

The past year has been particularly difficult for the tech industry. Economic instability, high inflation, and rising interest rates have prompted tech companies to reevaluate their business strategies, adjust their growth plans, and revisit their staffing models.

At the same time, we've seen remarkable advancements in the past year, with generative artificial intelligence (AI) taking center stage and ushering in a new era of technology. This accelerating pace of tech innovation continues to introduce new business opportunities across industries.

As 2023 comes to a close, tech leaders are evaluating the challenges — and opportunities — that will help them stand out from the crowd in the new year.

To prepare for the road ahead, read BDO's predictions for the tech industry in 2024 — and the one X-factor that could change it all.

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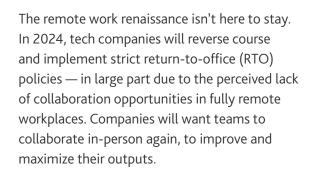
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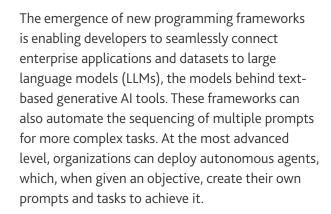




We're already seeing the biggest tech companies pushing for an end to remote work. The trend goes beyond the tech industry, as well — a full 90% of companies are looking to **bring workers back to office** by the end of 2024.

In place of remote work and based on current trends, we predict most tech companies will shift to a hybrid model that requires employees to be in the office three to four days a week by the end of 2024. Full-time remote work will not disappear completely, but will be acceptable only when necessary, such as when the local talent market can't meet a company's needs or when a position requires a unique skill set.



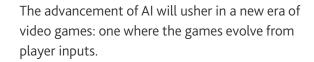


We're already seeing <u>autonomous agent start-ups</u> secure major funding as all eyes in tech turn to this promising new technology. In 2024, we predict tech companies will invest in autonomous agents, moving from proof-of-concept to enterprisewide implementation.

Initially, agents will be deployed as virtual assistants capable of handling basic administrative tasks.

However, the tech industry won't stop there. By the end of 2024, we expect to see tech companies experiment with assigning autonomous agents more sophisticated tasks, such as project planning and software development.



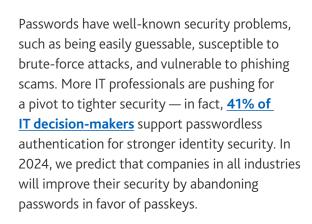


Imagine playing a video game where you could have unique dialogues with non-playable characters (NPCs), rather than having to choose from a limited number of preset conversation paths.

Now, imagine that you could also create your own NPCs and give them whatever characteristics and voice you want — that is the potential created by generative AI.

Some video games already use generative AI elements to enhance their NPCs. But in 2024, we expect to see the first video game that creates new gameplay and narratives through generative AI inputs. By 2025, we expect the generative AI-enabled video game market to explode.





Passkeys have an advantage over passwords in that they require both the sender and the receiver to agree that a transaction is valid through tools like PINs, biometric data, secured devices, and Bluetooth. In the next year, we expect the vast majority of vendors will start supporting passkeys — not just the big tech companies. Additionally, while some industries will hold onto passwords longer than others, we expect the healthcare industry to transition almost entirely to passkeys in 2024 in an effort to better secure protected health information.

BDO'S TECH PREDICTIONS FOR 2024



Everyone hoped that the tech layoffs of the past year were over. Unfortunately, <u>layoffs seem to be</u> <u>sticking around</u>, with a continuation of high-profile tech layoffs announced in late 2023.

In 2024, we expect more tech companies will be taken private by private equity (PE) firms as they seek to raise capital, secure more attractive valuations, and fix organizational issues away from public scrutiny. This is a continuation of a trend that we've seen throughout the industry over the past year. These deals will, unfortunately, lead to layoffs as PE firms look for ways to cut costs and reprioritize spending. We also predict an influx of layoffs in the telecom industry, which will explore staff reductions as a way to lower costs amid their struggles to refinance their tremendous amount of debt.

As long as economic uncertainty continues and the tech industry focuses on driving profitable growth, tech companies will continue to make staffing cuts. Fortunately, we can expect to see an end to this trend once the economy stabilizes.

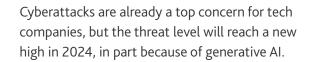


In 2023, we saw tech companies starting to move to new states to pursue better business opportunities, particularly related to tax.

In 2024, we expect these moves to create a new Silicon Valley in Texas. Not only are tech companies exploring Texas for its advantageous tax opportunities, but workers across America are moving states in search of a lower cost-of-living. Texas is home to many cities, such as Austin, that are growing in popularity among both businesses and workers.

We expect a combination of talented workers and growing businesses to turn Texas into the next great tech hub.





Generative AI can help cybercriminals launch more sophisticated attacks on a broader scale. Companies may also be opening themselves up to security vulnerabilities by adopting generative AI without fully preparing for its associated security risks. The UK's National Cyber Security Centre (NCSC) believes that new capabilities like AI will have a "profound impact on the threat landscape" in the next five years.

As a result, we expect to see a spike in generative AI-driven cyberattacks in 2024. We predict a significant number of these attacks will target the healthcare industry, which is a common target for cyber attackers due to its troves of protected health information and its important role in public infrastructure.



Hopes were high for a robust return to dealmaking in 2024. Unfortunately, it doesn't look like that's on the agenda for tech.

As interest rates remain high — and the Fed hints at further rate increases — and the economic outlook remains uncertain, we predict tech companies will struggle to make deals. Investors will be scrutinizing deal proposals carefully and will be slow to make a move. An optimistic view holds that we could see the economy stabilize and M&A activity pick up in mid-2024, but we predict the tech M&A market rebound will happen in early 2025.

However, when the market does rebound, we expect to see a massive influx of tech M&A deals, driven by investors and companies who have been waiting several years to make their move.

# What to Watch: Tech's X Factor? **Quantum Computing**

Quantum computing has the potential to vastly accelerate innovation by allowing computers to make massive calculations in seconds — the kind of calculations that today's computers can't even begin to execute. For example, researchers could design better clinician trials by using quantum computing to calculate probabilities at the molecular level, allowing researchers to narrow down the possible drug designs and approaches to those that offer the greatest chance of success.

Quantum computing could also help tackle challenges that have previously been too complex to solve, such as curing cancer or creating an endless source of clean energy. However, building a quantum computer is extremely difficult, as they are highly sensitive. Any environmental change — like a fluctuation in temperature — can cause it to stop functioning. These computers are also extremely expensive to build, and as such are only affordable for large companies or nation states.

Right now, quantum computing isn't practical or accessible to most of the world, making its uses very limited. However, once quantum computing is more reliable and scalable, it has the potential to not only change the tech industry but also transform the world.

It's crucial that tech companies understand the possibilities afforded by quantum computing — and the challenges that still lie ahead. While it's unclear when quantum computing might make its mark, we expect that it will eventually become widely available. Tech companies that want to be at the forefront of innovation need to start exploring their best possible use cases, so they are ready to act quickly once it becomes practical. Once quantum computing is accessible, the race will be on — tech companies must do everything in their power today to ensure they aren't left behind tomorrow.

**BDO'S TECH PREDICTIONS FOR 2024** 

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