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Pandemic pervades executives' top 10 risks for 2021



By Jaclyn Jaeger | Fri, Feb 5, 2021 11:39 AM

The aftermath of the coronavirus pandemic dominates the top risks that will keep boards of directors and executive management teams on their toes in 2021.

That was the key finding of a new survey conducted by global consulting firm Protiviti and North Carolina State University's Enterprise Risk Management (ERM) Initiative, "**Executive Perspectives on Top Risks for 2021 and 2030**," which polled 1,081 board members and C-suite executives globally on risks likely to affect their business this year and a decade from now.

Respondents were polled on 36 macroeconomic, strategic, and operational risks, including new ones that emerged in 2020 from the coronavirus pandemic and social justice issues. They were asked to rate each risk on a 10-point scale, with a score of one reflecting "no impact at all" and a score of 10 reflecting the belief the risk will have an "extensive impact" on the business.

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> Patrick Scott, EVP of Industry Programs, Protiviti

"More than ever, 2020 demonstrated that organizations can no longer afford a reactive approach to risk management," said Jim DeLoach, a managing director with Protiviti and co-author of the report. "Business leaders must be vigilant in scanning for emerging issues and make actionable plans to adjust their strategies and business models while being authentic in fostering a trust-based, innovative culture and the organizational resilience necessary to successfully navigate disruptive change."

The top 10 global risks for 2021 as ranked by respondents are:

Government policies and regulations resulting from the pandemic will impact business performance. Travel and border controls, social distancing, and the temporary shutdown of businesses and commerce have led to "unprecedented levels of uncertainty for business leaders" as they try to maximize business performance, the study found.

Economic conditions will restrict growth opportunities. Record levels of unemployment resulting from the pandemic continue to create challenges for executives across all industries.

Market conditions impacted by the pandemic will reduce customer demand for products and services. The pandemic has dramatically shifted the way consumers search for, buy, and receive products—purchasing decisions and delivery methods that may linger long after the pandemic has subsided. This could negatively impact companies who aren't able to effectively respond to shifting consumer preferences and expectations, according to the study.

Adoption of digital technologies requires new skills that are in short supply or significant efforts to upskill/reskill existing employees. The pandemic has thrust into the spotlight the need to embrace digital technologies to meet evolving consumer demands and support globally remote workforces. Companies that aren't as flexible at evolving with unanticipated changes or the sort of **megatrends** that are expected to have significant risk implications for senior management in 2021 "may find themselves lagging behind future-ready competitors that can react quickly to assimilate innovations into their business," according to the study. "Furthermore, as the future of work evolves through digital transformation, companies will need upskill and reskill displaced workers to take on new job functions and fill talent gaps."

Ensuring privacy and information security will require significant resources. The **rapid adoption of new technologies** increases the risk of not only violating data privacy laws and regulations around the world, but also inadvertently releasing or exposing private or proprietary data.

Organizations aren't prepared to deal with cyber-threats. Consistent with previous years, data security and cyber-threats continue to rank among the top 10 risks. "If there's any risk that all organizations across industries and geographies must maintain focus on, it's cyber-security and privacy," said Patrick Scott, executive vice president of industry programs at Protiviti. "While the areas that businesses will need to address may change as they transform their business models and increase their resiliency to face the future confidently, cyber-security and privacy threats will remain a constant and should be at or near the top of the list."

Regulatory change and heightened scrutiny will continue to impact operational resilience and the production and delivery of products and services. Given the ever-changing scope of regulatory requirements, it's no surprise this has remained a top 10 risk since the first study nine years ago. In 2020, some of the biggest regulatory-related risks concerned privacy; product development and approval; environmental, social justice, and governance issues; and geopolitical volatility related to trade and tariffs.

Succession challenges and the ability to attract and retain top talent may lead to operational challenges. "The inability of organizations to be flexible and accommodating in addressing the

varied needs of their employees may strain their ability to attract and retain the talent they need," the study noted.

Resistance to cultural changes may restrict need to make necessary adjustments to business model and core operations. This top risk concern speaks to the importance of being willing and able to "pivot and make necessary timely adjustments to the business model and core operations that might be needed to respond to changes in the overall business environment and industry," according to the study.

Our existing operations may not enable us to compete with 'born digital' competitors. "Digitally mature companies with an agile workforce were ready when COVID-19 hit and are the ones best positioned to continue to ride the wave of rapid acceleration of digitally driven change through the pandemic and beyond," DeLoach said.

Among other things, the report provides executives and directors with a comprehensive list of dozens of diagnostic questions that can help them assess whether their risk management approach is robust and able to stay on top of emerging issues.

"Following a year of unprecedented adoption of digital tools across industries globally, businesses are facing heightened pressure to pivot to new skills, processes, products, and services to meet evolving customer preferences, protect their brand value and remain competitive in an increasingly complex and automated world," said Mark Beasley, director of NC State's ERM Initiative and co-author of the report. "One of the most important lessons that business leaders need to take away from 2020 is that they must prepare for a disruptive future by positioning their organizations to adapt and evolve with the speed of change."

Top risks projected for 2030 were largely similar but in different order, with skills to adopt digital technologies leading the way.

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