

Executive Perspectives on Top Risks

2023 & 2032

Talent, Culture and the Future of Work – The Defining Business Challenges of the Next Decade

by Fran Maxwell

Global Leader, People and Organizational Culture Practice, Protiviti

When assessing the top risk issues organizations will face this year as well as over the next decade, one key theme stands out: People and culture are at the top of the agenda.

The 11th annual **Executive Perspectives on Top Risks Survey**, conducted by Protiviti and NC State University's ERM Initiative, reveals the top risks on the minds of global boards of directors and executives in 2023 and over the next 10 years, into 2032. This year's respondent group included 1,304 board members and C-suite executives from around the world who provided their perspectives about the potential impact of 38 risk issues over the next 12 months and next decade.

Their views clearly show that people and talent are key areas of focus for boards of directors and executive teams alike. Concerns about succession challenges and the ability to attract and retain talent continue to be significant, with this issue moving to the top risk position for 2023 from the second highest-ranked risk for 2022, perhaps in response to the continued numbers of individuals exiting the workforce. Ongoing frustrations around compensation, lack of flexible work options, mental health issues and other workplace challenges associated with the lingering pandemic-related environment continue to create challenges in attracting and retaining the right talent needed for strategic success.

Following are notable takeaways and observations about the results in this year's **Top Risks Survey** related to talent, culture and the future of work:

People and culture are at the top of the agenda this year. Even amid an uncertain economy, inflationary conditions and fears of a possible recession over the next 12 months, people, talent and culture issues stand out as critical concerns for the board and C-suite. Talented people and culture are related, as the latter attracts the former and, effectively led, the best and brightest engender innovative cultures that can compete and win in the digital age. Executives and boards see challenges in attracting and retaining talent as well as meeting the expectations of an evolving workforce and shifting hybrid, remote and in-person work environments to meet employee expectations and needs. Flexibility has been the norm for many organizations as they adjust to compete for different types of talent, particularly those with digital and analytic skillsets. Leaders also recognize how an ever-evolving workforce may impact the culture of the organization (as we detail further below).

Within these areas of people and culture, there are several important sub-themes:

- **Future of work continues to be a defining business challenge** – The state of labor markets and the expected adoption of artificial intelligence, automation in all its forms and other technologies are such that significant efforts will be necessary to upskill and reskill existing employees over the next decade.
- **Rising labor costs are an elevated concern** – The risk of anticipated increases in labor costs affecting the organization's ability to meet profitability targets is among the top five risks for this year. With companies struggling to fill open positions and inflation running hot, this issue has the potential to be stubbornly persistent.
- **Culture remains a priority when it comes to resistance to change and capitalizing on market opportunities** – Concerns that the organization's culture may not sufficiently encourage the timely identification and escalation of significant market opportunities and emerging risk issues merit attention, as it is vital that leaders remain in touch with business realities on the front lines. In addition, boards and executives continue to worry that their organization's overall culture may reflect a reluctance to make needed adjustments to the business model and core operations fast enough to address shifting marketplace conditions.
- **Workplace evolution is more of a near-term issue** – Concerns over whether the organization can manage the ongoing demands on or expectations of a significant portion of the workforce either to work remotely or be a part of a transformed, collaborative hybrid work environment is a top 10 risk for the next 12 months. Leaders are having to deal with this issue in a flexible manner over the near term as the workplace continues to evolve. Longer term, however, this is expected to be less of a challenge.

Board members and executives are concerned about how hybrid and remote working situations might negatively alter the organization's talent development efforts as well as its ability to execute its business model.

- **Hybrid and remote work environments continue to impact talent development** – Workers are less able to interact informally on an ad hoc basis given their isolation and asynchronous work schedules. Board members and executives are concerned about how hybrid and remote working situations might negatively alter the organization's talent development efforts as well as its ability to execute its business model.
- **Employee workplace expectations continue to evolve** – Tight labor markets are allowing the workforce to have a louder voice as organizations rush to attract and retain needed talent. Board members and executives are concerned that the organization may not be able to adjust appropriately to be successful in the highly competitive talent marketplace. This continues to create challenges as organizations attempt to determine their long-term strategies for talent acquisition and retention.
- **The rapid embrace of digital and virtual technologies and other digital platforms for product and service deliveries continues to expand in the global economy** – This is creating concerns among many board members and executives who believe they may not have the talent and skills needed to successfully support and leverage those technologies to compete effectively in the marketplace.

Talent and technology concerns dominate the composition of top long-term risks. The outlook for the next decade reflects a mix of opportunities and risks relating to disruptive innovation, advancing technologies and human capital challenges. Executives and boards recognize the need to find the talent to realize fully the value proposition associated with new technologies and digital innovations and are prioritizing strategies around

reskilling and upskilling existing employees to get it. Long term, they also are concerned about increases in labor costs impacting the achievement of profitability goals, as well as evolving approaches to managing hybrid and remote work environments and continued shifts in the nature of work.

Disruptive times lie ahead. Risks on the horizon for 2032 indicate an overarching intersection of disruptive innovation, advancing technologies and talent challenges. Executives indicate concerns about emerging innovations and their organization's ability to attract, afford and retain the skills needed to embrace inevitable change – particularly changes to technology infrastructures to compete with “born digital” organizations and to leverage advanced data analytics to garner market insights needed to be competitive. These risks sustain the ongoing narrative that the 2020s is indeed a decade of disruption. Further, executives and boards are clearly focused on whether their organizations will be able to attract the talent they need to remain competitive, with that concern affecting them now and perceived to be a challenge a decade from now. Human capital management is top of mind.

Executives and boards are clearly focused on whether their organizations will be able to attract the talent they need to remain competitive.

Call to Action

Many boards and executives, especially chief human resources officers, understand that economic headwinds can be a precursor to job cuts that, if overdone, will create long-term challenges to managing human capital. That is why the following steps should be emphasized over the near term to sustain progress in transforming talent management and preserving the culture:

Make your talent your customer. The organization's focus on the customer experience should extend to its own people and talent. Many companies can slice and dice data to understand their customers, but fewer do this with regard to the talent in their enterprise. This is an opportunity for positive change and growth. As part of these efforts, position an advocate for the preservation of talent and culture at the decision-making table as the organization focuses on sustaining its financial health.

Be prudent and thoughtful in decision-making. Should a recession inhibit growth:

- Pursue all appropriate measures to preserve operating margin before moving forward with talent cuts. For example, reduce other SG&A costs, consider outsourcing noncore activities, sell noncore assets, adjust base and incentive compensation and benefits, etc.
- Focus on retaining “A” players by designing and deploying repeatable assessments of the organizational talent and skills needed to exit a recession in a strong position to capitalize on market opportunities.
- Be mindful of the employee experience and employee well-being by aligning these areas with the customer experience in ways that, to the extent possible, reflect the organization's unique employee value proposition. Also, maximize the flexibility of work arrangements.

Treat people like people. Should workforce reductions and changes to hiring practices (e.g., a hiring freeze) become necessary, make decisions objectively and approach them smartly. There is a right way and wrong way to approach these matters.

- Communicate transparently and authentically.
- Understand the talent and skills required for the organization to achieve its strategy as the economy recovers.
- Focus on workforce reductions that eliminate overlaps in skills and capabilities.
- Consider third-party resources to provide certain skills.
- Explore opportunities to eliminate jobs that can be displaced by technology with the attendant workforce reskilling and upskilling.

Build a resilient culture. Inculcate a philosophy of embracing change.

Integrate upskilling and retention strategies. Ensure the organization's investments in upskilling employees are fully realized.

Make succession planning a strategic priority. This needs to happen beyond the senior executive suite. Devise and test knowledge transfer processes and leadership development plans to increase flexibility and reduce the high costs and stress associated with reassigning roles and responsibilities in a reactive manner. Consider how the organization is going to retain its key people and keep them engaged long term to increase the strength of the executive bench.

Keep DEI and ESG top of mind. Monitor employee sentiment on DEI and other ESG matters to identify and assess the broad range of human capital risks to inform decision-making processes on taking corporate stances on contentious issues.

Devise and test knowledge transfer processes and leadership development plans to increase flexibility and reduce the high costs and stress associated with reassigning roles and responsibilities in a reactive manner.

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 organization 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 organization 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>.

Contact

Fran Maxwell
Managing Director
Global Leader, People and Organizational Culture Practice
fran.maxwell@protiviti.com

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach, and unparalleled collaboration to help leaders confidently face the future. Protiviti and its independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, digital, legal, governance, risk and internal audit through its network of more than 85 offices in over 25 countries.

Named to the 2022 *Fortune* 100 Best Companies to Work For® list, Protiviti has served more than 80 percent of *Fortune* 100 and nearly 80 percent of *Fortune* 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: [RHJ](http://www.rhlf.com)). Founded in 1948, Robert Half is a member of the S&P 500 index.

© 2023 Protiviti Inc. An Equal Opportunity Employer M/F/Disability/Veterans. PRO-0323
Protiviti is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.

protiviti®