

# EXECUTIVE PERSPECTIVES ON TOP RISKS

2024 & 2034



## Talent, Technology Disruptions and Cybersecurity Lead CFO Top Risk Concerns

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The combined analysis of risk insights from global executives for both 2024 and a decade out reveals several interrelated challenges that may result in significant events with the potential to test an organization's business agility and resilience.

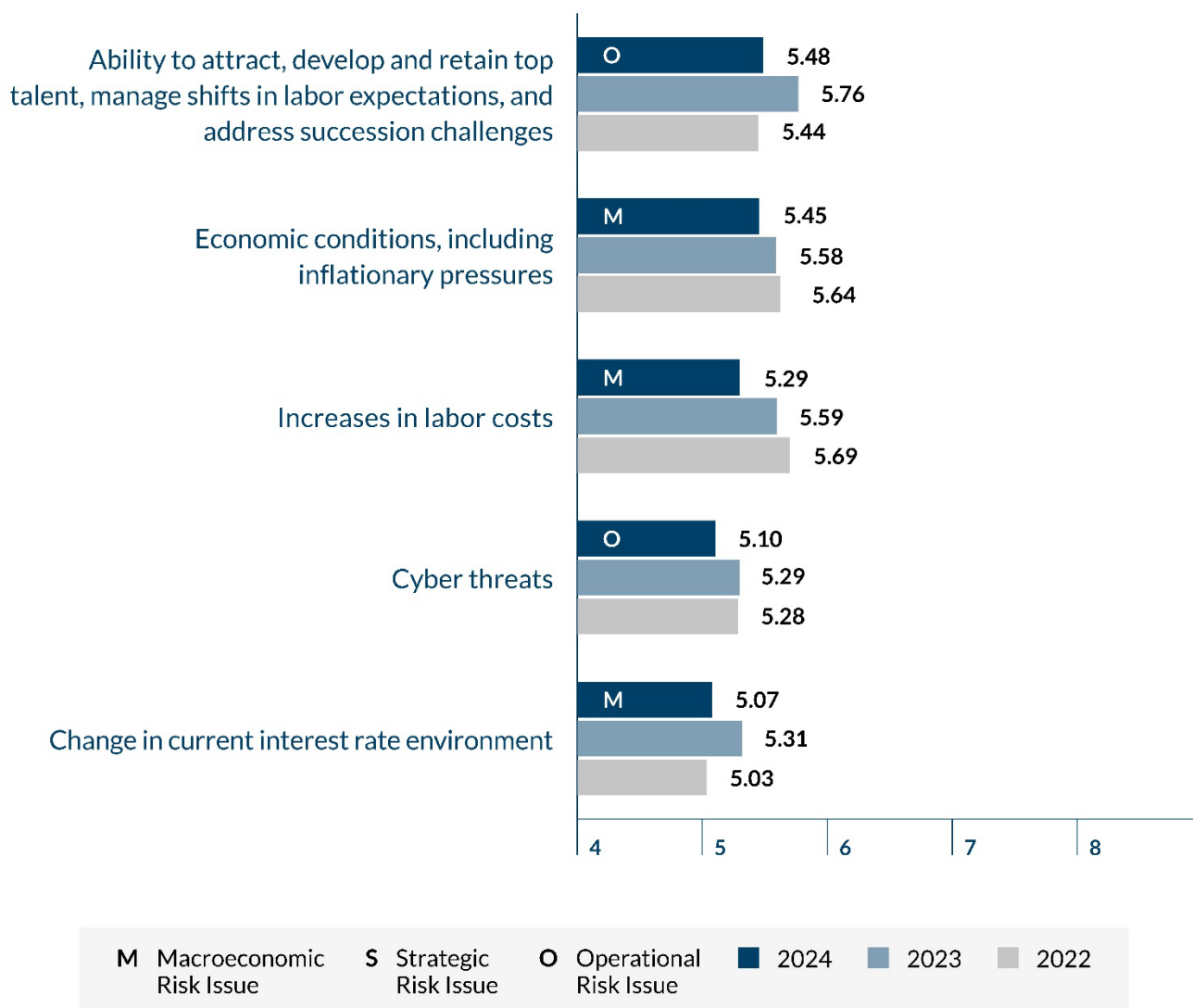
Changes in the profile of top risks from the prior year disclose a number of shifting conditions that may disrupt markets, including events triggered by intensifying geopolitical conditions. Many of those events are expected to have long-lasting impacts on business models and the competitive balance in a nuanced global marketplace. Board members and C-suite leaders who recognize these shifting realities and address them through robust, enterprisewide risk analyses that are aligned with business strategy possess a differentiating skill that positions their organization's readiness and ability to adjust and pivot in the face of inevitable disruptive change as well as or better than their competitors.

In this 12th annual survey, Protiviti and NC State University's ERM Initiative report on the top risks currently on the minds of board members and executives worldwide. The results of this global survey reflect their views on the extent to which a broad collection of risks is likely to affect their organizations over the next year – 2024 – and a decade later – 2034. Our respondent group, which includes 1,143 board members and C-suite executives from around the world, provided their perspectives about the potential impact over the next 12 months and the next decade of 36 risk issues across these three dimensions:<sup>1</sup>

- **Macroeconomic risks** likely to affect their organization's growth opportunities
- **Strategic risks** the organization faces that may affect the validity of its strategy for pursuing growth opportunities
- **Operational risks** that might affect key operations of the organization in executing its strategy

<sup>1</sup> Each respondent rated 36 individual risk issues using a 10-point scale, where a score of 1 reflects "No Impact at All" and a score of 10 reflects "Extensive Impact" to their organization. For each of the 38 risk issues, we computed the average score reported by all respondents.

# CFOs – 2024



## Commentary – Chief Financial Officer Perspective

Chief financial officers (CFOs) have a unique vantage point regarding talent management, one that explains why the ability to attract, develop and retain top talent represents their top risk concern in both 2024 and 2023.

From an enterprisewide perspective, finance leaders recognize that people, optimized processes, culture and data drive organizational performance. CFOs play central roles in overhauling outdated workforce planning approaches. This work includes collaborating with chief human resource officers (CHROs) to design data-driven talent strategies that feature redesigned job roles and enterprisewide skills inventories as well as rolling talent forecasts and skills-modeling capabilities based on financial planning and analysis (FP&A) and scenario-planning fundamentals.

From a finance perspective, CFOs remain keenly aware that traditional finance and accounting talent pipelines are producing insufficient amounts of talent: more than 300,000 U.S. accounting professionals left their posts between 2019 and 2021, according to the Bureau of Labor Statistics, as the ranks of undergraduate accounting majors also thinned.<sup>2</sup> This exodus dovetailed with the evolving integration of artificial intelligence (AI), generative AI (GenAI) and other automation-advanced technologies into finance groups and the rest of the organization. CFOs not only have a growing need for increasingly difficult-to-hire finance professionals, but they also have an equally urgent mandate to upskill and reskill their ranks with finance technologists – those who blend traditional and accounting skills with the ability to leverage advanced automation and tools.

Of course, CFOs' top risk issues extend beyond talent. Finance leaders' most pressing risk concerns for 2024 include economic conditions and inflationary pressures, labor costs, cyber threats, and an uncertain interest rate environment. When asked to provide their 10-year risk assessments, CFOs remain just as focused on most aspects of talent management (including shifting labor expectations, succession-planning challenges and access to digital skills) and even more concerned than they are today regarding the far-reaching implications of disruptive innovations driven by new and emerging technologies.

### **Risk outlook for 2024 – key takeaways**

While talent management represents CFOs' topmost 2024 risk concern, it is equally notable that four of their top 10 risks relate to talent management and organizational culture. In addition to hiring, retention and succession-planning challenges, finance leaders view labor costs; the workforce's resistance to business model changes and adjustments to core operations; and the organizational culture's inability to foster the timely identification and escalation of emerging risk issues as urgent matters. This is especially notable given the likelihood that current geopolitical, economic, political, social and environmental risks are likely to require swift and substantial strategic and operational adjustments – as well as early detection of, and proactive responses to, emerging risks.

CFOs have assumed deeper roles in developing and funding next-generation talent strategies and capabilities in recent years. This work should continue and expand. CHROs need help developing advanced skills analytics and talent KPIs that drive more precise talent forecasting and scenario planning. CFOs also can develop measures to monitor the extent to which the workforce is delivering on strategic objectives. Within finance groups, CFOs can strengthen succession planning and leadership development activities while investing in the upskilling and reskilling needed to help rising finance leaders progress faster and more effectively.

CFOs also understand that leading organizational cultures help companies sustain performance during economic turbulence – another top risk concern for 2024. Although a growing number of inflationary measures and interest rate risks have improved since the Top Risks survey was conducted in the fourth quarter of 2023, countless wild cards could come into play at any time. A widespread war in the Middle East, an unexpected labor report, a sudden spike in the consumer price index, contested U.S. elections, a massive cyberattack or a catastrophic weather event could trigger a recession, or worse.

CFOs should sustain their focus on a range of cost optimization efforts. This includes searching for cost-reduction opportunities that position the organization to achieve revenue and profitability improvements while simultaneously pursuing technology cost containment, conducting procurement-spending analyses, and achieving working capital management improvements. More resilient supply chains, forged via innovative approaches to supply chain risk management, also help counter economic, geopolitical, social and environmental risks.

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<sup>2</sup> “Why So Many Accountants Are Quitting,” Lindsay Ellis, *Wall Street Journal*: December 28, 2022: [https://www.wsj.com/articles/why-so-many-accountants-are-quitting-11672236016?mod=article\\_inline](https://www.wsj.com/articles/why-so-many-accountants-are-quitting-11672236016?mod=article_inline).

Last, and certainly not least, cyber threats figure as a top-five risk concern for CFOs in 2024. Given their role in quantifying cyber risks and funding cybersecurity, CFOs typically address cyber threats more frequently – even on a daily basis – compared to other C-suite leaders (besides CIOs and CISOs). Their knowledge of cyber threats may explain why CFOs tend to estimate the magnitude of this risk less severely than CEOs and some other C-suite leaders.

With that said, cyber threats remain a top risk concern as finance leaders sharpen their focus on ransomware threats, the formidable challenge of hiring and retaining cybersecurity talent, AI-related risks, and emerging technological breakthroughs such as quantum computing.

Finally, CFOs recognize that cybersecurity and data privacy are closely related. This recognition stems from two factors. First, the importance of data privacy seems likely to increase in 2024 and beyond as new requirements – such as U.S. Securities and Exchange Commission’s (SEC’s) updated rules on cybersecurity risk management, strategy, governance and incident reporting by public companies – are adopted and enforced.<sup>3</sup> Second, customers and other stakeholders have their own expectations regarding identity protection that often are distinct from what is required from a compliance standpoint. When organizations fail to address these expectations, customer loyalty and retention suffer.

### **Overview of top risk issues in 2034**

Cyber threats also qualify as a top CFO risk for 2034, although they rate just outside of finance leaders’ top five long-term concerns. This reflects the fact that CFOs view major cyber breaches as a matter of when, not if, in the coming decade. Two other technology-risk areas loom even larger in CFOs’ long-term risk assessments: the rapid speed of disruptive innovations enabled by new and emerging technologies and other market forces, and the adoption of digital technologies requiring new skills in short supply (a concern that also relates to talent management).

CFOs wrestled with the repercussions of both of these risks last year as GenAI swept through their industries, organizations and teams. Using GenAI to improve finance operations – by producing deeper insights that enhance existing forecasts, analytics, scenario planning, cash flow management, capital planning and fraud-prevention activities – requires finance to strike the right risk-reward balance. CFOs discovered that they can implement new governance guardrails for GenAI usages by applying their risk management mindset, controls expertise and governance experience to GenAI investments throughout the organization. Finance leaders also realized that the adoption and optimization of GenAI capabilities requires new skills that are both rare and expensive. As more technological breakthroughs emerge during the coming decade, CFOs will need to repeat and refine the approaches they currently deploy to help their organizations derive value from GenAI.

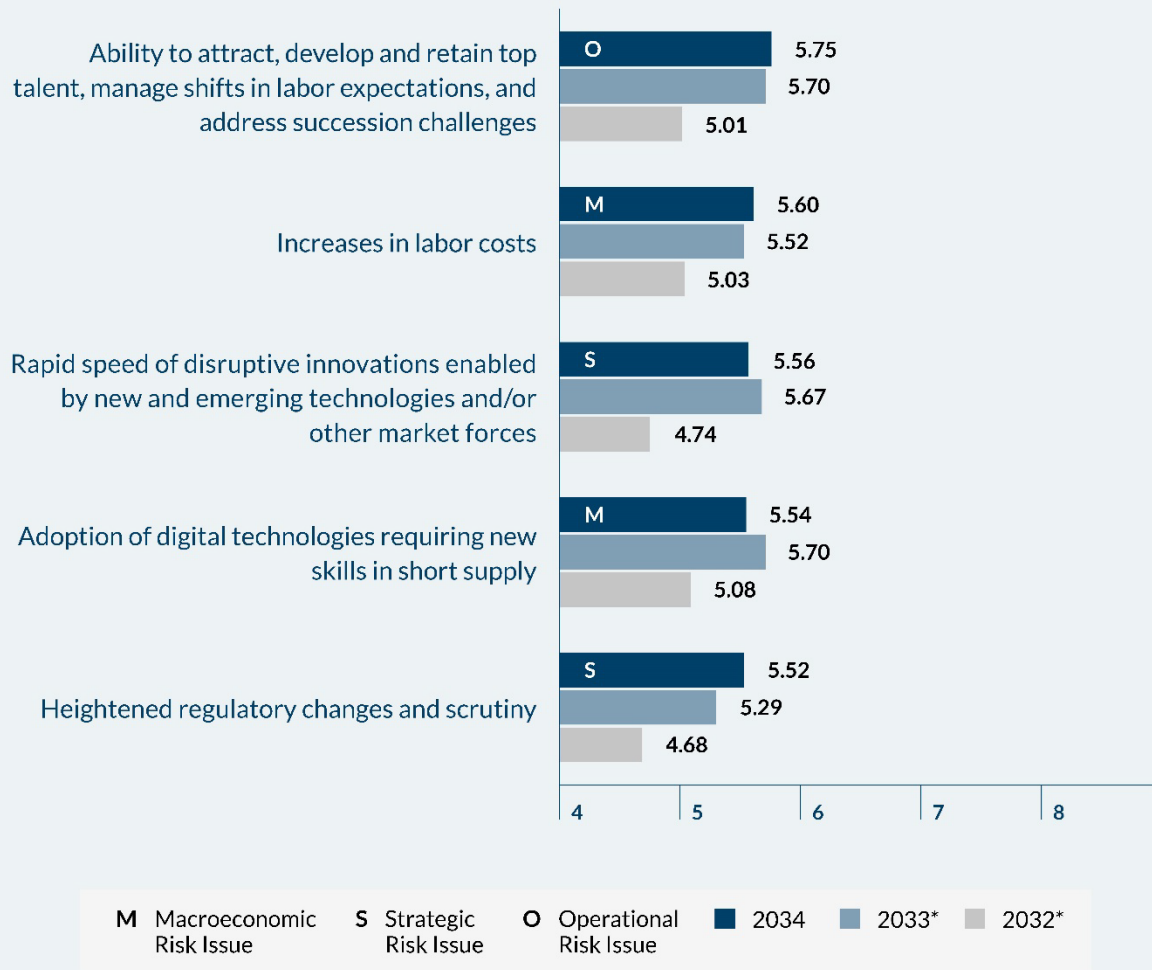
As mentioned, CFOs clearly view talent management as a systemic, long-term risk: attracting, developing and retaining top talent (along with managing changing labor expectations and navigating succession challenges) marks finance leaders’ top risk concern today and for 2034.

Heightened regulatory changes and scrutiny round out CFOs’ top-five 2034 risk concerns. Finance leaders understand that regulatory scrutiny will intensify, especially with regard to ESG matters and data security and privacy requirements.

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<sup>3</sup> “SEC Cybersecurity Disclosure Enhancements: Efforts to Boost Investor Confidence,” Protiviti Flash Report, August 2, 2023: [www.protiviti.com/us-en/flash-report/sec-cybersecurity-disclosure-enhancements-efforts-boost-investor-confidence](https://www.protiviti.com/us-en/flash-report/sec-cybersecurity-disclosure-enhancements-efforts-boost-investor-confidence).

## CFOs – 2034



\* This data was reported as 2032 and 2031 results, respectively, in our prior year reports. We have shifted our terminology to reflect a decade out, thus have revised these year references in the interests of clarity.

### In Closing

As CFOs address their immediate and longer-term risk concerns, their traditional finance and accounting sphere of responsibilities will continue to expand. In 2024, this means a greater focus on talent strategy and cybersecurity. Ten years from now, the CFO's span of control may well extend to the quantum internet, carbon sequestration and the ethics of brain-interface devices in the workplace.

## About the Executive Perspectives on Top Risks Survey

We surveyed 1,143 board members and executives across a number of industries and from around the globe, asking them to assess the impact of 36 unique risks on their organization over the next 12 months and over the next decade. Our survey was conducted in September and October 2023. Respondents rated the impact of each risk on their organization using a 10-point scale, where 1 reflects “No Impact at All” and 10 reflects “Extensive Impact.” For each of the 36 risks, we computed the average score reported by all respondents and rank-ordered the risks from highest to lowest impact.

Read our *Executive Perspectives on Top Risks Survey* executive summary and full report at [www.protiviti.com/toprisks](http://www.protiviti.com/toprisks) or <http://erm.ncsu.edu>.

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