



2021
&
2030

EXECUTIVE PERSPECTIVES ON TOP RISKS

The Future of Work

The continuing global challenges and potential existential threat posed by the ongoing COVID-19 pandemic. Political divisiveness and polarization. Social and economic unrest. Gridlock. Artificial intelligence (AI), automation and other rapidly developing digital technologies. Rapid shift to virtual, remote work environments. Changes in the geopolitical landscape. Shifting customer preferences and demographics. Fragile supply chains. Wildfires and hurricanes. Volatile unemployment levels and record low interest rates. Escalating competition for specialized talent. Immigration challenges. Cyber breaches on a massive scale. Ransomware attacks. Terrorism. Big data analytics. Future of work.

These and a host of other notable risk drivers are all contributing to significant levels of uncertainties, making it extremely difficult to anticipate what risks may lie just over the horizon. Unanticipated events are unfolding at record pace, leading to massive challenges to identify the best next steps for organizations of all types and sizes, regardless of where they reside in the world. No one is immune to the significant levels of uncertainty, and C-suites and boards need to be vigilant in scanning the horizon for emerging issues. Because no one can possibly anticipate everything that lies in the future, organizations must focus on building trust-based, resilient cultures, led by authentic leaders, that can pivot at the speed of change

In this ninth annual [survey](#), Protiviti and NC State University's ERM Initiative report on the top risks on the minds of global boards of directors and executives in 2021 and, in a new dimension to this study, over the next 10 years, into 2030. Our respondent group, which includes 1,081 board members and C-suite executives from around the world, provided their perspectives about the potential impact over the next 12 months and next decade of 36 risk issues across these three dimensions:¹

- **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

¹ Each respondent was asked to rate 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 36 risk issues, we computed the average score reported by all respondents.

Work and Required Skills Are Changing

Artificial intelligence (AI), automation, natural language processing, visual recognition software and other digital technologies are predicted to displace millions of jobs. While these advancements will also create millions of new jobs, these developments will not happen concurrently. Disruption is underway and will grow markedly in the coming years. Upskilling and reskilling employees and finding new talent capable of performing the jobs of the future are the defining business challenges for the next decade.

It takes talent and the right people to transform a company, which gives rise to two other key risk issues in the survey that are on the minds of board members and executives: keeping pace with disruptive innovation and competing with “born-digital” companies, which are better positioned to manage these transformative challenges.

Born-digital organizations are nimble. They are able to pivot working models quickly to take advantage of customer needs and interests. Born-digital players don’t think about their businesses in terms of traditional roles and processes, with separate siloes for operations and sales and marketing. They focus more on how to engage with customers, and they invest heavily in technology and tech-savvy talent.

In a world where the nature of work in virtually all organizations is going to continue to change, executive management, in close consultation with the board, needs to build an optimal mix of internal and contracted talent, along with “technology workers” – AI, machine learning, automation – to attain both the technical and leadership skills required to compete in the future of work.

Above all, when it comes to the future of work, the transformation and innovation journey calls for a new mindset, one that should embrace and prioritize upskilling and reskilling current teams not only in new technologies but also in new approaches. For example, organizations should loosen perceived borders and boundaries globally to foster and encourage internal mobility, enabling people and teams to operate where they and their skills are most in demand and can be utilized most effectively. In addition, organizations should further explore the implementation of a new labor model employing a blend of highly skilled full-time leaders and employees who form the “professional core”; specialized contract employees the enterprise can leverage to provide additional capabilities; and a flexible labor force consisting of external resources to address interim resource needs, including but not limited to periods of peak demand.

These strategies will help organizations progress in facing confidently the future of work and address the key risk issues identified in our latest Top Risks Survey.

Overview of Top Risks in 2021

Beyond specific challenges related to emerging successfully from the COVID-19 pandemic, the 2021 Top Risks Survey reveals a risk landscape that is populated with several interrelated issues related to talent and the future of work (numbers in parentheses indicate how the risk ranks for 2021):

- Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees (4)
- Succession challenges and the ability to attract and retain top talent (8)
- Resistance to change operations and business models (9)
- Ability to compete with “born digital” and other competitors (10)

More specifically, executives are concerned about their organization's ability to upskill their people and bring in new talent to execute and manage complex strategies, improve digital intelligence, and compete effectively.

Right now, executives are focused on the mechanics of preparing for the future of work as they attempt to guide their organization through digital transformation and the accelerating pace of change. They know they need to upskill and reskill displaced workers to take on new job functions and fill talent gaps, and they are thinking about how to accomplish that amid numerous competing near- and longer-term priorities.

The fact that such concerns are top of mind for executives in 2021, even as they continue to manage the immediate and overwhelming tasks of dealing with COVID-19-related challenges, is a strong indicator of the current criticality of work and talent challenges that will only increase over the next decade.

Overview of Top Risks in 2030

The future of work looms even larger on the long-term horizon. Looking 10 years out, beyond the urgency of the pandemic, work and talent risks dominate the top 10 risks and, not surprisingly, increase in rank compared with the 2021 top risks:

- Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees (1)
- Rapid speed of disruptive innovation may outpace the ability of the organization to compete (3)
- Succession challenges, ability to attract and retain top talent (4)
- Ability to compete with “born digital” and other competitors (8)

The underlying theme here is change and its impact on the workforce. Even the other top 10 risks for 2030 that are not related directly to work and talent emphasize the fact that things are changing – substitute products, customer behaviors, leveraging analytics and big data, to name a few. They underscore the need for a workforce and leadership that are technologically competent and not only are comfortable with change but also thrive on it.

Another commonality is data and the ability to aggregate, analyze and put data to work for competitive advantage. The survey results suggest that executives are concerned that their organizations lack both the leadership and the skilled workforce to utilize effectively the data and tools they already have, and they fear that if they don't invest in the people, methodologies and enabling technologies they need to acquire those capabilities soon, their companies could be in trouble as the next decade unfolds.

“The future of work looms large on the horizon. Companies that not only formulate how and where they need to skill, but also are intentional as to how they will execute their plan to skill and achieve the business outcomes they expect, are most likely to have competitive advantage. On a macroeconomic scale, if the private sector is unsuccessful in upgrading skills in the workplace, the societal effects will be huge.”

Kim Bozzella, Global Head of Technology Consulting, Protiviti

In Closing

As we progress through the disruptive 2020s, boards of directors and executive teams should prioritize the need to foster innovation while also maintaining day-to-day operations. Organizations must harness new technology while making sure that legacy systems are operational, secure and sustainable. In today's competitive landscape, it takes the right talent, both inside and outside the organization, to accomplish this. Companies that define a talent strategy focused on the future of work and create a culture of both high performance and innovation will be market leaders.

Thriving in a dynamic, unpredictable business environment requires effective responses to risks related to securing data and information systems, acquiring and retaining top talent, and sustaining an innovative culture. When business leaders look to 2030, they are concerned about the future of work, impactful regulatory change, rapid speed of disruptive innovation, talent development, substitute products and services, fleeting customer loyalty, and competing with "born digital" competitors. The degree to which they are able to address those risks will have a significant effect on their ability to survive and flourish in the future.

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