



2021
&
2030

EXECUTIVE PERSPECTIVES ON **TOP RISKS**

CFO risk outlook – pandemic issues in the near term, transformation and resistance to change over the long term

The continuing global challenges and potential existential threat posed by the COVID-19 pandemic. Political divisiveness and polarisation. Social and economic unrest. AI, automation and other rapidly developing digital technologies. Rapid shift to virtual work environments. Changes in the geopolitical landscape. Shifting customer preferences. Volatile unemployment levels. Record low interest rates. Escalating competition for specialised talent. Immigration challenges. Cyber breaches on a massive scale. 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 organisations of all types and sizes, regardless of where they reside in the world. 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, who 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 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

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

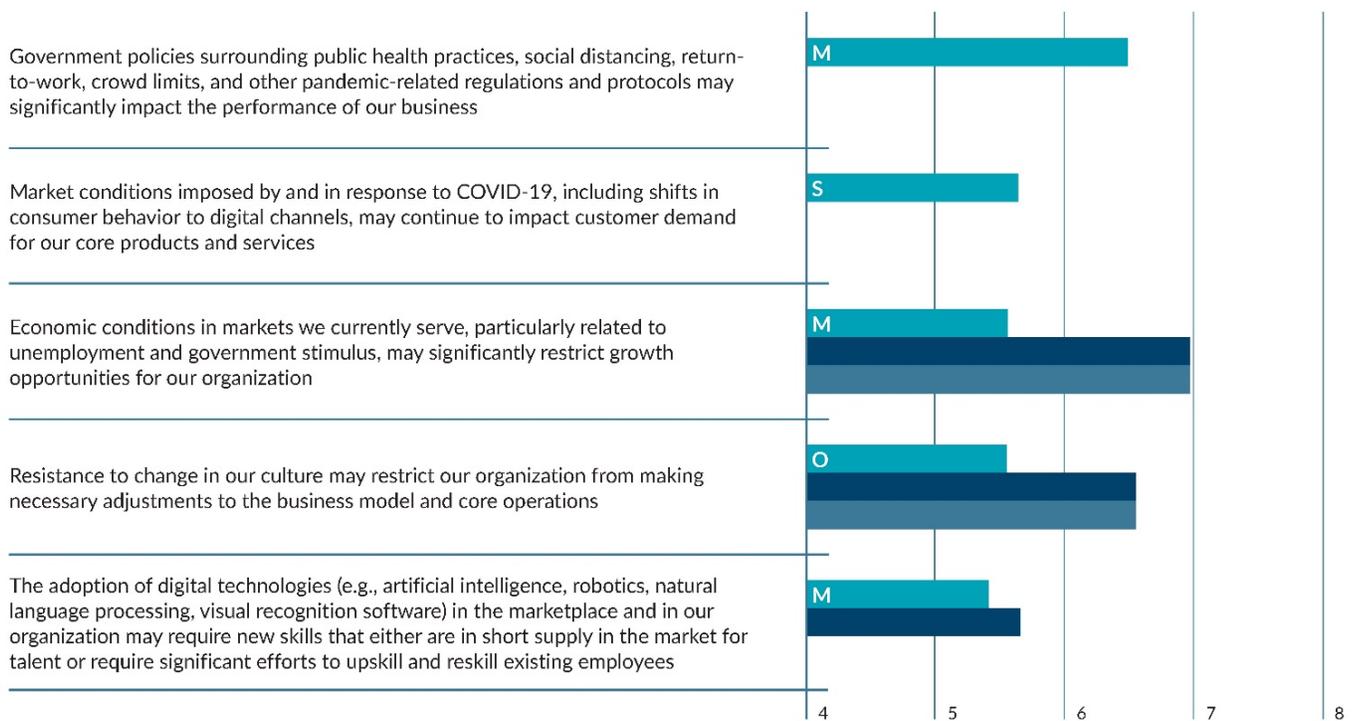
Overview of top risk issues for CFOs in 2021

Overall, the CFO results are what we would expect from these executives who, amid the COVID-19 pandemic and preparations for operating successfully in the post-pandemic world, remain very focused on operations and financial performance. They know how their companies are operating and what it will take for them to succeed.

CFOs continue to have significant concerns around government policies and whether the government is going to continue to assist businesses, how long stimulus programs will continue, and how the additional debt burden will affect governments around the world. There is also uncertainty and risk around how long the pandemic will last, with different nations experiencing different levels of crisis or recovery over the next year.

These risk issues mirror the global results for companies of all sizes and the survey results for directors and executives in other positions.

• • • CFOs – 2021



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2021 2020 2019

Even now, however, with the world still in the pandemic's grip, CFOs continue to scan the horizon, remaining vigilant for risk issues that could interfere with their organisation's ability to excel once the pandemic is behind them. These include risks such as the adoption of digital technology, resistance to change that might prevent the company from doing things differently, and upskilling and bringing in the right kind of people who are open to change.

Such risks were top of mind before the pandemic. They have not abated but understandably took a back seat over the course of the past 18 months so that organisations could focus on more urgent short-term challenges. And while this was not addressed in the survey, it has been our experience that digitally mature organisations have survived and thrived during the pandemic, better than non-digitally mature organisations. Companies with a digital mindset and technology already in place heading into the pandemic pivoted more easily, and in some cases seamlessly, into a new normal with remote working, automated ordering, curbside pickup and other low- or no-contact transactions.

These non-pandemic-related risks carry forward as well and serve as a bridge to the top risks ranked by CFOs for 2030.

Overview of top risk issues for CFOs in 2030

With COVID-19 concerns expected to be in the rearview, the top risks for CFOs looking out to 2030 shift to transformation and talent. Adoption of digital technologies is the top priority, followed by the ever-present risk of regulatory changes and the potential for heightened scrutiny affecting the manner in which products or services can be produced or delivered.

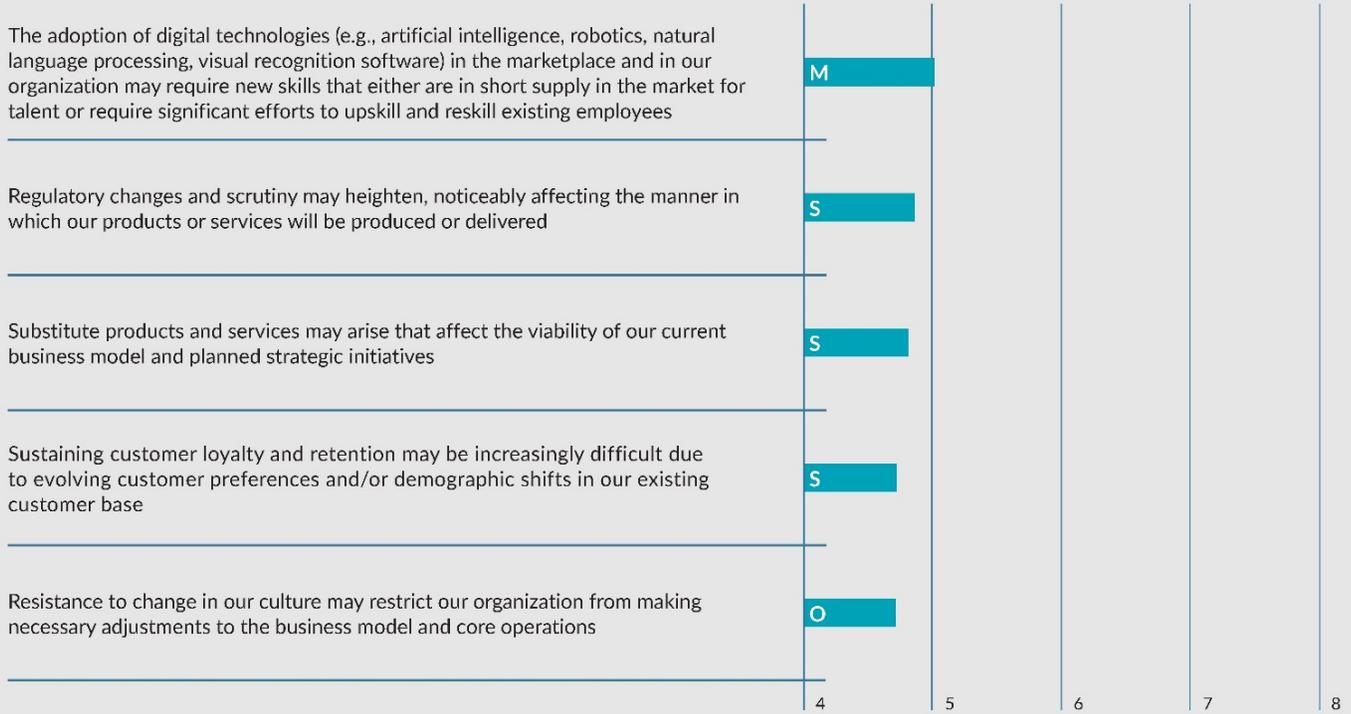
Fundamental market challenges, such as substitute products and services and the need to sustain customer loyalty amid evolving customer preferences and changing demographics, also made the list. And finally, CFOs see the cultural challenge of resistance to change, which might prevent their organisations from making necessary adjustments to business models and operations.

In bullet form, these risks may seem clear cut. In reality, however, things such as the displacement of jobs and the creation of new jobs typically don't happen simultaneously. CFOs will be closely involved in managing how companies redeploy, upskill and reskill their people and manage succession planning as the decade unfolds, as well as how recruiting practices will need to change to tap new and more diverse talent pools.

Regulatory risks are a perennial top concern because significant planning and expense are required to comply with new regulations and reporting requirements. A good example of this is the change happening globally around data privacy. This is a regulatory cycle that is still in its early stages and is likely to continue to be in flux for many years. Globally, a growing slate of mandatory reporting related to compliance with environmental, social and governance (ESG) and human capital requirements will further increase regulatory concerns for CFOs.

It is notable that CFOs, as a group, appear less intensely concerned about long-term risks than board members and those in other executive positions. This may be attributable to the fact that risk assessment is a fundamental part of their job, and while they always have an eye on what may be happening down the road, they are typically more occupied with doing what they can to identify and manage those risks that require immediate attention.

• • • CFOs – 2030



Legend

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In closing

The ever-changing risk landscape and the overall perceived magnitude and severity of risks should prompt CFOs as well as boards and other 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.

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