

2022
&
2031



EXECUTIVE PERSPECTIVES ON TOP RISKS

Future of Work: The Defining Business Challenge of the Next Decade

Key takeaways

- *A key theme within the top risks for both 2022 and 2031 is the future of work – the workplace, talent acquisition, retention and succession.*
- *The future of work cannot form by accident – organisations must plan now for the cultures they want.*
- *The need for resilience and agility in addressing future of work issues is at an all-time high.*

Protiviti and NC State University's Enterprise Risk Management Initiative conducted a survey focused on the top risks occupying the minds of global boards of directors and executives. The survey highlighted 36 risk issues that were further analysed for impact. While each risk presents unique opportunities and challenges, one key theme – the future of work – touches and spans the most significant risks for board members and executives.

We frequently refer to the future of work as the defining business challenge of this decade. Digital transformation and innovations, the introduction of advanced technologies and automation in all of its forms, the increasing cost of labour, the transformation of skills, and acute talent shortages are among many future of work challenges that are compelling boards and executive teams to plan ahead and think more innovatively than they ever have before as they map the future of their organisations.

From technology transformation and flexible work models to culture and ESG, here is an overview of the landscape organisations face and critical short- and long-term considerations for boards and executives.

Digital technologies and innovations are transforming processes and talent needs

Technology is evolving rapidly and disruptive innovation is outpacing the ability of many organisations to attract, retain and train people. One result? Succession challenges and potential lack of ability to attract and retain key talent continue to be burdens on these organisations. Executives must consider the following:

- New technology – including AI and automation in all of its forms – is expected to displace as well as create millions of job functions.
- As digital transformation contributes to and helps shape the future of work, organisations increasingly will need to upskill and reskill workers to take on new job functions and fill new technology talent gaps.
- With a limited labour pool and rising labour costs, the business case for automating repetitive manual activities continues to be compelling.
- Companies lacking access to talent that understands new technologies and how to deploy them may find themselves lagging behind competitors who can react quickly to assimilate innovations into their organisations and workplace cultures.

Remote, hybrid, in-office ... it's all about flexibility – for both employers and employees

The pandemic accelerated market and workplace trends that were already underway – specifically relating to remote and hybrid work, e-commerce, and automation. As the future of work continues to evolve in the post-pandemic world, board members and executives should keep the following in mind:

- Employees are now empowered by having a voice and choice as to where and when they work, leading to various approaches for hybrid work environments. There is no one-size-fits-all approach – leadership teams need to approach the process with a flexible mindset, understanding that policies established today may need to be adjusted as circumstances evolve, including but not limited to employee preferences for being in the office and the desired frequency of in-office work. Specific industries and business models also will shape the specific strategy, with some organisations less suited than others (e.g., manufacturers) to remote work.
- The need to embrace digital technologies so that customers can be engaged in a virtual manner and employees may be able to work remotely has strained the technological capabilities of many organisations, necessitating a review of what technology transformations may be required over the long term.
- Looking out 10 years, there is an escalating and profound change where work is home and home is work – with AI as the enabler. Facilitating high performance, AI and emerging technologies will offer a “real-office feel” for employees who will work from anywhere in the world, in any translatable language, while being able to “touch and feel” colleagues as if they are in the same room.

ESG is a VIP-level priority

There is increasing scrutiny on organisations to fulfil ESG objectives and expectations – especially with respect to the “S” as people, culture and workplace issues are a top overall risk. Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are evolving rapidly – in many cases, faster than the pace at which organisations are able, or capable, to act. These ESG trends, without question, are shaping the future of work as candidates at all levels assess ESG-related factors and footprints of organisations for which they are considering joining.

With respect to ESG matters, board members and executives need to consider the following:

- There is a growing focus among workers on climate change policies, regulations and expanding disclosure requirements. There also are rising expectations among key stakeholders, both internal and external, concerning climate change, supply chain transparency, reward systems, and other governance and sustainability issues. These pressures may require organisations to significantly alter their business models in ways that may be difficult to implement on a timely basis.
- Customers increasingly must not only be satisfied, but delighted. And delighted employees can result in delighted customers. How companies and leaders treat employees must mirror how they treat customers. Business leaders would be well advised to start re-imagining and creating the culture they want in their organisations.

Key questions to consider

Given that the future of work is the defining business challenge for the next decade, here are three key sets of questions for boards and executive management to consider:

1. With new technology displacing as well as creating millions of jobs, is executive management equipped to upskill, reskill, fill gaps and update candidate competencies as the market dictates? Will they be able to manage through such job disruption and modify the company's business model successfully? Can the company's decision-making processes be described as "high-velocity, high-quality," with simple processes in a flat organisation that responds to disruptive events with speed? Is the organisation willing to take necessary risks, fail fast and listen to feedback?
2. Will the organisation address the logistics of work using an in-office approach or a remote or hybrid work environment? Does the organisation have the tools, protocols and culture in place to support a remote or hybrid environment? Has executive management considered how its work environment compares to the competition from the perspective of employees and prospective candidates?
3. Is the organisation championing ESG and building a culture that people want to be a part of? Does it stand for the right things? Is the organisation one for which people want to work and with which customers want to do business?

For more information, read our *Executive Perspectives on Top Risks Survey* executive summary and full report at www.protiviti.com/toprisks or <http://erm.ncsu.edu>.

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