Executive Perspectives on Top Risks – Key Issues Being Discussed in the Boardroom and C-Suite

Research conducted by Protiviti and North Carolina State University’s ERM Initiative


These and a host of other significant risk drivers are all contributing to the risk dialogue happening today in boardrooms and executive suites.

Expectations of key stakeholders regarding the need for greater transparency about the nature and magnitude of risks undertaken in executing an organization’s corporate strategy continue to be high. Pressures from boards, volatile markets, intensifying competition, demanding regulatory requirements, changing workplace dynamics, shifting customer preferences, uncertainty regarding catastrophic events and other dynamic forces are leading to increasing calls for management to design and implement effective risk management capabilities and response mechanisms to identify, assess and manage the organization’s key risk exposures, with the intent of reducing them to an acceptable level.
In this seventh annual survey, Protiviti and North Carolina State University’s ERM Initiative report on the top risks on the minds of global boards of directors and executives. Our respondent group, which includes 825 board members and C-suite executives from around the world, provided their perspectives about the potential impact over the next 12 months of 30 risk issues across these three dimensions:

- **Macroeconomic risks** likely to affect their organization’s growth opportunities
- **Strategic risks** the organization faces that may affect the validity of its strategy for pursuing growth opportunities
- **Operational risks** that might affect key operations of the organization in executing its strategy

**Commentary – Technology, Media and Telecommunications Industry Group**

The rapid speed of disruptive innovations remains the top risk for the Technology, Media and Telecommunications (TMT) industry group for the third consecutive year. This is understandable given the rapid pace of change and innovation in the industry and the significantly reduced half-life for dated, legacy business models that can be disrupted and become obsolete quickly.

If anything, it is a bit surprising to find the significance of this risk issue to be moderating, particularly compared to two years ago. It is possible that while the rapid speed of disruptive innovations remains a critically important area for board members and executive management in the industry to address and manage, there is a higher level of awareness about it than ever before, and organizations arguably have become more knowledgeable of strategies to address it effectively. We see many organizations in the industry focusing intently on research, development and ongoing innovation. Most have been facing the risk of disruptive innovations for years and are proactively changing business models and adjusting long-term strategies to avoid being disrupted. That said, we continue to see emerging markets and technologies come into play, another reason why this remains the top risk issue for the industry.

With regard to the ease of entrance of new competitors into the industry (a new top five risk for the industry group in 2019), this has always been a relatively significant risk to TMT organizations. Historically, the barriers to entry in the industry have been low, with few regulatory hurdles. The industry embodies the example of startup companies – with potentially disruptive business models – launching their business from a garage or apartment. However, it is noteworthy to see the rapid increase in significance for this risk issue over the past three years. This also may be perceived as a more pressing risk issue today because, more than ever before, new companies, rather than seeking to obtain and then maintain a relatively small slice of the market, are intentionally becoming acquisition targets for larger companies that subsequently strategize to gain a greater market share for themselves. Organizations – large and small – face potential threats from new entrants in the market that can be acquired by competitors and leveraged to grab market share from them.
Top Risks for 2019

**Technology, Media and Telecommunications**

Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces may outpace our organization’s ability to compete and/or manage the risk appropriately, without making significant changes to our business model.

Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share.

Ensuring privacy/identity management and information security/system protection may require significant resources for us.

Our existing operations and legacy IT infrastructure may not be able to meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" and with a low cost base for their operations, or established competitors with superior operations.

Our organization’s succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets.

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Ensuring privacy and identity management and information security/system protection remains a critical risk issue for the industry. Threats continue to grow from multiple bad actors, including rogue individual hackers and global hacking groups as well as nation states. Technology organizations continue to maintain a vast amount of personal data of users and customers. Considering how the brands and reputations of several well-known companies in the industry group continue to be affected by data breaches – and with no end in sight – it is evident why reputational risk is a top concern.

Succession challenges and the ability to attract and retain talent goes hand-in-hand with broader corporate culture issues that remain key areas of focus for TMT organizations. Building a healthy company culture and becoming a responsible firm that demonstrates strong corporate governance, social responsibility and ethical business practices deliver far-reaching benefits that promote attracting and retaining top talent. In today’s highly competitive landscape for talent in many different functional areas, having a strong culture can be the difference between keeping and losing your best people.
As part of this concern, more organizations in the industry group are also assessing their diversity and inclusion practices, which will help them address long-term succession and talent retention challenges. As discussed in Protiviti’s Responsible Technology Firm of the Future white paper series, gender imbalance in the science, technology, engineering and mathematics (STEM) fields will have technology companies struggling to fill millions of these jobs that will be created over the next decade. The implication for technology organizations is there may not be enough qualified employees to drive innovation. By extension, these organizations will be hampered significantly in their leadership succession planning.¹

Addressing these challenges will not be easy. In addition to a marked gender disparity in entry-level STEM jobs, there are staggering imbalances at the executive level. The fraction of startups owned by women and the percentage of women holding executive positions at technology companies are abysmally low. The number of women occupying board seats also requires attention. This is important in solving the entry-level challenge because there are those who believe that the issue can only be resolved by starting at the top of the company. To make matters worse, attrition is more than twice as high for women as it is for men.² These figures suggest that a sea change is needed before gender disparity in STEM fields is no longer a glaring issue.

Technology, Media and Telecommunications companies have long focused on creating enterprise value; however, the changing risk landscape is altering conversations in C-suites and boardrooms across the industry, necessitating a more balanced focus on governance and regulatory concerns, a more risk-informed corporate culture, a stronger commitment to social responsibility – including gender diversity – and other matters germane to preserving enterprise value.

Gordon Tucker, Managing Director, Technology, Media and Telecommunications Industry Leader, Protiviti

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² Ibid.
About Protiviti

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