

2021
&
2030

EXECUTIVE PERSPECTIVES ON TOP RISKS

TMT Sector Lists Pandemic Policies, Cyber Threats, Privacy and Information Security as Top Risk Concerns in 2021

The continuing global challenges and potential existential threat posed by the ongoing COVID-19 pandemic. Political divisiveness and polarization. Social and economic unrest. Gridlock. Artificial intelligence (AI), automation and other rapidly developing digital technologies. Rapid shift to virtual, remote work environments. Changes in the geopolitical landscape. Shifting customer preferences and demographics. Fragile supply chains. Wildfires and hurricanes. Volatile unemployment levels and record low interest rates. Escalating competition for specialized talent. Immigration challenges. Cyber breaches on a massive scale. Terrorism. Big data analytics. Future of work.

These and a host of other notable risk drivers are all contributing to significant levels of uncertainties, making it extremely difficult to anticipate what risks may lie just over the horizon. Unanticipated events are unfolding at record pace, leading to massive challenges to identify the best next steps for organizations of all types and sizes, regardless of where they reside in the world. No one is immune to the significant levels of uncertainty, and C-suites and boards need to be vigilant in scanning the horizon for emerging issues. Because no one can possibly anticipate everything that lies in the future, organizations must focus on building trust-based, resilient cultures, led by authentic leaders, that can pivot at the speed of change.

In this ninth annual survey, Protiviti and NC State University's ERM Initiative report on the top risks on the minds of global boards of directors and executives in 2021 and, in a new dimension to this study, over the next 10 years, into 2030. Our respondent group, which includes 1,081 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 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.

¹ Each respondent was asked to rate 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 organization. For each of the 36 risk issues, we computed the average score reported by all respondents.

Commentary – Technology, Media and Telecommunications

While technology, media and telecommunications (TMT) companies coursed through the wreckage of 2020 better than other industries, the path ahead is filled with many uncertainties, including operational, macroeconomic and strategic risks, which could hurt recovery and impede growth over the next 12 months.

Specifically, TMT executives singled out additional government response to the COVID-19 pandemic, adoption of digital technologies, data privacy and information security, cyber threats, and diminished economic activity as their top five risk concerns this year. The concerns over aggressive government policies and cyber threats are new to this year's top five list for the TMT sector.

Fallout from a lingering pandemic

Aided by a strong demand for digital services, collaboration tools and other technology infrastructure, TMT companies recorded record strong growth and profits during the pandemic. Still, TMT board members and executives indicated that their biggest concern has to do with the lingering impact of the pandemic. Mostly, they are concerned about the impact of government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols on the performance of their businesses. The survey results show this risk issue is the primary concern among all organizations (not just TMT) this year.

In 2020, government restrictions on travel, congregating for social events and opening businesses had devastating impacts on organizations of all types and sizes. Even with the ongoing rollout of COVID-19 vaccines, many organizations still worry governments could introduce aggressive actions to stem the virus and its new variants. Tighter restrictions on the movement of goods and people (such as requiring international air travelers to test negative for COVID-19) and the imposition of workplace safety measures (such as mask mandates) may create operational challenges for some businesses. Regarding possible return-to-work restrictions, TMT appears to be better positioned to deal with related disruptions than other industry sectors. The industry's tech-savvy workforce was among the first to migrate to a remote set-up and many of its largest companies have fully embraced the new labor model, with some (like Twitter) offering employees the choice of working from home permanently.

Aside from pandemic-driven regulations, additional industry regulation is a big concern, with many leaders worried about further pressure and scrutiny from the [new Biden administration](#). This risk issue ranks tenth on the list of top risk issues for the TMT sector.

Disruption from digital technologies

Digital technologies to support remote working, contactless payments, online entertainment and other physical distancing needs during the crisis have been a boon for TMT companies. However, the rapid rollout of technology has also created some big challenges for the industry. In the survey, TMT respondents identified the shortage of skilled workers to support the digital demand and increased cyber threats as their second and fourth top risks, respectively.

Talent-wise, TMT industry group executives worry that the need to adopt digital technologies such as AI, robotics, natural language processing and visual recognition software in the marketplace and in their respective organizations may require new skills that either are in short supply or require significant efforts to upskill and re-skill existing employees.

Many TMT companies innovated and adapted their operations more in the last three quarters of 2020 than they have in years. The industry has also been at the heart of change across all industries as a catalyst and a disrupter. Our survey results provide insights as to what leaders in this dynamic industry group are thinking as they face a future filled with opportunity and yet is beset with challenges, particularly on the data privacy front. Perhaps the biggest issue, both directly and indirectly, deals with the future of work and the need to deal with upskilling and reskilling the workforce. This issue is not only within the TMT industry itself but across all industries experiencing significant job displacement impacted by digital transformation.

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

Worsening cyber threat landscape

Cyber threats are not new to the TMT sector. Its companies are often the target of cyberattacks because of their rich customer profiles, payment information and highly visible brands. However, the level of urgency and concern has clearly escalated during this COVID era, with the survey showing that the cyber threat issue moved up six notches to fourth position this year on the top risk list. TMT organizations are rightfully concerned that they may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage their brand.

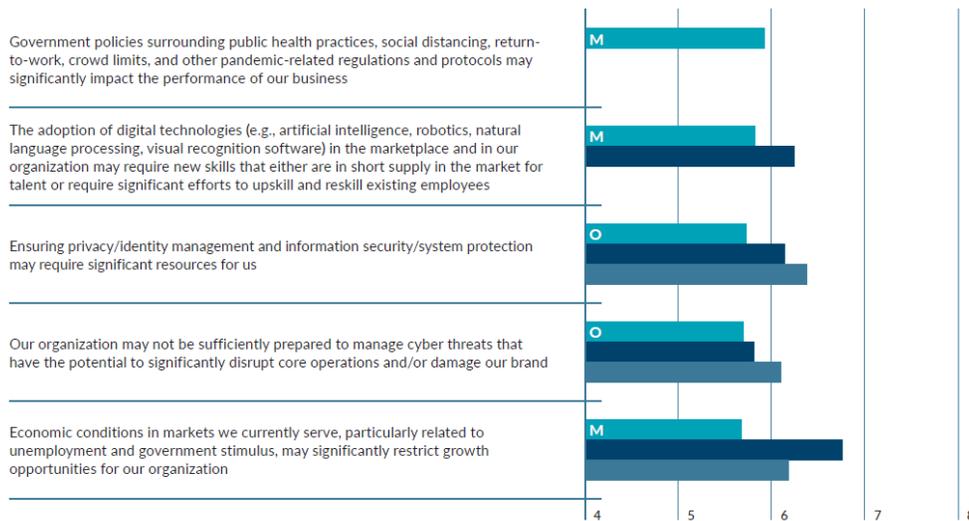
Before the pandemic, some media companies were looking to invest more in cybersecurity, although not necessarily because they recognized themselves as a likely target. Some were more concerned about cybersecurity risk disclosures because they were preparing for an initial public offering or merger and acquisition deal, for example. And others were elevating their cybersecurity practices as part of their efforts to step up ESG reporting. Now, media companies, like their counterparts in tech and telecommunications, are seeing an increase in direct cyberattacks — as hackers assume, correctly, that many are overwhelmed responding to the pandemic, and their attention is divided.

Privacy and information security

Like cyber threats, the new labor model and staffing changes have increased security and data privacy risks for TMT companies. This risk is compounded by the fact that more people now are shopping online and streaming videos from personal devices, actions that require sharing more personal data online. In the survey, TMT leaders indicated that their third biggest risk issue is ensuring they have adequate resources to provide privacy/identity management and information security protection.

This concern aligns with priorities identified by TMT CFOs and finance leaders, who, in a separate survey last year, indicated that they are ramping up their budgets for data security and privacy. Not only are the TMT finance leaders concerned about the vast numbers of employees accessing corporate networks remotely, but also many (like those working for software and social media companies) are increasingly worried about compromised or rogue employees getting unauthorized access to valuable customer data.

Top Risks for 2021



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2021 ■ 2020 ■ 2019

Gloomy economic picture

Before the COVID-19 outbreak, TMT executives identified economic conditions as their top risk for 2020. In 2019, this concern was not among the top five risk issues. Today, on the heels of a depressed economy and record unemployment, the sector is again beginning a new year with significant uncertainties about the economy. In response to the survey, TMT executives indicated that economic conditions in markets they currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities.

Where we go from here

TMT companies are clearly leveraging hard-earned lessons from the worldwide pandemic to strengthen organizational agility and resilience. Although many are concerned about pandemic-driven government policies, they have proven they can not only adapt but thrive under many of these restrictions. For example, under stay-at-home orders, TMT companies have managed to broaden talent search criteria to include more geographically dispersed talent. Prudent companies will invest time and resources to build out their compliance functions to prepare themselves for an increase in regulations that will impact their business. We expect forward-thinking TMT leaders to continue to be proactive with their investments in cyber resilience and data protection capabilities, driven by the demands and expectations of boards and executive management.

Finally, the fact that macroeconomic concerns are dominating operational and strategic risk issues reflects the lingering sense of unease about the pandemic. TMT companies should continue to increase their focus on harnessing emerging technology, data and analytics, automation to manage workflow challenges, as well as social responsibility to the greater community, and other matters germane to preserving enterprise value for the long term.

Top Risks for 2030



Looking ahead — long-term risk issues

As part of the survey, TMT board members and executives also were asked to project their top risks over the next decade. They identified the impact of digital technologies on skilling and talent, as well as loss of market share due to new and emerging competitors as their top two risk issues. While the fear of losing market share is not on the industry's 2021 top five risk, the concern over digital technologies is ranked second on this year's top risk issues.

To wrap up the top five risks over the next decade, the TMT respondents identified the following:

- Ensuring privacy or identity management and information security protection may require significant resources.
- Impact of disruptive innovations enabled by new and emerging technologies on their organizations' ability to compete or manage risks.
- Potential influx of substitute products and services that could affect the viability of their current business model and strategic plans.

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