how a company markets its value proposition, as well as for how it operates. It is important not to underestimate the depth of the transition: it will change how a company trains, motivates, and compensates its salesforce; how it designs its IT infrastructure, including security features; how it handles revenue recognition and taxation; how it distributes and bills for its offerings; how it markets and brands the enterprise; and how it manages equity stakeholder expectations, especially in transition phases.

The need for speed is another important consideration, and in order to maintain the competitive pace of innovation, companies are engaged in a global war for talent. They must find ways to tap a resource pool that goes beyond the boundaries of their organizations and create ecosystems that foster collaboration with entrepreneurs, startups, academia, and even competitors. The rise of the “gig economy” is making more flexible, project-based arrangements an acceptable alternative to company-based employment. We also expect to see businesses become increasingly amenable to non-traditional ways of working that allow people to be productive in less structured, often untethered or mobile environments. This is not surprising: some research indicates that employee mobility not only enhances employee satisfaction, but it leads to greater productivity.

These open talent models are an acknowledgement that speed and agility can be as important as owning the source of innovative ideas—especially in light of the continual disruption in the technology arena by well-financed upstarts that quickly reach “unicorn” status. Established players need to maintain constant vigilance with regard to these competitive threats, evaluating what new companies might disrupt their business models and at the same time considering how they can beat them to the punch by disrupting themselves first. Keeping a discipline on operations in the here and now while also focusing on the rapidly emerging horizon is a duality of focus that is becoming essential for success. This ability to zoom out and then zoom in creates a sense of perspective that keeps companies on their toes.

Despite the opportunities, tech companies face a number of challenges, including coping with increasingly burdensome global regulation. Each local market has its own rules governing privacy, security, and the handling of data crossing or within borders. There are also competing regional and country views regarding how an enterprise ought to be taxed and how it ought to treat incentive programs. Because the regulatory environment is unlikely to become less complex, organizations will need the tools and resources to address both new and existing rules—especially as they expand internationally. The need for new developments to address constantly evolving and maturing cyber threats will continue to be a prominent area of focus as well.

Ultimately, the warp speed with which the technology space is changing makes it nearly impossible to anticipate every new development. But there is little doubt that technology’s integral role in nearly every aspect of business and life will keep those developments coming.
Let's talk
If you're interested in learning more, please contact me and I would be happy to schedule a meeting with you.

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