2025 EDITION

EXECUTIVE PERSPECTIVES ON TOP RISKS

for the Near- and Long-Term

protiviti® Global Business Consulting

"Forever risks" are demanding the attention of CFOs today and long term

By Nick McKeehan and Shawn Seasongood

Boards of directors and senior executive teams face a complex web of uncertainties. These may generate opportunities for strategic advantage or risks leading to unexpected disruption and performance shortfalls. An ability to anticipate risks that may be on the horizon before they become imminent can help leaders navigate unfolding developments – particularly those that are uncontrollable – that may impact their organisation's value and growth objectives.

Our 13th annual **Executive Perspectives on Top Risks Survey** contains insights from 1,215 board members and C-suite executives around the world regarding their views on the top risks they see on the near- and long-term horizon. Specifically, our global respondent group provided their perspectives about the potential impact over the near-term (two to three years ahead) and long-term (over the next decade) of 32 risk issues across these three dimensions:

- **Macroeconomic risks** likely to affect their organisation's growth opportunities
- **Strategic risks** the organisation faces that may affect the validity of its strategy for pursuing growth opportunities
- **Operational risks** that might affect key operations of the organisation in executing its strategy

Commentary – perspectives of Chief Financial Officers

As they fulfill their mandate to maximise and protect organisational value, chief financial officers (CFOs) operate as an organisation's risk management lodestar. CFOs are uniquely positioned to assess and address the impacts of macro risks, such as flagging economic conditions and rising labour costs. Additionally, their broad expertise enables them to deal with operational threats such as cyberattacks, assessing the impact and materiality for cyber disclosure, among other issues. Finance leaders develop financial planning and analysis (FP&A) capabilities that produce the data analytics and decision-making insights the enterprise needs to deal with systemic talent management challenges, oscillating third-party risks, artificial intelligence (AI) opportunities and disruptions, supply chain uncertainty, technical debt, and exceptional regulatory and policymaking uncertainty.

From a finance operations perspective, CFOs confront the same risks that can hamstring the enterprise. An insufficient finance-talent pipeline requires new methods of recruiting, developing and retaining FP&A experts, data scientists and others with high-value skills in short supply. Technology modernisation initiatives, anchored by ERP cloud migrations and the adoption of new AI tools, give CFOs a sense of the increasingly crucial need to address resistance to change in the ranks at a time when AI is replacing spreadsheets as a go-to analytical tool.

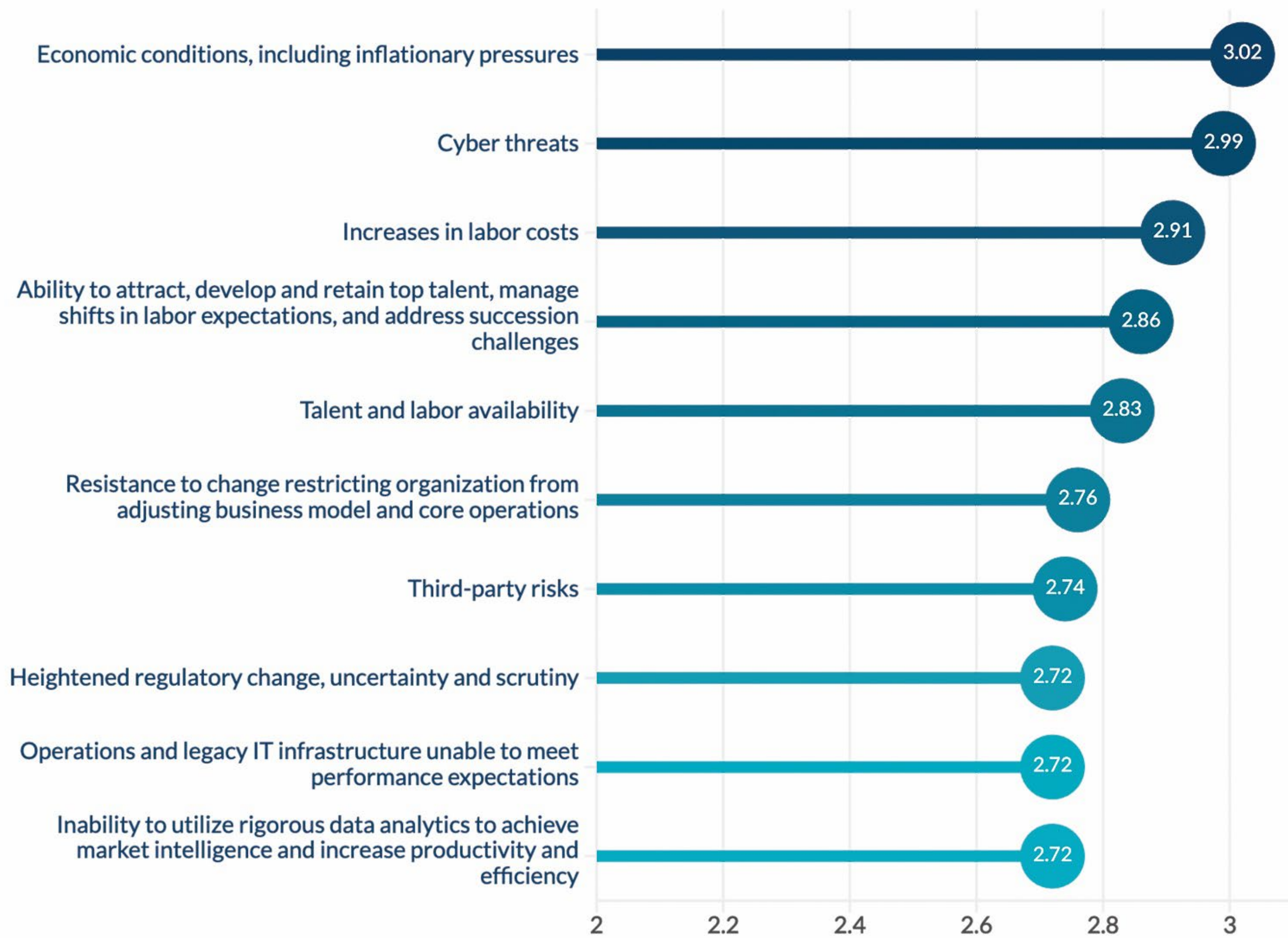
If the first few months of 2025 are any indication, navigating risk-strewn near-term and long-term risk environments will be difficult. In this regard, the CFO's broad exposure to macroeconomic and strategic risks as well as finance-focused operational challenges is valuable. As finance leaders develop and update strategic roadmaps amid global uncertainty, it is helpful that their top near-term and long-term risk concerns align with our global survey results and also with the risk perspectives of board members, CEOs and COOs. It is also noteworthy that many of the top CFO risk concerns correspond with the priorities finance leaders identify in our most recent Global Finance Trends Survey Report.

The short-term risk landscape: Three pressing concerns for CFOs

Economic conditions (including inflationary pressures), cyber threats and increases in labour costs comprise CFOs' top three risk concerns over the next two to three years. These risks also place in, or just outside of, the top five risk concerns of board members and CEOs.

In addition to rising labour costs, finance leaders identify three other talent issues as top 10 risk concerns: the ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges (#4); talent and labour availability (#5), and resistance to change restricting organisation from adjusting business model and core operations (#6). Four other challenges round out CFOs' top 10 near-term risk concerns: third party risks; heightened regulatory change, uncertainty and scrutiny; operations and legacy IT infrastructure being unable to meet performance expectations; and an inability to utilise rigorous data analytics to achieve market intelligence and increase productivity and efficiency.

Chief Financial Officers – near-term outlook



1. Economic conditions and inflationary pressures

Economic conditions and inflationary pressures are the top near-term risks identified by CFOs and all other survey respondents for good reason. Interconnected market forces such as deglobalisation, tariffs and trade barriers, and geopolitical tensions, as well as current and potential military wars and conflicts, are contributing to economic uncertainty. Other factors fomenting economic uncertainty include changes in fiscal and central bank policies in major economies, shifting demographics, immigration policies, and the related impact of all these factors on the supply of labour, interest rates, inflation rates, global supply chains and consumer spending. Real economic growth is essential to alleviate these concerns, which are driving CFOs to prioritise cost optimisation activities that leverage automation, including AI, to increase margins via an orchestrated blend of targeted cost reductions and revenue enhancements.

2. Cyber threats

Cyber threats represent another pressing near-term risk for CFOs, as well as for board members and C-suite leaders. Cyber threats also have rated as a top CFO priority in Protiviti's ongoing Global Finance

Trends Survey report for several years. Combined, these findings underscore that finance leaders continue to take on more meaningful cybersecurity oversight. CFOs in public companies have redoubled their cybersecurity work due to new cyber disclosure requirements in the U.S. and other countries. The emergence of AI both strengthens and threatens cybersecurity. AI tools enable faster and more focused threat detection, automated incident response, and analyses of network traffic to identify threats. On the other hand, cybercriminals now leverage AI to launch sophisticated, large-scale attacks along with deceptive phishing and vishing (voice fishing) methods. Cyber threats affect other finance activities and priorities, including financial reporting, regulatory compliance, FP&A, risk management, third-party risk management (another top 10 CFO near-term risk concern) and business performance.

3. Availability and cost of talent and critical skills

The fact that four talent-related risks also rate as top 10 near-term CFO risk concerns reflects the far-reaching impacts and systemic nature of skills gaps. As more CFOs formulate comprehensive talent management strategies with their CHROs, they are gaining a clearer picture of the skills and capabilities the organisation needs to optimise technology investments and, more important, execute business strategy while achieving near- and long-term growth objectives. Most finance leaders have personal experience with the thinning talent pipeline, given that the number of students taking CPA exams – traditionally the largest source of future finance talent – continues to plummet. Another aspect of talent management, overcoming resistance to change, also rates highly among finance leaders. CFOs were among the only C-suite leaders to identify resistance to change as a top near-term risk. Most finance leaders have first-hand exposure to this issue given that the ERP cloud migrations that underpin many finance transformation efforts can replace, enhance or automate up to half of legacy finance processes while requiring major upskilling. As AI applications supplant spreadsheets as a ubiquitous business tool, substantial skills, process and technology changes will need to be managed throughout organisations.

Other top 10 concerns

While the short supply of AI skills rates as a higher near-term risk concern among CEOs and board members, CFOs have long-term concerns about the availability of AI skills as well as immediate concerns about the work needed to ensure that AI applications and other advanced tools can be adopted and fully optimised. Operations and legacy IT infrastructure unable to meet performance expectations qualifies as a top 10 near-term concern for CFOs, who are keenly aware of the costs of technical debt associated with legacy systems. Many efforts to reduce technical debt have not gone far enough in recent years. As organisations increase their investments in advanced automation, CFOs are assessing new ways for the organisation to achieve greater progress with technology modernisation efforts that deliver value-added outcomes with acceptable risk, including sunsetting old legacy systems, which will help eliminate technical debt. Improved technology modernisation approaches will position companies to respond more effectively to the rapid speed of disruptive innovations enabled by new and emerging technologies (another top near-term risk concern of CEOs and board members).

A different aspect of AI, its governance and regulatory oversight, applies to another top 10 CFO near-term risk: heightened regulatory change, uncertainty and scrutiny. If the U.S. and European Union continue to diverge in how stringently business AI use is regulated, global companies may need to develop different AI strategies and compliance capabilities for different regions. In the United States, a more pressing regulatory concern relates to the implications of tariff announcements, regulatory agency restructuring and related government actions. These actions are generating ripple effects throughout most FP&A functions while posing new challenges to other top CFO risk concerns, including talent attraction and retention, labour costs, third-party risk management, and uncertainty surrounding core supply chain ecosystems.

CFOs' final top 10 near-term risk concern – an inability to utilise rigorous data analytics to achieve market intelligence and increase productivity and efficiency – ties back to their top risk, economic conditions. Advanced data analytics are the lifeblood of a leading FP&A capability. Assessing how tariffs, inflation and rising labour costs affect performance forecasts becomes crucial during periods of high volatility. As technology-enabled FP&A activities become essential components of other business units and organisational groups, finance leaders also need to ensure that colleagues are performing FP&A with appropriate controls, rigor and relevance while integrating new KPIs into their own FP&A activities.

Long-term risks: What the next decade holds

CFOs' 10-year risk outlook closely resembles their near-term concerns. The fact that economic conditions, rising labour costs, cyber threats, and regulatory change, uncertainty and scrutiny are also top 2035 concerns qualifies these hazards as "forever risks." Like CFOs, board members and other C-level executives recognise that these risks aren't subsiding any time soon.

The adoption of AI and other emerging technologies requiring new skills in short supply figures as a top strategic concern for CFOs in their 10-year outlooks. Today, CFOs recognise that their organisation's (and their finance group's) AI strategies contend with finite resources. Not all AI initiatives can be funded. As 18 months of AI pilot programs give way to more targeted initiatives designed to generate business value that extends beyond efficiency gains, CFOs are assessing prospective investments with a more critical eye while making difficult trade-offs between back-office transformation and customer-facing innovations. As these investments bear fruit in the coming decade, competition for AI skills will further intensify.

Sustaining customer loyalty and retention marks another top long-term strategic risk concern. CFOs and their analytics teams calculate and monitor the cost to acquire new customers, customer lifetime value measures, the bottom-line impacts of customer defections and similar KPIs. These numbers are generating a growing awareness that customer loyalty is becoming more difficult to sustain across most, if not all, industries. CFOs understand how the bundling of digital products and services, along with omnichannel capabilities (in both B2B and B2C companies), will challenge current customer loyalty and retention while posing increasingly strategic risks to organisations in the coming decade.

A final 10-year operational risk, uncertainty surrounding core supply chain ecosystems, is also noteworthy. As tariff actions and countermeasures play out, CFOs know that these policies have major impacts on the cost of acquiring parts and finished goods from overseas. As these costs rise, strategic sourcing decisions – including whether to onshore or nearshore – will need to be made more frequently. The supply chain volatility and uncertainty triggered by trade wars also elevates the need for a sustained focus on cost reduction, efficiency gains, better execution and revenue enablement throughout supply chain operations.

Macroeconomic risk concerns

Risk	Percentage
Economic conditions, including inflationary pressures	43%
Increases in labour costs	34%
Talent and labour availability	30%

Strategic risk concerns

Risk	Percentage
Heightened regulatory change, uncertainty and scrutiny	30%
Adoption of AI and other emerging technologies requiring new skills in short supply	25%
Sustaining customer loyalty and retention	25%

Operational risk concerns

Risk	Percentage
Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges	32%
Cyber threats	28%
Uncertainty surrounding core supply chain ecosystems	21%

In closing

As CFOs toggle between pressing near- and long-term concerns, they will flex their ability to collect, control, analyse, interpret, share, protect and act upon data in ways that mitigate forever risks along with as yet-unforeseen hazards.

About the Executive Perspectives on Top Risks Survey

We surveyed 1,215 board members and executives across a number of industries and from around the globe, asking them to assess the impact of 32 unique risks on their organisation over the next two to three years and over the next decade, into 2035. Our survey was conducted online from mid-November 2024 through mid-December 2024. For the near-term outlook, each respondent was asked to rate 32 individual risks on a five-point Likert scale, where 1 reflects “No Impact at All” and 5 reflects “Extensive Impact.” For each of the 32 risks, we computed the average score reported by all respondents and rank-ordered the risks from highest to lowest impact.

We also asked executives to share their perspectives about long-term risks (over the next 10 years – 2035) by selecting the top two risks from each of the three dimensions (macroeconomic, strategic and operational). For each of the 32 risks, we calculated the percentage of respondents who included that risk as one of their two top risks for each dimension.

Read our Executive Perspectives on Top Risks Survey executive summary and full report at www.protiviti.com or http://erm.ncsu.edu.

About the authors

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