

EXECUTIVE PERSPECTIVES ON TOP RISKS

2024 & 2034



Cyber threats, talent and tech skills lead risk concerns for TMT industry leaders

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The combined analysis of risk insights from global executives for both 2024 and a decade out reveals several interrelated challenges that may result in significant events with the potential to test an organisation's business agility and resilience.

Changes in the profile of top risks from the prior year disclose a number of shifting conditions that may disrupt markets, including events triggered by intensifying geopolitical conditions. Many of those events are expected to have long-lasting impacts on business models and the competitive balance in a nuanced global marketplace. Board members and C-suite leaders who recognise these shifting realities and address them through robust, enterprisewide risk analyses that are aligned with business strategy possess a differentiating skill that positions their organisation's readiness and ability to adjust and pivot in the face of inevitable disruptive change as well as or better than their competitors.

In this 12th annual survey, Protiviti and NC State University's ERM Initiative report on the top risks currently on the minds of board members and executives worldwide. The results of this global survey reflect their views on the extent to which a broad collection of risks is likely to affect their organisations over the next year – 2024 – and a decade later – 2034. Our respondent group, which includes 1,143 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 organisation. For each of the 36 risk issues, we computed the average score reported by all respondents.

Commentary – Technology, Media and Telecommunications Industry Group

Cyber threats have reemerged as the top risk concern for the Technology, Media and Telecommunications industry group, escalated by the continued expansion of attack vectors and geopolitical tensions. Labor constraints and economic conditions, including inflationary pressures, follow closely at No. 2 and No. 3 respectively, according to Protiviti's 2024 Top Risks Survey.

TMT executives were asked to identify the biggest threats they anticipate over the next 12 months and a decade ahead. Many of the risks cited correlate in many ways and can be categorised under two broad themes: foundational risks, which are essentially challenges that leaders must address to keep their business thriving, and risks that are essential for continued growth and expansion.

Cyber threats

Cyber threats have consistently ranked among the biggest risks confronting TMT executives. However, this year, global geopolitical tensions, including the Russian invasion of Ukraine and escalating trade tensions between the United States and China, have exacerbated the risk.

Insider threats are a significant concern, especially as companies navigate hybrid work models, putting more security responsibility on employees. The proliferation of artificial intelligence, cloud computing and the Internet of Things, which have significantly expanded the attack vectors, are also major factors.

Organisations must develop robust cybersecurity and insider threat protection and rapid response programs to protect their operations, which will allow for future growth.

Many companies do not have documented succession plans and frequently fail to adequately communicate advancement pathways and development opportunities to valuable team members.

Tackling the talent crisis

TMT organisations are also increasingly worried about their ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges.

Since the pandemic, many companies have experienced unusually high attrition rates, although large multilocal organisations that have been able to accommodate employees seeking to relocate or transfer to different roles have been less impacted. High-level departures have also had devastating impacts on organisations. Replacing a C-suite executive or senior employee can be costly, although companies with deeper pockets, compared to startups and fledgling organisations, are able to absorb the impact better.

Overall, TMT companies, small and large, are struggling with succession planning. Many companies do not have documented succession plans and frequently fail to adequately communicate advancement pathways and development opportunities to valuable team members.

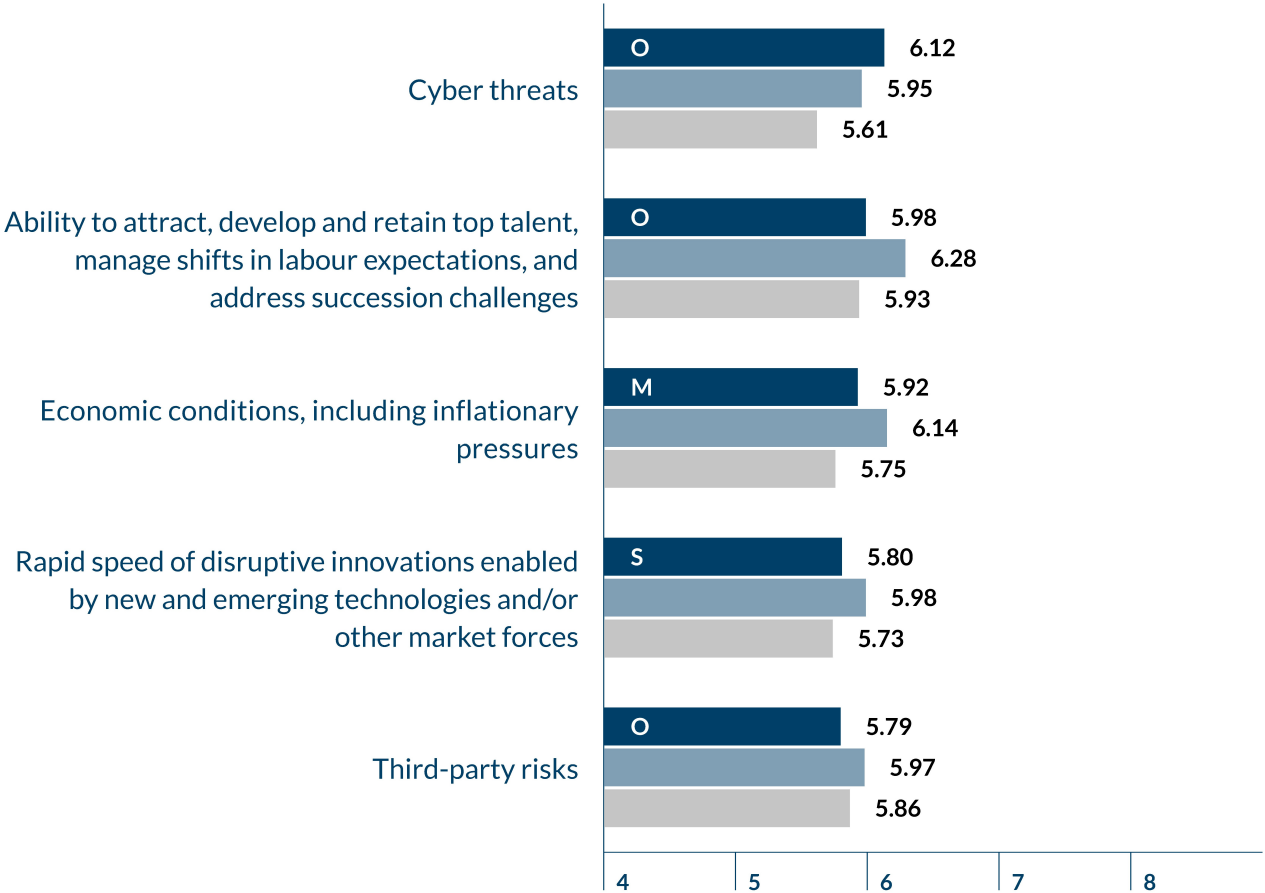
The talent gap extends also to the cyber workforce, where companies are desperate to train the next generation of cyber defenders. The weakening front line against cyberattacks may also explain why TMT executives are growing more nervous about cyber threats.

Inflationary pressures

Like the talent issue, pressure from inflation is hitting TMT companies in several different ways, depending on market share, pricing power and line of business, among other factors. Larger tech companies have been renegotiating favourable prices with their suppliers and many have been able to raise hardware prices and pass the higher costs to consumers. Those that do not have the same level of pricing power are contending with margin compression and aggressive cost cutting.

There are some signs that inflation may be cooling, but it remains at a level that has many executives up at night. TMT organisations, led by their CFOs, should lean on their data, predictive analytics and advanced technology tools to help them make better strategic decisions on ways to fight inflation.

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Disruptive technologies

The impact of disruptive innovations and the ability to leverage new and emerging technologies to achieve growth is ranked fourth for 2024 by the TMT respondents. Closely related is a concern over the adoption of digital technologies requiring new skills in short supply, which is ranked the No. 6 top risk for 2024.

From artificial intelligence to wearable technology to nanotechnology to 5G, TMT companies have been the catalyst for many disruptive technologies, but they also have not been spared by disruptions associated with being on the cutting edge of technology.

TMT finance leaders are already using generative AI for critical functions such as compliance and regulatory reporting. The technology is also fuelling fierce competition among companies whose chips enable ChatGPT.

In the telecommunications industry, for example, wireless carriers are competing not only with each other to advance 5G coverage and features but also with cable providers, who are looking to strengthen their position within the broadband market.²

Generative AI is another new technology that is upending the TMT industry. TMT finance leaders are already using generative AI for critical functions such as compliance and regulatory reporting. The technology is also fuelling fierce competition among companies whose chips enable ChatGPT. Clearly, the implications of adopting AI capabilities throughout the TMT industry and across society at large will continue to be a top risk for years to come.

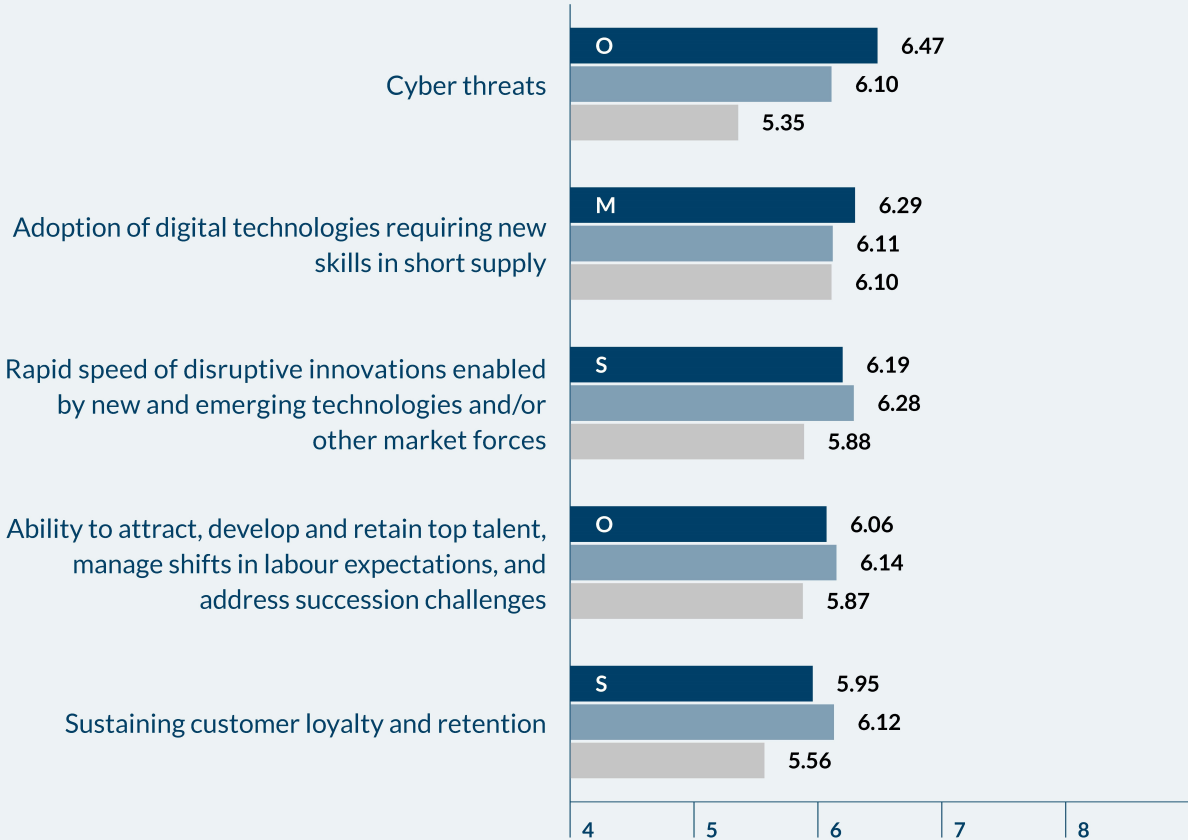
Other top 10 risks — and looking a decade ahead

Concern over third-party risks, ensuring privacy and compliance with growing identity protection expectations, and sustaining customer loyalty and retention are other 2024 top ten risk issues identified by TMT leaders.

Asked to project a decade ahead, TMT respondents cited cyber threats, adoption of digital technologies requiring new skills, and disruptive innovations as their top three risk issues.

² For more information, read Protiviti's white paper, *The 5G Effect — Lessons Learned from Real-World 5G Applications and the Roadmap Ahead*: www.protiviti.com/us-en/whitepaper/5g-effect.

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M Macroeconomic Risk Issue
 S Strategic Risk Issue
 O Operational Risk Issue
 ■ 2034 ■ 2033* ■ 2032*

* This data was reported as 2032 and 2031 results, respectively, in our prior year reports. We have shifted our terminology to reflect a decade out, thus have revised these year references in the interests of clarity.

About the Executive Perspectives on Top Risks Survey

We surveyed 1,143 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. Our survey was conducted in September and October 2023. 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.

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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