

Executive Perspectives on Top Risks 2021 and 2030 Industrial Products Industry

While Industrial Product manufacturing companies overall have exited the crisis mode seen across the industry early in the pandemic, market leaders are now turning an increased focus on remaining flexible in the long term. At the heart of this effort is the digitization of supply chains, adoption of flexible resourcing models and growing emphasis on green initiatives. Looking ahead in 2021, we expect the shift from traditional, linear supply chains toward more network-driven systems will accelerate as businesses seek to balance efficiency and growth for the future.

Some of the key trends and takeaways that we expect to impact the Industrial Products sub-sector for the next decade or more:

- Continued adoption and transition to the IoT – technological developments and widespread adoption of connected devices provide for incredible opportunities to manage supply chains differently and more efficiently, while also increasing risks around data security, privacy and potential disruptions.
- Globally, green initiatives are expected to accelerate, particularly under the new US Administration. Impacts have already been seen in the Automotive, Power and Construction sectors.
- The industry continues to trend toward a large investment in reskilling the traditional labor force. As manufacturing and distribution accelerate towards robotics and digitalization, market leaders are being faced with the challenges of traditional labor models not aligning to the needed skill sets for future success.
- As businesses move more systems, data and processes to the IoT, Cloud and other virtual environments, the risk of cyber threats and related liabilities continue to grow. Traditional manufacturers are gaining access to new and expanded data and must ensure their technical capabilities expand at a commensurate rate.
- Generational transition in workforce and leadership will continue to evolve and will have dramatic impacts on technological adoption as the knowledge and technological capabilities of incoming leaders will far surpass their predecessors and will be key to remain competitive

- by Andy Flach, Associate Director

Top 10 Risks for 2021

	N=70
Pandemic-related policies & regulation impact business performance	6.39
Cyber threats	5.59
Resistance to change operations & business model	5.53
Anticipated increases in labor costs may affect opportunity to meet profitability targets	5.40
Adoption of digital technologies may require new skills or significant efforts to upskill and reskill existing employees	5.39
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	5.39
Succession challenges, ability to attract and retain top talent	5.36
Challenges associated with remote working environment	5.33
Economic conditions constrain growth opportunities	5.26
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency	5.21

Top 10 Risks for 2030

Adoption of digital technologies may require new skills or significant efforts to upskill and reskill existing employees	5.81
Succession challenges, ability to attract and retain top talent	5.66
Regulatory changes and scrutiny may heighten, affecting the manner in which products or services will be produced or delivered	5.57
Substitute products / services may arise that affect our business model	5.49
Cyber threats	5.49
Rapid speed of disruptive innovation may outpace our ability to compete	5.41
Ability to compete with "born digital" & other competitors due to legacy IT infra / lack of digital IQ	5.39
Resistance to change operations & business model	5.34
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	5.33
Anticipated increases in labor costs may affect opportunity to meet profitability targets	5.30