



ISSUE 148

BOARD PERSPECTIVES

THE TOP RISKS FOR THE NEXT DECADE: A GLOBAL PERSPECTIVE

Our global survey of C-level executives and directors regarding their views on macroeconomic, strategic and operational risks highlights a disruptive risk landscape over the next decade through 2031.¹

Our global survey captures insights from 1,453 C-level executives and directors across multiple industries, with broad geographic representation. As with our prior surveys, the results captured the most important uncertainties by industry, executive position, company size and type, and geographic area. Our survey was conducted online in the September–October 2021 time frame to capture perspectives on the minds of executives regarding the risks over the short term, 2022,² as well as over the long term, with a 10-year horizon to 2031.

In the table provided on the next page, we rank the highest-rated risk themes in order of priority to provide a context for understanding the most critical uncertainties companies face looking forward over the next decade to 2031. Key takeaways are summarised below.

Buckle up; a disruptive decade lies ahead.

The rapid speed of disruptive innovation, the threat of substitute products and services, and the ease of entrance of new competitors are all top risks looking out 10 years. Most of these risks were ranked higher over the next decade than for 2022. For example,

¹ *Executive Perspectives on Top Risks, 2022 & 2031, Executive Summary*, Protiviti and NC State University's ERM Initiative, December 2021: www.protiviti.com/toprisks.

² "The Top Risks for 2022: A Global Perspective," *Board Perspectives*, Issue 147, January 2022, Protiviti: www.protiviti.com/US-en/insights/newsletter-bp147-top-risks-2022.

TOP 10 GLOBAL RISKS FOR 2031

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| 1. Adopted digital technologies may require significant, frequent efforts to upskill and reskill employees | 6. Ease of entrance of new competitors or other significant changes in the competitive environment may threaten market share |
| 2. Succession challenges and inability to attract and retain top talent may limit operations | 7. Regulatory changes and scrutiny may affect how products or services are produced and delivered |
| 3. Rapid speed of disruptive innovations enabled by new technologies and other market forces may require significant changes to the business model | 8. Resistance to change may restrict the organisation's ability to pivot and adapt |
| 4. Substitute products and services may affect the viability of the current business model and strategy | 9. Changes in the overall work environment (e.g., shifts to a hybrid environment, evolving labour markets, changes in the nature of work) may lead to challenges to sustaining organisational culture and operations |
| 5. Economic conditions may significantly restrict the organisation's growth opportunities | 10. Inability to utilise sufficiently advanced data analytics to achieve market intelligence |

disruptive innovation, substitute products, ease of entrance of new competitors, and sustaining customer loyalty and retention were rated third, fourth, sixth and 12th, respectively, for the next decade, whereas for 2022, they were rated 19th, 26th, 24th and 23rd, respectively. Combined with other risks related to talent, the workplace and organisational culture, and the economy, these risks portend a disruptive decade ahead.

Longer-term priorities are shifting. Looking out over the next 10 years, our survey reported important shifts in the risks companies face across the globe. To illustrate, four risks dropped out of last year's top 10 list for the 10 years ahead — risks associated with data privacy, sustaining customer loyalty, cybersecurity and competition with “born digital” players have fallen to 11th, 12th, 16th and 18th, respectively.

New to the top 10 risks list for the next decade are concerns over the economy, the ease of entrance of new competitors, resistance to change, and the effect of changes in the overall work environment on sustaining organisational culture and the manner in which operations are conducted. There's also evidence of shifting priorities within the top 10

risks, the most notable being regulatory concerns, which dropped from the second-rated risk last year to seventh overall in this year's survey.

People and culture are a long-term priority. The number two risk overall for the next decade (as well as for 2022) pertains to succession challenges and the ability to attract and retain top talent in a tightening market. Organisational culture is also a long-term concern. There are several important themes related to people and culture for the coming decade:

- **The future of work continues to be a defining business challenge for the next 10 years.** Our survey results for this year and the prior year both indicate this risk is the fourth-ranked issue looking out 12 months and the top risk for the ensuing decade. Adoption of artificial intelligence, automation in all its forms and other digital advances are expected to displace as well as create millions of job functions. Companies will need to take the initiative to upskill and reskill existing employees to fulfil the value proposition of these technological investments. The talent needed won't be found walking the streets.

- **Workplace evolution is creating uncertainty and the need for agility.** The pandemic accelerated trends that were already underway — specifically, trends relating to remote work, e-commerce and automation. These trends have empowered many employees by giving them a desire for a voice and choice as to where and when they work, leading to various forms of a hybrid work environment for many companies. No one knows for sure what the post-pandemic norm will look like, and the number of companies implementing permanent work-from-anywhere policies continues to grow. Also, there's uncertainty about the impact of these changes on sustaining organisational culture and the way business is done. This is the ninth-rated overall risk concern looking out 10 years.
- **Resistance to change has emerged as a long-term issue.** As the eighth-rated risk overall for the next decade, concerns about resistance to change present a conundrum of sorts. This risk calls to mind the importance of preparing for the future by inculcating a trust-based, diverse and inclusive culture to enhance organisational preparedness, agility and decisiveness. It points to the importance of scenario analyses, early warning systems, response plans and innovative cultures that enable early movers to act on market trends that executives and directors consider relevant. Preparing the organisation to pivot in the face of the unexpected can break down the barriers of resistance so that the organisation embraces rather than fights change. This requires a higher level of strategic-thinking skills and relentless communication from the top.
- **Climate change concerns remain primarily isolated to industries heavily reliant on fossil fuels.** Overall, climate change concerns represented one of the five risks reflecting the largest increases in severity between years, an increase of 16%. Oil and gas and power companies generating energy utilising fossil fuels rate climate concerns as a top risk. Respondents representing companies in other

industry groups don't perceive significant alterations in their strategy and business model in response to climate change as a long-term concern. In time, investor expectations, customer preferences, regulatory requirements and other market developments could change that perception. A lack of focus on climate matters could also pose additional talent retention challenges, especially for younger generations.

Economic uncertainty has emerged as a top long-term concern. It's significant that survey respondents are expressing concern about economic headwinds over the long term as well as the near term (concerns over the economy rank fifth overall for both 2031 and 2022). Central bank monetary and interest rate policies, the spectre of lasting structural inflation, the duration of time for supply chains to recover, the performance of the Chinese and other large economies, the effects of ballooning government deficits, and growing geopolitical tensions may be interrelated contributing factors to these longer-term concerns.

Reliable market intelligence will separate winners and losers. The inability to utilise sufficiently advanced data analytics and "big data" to achieve market intelligence that will lead to increased productivity and efficiency and drive focused innovation and digital investments is a top risk. Respondents rated it eighth for 2022 and 10th for the next decade. In rapidly changing markets, effective, ongoing analysis of data wins — particularly with respect to changing customer preferences.

Regulatory scrutiny remains a long-term global concern. Regulatory scrutiny affecting the way processes are designed and products or services are produced or delivered is more of a long-term risk, as it is rated seventh overall for the next decade. However, interestingly, it's not a top 10 risk looking out 12 months — that's the first time this risk has not appeared in the top 10 since we began this annual survey 10 years ago. This may suggest that respondents see gridlock and competing public sector priorities as mitigating factors to regulatory changes affecting their

business in the near term. But longer term, they see this as an issue. For example, world leaders recently endorsed an overhaul of international tax rules that would impose a new global minimum tax of 15% on business profits to curb corporations' efforts to shift profits to overseas tax havens.³

A long-term outlook helps companies face the future confidently. Seven of the top 15 risks over the next decade are not in the top 15 list for 2022. With a disruptive decade ahead, organisations embracing the long view with a trust-based culture, effective utilisation of data analytics and the ability to pivot at the speed of change are more likely to sustain their relevance. A longer-term perspective

augments short-term risk awareness by helping leaders “reality test” their assumptions about markets and the business environment so that they’re more prepared for surprises as well as more decisive and agile in making timely adjustments to the strategy and business model.

We encourage interested parties to read the executive summary of our survey results to learn more. Consistent with prior years, there are variations in views among boards and C-suite executives and across geographic regions and multiple industry groups regarding the magnitude and severity of risks for 2031.

Considerations for Boards

The board of directors should consider the above risks in evaluating the company’s long-term strategic outlook in the context of its operations and markets. If management hasn’t identified these issues in the strategy-setting formal risk assessment processes, directors should consider their relevance to the company’s business and ask why not.

How Protiviti Can Help

We assist boards and executive management with identifying and assessing the enterprise’s risks and implementing strategies and tactics for managing risk. In addition, we assist public and private companies with integrating their risk assessment process with their core business processes, including

strategy-setting and execution, business planning, and performance management. We provide an experienced, unbiased perspective on issues separate from those of company insiders to help organisations improve their risk reporting to better inform the board’s risk oversight process.

³ “‘Historic’ global minimum corporate tax rate formally endorsed by world leaders,” by Jon Porter, *The Verge*, November 1, 2021: www.theverge.com/2021/11/1/22756934/g20-oecd-15-percent-global-corporate-tax-rate-havens-evasion-tech-giants.

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the 2021 *Fortune* 100 Best Companies to Work For® list, Protiviti has served more than 60 percent of *Fortune* 1000 and 35 percent of *Fortune* Global 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

Protiviti partners with the National Association of Corporate Directors (NACD) to publish articles of interest to boardroom executives related to effective or emerging practices on the many aspects of risk oversight. As of January 2013, NACD has been publishing online contributed articles from Protiviti, with the content featured on <https://blog.nacdonline.org/authors/42/>. Twice per year, the six most recent issues of *Board Perspectives* are consolidated into a printed booklet that is co-branded with NACD. Protiviti also posts these articles at protiviti.com.