

Executive Perspectives on Top Risks

2023 & 2032

Talent, Culture and Disruption Represent Top-Ranking Risks for CFOs

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Global uncertainty, disruption, talent, culture ... these are among the challenges on the minds of CFOs for both the near and long term, according to the results of the latest [Top Risks Survey](#) conducted by Protiviti and NC State University's ERM Initiative. The CFOs' constellation of responsibilities continues to move farther beyond the boundaries of traditional finance and accounting activities, a trend that amplifies the value finance leaders deliver to the organisation. The survey results for CFOs are indicative of this expanding role and value while spotlighting the risks they intend to address both in 2023 and over the next decade, into 2032.

Overview of top risks for CFOs in 2023

CFOs see a range of people, talent and culture issues as the most critical risks for their organisations over the next 12 months, even amid an uncertain economy, inflationary conditions, continued supply chain challenges, geopolitical shifts worldwide, and ongoing concerns regarding cyber threats and ransomware attacks.

CFOs are not alone in this assessment. Succession planning and the ability to attract and retain talent is the top risk among all survey respondents for both 2023 and 2032. Board members and C-suite colleagues worldwide recognise the difficulty of finding, reskilling, upskilling and retaining the talent needed to harness the value proposition associated with new technologies and digital innovations. Globally, directors and executives also are concerned about increases in labour costs impeding achievement of profitability goals, as well as evolving approaches to managing hybrid and remote work environments and continued shifts in the nature of work. That said, it still is remarkable that the majority of the top 10 risks CFOs identify relate to people-related issues. These include the workforce's resistance to change, the organisational culture's support of timely risk identification and escalation, the impacts of new labour models and working approaches, access to advanced technology skills, and labour costs.

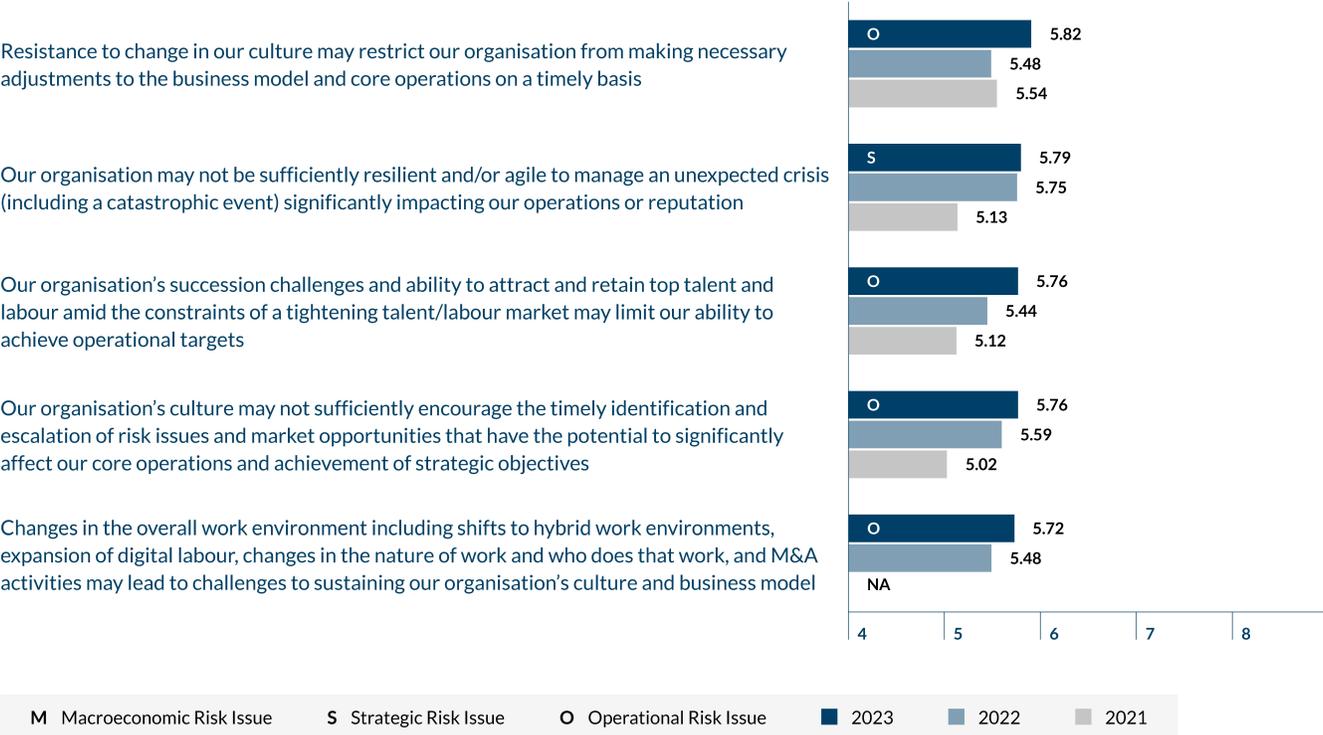
In the face of near-term disruptions, especially those driven by advanced technologies, CFOs view resistance to change throughout the workforce as the top-ranked risk and a formidable obstacle to organisational performance and success, which ultimately can lead to strategic failure. Finance leaders understand that the organisation cannot act as an early mover in response to emerging growth opportunities if the culture does not sufficiently encourage the timely identification and escalation of significant market opportunities and emerging risk issues.

Other talent-related risk priorities for CFOs focus on attracting and retaining top talent and rising labour costs – challenges CFOs believe may limit their organisation’s ability to achieve operational goals while meeting profitability targets. Additionally, finance leaders’ prioritisation of “future of work” risks – including the expansion of digital labour, employee preferences for remote and hybrid work environments, and the adaptation of business models to emerging social changes – reflect an understanding of the need to reimagine recruiting and retention efforts. Outdated talent management strategies limit access to needed skills and ultimately may impede efforts to improve operational effectiveness, harness advanced technologies, and engender the organisational resilience required to manage current and future crises without catastrophic damage to operations or company reputation.

While CFOs express apprehension regarding the organisation’s overall resilience, their survey responses also reflect uncertainty about the resilience of global supply chains in particular. These concerns extend to the viability of key suppliers, scarcity of supplies, energy sources, unpredictable shipping and distribution logistical issues, and a lack of price stability throughout the supply chain ecosystem – all of which obstruct the organisation’s ability to deliver products and services at acceptable margins.

Fragile supply chains are not a new issue, but recent global crises have convinced many CFOs, as well as boards and C-suite colleagues, of the need to rethink longstanding supply chain risk management strategies and to transform supply chain management. Specifically, CFOs should lead efforts to mitigate supply chain vulnerability by enabling the organisation to diversify its portfolio of suppliers, production locations and distribution channels. Organisations that view their supply chains as cost centres should instead assess and manage them more holistically. While cost remains an important factor, more weight needs to be placed on supply chain flexibility, reliability, resilience and responsiveness to ensure the organisation can continue to operate amid prolonged periods of elevated supply and shipping interruptions. In addition, CFOs recognise that supply chain strategies need to be reworked to incorporate climate change considerations along with other ESG matters.

CFOs – 2023



Overview of top risks for CFOs in 2032

For the second consecutive year, CFO survey respondents gave 10-year outlook scores that are markedly higher than in the previous year. With the exception of a single risk related specifically to the pandemic, this is the case for all 38 risk issues in the survey that CFOs rated. In some cases, these increases are dramatic.

Last year, CFOs classified evolving changes in global trade policies and underlying globalisation assumptions as a risk at the “Less Significant Impact” level (a score below 4.5 on our 10-point scale). In this year’s 10-year outlook, CFOs elevated that risk to the “Potential Impact” level. Compared to one year ago, CFO concerns significantly increased regarding many other risks when looking to 2032, including political uncertainty and extremism, activist shareholders’ responses to lack of progress on ESG goals and expectations, and opportunities for organic growth through customer acquisition/enhancement, among others. While CFOs did not rate any of those concerns as a top 10 issue, their substantial year-over-year risk-rating jump, along with year-over-year increases in risk scores virtually across the board, suggest CFOs see a significantly riskier environment 10 years from now compared with their decade-out view in last year’s survey. These findings underscore the narrative that disruption and uncertainty are here to stay – certainly from the perspective of CFOs.

CFOs – 2032

Resistance to change in our culture may restrict our organisation from making necessary adjustments to the business model and core operations on a timely basis

Our organisation’s culture may not sufficiently encourage the timely identification and escalation of risk issues and market opportunities that have the potential to significantly affect our core operations and achievement of strategic objectives

The adoption of digital technologies (e.g., artificial intelligence, automation in all of its forms, natural language processing, visual recognition software, virtual reality simulations) 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 our existing employees

Our organisation’s succession challenges and ability to attract and retain top talent and labour amid the constraints of a tightening talent/labour market may limit our ability to achieve operational targets

Rapid speed of disruptive innovations enabled by advanced technologies (e.g., artificial intelligence, automation in all of its forms, hyper-scalable platforms, faster data transmission, quantum computing, blockchain, digital currencies and the metaverse) 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



M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2032 ■ 2031 ■ 2030

Among the most highly rated 2032 risks, a number of technology-related concerns stand out. These risks include access to the skills required to support the adoption of digital technologies; the organisation’s ability to keep pace with the rapid speed of disruptive innovations enabled by advanced technologies; insufficient digital expertise and knowledge throughout the organisation, C-suite and board; and an inability to harness fully data analytics and “big data.” These shortcomings, CFOs recognise, can result in the need to overhaul business models, failures to meet

performance expectations, and a loss of competitive advantage as well as problems related to customer experience, productivity and efficiency.

Consistent with the overall global results, talent is a critical longer-term concern for CFOs. They recognise that the adoption and optimisation of emerging technologies hinge on the organisation's ability to access new skills that either are in short supply or require comprehensive upskilling and reskilling of existing employees. Finance leaders also expect succession planning challenges and the organisational culture's encouragement of timely risk identification and escalation to remain just as challenging in 2032 as they are in 2023, underscoring that talent and the future of work are a defining business challenge for the next decade.

While CFOs' 10-year outlook aligns closely to the overall board and C-suite responses, they appear notably less concerned about the organisation's ability to manage future regulatory risks. Conversely, CFOs appear more concerned about the state of organisational culture in 2032 compared to their C-suite colleagues and the board. Of note, CFOs rate resistance to change in the culture as the top-rated risk for both 2023 and 2032.

In closing

Keeping abreast of emerging risk issues and market opportunities has become table stakes for CFOs who strive to position the finance function to play a significant role in improving organisational resilience and shaping long-term success.

As such, it is not surprising that finance leaders remain more vigilant than ever when it comes to addressing talent and technology risks that can negatively affect organisational agility and resilience. As risk-focused financial experts and stewards of agility and resilience, CFOs have done the math, and they understand that both capabilities require a culture that embraces change.

About the Executive Perspectives on Top Risks Survey

We surveyed 1,304 board members and executives across a number of industries and from around the globe, asking them to assess the impact of 38 unique risks on their organisation over the next 12 months and over the next decade. Our survey was conducted online in September and October 2022 to capture perspectives on the minds of executives as they peered into 2023 and 10 years out.

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 38 risks, we computed the average score reported by all respondents and rank-ordered the risks from highest to lowest impact.

Read our *Executive Perspectives on Top Risks Survey for 2023 and 2032* executive summary and full report at www.protiviti.com/toprisks or <http://erm.ncsu.edu>.

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