

2021
&
2030

EXECUTIVE PERSPECTIVES ON **TOP RISKS**

Key issues being discussed in the boardroom and C-suite | Executive Summary

Research Conducted by NC State University's ERM Initiative and Protiviti

Introduction

The range of uncertainties facing business leaders around the globe in 2021 is overwhelming. Challenges triggered by a rare airborne virus creating a global pandemic continue to unfold, combined with numerous other risk issues, such as growing social unrest and polarisation, and ever-present challenges ranging from new technologies and digitisation innovations to ever-changing markets, strategies and business models. Staying abreast of emerging risk issues and opportunities is becoming increasingly difficult.

Leaders of organisations in virtually every industry, size of organisation and geographic location are reminded all too frequently that they operate in what appears to most to be an increasingly risky global landscape. Boards of directors and executive management teams cannot afford to manage risks casually on a reactive basis, especially considering the rapid pace of disruptive innovation and technological developments in an ever-advancing digital world and the need for resilience and agility at pivoting when new market opportunities and unexpected threats arise.

Protiviti and NC State University's ERM Initiative are pleased to provide this report focusing on the top risks

currently on the minds of global boards of directors and executives. This report contains results from our ninth annual risk survey of directors and executives worldwide to obtain their views on the extent to which a broad collection of risks is likely to affect their organisations over the next year – 2021. Also, for the first time, this year we asked respondents to consider how these risks will affect their organisations a decade from now (in 2030).

Our respondent group, comprised primarily of board members and C-suite executives from all major regions of the world, provided their perspectives about the potential impact in 2021, and also in 2030, of 36 specific risks across three dimensions:¹

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

This executive summary provides a brief description of our methodology and an overview of the overall risk concerns for 2021 and 2030, followed by a review of the results by type of executive position. It concludes with a call to action offering a discussion of questions executives may want to consider as they look to strengthen their overall risk assessment and management processes.

Our full report (available at erm.ncsu.edu or protiviti.com/toprisks) contains extensive analysis of key insights about top risk concerns across a number of different dimensions, including a breakdown by industry, size of company, type of ownership structure, and geographic locations of company headquarters.

¹ Six new risks were included in the 2021 survey. These new risks are specifically focused on the effects of the COVID-19 pandemic and on the social and economic challenges experienced in 2020. See Table 1 for a list of the 36 risks addressed in this study.

About the Survey

We surveyed 1,081 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 organisation over the next 12 months and over the next decade, into 2030. Our survey was conducted online near the end of 2020 to capture perspectives on the minds of executives as they peered into 2021.

We delayed our survey launch this year until after the November 3 elections in the United States to reduce the effect that an uncertain outcome to these elections may influence our respondents while completing the survey.

Respondents rated the impact of each risk on their organisation 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. We also grouped risks based on their average into one of three classifications:

CLASSIFICATION	RISKS WITH AN AVERAGE SCORE OF
Significant Impact	6.0 or higher
Potential Impact	4.5 through 5.99
Less Significant Impact	4.49 or lower

With regard to the respondents, we targeted our survey to individuals currently serving on the board of directors or in senior executive positions so that we could capture C-suite and board perspectives about risks on the horizon for 2021 and 2030. Respondents to the survey serve in a number of different board and executive positions.

EXECUTIVE POSITION	NUMBER OF RESPONDENTS
Board of Directors (BD)	100
Chief Executive Officer (CEO)	77
Chief Financial Officer (CFO)	108
Chief Risk Officer (CRO)	199
Chief Audit Executive (CAE)	223
Chief Information/Technology Officer (CIO/CTO)	114
Chief Strategy/Innovation Officer (CSO)	56
Chief Data/Digital Officer (CDO)	55
Other C-Suite ⁴ (OCS)	57
All Other ⁵	92
Total number of respondents	1,081

“We are very excited about the global reach of our annual risk survey. Now that 2020 has finally ended, we hope that our readers will find useful insights as to what directors and C-suite leaders around the globe are thinking as they look forward to the eventual new normal in a post-pandemic world.”

Pat Scott, Executive Vice President,
Global Industry, Client Programs and Marketing,
Protiviti

In our full report (available online at erm.ncsu.edu and protiviti.com/toprisks), we analyse variances across different sizes and types of organisations, industry and respondent position, in addition to differences among organisations based in North America, Europe, Australia/New Zealand, Asia, Latin America, India, Africa and the Middle East. Page 28 provides more details about our methodology. This executive summary highlights our key findings.

Executive Summary

The continuing global challenges and potential existential threat posed by the ongoing COVID-19 pandemic. Political divisiveness and polarisation. 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 specialised talent. Immigration challenges. Cyber breaches on a massive scale. Terrorism. Big data analytics. The 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 organisations 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, organisations must focus on building trust-based, resilient cultures, led by authentic leaders, that can pivot at the speed of change.

One of the first questions an organisation seeks to answer in risk management is, “What are our most critical risks?” The organisation’s answer to this question lays the foundation for management to respond with appropriate capabilities for managing these risks. This survey provides insights about top risks for the short term – 2021 – and the long term – 2030 – from 1,081 respondents in C-suite and board positions in organisations around the globe.

The top risks on the minds of all executives for 2021 are briefly summarised in the sidebar.

TOP RISKS FOR 2021

1. Pandemic-related policies and regulation impact business performance
2. Economic conditions constrain growth opportunities
3. Pandemic-related market conditions reduce customer demand
4. Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees
5. Privacy/identity management and information security
6. Cyber threats
7. Impact of regulatory change and scrutiny on operational resilience, products, and services
8. Succession challenges, ability to attract and retain top talent
9. Resistance to change operations and business model
10. Ability to compete with “born digital” and other competitors

• • • Summary Analysis of Overall 2021 Results

- To no surprise, risks related to COVID-19 zoomed to the top for 2021, as respondents are especially concerned at a macroeconomic level about the impact on their businesses of evolving government policies and regulations to deal with the ongoing pandemic, and they are concerned about how the pandemic might change customer demand for the long haul.
- Economic conditions triggered by COVID-19 and concerns about the ability to attract talent and skills to support the rapid deployment of digital technologies needed to survive in a virtual environment and execute reimaged business models in an increasingly competitive environment are top of mind for executives for the current year.
- The top 10 list for 2021 is dominated by operational risk concerns, as current conditions have turned organisational operations upside down. Executives

are concerned about the safety and relevance of their personnel and the sustainability, security and reliability of their systems and operating infrastructures that have been affected by the realities of conducting business in the current constrained environment.

- When asked about their overall impressions of the risk environment for 2021, respondents collectively signal an increase in the potential magnitude and severity of the risk environment for the short term. However, when examining their risk evaluations for specific risks, respondents appear to be less concerned. This may suggest that executives are worried that there may be unknown risks lurking on the horizon that they cannot yet see. Given the continued occurrence of the unexpected, that is not surprising. Our findings could also mean that leaders are predominately concerned with the pandemic-related risks and attendant

economic uncertainties that dominate the top three risks for 2021. This would also not be a surprise.

- Risks increasing the most from 2020 to 2021 are dominated by macroeconomic issues, as executives must deal with volatility in capital and labour markets, shifting governmental policies, and border restrictions and distribution challenges affecting supply chains.
- Social unrest and a rise in activism are also leading to greater strategic risk concerns for 2021.
- Despite all the events of 2020, respondents, on average, rate only one of the 36 risks as a “Significant Impact” risk. This is in contrast to the prior year, when they rated seven of the 30 risks surveyed in 2020 as “Significant Impact” risks. Consistent with prior years, most risks are in the middle range of concern, given they fall into the category of “Potential Impact” risks. Perhaps the fact

“My takeaway from this year’s risk survey is, ‘Prepare for the next decade and embrace the megatrends, for the future may arrive sooner than you predict.’ The market has been talking about megatrends, including pandemics, for many years. And the signs were there — SARS and Ebola, to name but two, in the past few years, as well as overpopulation, large and dense cities, global travel, and other factors. The point is that companies need to plan for the future. If they are ‘future ready,’ they will prosper. If the focus is only on the present, then they will ultimately lose. It is not a matter of if, but when. The challenge is that getting ‘future ready’ may have some impact on the bottom line over the short term. But it may well mean the difference between thriving and surviving when the inevitable existential threat comes.”

Jonathan Wyatt, Managing Director, European Regional Leader, Protiviti

that our survey was conducted in late 2020, after almost 10 months of navigating their organisations through the minefield of a rare airborne virus creating a global pandemic, signifies that executives may be exhibiting some level of confidence in their ability to navigate risk and uncertainty in 2021. Perhaps the thought, “It can’t get much worse,” is paramount on their minds.

This year, we expanded our analysis to obtain insights about long-term risk perspectives on the minds of executives by asking them to rate these same 36 risks with regard to the expected impact on their organisations a decade from now – in 2030.

The top risks on the minds of all executives for 2030 are summarised in the sidebar. The major headline when viewing these risks is the importance of preparing for the future by recognising and acting on the megatrends. Such trends include:

- Overpopulation and large and dense cities;
- Transportation innovations such as electrification, self-driving vehicles and drones;

- Automation in all of its forms, for much of what people do today can be automated as organisations embrace AI and other digital technologies;
- Expectations of consumers, employees and investors that companies embrace net-zero carbon targets;
- Flexibility and mobility, both employees and consumers, giving rise to the “anytime, anywhere” phenomenon;
- Customer preferences such as online shopping, home delivery, contactless transactions (“click and collect”), online channels and streaming, and 24x7 video healthcare, to name a few;
- Aging populations, shrinking talent pools, increasing longevity and other demographic shifts;
- Global monetary and fiscal policies driving low interest rates and significant budget deficits;
- Scarcity of water and other essential resources;
- Shared ownership (rent not own); and
- Social justice and diversity and inclusion expectations in various countries.

The companies that embrace these and other relevant trends and act on them with intention are more likely to position themselves to thrive than those that don’t.

TOP RISKS FOR 2030

1. Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees
2. Impact of regulatory change and scrutiny on operational resilience, products, and services
3. Rapid speed of disruptive innovation may outpace our ability to compete
4. Succession challenges, ability to attract and retain top talent
5. Privacy/identity management and information security
6. Substitute products or services may arise that affect our business model
7. Sustaining customer loyalty and retention may be difficult as customer preferences and demographic shifts evolve
8. Ability to compete with “born digital” and other competitors
9. Inability to utilise data analytics and “big data” to achieve market intelligence and increase productivity and efficiency
10. Cyber threats

“As volatile markets emerge out of the shadows cast by the global pandemic, companies may find that operational resilience and profitable growth is only possible by positioning themselves to take more risk to improve their digital readiness and innovate processes, products and services in much shorter time frames. This is exactly what many companies did to survive and thrive during the pandemic.”

Dr. Mark Beasley, Professor of Enterprise Risk Management, Poole College of Management, NC State University

• • • Summary Analysis of Overall 2030 Results

- As executives peer ahead to 2030, they are mostly focused on operational risks relative to macroeconomic and strategic risks. Five of the top 10 risks for 2030 are operational in nature.
- Despite the concentration of operational risks in the top 10 list for 2030, the top risk is a macroeconomic risk, followed by two strategic risks. When they think a decade out, executives are concerned about the future of work. Specifically, they are concerned that their organisations may not be able to upskill or reskill their workforce. And, they may be concerned that countless millions of employees may be displaced by widespread adoption of AI and automation in all of its forms (e.g., natural language processing, visual recognition software, virtual reality simulations and other digital advances). The objective is to enable displaced employees to perform new job functions created by these same technologies that are essential to operating successfully in the digital economy. The future of work topic is the fourth-ranked issue in 2021 as well as the top risk for 2030, making it one of the defining business challenges for the next decade.
The top risk for 2030 also reflects a long-term concern regarding the sourcing and retention of top

talent needed to compete and thrive in a disruptive environment. Talent wins when positioned well to reimagine company market positioning, integrate emerging digital technologies into the business, execute complex strategies and reinvent business models that will sustain the organisation's relevance and growth over the next decade. This reality is triggering a related strategic concern that companies will not be able to keep pace with the rapid speed of disruptive innovation, as discussed further below. It takes talent to do that.

- One of the risks rated by the survey participants is the risk associated with rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces outpacing an organisation's ability to compete without making significant changes to its business model. This risk was rated 18th for 2021, but jumped to the third-ranked risk for 2030. Clearly leaders are expecting disruptive change over the next decade, and there is some concern that their approach to planning for who will be in their key leadership positions is a bit unclear. They are sensing a need to think more about their organisation's plans for who will be at the top and whether that will include a commitment to diversity.

- The potential for regulatory changes and greater scrutiny over the manner in which products and services can be provided is second in the list of top 10 risks for 2030. This may be due to an expectation of environmental legislation as well as laws and regulations that drive social change, tax increases, and the impetus for developing alternative products and services. Simply stated, regulatory risk is elevated when viewed through the lens of a longer time horizon, giving rise to yet another risk relating to the emergence of substitute products or services that may affect the viability of the business model. It's disrupt or be disrupted.
- There is an interesting overlap between the top 10 lists of risks for 2021 and 2030. The common risks for the near term and long term include the future of work, regulatory concerns, talent risk, cybersecurity and privacy issues, and the ability to compete with "born digital" players. However, four of the top 10 risks for 2030 are not in the top 10 list for 2021. Three of those in the 2030 top risk list represent strategic issues and one operational risk recognises concern about having sufficient data analytics and "big data" skills to achieve needed intelligence to differentiate in the marketplace.

On page 23 of this executive summary, we pose key questions as a call to action for board members and executive management to consider that can serve as a diagnostic to evaluate and improve their organisation's risk assessment process.

The overarching theme in the 2030 top risk list reflects executive concerns with facing a decade that only promises unprecedented, accelerated change such that disruptive innovations over the next 10 years may drastically alter customer behaviour. Customer loyalty could prove to be fleeting as preferences and demographic shifts evolve. New markets and competitors offering alternative products and services are expected to expand customer choice in ways that could affect the viability of current business models and planned strategic initiatives. This development, in turn, would erode the brand image and market share of incumbent organisations that fail to successfully pivot and adjust to change.

- Data privacy and cyber threats again are among the top 10 risks in 2021. These concerns are also on the top 10 list for 2030. Cyber threats remain a moving target and data privacy concerns only promise to become more complex in the digital age. According to our survey respondents, there is no reason to believe these realities will change over the next decade.

In addition to providing insights from the full sample about executive perspectives on risks for the short term (2021) and long term (2030), we conduct a number of separate analyses by examining different subsections of our sample. Here are some high-level insights:

Differences Across Sizes of Organisations

- Executives from larger organisations perceive the overall risk environment for 2021 to be higher than for

2020; however, executives from smaller organisations assess the risk environment for 2021 as lower relative to 2020.

- Risks triggered by the ongoing pandemic are top of mind for executives of all sizes of organisation. Macroeconomic and strategic concerns linked to the impact of COVID-19 made the top five list of risks for all four size categories we examined.
- Larger organisations are concerned about their abilities to attract and retain talent needed to adopt digital technologies and they expressed the need to strengthen infrastructures related to privacy/identity management and information security.
- Smaller organisations are concerned that current economic conditions will restrict growth opportunities, possibly reflecting that they are more affected by the fallout from the COVID-19 pandemic than larger companies. In addition, they are concerned about succession planning challenges for key leadership positions.
- As business leaders look ahead to 2030, strategic and macroeconomic concerns seem to be prevalent across all sizes of organisations. All are concerned about escalating regulatory scrutiny over the next decade, and they are all concerned about having the necessary talent to adopt emerging digital technologies.
- Larger organisations are especially concerned about the rapid speed of disruptive innovation and their capacity to keep pace, while smaller organisations express concerns about their ability to monitor and

respond to changing customer demographics and preferences.

Differences Across Executive Positions Represented

- There are varying views across different executive groups about the overall risk environment for 2021. Board members, chief risk officers (CROs), chief audit executives (CAEs) and Other C-Suite executives have significantly increased their 2021 risk expectations relative to 2020, with CROs and CAEs rating risk concerns at the highest level relative to other executives. In contrast, chief executive officers (CEOs) and chief financial officers (CFOs) lowered their 2021 impressions of the risk environment.
- The discrepancies in views about the overall risk environment for 2021 are also present when examining how different executives examine specific risk concerns. While board members and CEOs only rate three and four, respectively, of the 36 risks as “Significant Impact” risks, chief information/chief technology officers (CIO/CTOs), chief strategy/innovation officers (CSOs) and chief data/digital officers (CDOs) rate 27, 23, and 30, respectively, of the 36 risks as “Significant Impact” risks. That begs the question, “Who has the correct assessment of these risks?” Business leaders need to engage in robust conversations to tease out the underlying realities.
- What is striking is that every executive position, except Other C-Suite executives, ranks concerns about the impact of evolving government policies to respond to pandemic conditions as its top risk concern. Each

of those executive groups rates this concern as a “Significant Impact” risk.

- Macroeconomic and strategic risk concerns dominate the top five risks on the minds of boards, CEOs, CFOs, CROs and CDOs.
- Interestingly, CIO/CTOs, CSOs and CDOs rate all of the individual top five risks as “Significant Impact” risks. They have a much greater concern about a number of specific risks than other executives, who generally only rate one of their top five risks at that level of significance. Furthermore, the mix of top risks for these executives is different, suggesting that they may be more concerned with integrating digital technology into the business much sooner than other executives.
- Longer-term risk concerns from all executives reveal an overall reduction in risk concerns for 2030 across the board in relation to concerns over the short term. Perhaps the less immediate impact of these potential risk issues is driving this difference in risk perspectives for the next decade. Another factor is a longer time horizon enables firms to make adjustments that are not as feasible over the short term. In general, the average risk scores for 2030 are at similar levels or lower for almost all of the 36 risks across all executive groups.

Differences Across Industry Groups

- Respondents across all industry groups, with the exception of the Technology, Media and Telecommunications industry group, perceive

the overall magnitude and severity of risks in the environment as a whole are higher for 2021 relative to 2020.

- There is a marked contrast in perspectives across industry groups about specific risk concerns, which suggests that the industry context is important to consider. But given that a number of organisations’ business models may not fit neatly into an industry category, reviewing differences in risk concerns across multiple industries may help tease out risks that may be overlooked by some.
- Surprisingly, there is a significant decrease in the number of risks rated as “Significant Impact” for 2021 across industry groups. Not surprisingly, one noticeable observation is that each industry group rated concerns related to the impact of government policies in response to COVID-19 as its top risk for 2021. For now, this is the unknown leaders face.
- The Healthcare industry group indicates the highest levels of risk concerns for 2021. All five of its top five risks for 2021 are rated at the “Significant Impact” level, while most other industry groups rate only one of their top five risks at that level (the Consumer Products and Services industry group rates two of their top five risks at that level).
- Most industry groups appear relatively optimistic about risk conditions in 2030 relative to 2021. The Healthcare industry group seems to be the most concerned about long-term risks given three of its top five risk concerns for 2030 are “Significant Impact” risks.

- Risks related to privacy/identity management are ranked among the top five risks for 2030 by four of the six industry groups in our study.

Differences Across Geographic Regions

- Globally, organisations from all eight geographic regions in our study agree that the overall magnitude and severity of risks are of a “Significant Impact” level in 2021. North American organisations rate the magnitude and severity most highly and, along with Africa-based organisations, exhibited the largest increase from 2020 to 2021.
- However, respondents in North America rate only one of their top five risks as a “Significant Impact” risk, while respondents in Australia/New Zealand, Asia, Latin America, India, and Africa rate all of their top five risks at the “Significant Impact” level (respondents in the Middle East rate four of their top five risks at that level).
- As expected, risks related to COVID-19 are a major concern worldwide, with every region ranking the risk related to government policies surrounding public health practises or market conditions imposed by and in response to COVID-19 as their top risk.
- Across the eight regions, the variation in results is striking. Only three risks are common to at least four of the eight regions. The noticeable differences in views about risks around the globe are especially important for organisations that operate at a multinational level to consider.

- Looking further out into 2030, strategic risks become more heightened for all regions with the exception being Latin America.
- The concern for 2030 over increased regulation and its impact on operational resilience, products and services is shared by four of the eight regions.

Differences Across Public and Non-Public Entities

- While both public and privately held for-profit entities sense an overall heightened magnitude and severity of risks for 2021, not-for-profit and governmental organisations perceive the level to be much higher relative to 2020.
- All three types of organisations rank the risk related to economic conditions in markets currently served as a top five risk. Public and private companies agree that the risk related to the adoption of digital technologies and its impact on the future of work is a top five risk concern.
- Concern over the adoption of digital technologies is viewed as the top risk for 2030 by all organisations, with not-for-profit and governmental organisations ranking that risk at the “Significant Impact” level.
- All organisations are concerned about succession and talent challenges, with that issue in the top five risks for 2030 for each of the organisation types, and technology-focused risks, such as ensuring privacy/identity management and the rapid speed of disruptive innovation, are also ranked in the top five for each of the organisation types.

Plans to Improve Risk Management Capabilities

In addition to asking respondents to rate each of the 36 risks for 2021 and 2030, we also asked them to provide insights about plans to enhance their organisation’s risk management capabilities in the coming year. Here are some key insights:

- In contrast with the finding that respondents note an increase in their impression about the magnitude and severity of overall risks for 2021 relative to the prior year, they indicate a lower likelihood of deploying more resources to risk management in 2021 relative to 2020 (and 2019). This is a surprising result, given the disruptive events that unfolded in 2020 and continue today. This interesting congruence could reflect a propensity by some companies to reduce resource allocations on a number of fronts as they ride out the economic distress created by the pandemic. At the present time, many companies are focused on survival, so allocating more resources to any initiative that is not considered mission-critical is out of the question. In addition, the nature of the risk profile many companies face is such that much of the uncertainty may be around the velocity and persistence of disruptive risk events and the organisation’s change readiness. Accordingly, companies may perceive a need to focus more on resilience and agility by revisiting their strategies, adjusting their business models, enhancing their digital maturity and building trust-based innovative cultures. Some of our respondents may not consider such initiatives to be “traditional” deployments of risk management resources.

- The three largest groups of organisations believe they will face lower levels of challenges in sustaining or strengthening their risk management processes in 2021 as compared to 2020 and 2019 (note that for the smallest organisations this perception has remained constant over the past three years). Perhaps the lessons learned in the COVID-19 pandemic have confirmed for many that risk management activities play a vital role in the ongoing resiliency and viability of their organisations.
- Interestingly, the CEOs in our sample this year are much more in agreement with board members and C-suite executives with respect to the likelihood of committing enhanced resources to risk management capabilities in 2021.
- The Healthcare and Energy and Utilities industry groups express the greatest likelihood to devote additional time and resources toward risk management in 2021, followed by the Consumer Products and Services industry group. In contrast, the Financial Services and Manufacturing and Distribution industry groups indicate a lower likelihood to invest more in risk management capabilities in 2021 relative to 2020.
- Organisations based in India, the Middle East and Africa all reflect the largest increase in likelihood to invest more in risk management capabilities in 2021 relative to our 2020 results.
- Public companies express lower levels of likelihood that they will invest more time and resources in building out their risk management infrastructure in 2021

relative to 2020 and 2019. On the other hand, private for-profit entities and not-for-profit and governmental organisations all indicate an increased level of investment in risk management capabilities in 2021 when compared to 2020.

The list of top 10 global risks for 2021 and 2030 (and for the 2021 list of global risks, their corresponding 2020 and 2019 scores) are presented on the following pages, along with an assessment of perceived impact by executive position.

The ever-changing risk landscape and the overall perceived magnitude and severity of risks should prompt boards and senior executives to closely scrutinise the approaches they use to keep an eye on emerging risks. Unfortunately, some organisations continue to manage risks the way they have for many years, even though the profile of risks is changing dramatically as the overall nature of business and whole industries are transformed in the digital economy. The need for greater transparency about the nature and magnitude of risks undertaken in executing an organisation's corporate strategy continues to be high as expectations of key stakeholders regarding risk management and risk oversight remain strong.

This executive summary provides insights for 2021 and 2030 from 1,081 respondents in C-suite and board positions in organisations around the globe. The full report on this study (available online at erm.ncsu.edu and protiviti.com/toprisks) includes our in-depth analysis of perceptions about specific risk concerns. We identify and discuss variances in the responses when viewed by organisation size, type, industry and geography, as well as by respondent role. In addition, on page 23 of this executive summary, we pose key questions as a call to action for board members and executive management to consider that can serve as a diagnostic to evaluate and improve their organisation's risk assessment and management processes.

Our plan is to continue conducting this risk survey annually so that we can stay abreast of key risk issues on the minds of directors and executives across the globe and observe trends in risk concerns over time. It is our desire that the results of this global study will increase executive and board understanding of potential risks on the horizon so that they can proactively navigate issues and challenges as they emerge for the benefit of their key stakeholders and society as a whole.

“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, Technology Consulting Leader,
Financial Services Industry Practice and Global
Technology, Strategy and Operations Practice,
Protiviti

The Top Risk Concerns for 2021 and 2030

The list of top 10 global risks for 2021 appears in Figure 1, along with their corresponding 2020 and 2019 scores (where possible).

• • • Top 10 Risks for 2021

FIGURE 1

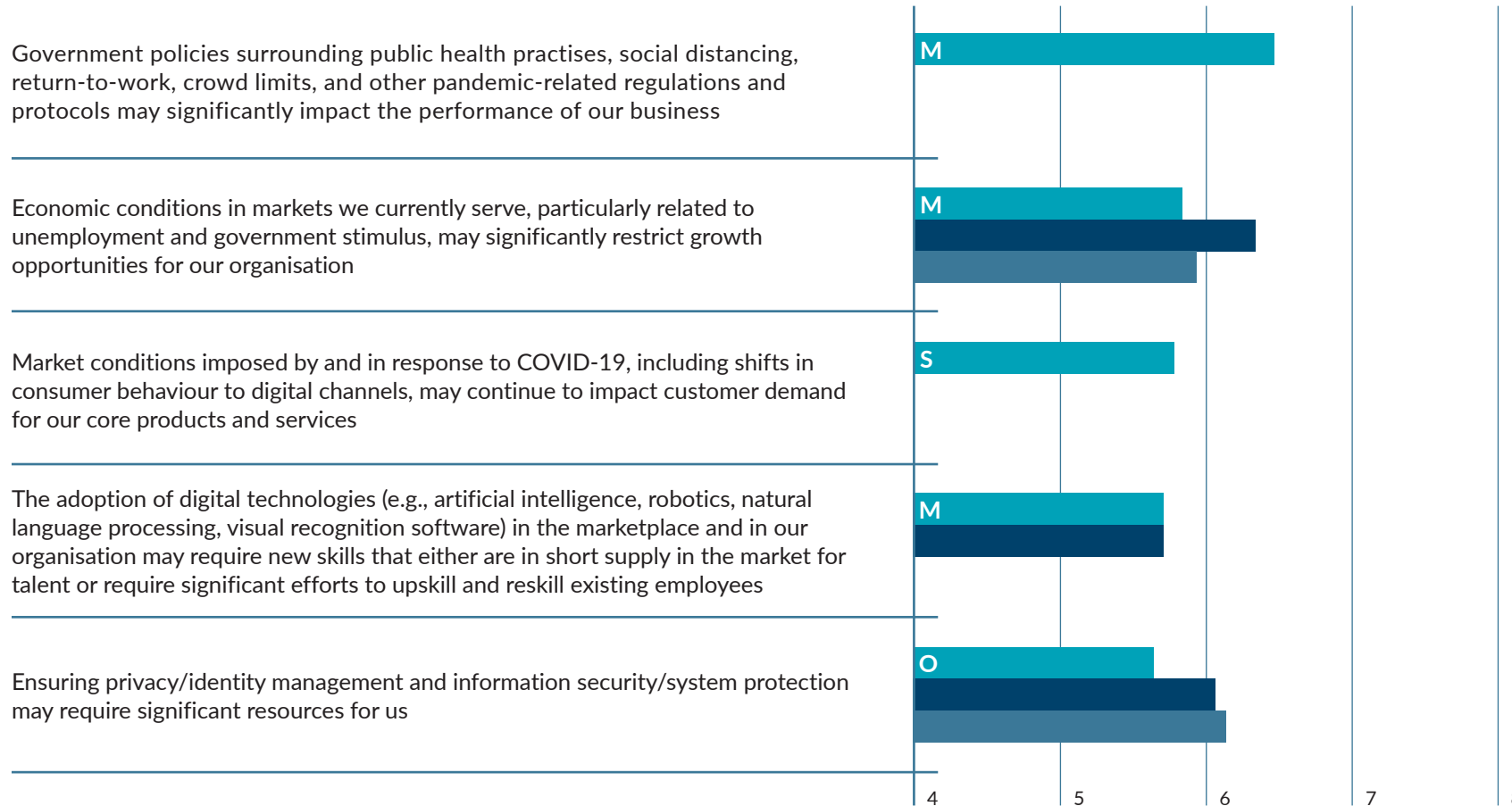
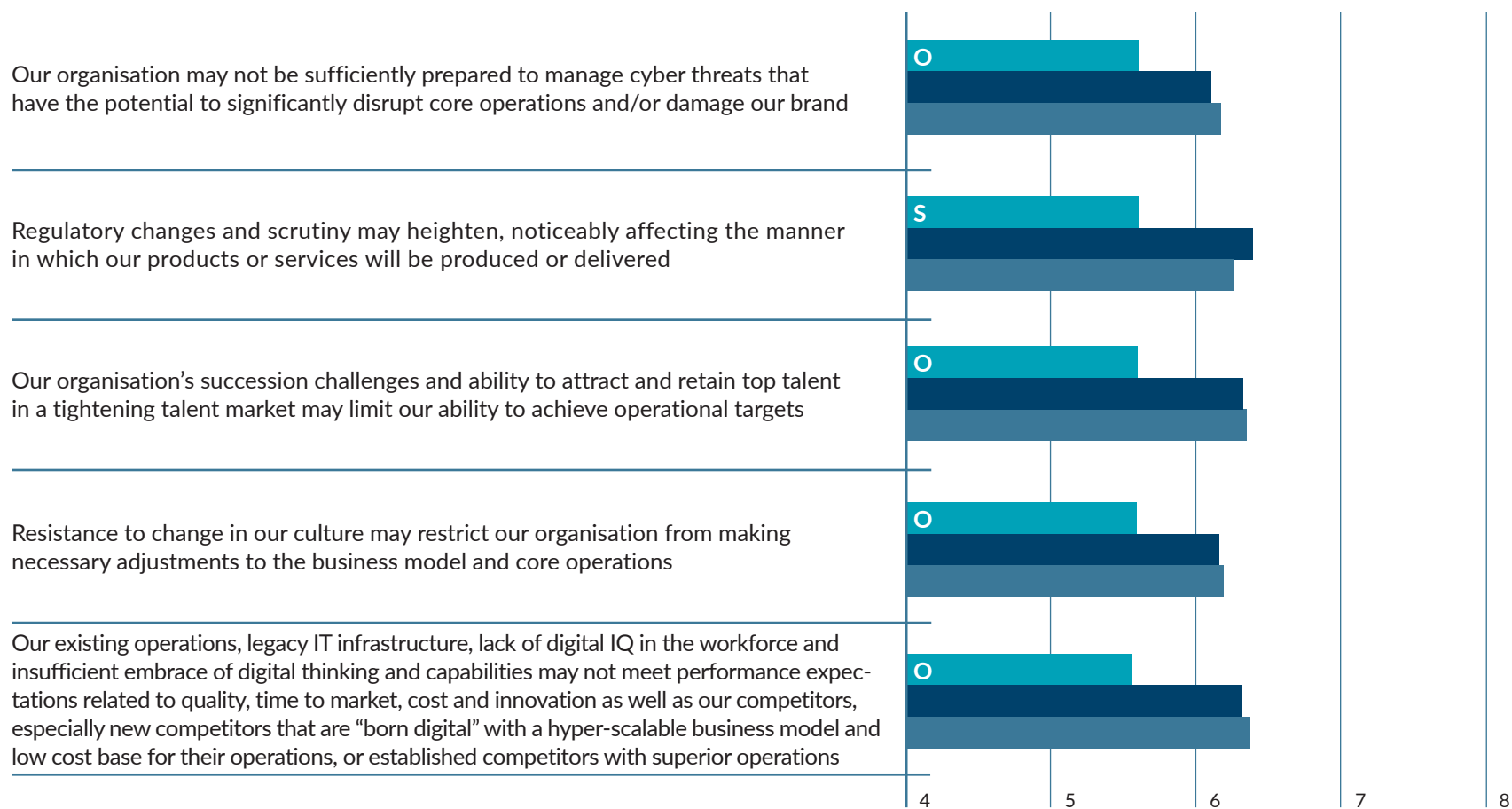


FIGURE 1 (CONTINUED)



Legend

M	Macroeconomic Risk Issue	S	Strategic Risk Issue	O	Operational Risk Issue	■	2021	■	2020	■	2019
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The top 10 global risks for 2030 appear in Figure 2 (because this is our first year to ask executives about risks a decade ahead, there are no corresponding prior year results for these risks).

• • • **Top 10 Risks for 2030**

FIGURE 2

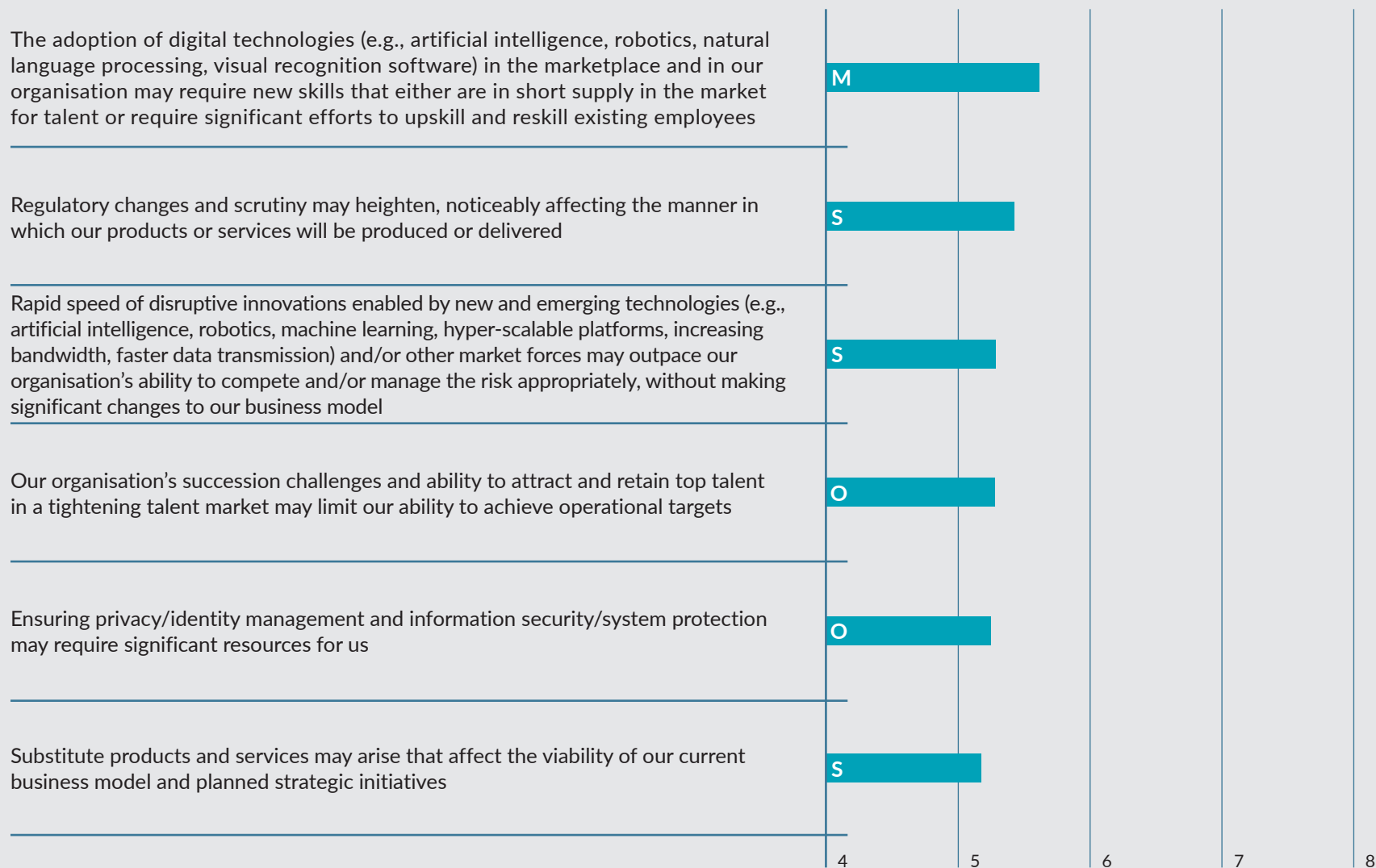
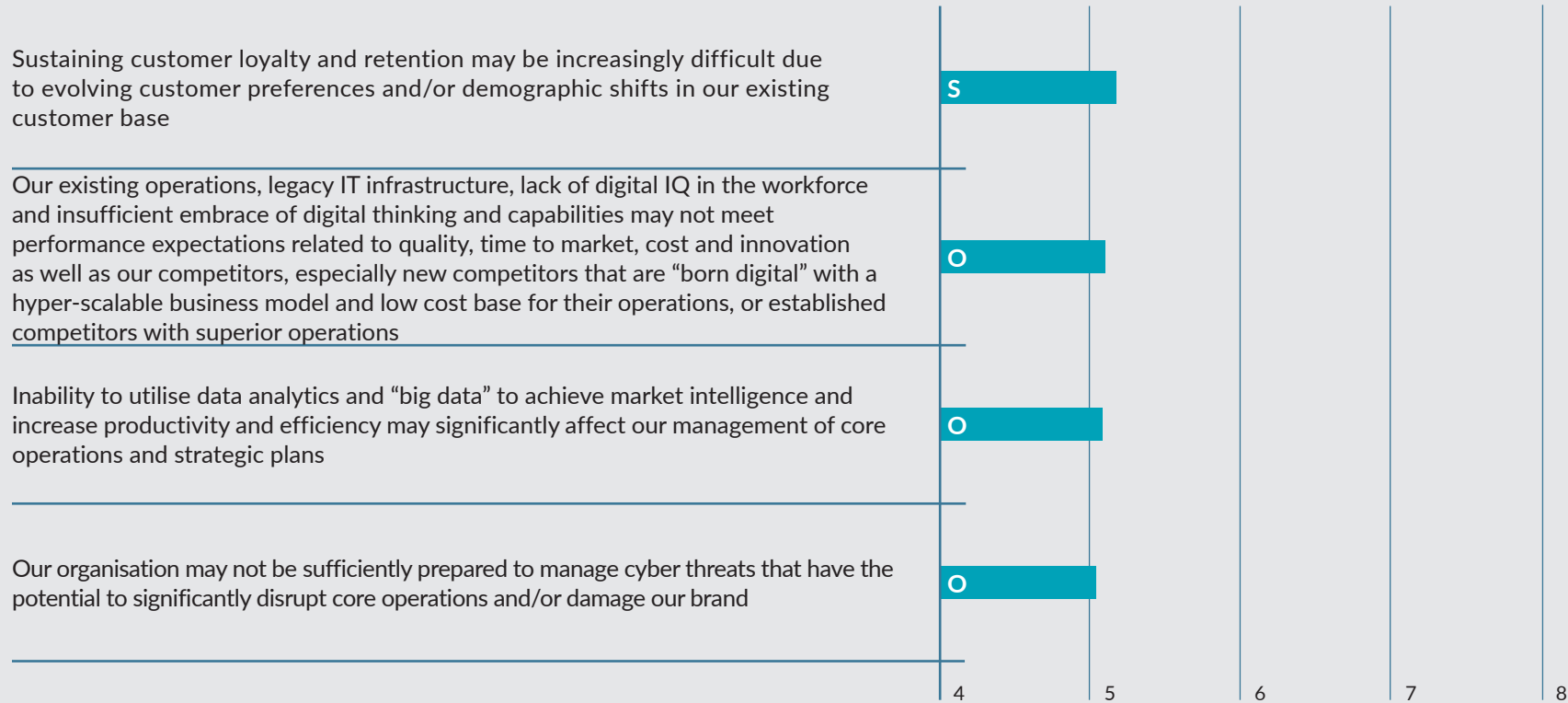


FIGURE 2 (CONTINUED)



Legend

- M** Macroeconomic Risk Issue
- S** Strategic Risk Issue
- O** Operational Risk Issue
- 2030

We are only able to report 2030 results given this is the first year we have asked respondents to provide an assessment about risks 10 years later).

In Table 1, we provide a summary of the impact assessments for each of the 36 risks for both 2021 and 2030. These are presented in descending order of relative impact for 2021 within each of the three dimensions of risk.

• • • **Perceived Impact for 2021 and 2030 — by Role**

TABLE 1

MACROECONOMIC RISK ISSUES	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/CTO	CSO	CDO	OTHER C-SUITE
Government policies surrounding public health practises, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organisation	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organisation may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organisation is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●

Legend

● Significant Impact — Rating of 6.0 or higher ● Potential Impact — Rating of 4.5 – 5.99 ● Less Significant Impact — Rating of 4.49 or lower

TABLE 1 (CONTINUED)

MACROECONOMIC RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
The current interest rate environment may have a significant effect on the organisation's operations	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organisation	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Anticipated increases in labour costs may affect our opportunity to meet profitability targets	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organisation to address	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●

TABLE 1 (CONTINUED)

STRATEGIC RISK ISSUES	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Market conditions imposed by and in response to COVID-19, including shifts in consumer behaviour to digital channels, may continue to impact customer demand for our core products and services	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organisation's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Our organisation may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organisation	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●

TABLE 1 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Our organisation may not be able to adapt its business model to embrace the evolving “new normal” imposed on our business by the current pandemic and emerging social change	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Performance shortfalls may trigger activist shareholders who seek significant changes to our organisation’s strategic plan and vision	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●

TABLE 1 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/CTO	CSO	CDO	OTHER C-SUITE
Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
OPERATIONAL RISK ISSUES	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/CTO	CSO	CDO	OTHER C-SUITE
Ongoing demands on or expectations for a significant portion of our workforce to “work remotely” or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/ joint ventures to achieve operational goals may prevent us from meeting organisational targets or impact our brand image	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Our organisation’s succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●

TABLE 1 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Resistance to change in our culture may restrict our organisation from making necessary adjustments to the business model and core operations	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Our organisation may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Ensuring privacy/identity management and information security/system protection may require significant resources for us	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Our organisation's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●

TABLE 1 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are “born digital” with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Inability to utilise data analytics and “big data” to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
The behaviours and personal conduct of the organisation’s management team and other key representatives may not conform to societal and ethical expectations	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●

A Call to Action: Questions to Consider

This report provides insights from 1,081 board members and executives about risks that are likely to affect their organisations over the next 12 months (and also looking ahead to 2030). Our respondents rate the overall business environment as more risky in 2021 vis-à-vis 2020, although when examining individual risks, respondents rate 22 of the 30 risks included in the 2020 survey as lower in 2021 than they were rated in 2020 (recall we added six new risks this year). This suggests that there is uneasiness among executives about what risks might be out there that management and the board currently do not see or understand. They may be concerned about the extent of disruptive risks that may arise but are not currently “known” to them. As a painful example, a global pandemic and associated economic ills were unlikely to have appeared on many organisations’ top 10 lists of risks for 2020 at the beginning of the previous year.

The ongoing events of 2020 continue to present major challenges as we move deeper into 2021. The level of uncertainty in today’s marketplace is rapidly evolving and presenting new risks that many previously thought were unimaginable. The ever-changing risk landscape and the overall perceived magnitude and severity of risks should prompt boards and senior executives to closely scrutinise the approaches they use to keep an eye on emerging risks.

Unfortunately, some organisations continue to manage risks the way they have for many years, even though the profile of risks is evolving as business transforms in the digital economy. Their risk profile is most certainly not yesterday’s risks, and a focus on financial and compliance risks using static analogue-age tools without any conception of the organisation’s risk appetite leaves decision-makers across the company to their own devices. Soon those organisations may realise, once it’s too late, that the level of investment in risk management and their willingness to engage in robust tools are inadequate.

Hopefully the experiences of navigating the complexities of the ongoing pandemic, social unrest and the extreme polarisation of viewpoints revealed by the events of 2020 have highlighted for executives and boards weak points in their organisations’ approach to risk management. At the same time, many organisations have benefitted from the “all-hands-on-deck” approach to how their leadership teams have come together to quickly assess emerging situations and respond to risks never seen before. Ongoing communications and transparent discussions about risks on the horizon are attributes worth preserving once the firestorm caused by the pandemic subsides. As business leaders think about issues they have had to confront in recent months, they may benefit

from an honest assessment of their risk management infrastructure and its intersection with strategic planning and value creation.

Given the disruptive environment, now may be an opportune time for boards and C-suites to closely examine how their organisation approaches risk management and oversight in the digital age to pinpoint aspects demanding significant improvement. Managing today’s risks using outdated techniques and tools may leave the organisation exposed to significant, undesirable and potentially disruptive risk events that could obviate its strategy and business model and threaten its brand and reputation – even its very survival.

Accordingly, in the interest of evaluating and improving the risk assessment process in light of the findings in this report, we offer executives and directors the following diagnostic questions to consider when evaluating their organisation’s risk assessment and risk management process:

Ensure our risk management approach is sufficiently robust

Because risks are constantly changing, the risk management process needs to be repeatable, clearly defined and adequately resourced to ensure business leaders are staying abreast of emerging issues:

- What insights have the ongoing pandemic and other 2020 risk issues revealed about limitations in our organisation's approach to risk management?
 - To what extent was the risk of a pandemic on our risk radar prior to early 2020? If so, how did having it in our risk register help us prepare for what we have faced?
 - How prepared was our organisation to deal with the challenges we have experienced?
 - How effective was our organisation's business continuity plan in addressing the enterprise-wide impact of COVID-19? What holes in the plan have been revealed thus far?
 - Did our employees have all the technology and tools they needed? Did urgent efforts to adopt new tools and technologies and transition to a virtual workplace achieve acceptable productivity and returns? Did those efforts create information security issues?
 - Was our culture resilient enough to pivot in response to the pandemic's effects on our customers, employees, third-party relationships and supply chain?
 - What do we now understand that we wish we had known prior to the pandemic? Why didn't we better anticipate those issues?
- Is the process supported by an effective, robust methodology that is definable, repeatable and understood by key stakeholders?
 - To what extent is our risk management process mostly focused on internal, operational types of risks using a bottom-up approach to risk identification?
 - How well does our approach to risk identification foster consideration of risks that may have a higher-level strategic impact and that may be triggered by external events or competitor moves that are beyond our organisation's control?
 - Would most stakeholders describe our approach to risk management as one that is siloed across disparate functions in the organisation and/or one that is more ad hoc than structured?
 - Does the process delineate the critical enterprise risks from the day-to-day risks of managing the business so as to focus the dialogue in the C-suite and boardroom on the risks that matter most?
 - Do we engage all the right stakeholders in the risk identification process?
 - How frequently do we refresh our risk inventory? Do we use a formal or an informal risk assessment process? Is it often enough?
 - How extensively do we evaluate the effectiveness of responses that are intended to help prevent risk events from occurring and that might reduce the impact of the risk events should they occur?
- Is there a process for identifying emerging risks? Does the risk identification process allow the board and management enough time to adequately consider response plans to these risks?
 - To what extent does our management dashboard system include robust key risk indicators that help the leadership team monitor shifts in risk trends?

Evaluate whether our risk focus is sufficiently comprehensive

Given the pace of change experienced in the industry and the relative riskiness and nature of the organisation's operations:

- To what extent are we centring our focus on risks in the context of our organisation executing its strategy, achieving its business objectives, sustaining its operations, and preserving its brand image and reputation?
- What have we learned from our management of risks triggered by the pandemic about the importance of focusing our attention on risks that are most critical to our core business operations and strategic initiatives?
 - The pandemic has helped many to focus on risks that threaten the organisation's ability to deliver core products and services. How is that focus different from the focus of our risk management activities prior to the emergence of COVID-19?
 - What kinds of risk management activities are we addressing during the pandemic that we were not engaged in previously?

- In response to risks triggered by the pandemic, what changes have we made to our business model that should be preserved for the long term?
- What risks has our organisation been forced to take in light of the pandemic that now represent risk opportunities we should leverage for greater value going forward?
- To what extent is the knowledge of top risks identified by the organisation’s risk management process serving as a critical input to the strategic planning process?
- Does our risk management process consider a sufficient time horizon to pick up strategic risks and emerging risks looming on the horizon (“grey rhinos”), e.g., the longer the horizon, the more likely new risk issues will present themselves?
- To what extent is our focus on external risks linked to geopolitical shifts, emerging disruptive innovations and changes in macroeconomic factors?
- In our ongoing assessment of risk, do we consider the effects of changes in internal operations, personnel, processes, technologies, suppliers and third-party vendors?
- Does our risk management process consider extreme as well as plausible scenarios? Do we have meaningful discussions of “black swan” and “grey rhino” events?
- Are we encouraging the identification of opportunities to take on more risk on a managed basis? For example, is risk management integrated with strategy-setting to help leaders make the best bets from a risk/reward

standpoint that have the greatest potential for creating enterprise value?

- Do the board and senior management receive risk-informed insights, competitive intelligence and opportunities to secure early-mover positioning in the marketplace, fostering more effective dialogue in decision-making processes and improved anticipation of future exposures and vulnerabilities?

Clarify accountabilities for managing risks

Following completion of a formal or informal risk assessment:

- Who is involved in risk management activities as we navigate the ongoing environment but was not involved prior to COVID-19? To what extent should those individuals continue to participate over the long term?
- What groups (committees, councils, task forces) of individuals have been regularly involved in helping the leadership team navigate the multitude of risks triggered by the pandemic, social unrest, political dysfunction and other events of the prior year? To what extent do those groups need to be formalised so that they continue to provide risk management leadership and inform decision-making for the future?
- Are risk owners assigned for newly identified risks?
- Are effective risk response action plans developed to address the risk at the source? Are risk owners accountable for the design and execution of those responses?

- What are the biggest gaps in risk response that have been revealed by the events of 2020? How does the presence of those gaps reveal limitations in the organisation’s risk management processes? Who should be accountable for reducing those gaps?
- To what extent does the organisation need to elevate its oversight and governance of its business continuity planning and operational resilience activities? To what extent are these efforts limited to certain aspects of the organisation (i.e., information technology, supply chain operations) and not enterprise-wide?
- Is there an effort to source the root causes of certain risks that warrant a better understanding? Does the process look for patterns that connect potential interrelated risk events?
- Are we monitoring the business environment over time for evidence of changes that may invalidate one or more critical assumptions underlying the organisation’s strategy? If so, when there is evidence that one or more critical assumptions underlying the strategy are becoming, or have become, invalid, does management act in a timely fashion on that knowledge to revisit the strategy and undertake necessary mid-course adjustments?
- Do decision-making processes consider the impact of a decision on the organisation’s risk profile?
 - Have we sufficiently communicated the relative value and importance of considering risk in decision-making across the enterprise?

- Is the board sufficiently involved in the decision-making process, particularly when it involves acquisition of new businesses, entry into new markets, the introduction of innovative technologies, or alteration of key assumptions underlying the strategy?
- Is there actionable, current risk information that is widely shared to enable more informed decision-making?
- Are significant risks related to the execution of the strategy and business model monitored over time to consider whether changes have occurred requiring corrective action and whether the organisation continues to operate within established risk tolerances in meeting key business objectives?

Communicate an enterprise view of top risks and board risk oversight

With respect to communicating and overseeing the risk profile:

- Is the board informed of the results of management's risk assessment on a timely basis? Do directors agree with management's determination of the significant risks?
- Are significant risk issues warranting attention by executive management and the board escalated to their attention on a timely basis? Does management apprise the board in a timely manner of significant emerging risks or significant changes in the organisation's risk profile?

- With respect to the most critical risks facing the organisation, do directors understand at a high level the organisation's responses to these risks? Is there an enterprise-wide process in place that directors can point to that answers these questions and is that process informing the board's risk oversight effectively?
- Is there a periodic board-level dialogue regarding management's appetite for risk and whether the organisation's risk profile is consistent with that risk appetite? Is the board satisfied that the strategy-setting process appropriately considers a substantive assessment of the risks the enterprise is taking on as strategic alternatives are considered and the selected strategy is implemented?
- Given the organisation's risk profile, does the board periodically consider whether it has access to the diverse expertise and experience needed — either on the board itself or through access to external advisers — to provide the necessary oversight and advice to management?

Assess impact of leadership and culture on our risk management process

Because culture and leadership significantly impact the organisation's approach to risk oversight:

- Is the board's and the C-suite's support for more robust risk management processes evident to key stakeholders across the organisation?
 - To what extent is our risk management process helping to foster robust discussion and dialogue

about top risk issues among senior management and the board?

- Is the board asking for more risk management information or is the board relatively uninterested in advancing the organisation's risk management processes?
- How have lines of communication about risk issues improved as the organisation deals with the pandemic situation? What has led to that improvement and how can the benefits be preserved for the long haul?
- To what extent is there a willingness among the leadership team to be more transparent about existing risk issues when sharing information with one another? What positive aspects of the organisation's culture have contributed to this improvement? What aspects continue to limit openness and transparency about risks?
- Do we have an accurate read on how our organisation's culture is affecting how employees engage in risk management processes and conversations? If so, how do we know?
- Are warning signs posted by the risk management function, compliance and ethics function, or internal audit addressed in a timely fashion by executive and operational management?
- Do we have a "speak up" culture that encourages transparency and sharing of contrarian information and bad news? Are our employees convinced they can "speak up" without fear of repercussions to their careers or compensation? For example, does the process:

- Encourage an open, positive dialogue for identifying and evaluating opportunities and risks?
- Focus on reducing the risk of undue bias and groupthink?
- Give adequate attention to differences in viewpoints that may exist across different executives and different global jurisdictions?

- Is adequate attention given to red flags indicating warning signs of a dysfunctional culture that suppresses escalation of important risk information or encourages unacceptable risk taking?

These and other questions can assist organisations in defining their specific risks and assessing the adequacy of the processes informing their risk management and

board risk oversight. We hope the important insights about the perceived risks on the horizon for 2021 and 2030 provided in this executive summary prove useful. We also hope that the insights serve as a catalyst for an updated assessment of risks and the risk management capabilities in place within all organisations, as well as improvement in their risk assessment processes and risk management capabilities.

“The effects of the pandemic on customer behaviour, workplace redesign and industry dynamics have shaped the challenges most companies face in 2021. But more than that, our survey results reflect forward-looking challenges related to such 2021 issues as the economy, future of work, digital transformation, cybersecurity and privacy, talent development and operational resilience and agility.”

Jim DeLoach, Managing Director, Global Thought Leadership Leader, Protiviti

Methodology

We are pleased with the global reach of our survey this year, with strong participation from 1,081 board members and executives across a variety of industries. Our survey captures insights from C-suite executives and directors, 39% of whom represent companies based in North America, 19% in Europe, 17% in Asia and Australia/New Zealand, and the remaining 25% from Latin America, India, Africa and the Middle East.

Our survey was conducted online near the end of 2020 to capture perspectives on the minds of executives as they peered into 2021. We delayed our survey launch this year until after the November 3 elections in the United States to reduce the effect that an uncertain outcome to these elections may influence our respondents while completing the survey, although the Senate majority outcome hung in the balance when our survey closed. 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 organisation over the next year. We also asked them to consider how each of these risks was likely to affect their organisations 10 years in the future (i.e., in 2030).

For each of the 36 risk issues, we computed the average score reported by all respondents. Using mean scores across respondents, we rank-ordered risks from highest to lowest impact. This approach enabled us to compare mean scores across the past three years to highlight changes in the perceived level of risk.

Consistent with our prior studies, we grouped all the risks based on their average scores into one of three classifications:

- Risks with an average score of **6.0 or higher** are classified as having a “**Significant Impact**” over the next 12 months/in 2030.
- Risks with an average score of **4.5 through 5.99** are classified as having a “**Potential Impact**” over the next 12 months/in 2030.
- Risks with an average score of **4.49 or lower** are classified as having a “**Less Significant Impact**” over the next 12 months/in 2030.

We refer to these risk classifications throughout our report, and we also review results for various subgroups (i.e., company size, position held by respondent, industry representation, geographic location and organisation type). With respect to the various industries, we grouped related industries into combined industry groupings to facilitate analysis, consistent with our prior years’ reports.

Table 2 lists the 36 risk issues rated by our respondents, arrayed across three categories — macroeconomic, strategic and operational.

MACROECONOMIC RISK ISSUES

- Government policies surrounding public health practises, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business*

- Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organisation is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace*

- Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organisation to address

- Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities

- Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets

- Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organisation

- Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organisation

- The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organisation may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

- Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives

- Anticipated increases in labour costs may affect our opportunity to meet profitability targets

- The current interest rate environment may have a significant effect on the organisation's operations

* These risks are new to the 2021 survey.

STRATEGIC RISK ISSUES

- Market conditions imposed by and in response to COVID-19, including shifts in consumer behaviour to digital channels, may continue to impact customer demand for our core products and services*
- Our organisation may not be able to adapt its business model to embrace the evolving “new normal” imposed on our business by the current pandemic and emerging social change*
- Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organisation’s ability to compete and/or manage the risk appropriately, without making significant changes to our business model
- Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business
- Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered
- Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis
- Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share
- Our organisation may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation
- Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement
- Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organisation
- Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives
- Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base
- Performance shortfalls may trigger activist shareholders who seek significant changes to our organisation’s strategic plan and vision

* These risks are new to the 2021 survey.

OPERATIONAL RISK ISSUES

- Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us*
- Ongoing demands on or expectations for a significant portion of our workforce to “work remotely” or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business*
- The behaviours and personal conduct of the organisation’s management team and other key representatives may not conform to societal and ethical expectations
- Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins
- Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organisational targets or impact our brand image
- Our organisation’s succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets
- Our organisation may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand
- Ensuring privacy/identity management and information security/system protection may require significant resources for us
- Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are “born digital” with a hyper-scalable business model and low-cost base for their operations, or established competitors with superior operations
- Inability to utilise data analytics and “big data” to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans
- Resistance to change in our culture may restrict our organisation from making necessary adjustments to the business model and core operations
- Our organisation’s culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives

* These risks are new to the 2021 survey.

Research Team

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- Jonathan Wyatt
- Dolores Atallo
- Matthew Moore

About Protiviti

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About NC State University's ERM Initiative

The Enterprise Risk Management (ERM) Initiative in the Poole College of Management at NC State University provides thought leadership about ERM practises and their integration with strategy and corporate governance. Faculty in the ERM Initiative frequently work with boards of directors and senior management teams helping them link ERM to strategy and governance, host executive workshops and educational training sessions, and issue research and thought papers on practical approaches to implementing more effective risk oversight techniques (www.erm.ncsu.edu).

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