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The Global Risk Landscape Rewards a Commitment to Agility

As companies continue to grapple with unavoidable risks inherent in their business strategies, the good news is that organisations are showing signs of being more resilient and better prepared for change.[1]

Our 13th annual global top risks survey captures insights from 1,215 C-level executives and directors, with 44% representing companies based in North America, 14% in Europe and the United Kingdom, 22% in the Asia-Pacific region, and the remaining 20% from Latin America, the Middle East, India and Africa. The survey was conducted online between mid-November 2024 (following the U.S. presidential election) and mid-December 2024 to capture perspectives on 32 specific risks across three dimensions (macroeconomic, strategic and operational) on the minds of business leaders as they look forward to the next two to three years[2] as well as 10 years out.

> *The economy remains the number one risk globally, with cyber threats a close second.*

[1] "Executive Perspectives on Top Risks for the Near- and Long-Term," Protiviti and NC State University's ERM Initiative, February 2025: www.protiviti.com/us-en/survey/executive-perspectives-top-risks.

[2] In prior years' surveys, we asked the participants to use 12 months in their near-term risk assessments. We changed the survey's near-term focus to two to three years based on empirical evidence that this perspective was more aligned with many leaders' decision-making processes.

TOP RISKS LOOKING OUT 2–3 YEARS

1. Economic conditions, including inflationary pressures
2. Insufficient preparation to manage cyber threats
3. Inability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges may affect achievement of operational targets
4. Availability of key talent and labour, considering an aging workforce, immigration policies, lower unemployment levels and potential workplace strikes
5. Anticipated increases in labour costs may affect profitability
6. Heightened regulatory change, uncertainty and scrutiny may require significant adjustments to processes, products and services
7. Third-party risks arising from reliance on outsourcing and strategic partnership arrangements may impact achievement of operational targets or brand image
8. Rapid speed of disruptive innovations enabled by new technologies and/or other market forces may force significant changes to the business model
9. Adoption of AI and other emerging technologies requiring new skills in short supply may require upskilling and reskilling of the workforce to realise the expected value
10. Emergence of new risks from implementing AI

As noted in the accompanying table, the economy remains the number one risk globally looking out two to three years, with cyber threats a close second. Attracting, developing and retaining the necessary talent and skills to design and execute differentiating strategies and the availability and cost of such talent and skills make "talent and skills" a dominant risk theme.

Managing the new risks stemming from artificial intelligence (AI) and talent-related risks are intertwined, revealing concerns about the need to reskill and upskill workers to leverage emerging technologies and fully realise their underlying value proposition. It is no surprise that regulatory concerns are also prominent. Potential operational risks arising indirectly from increasing reliance on external vendors, suppliers and service providers have teed up third-party risks as a key issue.

Interestingly, the top 10 risks portray a balanced view of macroeconomic, strategic and operational issues. They include three macroeconomic risks, three strategic risks and four operational risks. As one scans these risks, it is evident that most — if not all — are inherent in the business models of most companies. Thus, since they are unavoidable, they must be embraced as the risks of doing business in today's digital and increasingly complex world — and seized as opportunities to the extent possible.

The 10th-rated risk, which relates to the exposure to new risks and unintended consequences from the failure to deploy AI responsibly and deliver expected returns, barely edged out two other risks — sustaining customer loyalty and retention due to evolving customer preferences and buying experiences and/or demographic shifts in the customer base (rated 11th), and ensuring compliance with growing privacy and identity protection risks and expectations (rated 12th). Privacy was one of last year's top 10 risks, looking out 12 months; it remains an issue that will seemingly never go away.

Taking a deeper dive, several key takeaways emerge from this year's results.

Business leaders have greater confidence in their organisation's resiliency in a disruptive world. As noted earlier, one of the top 10 risks is the rapid speed of disruptive innovations enabled by new and emerging technologies and other market forces. This risk continues to escalate in importance, as it was rated 13th and 19th in the last two years, looking out 12 months. It now ranks third on the list of near-term risk issues for CEOs.

Despite these increased concerns with disruptive change, business leaders perceive a higher level of resiliency, agility and preparedness in their organisation's culture, looking out two to three years. Three years ago, three culture-related risks — resistance to change, the company's culture not sufficiently encouraging timely identification and escalation of emerging risks, and the lack of resilience and/or agility to manage an unexpected crisis — were rated 4th, 8th and 10th, respectively, looking out 12 months.

This year, these risks are rated 17th, 24th and 25th, respectively, looking out two to three years. The decline in the ranking of these culture-related risk issues in our study over the last three years suggests that leaders believe their organisations are battle-tested and better prepared for inevitable change.

As the generative AI wave transitions to agentic and physical AI, the right talent and necessary reskilling initiatives are key to delivering on expectations of sufficient returns.

Interrelationships among the top risks in an increasingly complex and fragmenting world are important to understand. Rather than viewing individual risks in a vacuum, understanding the implications of their interrelationships enables organisations to better anticipate the cascading effects and systemic risks, create more comprehensive and realistic scenarios, make more informed decisions, and develop and implement effective risk management strategies. Following are three examples germane to our study:

- **AI- and talent-related risks are intertwined, revealing concerns about the availability of the necessary labour and skills to realise the full potential of emerging technologies.** The significant investment many companies are making in AI opportunities and infrastructure is driving expectations of sufficient returns. Leaders have moved beyond the hype and are grappling with the uncertainty around channelling investments to realise the highest and best value of capital deployed. As the generative AI wave transitions to agentic and physical AI, the right talent and necessary reskilling initiatives are key to delivering on these expectations.
- **Third-party relationships in the form of outsourcing, strategic sourcing arrangements and ecosystem partnerships further contribute to cyber risks.** These external relationships represent an extension of the so-called "boundaryless" organisation and must be managed effectively to ensure performance targets are met and reputation and brand image are sustained. These objectives can be affected by a third party's actions and, in the case of cyber threats, by the lack of proper security protocols and practices.
- **Geopolitical risk continues to escalate and influence multiple other risk issues.** While not a top 10 risk, geopolitical risk is ranked notably higher (14th) than in the prior two years of our survey (when it was ranked 23rd and 32nd, respectively, looking out 12 months). It ranks even higher outside of the United States, where it rates as the 17th-highest risk, whereas it is 10th for the rest of the world. The pervasiveness of this risk in terms of its influence on the economy, financial markets, capital allocation decisions, supply chains and cybersecurity issues sets it apart in the risk landscape for many companies. Many themes underpin this risk, such as efforts to decouple or de-risk from China, regional conflicts, the threat of tariffs and global trade conflicts, exposure to nation-state cyber threats, and threats to energy accessibility and the availability of scarce commodities.

  Interestingly, the risk reflecting the highest elevated ranking in this year's survey is changes in global markets and trade policies. It is ranked 16th near term compared to 28th and 36th the last two years, respectively. The world is changing.

The top near-term risks also dominate the 10-year outlook. To obtain a longer-term view, our survey participants were asked to select two risks from each of the three broad risk categories — macroeconomic, strategic and operational — that would likely have the most significant impact on their organisations over the next 10 years. Nine of the top 10 risks looking out two to three years dominated the selected risks looking out 10 years — the top three in each category. (The 10th-rated near-term risk — the emergence of new risks from implementing AI — is the fifth-ranked long-term operational risk.)

This finding suggests the risks business leaders face near term are persistent over the long term. The interconnectivity of these risks in our digital world likely means they will reinforce each other over time, adding further complexity to the risk landscape and making them even more challenging to manage.

Interestingly, the fourth most selected risk in each of the three categories were geopolitical shifts, regional conflicts, and instability in governmental regimes for macroeconomic risks; sustaining customer loyalty and retention for strategic risks; and uncertainty surrounding the core supply chain ecosystem for operational risks. These risks have been on leaders' radar for a long time.

> *Variations in how executives view risks differently highlight the importance of engaging in robust conversations about the organisation's top risks to understand why some executives rate a given risk as a top concern while others do not.*

The survey results are a reminder of the importance of directors and senior executives aligning their perspectives on the risk environment. The varying risk perspectives noted in this survey among directors and senior business leaders suggest that this alignment should be a priority in strategy-setting and the enterprise risk management process. The good news is most executives generally agree on the significance of some of the top risks — economic conditions, cyber threats, the operational concerns related to attracting and retaining talent and managing succession, the macroeconomic concerns about labour and talent availability, and the impact of potential increases in labour costs.

But there are some noticeable differences. Board members view the economy and talent and labour availability as significant impact risks, while CEOs do not. Board members also prioritise attracting, developing and retaining top talent, managing labour expectations, and succession planning as a significant impact risk. Yet, that risk is not a top 10 risk concern for CEOs.

Conversely, CEOs see disruptive change, customer loyalty, and the ease of entrance of new competitors as significant impact risks, whereas board members do not. Similar differences exist among various C-suite executives, with some risks ranking among the top five concerns for only one or two positions.

Variations in how executives view risks differently highlight the importance of engaging in robust conversations about the organisation's top risks to understand why some executives rate a given risk as a top concern while others do not. Alignment as to the top risk priorities can lead to more informed resource allocation decisions.

Questions for boards

Following are some suggested questions that boards of directors may want to consider based on our survey results:

- Are the above risk themes and takeaways integrated into our organisation's risk assessment process? If not, why not? Should management evaluate the relevance of these themes to our strategy and determine the reasons for any gaps in how they are being prioritised?
- Are we satisfied with our organisation's resilience, agility and preparedness to deal with inevitable change? If not, how do we enhance our ability to pivot in response to change? Are we satisfied with our processes for identifying emerging risks timely (e.g., keeping an eye on the horizon for the emergence of "gray rhino" risks)? If not, what steps can we take to improve them?
- Are we considering the interdependencies among the most critical risks we face? Are we integrating them into the formulation of plausible and extreme scenarios that are more representative of potential future states, and thereby improving the value of evaluating scenarios in our strategy-setting process?
- How can we enhance our risk assessment process to identify and address areas where C-level executives' perceptions of near- and long-term risks are not aligned? What steps can we take to ensure the board's input is effectively integrated to align the perceptions of independent directors and management?

How Protiviti can help

Protiviti assists boards and executive management with assessing enterprise risks and the organisation's capabilities for managing those risks. We help companies identify and prioritise their risks, including emerging and disruptive risks that can impair their reputation, brand image and enterprise value. We assist companies in integrating their risk assessment process with their core business processes, including strategy-setting. We work with boards and board committees to review their governance practices and in facilitating board and C-suite retreats. We also help organisations improve risk reporting to better inform the board's risk oversight process.

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