

2022
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EXECUTIVE PERSPECTIVES ON **TOP RISKS**

TMT industry leaders view restrictive government policies, economic uncertainty and talent gap among major risk drivers

Restrictive government policies, the talent shortage, third-party outsourcing arrangements, disruptive digital technologies, and, of course, the persisting pandemic are the dominant risk issues being discussed in boardrooms and executive suites across the Technology, Media and Telecommunications (TMT) industry group. These risk issues and more are cited in Protiviti's latest annual Top Risks Survey, which polled C-suite executives from different industries globally on potential threats to their business in the coming year and a decade from now.

Despite the TMT industry group's remarkable demonstration of resilience and innovation over the past 23 months, the survey shows industry leaders remain concerned about a broad range of risks that are creating significant levels of uncertainties.

Fallout from the pandemic

There is no single issue that has permeated perceptions of risks more than the pandemic.

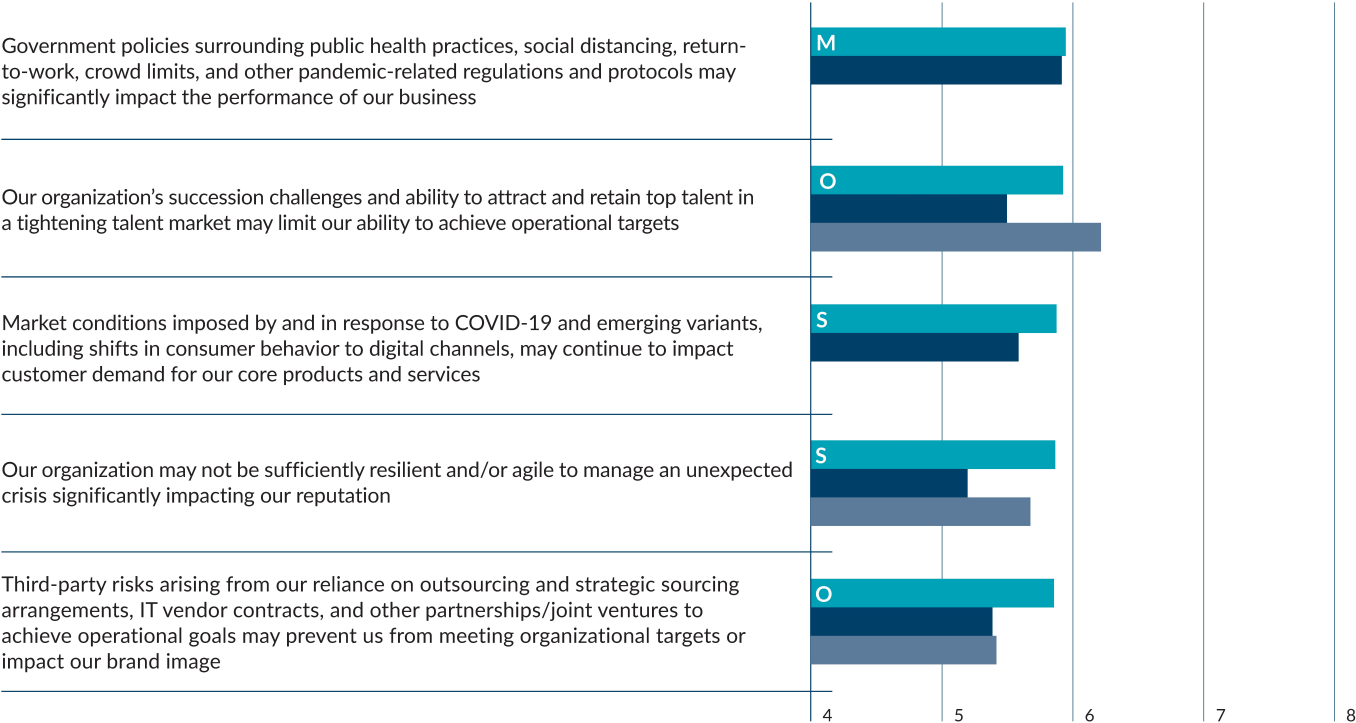
For instance, even though the more restrictive pandemic-related regulations (e.g., shelter-in-place orders) have been eased in many parts of the world, the potential impact of new government policies on business performance remains at the top of TMT executives' most pressing risk issues. This concern, which was also the number one risk last year, reflects the widespread impact of doing business under aggressive rules introduced to curb the spread of COVID-19 and related new variants.

In 2020, government restrictions on travel, congregating for social events and opening businesses had devastating impacts on organizations of all types and sizes. Going into 2022, there is clearly a lingering fear that governments may still impose tighter restrictions on the movement of goods and people should there be another breakout or should the virus become an endemic problem, which is appearing to be more likely with the passage of time.

Overall, the post-pandemic period has introduced a new era of heightened regulation for the TMT industry. For instance, one major concern is the Biden administration’s stepped-up efforts on price gouging and anticompetitive practices as part of its efforts to address supply chain issues that are plaguing companies of all industries and driving prices up for consumers. Also, the administration’s data privacy crackdown, vigorous enforcement of antitrust laws and investigations of so-called anticompetitive mergers are all part of an intensifying regulatory landscape.¹

TMT business leaders perceive the impact on customer demand of market conditions imposed by and in response to the coronavirus as one of the biggest threats to their companies — it comes in at number three in this year’s top-risk rankings. While these pandemic-related concerns are valid, it is worth noting that the TMT industry’s tech-savvy workforce has proven more capable of dealing with related disruptions than other industry sectors.

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¹ www.protiviti.com/US-en/insights/white-papers-finding-equilibrium-era-heightened-regulation.

The talent gap

Succession challenges and the industry's ability to attract and retain top talent is a much bigger concern in the 2022 survey. This risk was not on the top five list last year, but it moved up to become the second top risk issue for TMT executives and board members. This result shows that while C-suite turnover for large TMT firms has largely remained stable, grooming the next generation of leaders has taken on a new sense of urgency in today's labor-stretched market.

Robert Half's October 2021 Hiring Trends study underscores this urgency.² According to the research, 80% of technology leaders said turnover has increased on their team since Jan. 1, 2021, mainly due to employees' concerns for their job security. The same research shows 82% of senior managers in the tech industry plan to hire contract workers to support year-end initiatives.

Closely related to the succession issue is the digital talent gap, which has long been a source of concern of sectors falling into this industry group. In the 2021 survey, TMT respondents identified talent needed to adopt new digital technologies as their second top risk issue. While the perception of this threat has fallen to number six in the latest survey, it is clearly a threat that isn't going away, giving the demands of customers for technology-enabled services and the rapid manner in which digital tools are being adopted in every function to meet operational goals.

Resilience versus risks

Prudent business leaders understand that resilient organizations need to have contingency plans in place to address threats, whether mild or severe, that could impact their business. In today's dynamic risk environment, boards (and increasingly regulators) are demanding that executives demonstrate how their organizations are building resilience against known and unknown threats.

In the 2022 survey, TMT leaders identified the potential reputational impact of not being sufficiently resilient and/or agile enough to manage an unexpected crisis as their fourth top risk issue. This result is not a surprise. Whether a cyberattack or data privacy breach, technology outage, environmental or labor troubles, there's no shortage of events that can create reputational issues for TMT organizations.

Sometimes these reputational issues emanate from third-party relationships. For example, recently, an internet outage at a major content delivery network provider temporarily knocked out several major web sites around the world. Fortunately, customers were able to mitigate the impact of the outage by shifting workloads to alternate providers, proving the resilience concept of substitutability.³ Still, TMT business leaders perceive third-party risks arising from their reliance on outsourcing and strategic sourcing arrangements, such as IT vendor contracts, as a significant risk, ranking it the fifth top risk issue in 2022.

² www.protiviti.com/US-en/insights/pov-resilience-practices-help-firms-mitigate-third-party-risks.

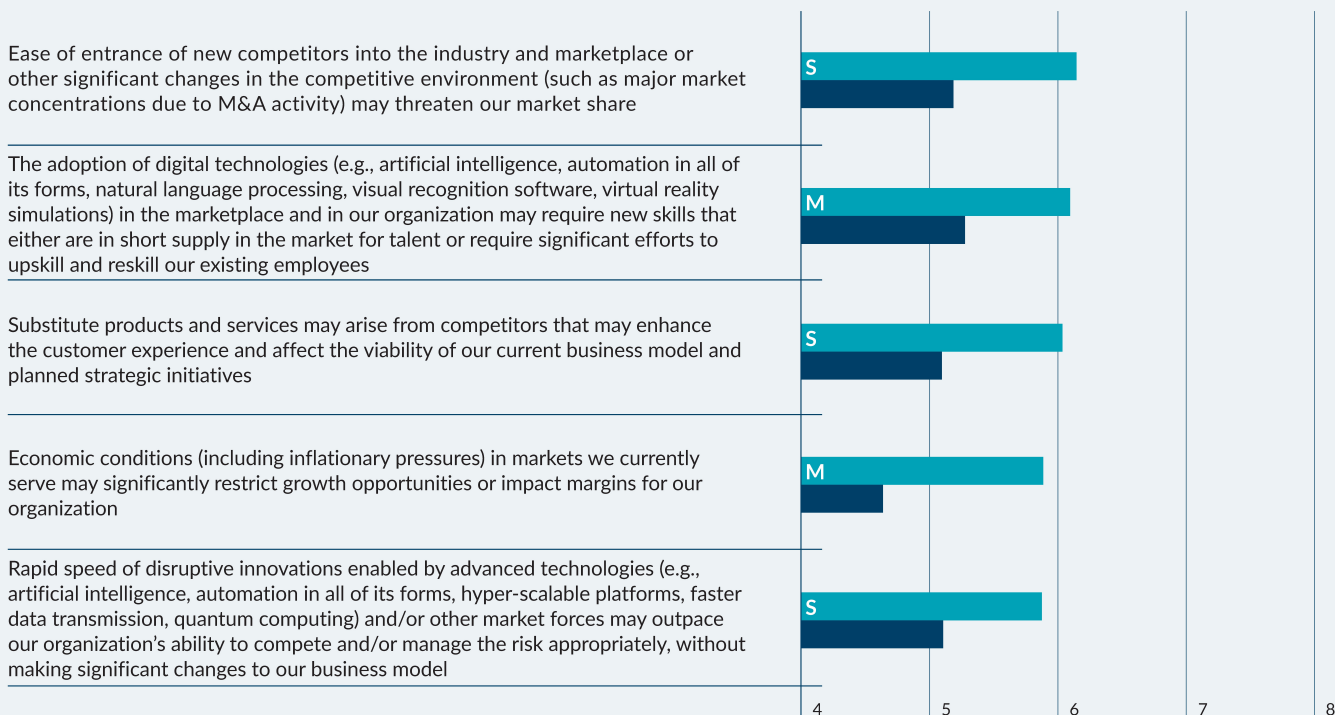
³ www.protiviti.com/US-en/insights/pov-resilience-practices-help-firms-mitigate-third-party-risks.

Other top ten risks

Concerns over the current supply chain crunch, which is related to the pandemic, and inflation, which is partly driven by supply and demand imbalances, are in the top ten risk issues identified by TMT leaders, many of whom are grappling with major component shortages. While some economists are sounding an alarm that high prices are likely to continue well into 2022 and beyond, the Federal Reserve, in a recent statement, insisted that the inflation will be temporary because the factors causing it are “expected to be transitory.”⁴ The situation is a fluid one that bears watching closely.

In addition to the uncertainty over economic conditions, TMT business leaders cited disruptive innovation (such as artificial intelligence or quantum computing) and cultural issues that may hinder timely identification of risk among their top ten risk issues of 2022.

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⁴ www.federalreserve.gov/newsevents/pressreleases/monetary20211103a.htm.

Looking a decade ahead

Like in previous years, TMT respondents were asked to look into their crystal ball and identify risk issues they expect over the next decade. Competition driven by new entrants into the industry, difficulty bridging the digital talent gap, and the rapid speed of disruptive innovations were among the top five threats identified over the next decade. They also cited economic conditions, including inflationary pressure, and fear of substitute products and services affecting the viability of their business models.

“TMT companies are trying to find the optimal balance between the push for innovation and growth and the pull of regulation, even as they navigate today’s complex risk landscape. To meet operational targets and protect their brand and reputation, companies must develop a strong understanding of the changing expectations of today’s customers, governments and other key stakeholders. This daunting task requires greater investment in time and expertise to analyze, monitor and devise strategies to address threats, whether mild or severe, that could impact their business.”

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