

BOARD PERSPECTIVES

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The Top Risks for the Next Decade: A Global Perspective

Our global survey of C-level executives and directors, focused on macroeconomic, strategic and operational risks, highlights their views regarding the disruptive risk landscape over the next 10 years through 2032.¹

Our survey captures insights from 1,304 C-level executives and directors across multiple industries, with broad geographic representation. As with our prior annual surveys, the results captured the most important uncertainties by industry, executive position, company size and type, and geographic area. Our survey was conducted online during the September – October time frame to capture perspectives on the minds of executives regarding risks over the short term (2023) and over the long term, with a 10-year horizon through 2032.

In the table 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 that companies face looking forward over the next 10 years to 2032. Following the table, key takeaways are offered to highlight several major narratives.

¹ *Executive Perspectives on Top Risks 2023 and 2032*, Protiviti and NC State University's ERM Initiative, December 2022, available at www.protiviti.com/us-en/survey/executive-perspectives-top-risks-2023-and-2032.

TOP RISKS FOR 2032

1. The organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit the ability to achieve operational targets.
2. Adoption of digital technologies may require new skills that are in short supply, requiring significant efforts to upskill or reskill existing employees.
3. The rapid speed of disruptive innovations enabled by new and emerging technologies and other market forces may outpace the organization's ability to compete without significant changes to the business model.
4. Resistance to change may restrict the organization from making necessary adjustments to the business model and core operations.
5. Ensuring privacy and compliance with growing identity protection expectations may require significant resources to restructure how the organization does business.
6. Existing operations and legacy IT infrastructure may not be able to meet performance expectations as well as "born digital" competitors or those investing heavily to leverage technology for competitive advantage.
7. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect the effectiveness of the organization's management of core operations and strategic plans.
8. Economic conditions in the company's markets may significantly restrict growth opportunities.
9. Regulatory changes and scrutiny may heighten, noticeably affecting how products or services will be produced or delivered.
10. Anticipated increases in labor costs may affect the ability to meet profitability targets.

There is churn in the top risk list. In comparing the top risks for 2031 and 2032, exposure to substitute products and services, ease of entrance of new competitors into the industry, and changes in the work environment impacting organizational culture and the business model were among the top 10 risks last year when looking out 10 years. This year, these risks fell to the 11th, 12th and 22nd spots, respectively, looking forward to 2032.

Top 10 risks for 2032 that did not appear on last year's top 10 list for the coming decade include data privacy concerns, facing competitors that are either "born digital" or investing heavily in technology to gain competitive advantage, and anticipated increases in labor costs. These risks hold the fifth, sixth and 10th positions, respectively, this year; in last year's ranking, they ranked 11th, 18th and 13th, respectively.

The 10-year outlook presages disruptive times ahead. The need for new skills in the evolving workplace, the rapid speed of disruptive innovation, data privacy concerns, competition with “born digital” players, management of “big data” issues, economic headwinds, the regulatory environment, increased labor costs, exposure to substitute products and services, ease of entrance of new competitors, cyber threats, the challenge of sustaining customer loyalty, and third-party exposures are all significant risks looking out 10 years. Most of these risks rank higher over the next decade than for 2023. For example, the table below illustrates the ranking of several risks looking out 10 years versus their respective 2023 ranking.

	2032 Rank	2023 Rank
New technologies requiring upskilling/reskilling employees	2	7
Failing to adjust to the pace of disruptive innovation	3	19
Data privacy threats	5	12
Threat of “born digital” competitors	6	13
Leveraging advanced data analytics and “big data”	7	14
Regulatory concerns	9	16
Threat of substitute products	11	36
Ease of entrance of new competitors	12	32
Sustaining customer loyalty	14	25
Third-party risks	15	17

These risks — combined with other risks related to talent shortages, resistance to change, and the evolving workplace and culture — sustain the ongoing narrative that the 2020s are indeed a decade of disruption.

People and culture are a long-term strategic imperative. Several important themes were noted related to people and culture for the next 10 years:

- **Finding and keeping talent is at the top of the list.** Similar to our survey results for the next 12 months, the top risk overall for 2032 pertains to the ability to attract and retain top talent in a tightening market and succession challenges. This risk ranked second last year looking 10 years out. Forces in the marketplace making this risk a near-term concern are apparently not expected to abate over the longer term. Competition for talent will be a challenge for quite some time to come. The war for talent is over — talent won.

- **The future of work continues to be a defining business challenge.** The expected impact of artificial intelligence, automation in all its forms and other technologies on the nature of work is such that significant efforts will be necessary to upskill and reskill existing employees over the next decade to fulfill the value proposition of these technological investments and operate reimagined business models effectively.

As digital transformation and other technology-related initiatives eliminate existing job functions and create new ones, companies will find it impossible to source the talent they need solely from the job market. Recognizing that a deficiency in digital skill sets could derail an organization's digital transformation journey, this is the second-rated risk for 2032. It was the top risk looking out 10 years last year.

- **Rising labor costs are a long-term concern.** Interestingly, the risk of anticipated increases in labor costs affecting the organization's ability to meet profitability targets ranks 10th for 2032, up from 13th last year. The fundamental driving pressures on labor costs are expected to persist.
- **Culture is a long-term priority.** Resistance to change is a cultural issue that has become a formidable obstacle to success. Concerns with resistance to change represent the fourth-rated risk overall for 2032, compared with the sixth position last year. Despite the disruption that lies ahead, survey participants have expressed concern regarding their organizations' agility to pivot in response to change — an incongruence that can lead to strategic failure in a dynamic marketplace.

A trust-based, diverse and inclusive culture is needed to enhance organizational preparedness, agility and decisiveness and to break down the barriers of resistance. Also, the risk that the organization's culture may not sufficiently encourage timely identification and escalation of significant market opportunities and emerging risk issues has risen for the long term. This risk ranks 16th for the next 10 years, whereas last year, it was rated 23rd looking out 10 years.

- **Workplace evolution is more of a near-term issue.** As noted earlier, concerns about changes in the work environment impacting organizational culture and the business model fell to the 22nd spot for 2032; last year, it held the ninth spot. Businesses are having to deal with this issue now in a flexible manner as the workplace evolves. Looking ahead over the long term, leaders expect this operational issue to be less of a concern.
- **Diversity, equity and inclusion (DEI) risk is rated higher this year but has declined in relative importance.** Concerns over the ability to align policies and processes around recruiting, retention, career advancement and reward systems with priorities surrounding DEI have relatively the same perceptions of this risk this year compared with last year. That said, relative to other risks, this one is not considered as significant overall. It ranks 31st and 15th for 2032 and 2031, respectively.

Understanding and managing toward the long view facilitates resilience and agility in pivoting at the speed of change. This is why the elevation of concerns regarding resistance to change in this year's survey results is troubling.

Economic issues remain significant. Economic uncertainty is the eighth-rated risk looking out 10 years, down from third in last year's survey. The cloudy economic picture renders a singular view of the future as a fool's errand. There is uncertainty over central bank policies amid persistent inflation and high sovereign debt, leading to sustained higher interest rates over the next year or two as well as an end to quantitative easing.

There will also be impacts from several trends in transitioning from globalization to regionalization, fossil fuels to renewables, dysfunctional to reliable supply chains, rising to stable labor costs, persistent to target inflation, and a tight to a neutral or an easing monetary policy. The effect of these and other trends adds "moving parts" to the overall picture, contributing to uncertainty regarding long-term growth projections. With some anticipating a possible global recession on the horizon, the question arises as to the duration and severity of that scenario should it occur.

"Big data" is an even bigger player for the long term. The risk of the inability to use advanced data analytics and "big data" to achieve superior market intelligence, gain insights on the customer experience, and increase productivity and efficiency is rated seventh overall looking 10 years out, up from 10th last year. In the long term, insightful data and intelligence will win, and everyone knows it, which is why this risk is ranked as high as it is relative to other risks.

Cybersecurity and data privacy have escalated as long-term priorities. Looking out 10 years, risks associated with data privacy and cyber threats are rated fifth and 13th, respectively, up from 11th and 16th, respectively, last year. The speed of technological change, an ever-transitioning workplace design, evolving business models, proliferating regulatory requirements and workforce turnover increase the challenge for organizations in managing these ever-present threats.

Climate change risk is a priority primarily for fossil fuels-based companies. Concerns over the effects of climate change on the business have increased looking out longer term but are ranked about where they were last year (rated 20th looking 10 years out this year compared to 19th last year). Outside of industries concentrated in fossil fuels generation and use, many respondents

do not perceive the risk of adjustments to their business strategy as a result of climate change with as much concern as they view the implications of other risks. Geographically, climate change risk is ranked highest in India (seventh), Europe (10th), the Middle East (13th) and Africa (13th).

With a disruptive decade ahead, organizations embracing the long view with a trust-based culture, effective utilization of data analytics and the ability to pivot at the speed of change are likelier to sustain their relevance over the long term.

The largest risk increases support the narrative of a changing world. Looking out 10 years both this year and last year, we were able to determine the risk themes that saw the largest year-over-year increases based on ratings by survey participants of the severity and magnitude of individual risks. The five largest increases noted relate to geopolitical shifts and regional conflicts, activist shareholders pursuing significant performance shortfalls (including with respect to environmental, social and governance expectations), global trade and changing assumptions underlying globalization, transitions to a remote and hybrid work environment, and political uncertainty.

The risk of regulatory changes and scrutiny continues to loom large. Regulatory risk is the ninth-rated risk overall for 2032, down from seventh overall for 2031. As a top 10 concern for the long term, this risk and its implications to the processes, products and services of the organization remain top of mind for many business leaders.

A long-term outlook helps companies face the future confidently. Five of the top 10 risks and six of the top 15 risks over the next decade are not in the top 10 and 15 lists, respectively, for 2023. Understanding and managing toward the long view facilitates resilience and agility in pivoting at the speed of change. This is why the elevation of concerns regarding resistance to change in this year's survey results is troubling.

With a disruptive decade ahead, organizations embracing the long view with a trust-based culture, effective utilization of data analytics and the ability to pivot at the speed of change are likelier to sustain their relevance over the long term. Scenario analyses, early warning systems, response plans and innovative cultures that facilitate acting on relevant market trends enable leaders to “reality test” their assumptions about markets and the business environment and be 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 2032.

Considerations for Boards

The board of directors may want to consider the above risks and commentary in evaluating the company's strategic outlook in the context of its business model and operations. If management has not identified these issues in the formal risk assessment process, 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 formulating and implementing strategies and tactics for managing those risks. Also, 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 organizations improve their risk reporting to better inform the board's oversight process.

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 its independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, digital, legal, governance, risk and internal audit through its network of more than 85 offices in over 25 countries.

Named to the 2022 *Fortune* 100 Best Companies to Work For® list, Protiviti has served more than 80 percent of *Fortune* 100 and nearly 80 percent of *Fortune* 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.