CEOs try to predict who'll win tomorrow's tech race

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It seems every major tech giant is celebrating a landmark birthday these days. This year, it's been Microsoft (35), Cisco Systems (25) and Yahoo (15). Next year, IBM turns a century old, and Apple hits 35.

Some have more reason to celebrate than others. While some have matured, tech's latest waves have others gasping to keep up.

In this ever-changing landscape, Google, Apple, Facebook and Amazon.com have grown stronger, and Cisco, Oracle, IBM, Hewlett-Packard and Intel forge ahead, according to numerous tech analysts, executives and venture capitalists.

Meanwhile, the fortunes of Yahoo, AOL, MySpace and eBay are less clear, a consequence of missed marketing opportunities, lack of innovation or something else. The debate rages over Microsoft, good and bad.

Rapid change has been a staple in tech for decades, but the pace of today's market -- accelerated by explosive growth in the mobile, social-media and so-called cloud-computing segments -- presents as many risks as opportunities.

USA Today asked more than a dozen high-profile CEOs, over several months, to reflect on this slice of time and to handicap who is best positioned to adapt and prosper. Though their opinions vary widely, they agree the tech industry dictates that they relentlessly innovate, revamp business plans every few months or acquire key technologies.

"When the world is moving and changing so fast, the worst risk is to do nothing," Facebook CEO Mark Zuckerberg said.

The competitive treadmill moves so fast, MySpace co-President Jason Hirschhorn said, that an executive team needs a "level of insecurity."

His concerns are borne out in a recent report by Morgan Stanley analyst Mary Meeker, dubbed the "Queen of the Net." She posits that tech is in the midst of its fifth major cycle. Mainframe computers dominated the 1950s and '60s, mini-computers the 1970s, desktop PCs the '80s and the Internet the '90s.

The current cycle is the mobile Internet. Within the next five years, she predicted, "More users will connect to the Internet over mobile devices than desktop PCs." Smart phones, e-book readers, connected in-car electronics and wireless home appliances such as gaming consoles will top 10 billion unit sales by 2020 -- 10 times more devices than there are desktop PCs, she says.

Meeker predicts the mobile Internet revolution will produce a new crop of winners, including Apple, Facebook, Amazon.com and Google. "(They) are becoming mobile Internet innovation pacesetters," she said.

The tech market's fluid nature can make a company's time in the limelight shorter. The age of Twitter and Facebook, where customer feedback is in real time, has shortened consumer product lifecycles to six months instead of a year, Dell founder Michael Dell said.

Imagine, then, the angst among tech companies trying to develop products that could be disposable within a few months.

"The user is changing faster than companies can keep up with them," said Sumant Mandal, managing director at Clearstone Venture Partners.

A handful of companies have excelled at giving customers what they want -- so far. Apple has been on the money with a string of hit mobile products that are even more enticing because of thousands of non-Apple products, or applications. Google has added features that build off its dominant search engine, while snapping up popular services, such as YouTube. Both companies declined to comment.

Facebook, with 400 million users, has excelled by building an organization that can adapt quickly to changes in the way people communicate and do business online. It routinely adds new features, in anticipation of where markets are headed, and depends greatly on applications by third-party developers.

"Facebook is like air: It is everywhere," says Internet analyst Charlene Li.

But time at the top can be fleeting. Just ask Sun Microsystems, Netscape Communications and other once-highflying companies that crashed because they didn't adapt fast enough.

Consequently, the current state of the market has put a premium on CEOs who are equal parts business executive, sage and gambler.

Case in point: SanDisk CEO Eli Harari, 64, who's been at the $3.5 billion company for 22 years. He and his company have survived by predicting, and jumping on, emerging technologies every few years. They started a team called emerging markets for mobile seven years ago.

Through wrenching changes, IBM and HP were able to right themselves by focusing on emerging markets, such as services, and minimizing their hardware and communications businesses.

IBM acknowledged it couldn't be all things to all people, so it got out of the desktop PC business and shed some communications products over the past decade. Big Blue fashioned a blueprint for making a successful reboot as a services company. The company turns 100 years old in 2011.

"We moved away from things that were not a good use for our innovative ways," said Steve Mills, head of IBM's $21.4 billion software business, the second-largest in the world after Microsoft. Since 2003, it's splurged $22 billion on nearly 100 companies -- many of them infrastructure-software firms.

"The challenge is, the world around us keeps changing," Mills said. "If you're striving for calm, you're in the wrong industry."

What has magnified the shifting fortunes of some modern tech giants is that their founders or key executives have recently moved on to other pursuits, casting some uncertainty on the companies' futures.

Microsoft Chairman Bill Gates is dedicated to philanthropy.

Former eBay CEO Meg Whitman is running for governor of California.

Yahoo co-founder Jerry Yang has a diminished role, focusing on emerging international markets and high-level sales calls.

Historically, that has meant tough times for companies such as Apple and HP, though others -- Cisco and Intel, for example -- have managed smooth transitions over the years.

"Few (companies) have made successful transitions with the possible exception of Intel," said Cisco CEO John Chambers, who succeeded

John Morgridge in 1995. "That's because it's hard to do. With the exception of Apple, no one has changed CEOs and maintained their excellence. And in Apple's case, (CEO Steve) Jobs came back."

Apple has gone from the abyss in the mid-1990s to a current market value of $214 billion -- nearly equal to HP and Intel combined.

"Leadership makes all the difference," said Oracle CEO Larry Ellison, who helped found Oracle in 1977.

"Apple is a perfect example -- from big success (Jobs in the 1970s and early '80s) to failure (post-Jobs) and return to glory (return of Jobs in 1997)," Ellison said. "It is a big task for (Microsoft CEO Steve) Ballmer to replace Gates."

But it took Jobs nearly four years to right Apple's wobbly ship, Yahoo CEO Carol Bartz pointed out. "They came back, but it took time -- no disrespect to him at all," she said.

Most of the largest tech firms are hedging their bets by acquiring hot start-ups rather than developing technology internally. And many are pursuing up-and-comers in mobile, cloud computing (where data are stored remotely by someone else) and services.

Last month, for example, HP dove into the $100 billion smart-phone market with its $1.2 billion planned acquisition of Palm.

IBM has gobbled more than 100 software companies the past few years. Cisco and Oracle have gone on buying sprees, snapping up start-ups and rivals. HP has gotten serious about software companies.

When Oracle closed its $7.4 billion acquisition of Sun in January, Ellison proclaimed that his company would hew to IBM's earlier model of being the computing equivalent of a one-stop shop. He expects to squeeze a $1.5 billion profit from Sun over the next year.

"The future of computing is about providing customers solutions from one vendor," Ellison said in a phone interview.

Absent big acquisitions and market-shifting products, some companies are content to redefine themselves as narrow, scaled-down versions of what they used to be.

"We can't be all things to all people," said MySpace's Hirschhorn, in explaining why the company -- which boasts 100 million users -- is focusing on the under-30 crowd.

Bartz, who is in her second year of trying to make over Yahoo, has overseen a redesigned front page that makes it easier to connect to Facebook and other Internet services. Yahoo also reduced expenses by hiring Microsoft to power its search engine and the advertising tied to the search requests.

Though analysts expect a slow decline in Yahoo's search business to Google and Bing, and limited success in the crowded market for content creation, they believe Yahoo will remain important because of the mind-bending portal traffic it pulls: 156 million unique visitors in March -- about three-fourths of those online, said market researcher ComScore.

"They'll still earn money not having to support a search operation and other things that are being jettisoned," said Danny Sullivan, editor of Search Engine Land. "But that also means I don't expect them to have the money to buy or grow in major new and unexpected areas."

EBay, the biggest marketplace on the Web, with about 90 million active users, is pinning its future on e-commerce and online payments as it navigates choppy economic waters and a raft of rivals, including Amazon.com, Walmart.com and hundreds of other major retail sites.

EBay expects revenue for PayPal, its online-payments business, to double, to up to $5 billion, by the end of 2011. It anticipates more than $1.5 billion in mobile-based application revenue this year, mostly through iPhone.

Then again, everything could change just as abruptly when the next shape-shifting technology comes along, ushering in a new round of winners and losers.

Microblogging services and social networks have led to the creation of a tsunami of information published instantly, making it difficult to index and list in search results in real time.

This new dynamic presents a real challenge for Google, said analyst Li.

"Perhaps we should ask ourselves: What is the most important company 20 years from now?"said Steve Jurvetson, a partner at venture-capital firm Draper Fisher Jurvetson, an investor in Skype and Baidu, the dominant search company in China, among others. "This is not because I know the company's name. It is because it does not exist."

Twenty years ago, he said, there was no Baidu, Google or Facebook. "It is entrepreneurs that change the world -- always have and always will," he says.