

EXECUTIVE PERSPECTIVES ON TOP RISKS

for the Near- and Long-Term

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Global Business Consulting

Geopolitics, environmental concerns feature prominently among state, local governments

Leadership 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 organization’s value and growth objectives.

Our 13th annual **Executive Perspectives on Top Risks Survey** contains insights from 1,215 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 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

Commentary – State and local governments

Responses from professionals in state and local governments differed significantly from the global audience. The top short-term risk for state and local government respondents – “geopolitical shifts, regional conflicts and instability in government regimes” – did not even make the top 10 for the overall survey population. While “economic conditions” were viewed as a key short-term threat by all respondents – rating top among the global population and second-highest among those in state and local governments – issues around work environment were mostly isolated to state and local governments: “Challenges in sustaining culture” rated highly (the third-largest short-term threat) state and local government respondents while not even figuring among top 20 for the global population.

Along with geopolitical instability, state and local government respondents also appear more concerned with natural disasters, climate change and terrorism. The fifth-greatest threat assessed by these respondents – “rising threat of catastrophic natural disasters” – placed a distant 30th among the global population. “Impact of climate change” was the ninth-greatest near-term concern for state and local government respondents. Among the global population, this rated just 28th.

It was also interesting to note which topics were deemed less critical to respondents from state and local governments. “Ability to attract, develop and retain top talent” was the third-greatest short-term threat to survey respondents overall, but placed just 17th among state and local government respondents.

Likewise, “talent and labor availability” and “increases in labor costs” were rated more significant risks by the global population of respondents – fourth- and fifth-greatest, respectively – than individuals in state and local governments, who rated these 12th- and 24th, respectively.

Many government agencies have struggled with hiring and recruiting staff, which was reflected in survey results for several years. “In this most recent iteration of the survey, we are seeing a change which likely relates to the fact that many state and local governments have changed their recruiting and retention practices to find and keep personnel more effectively,” says Zachary Unger, Managing Director in Protiviti’s public sector industry team.

Additionally, in the current environment an abundance of experienced government workers and contractors are available for hire. In some cases, government agencies have been able to get back to pre-pandemic staffing levels. Taken together these changes may have resulted in the lower concern shown to these staffing matters in this iteration of the survey.

Market, operational risks

Market risks rate highly in state and local governments. The two highest-ranked risks – geopolitical shifts and economic conditions – are of this variety. Operational concerns were most common, with four of the top 10 topics belonging to this category.

Risk category	Top 10 near-term risk issues	Score*
Market	1. Geopolitical shifts, regional conflicts and instability in governmental regimes	2.92
Market	2. Economic conditions, including inflationary pressures	2.90
Operational	3. Challenges in sustaining culture due to changes in overall work environment	2.80
Strategic	4. Organization not sufficiently resilient and/or agile to manage an unexpected crisis	2.75
Operational	5. Rising threat of catastrophic natural disasters and weather phenomena	2.75
Operational	6. Cyber threats	2.68
Strategic	7. Impact of climate change and other environmental and sustainability requirements and expectations	2.67
Operational	8. Ensuring privacy and compliance with growing privacy and identity protection risks and expectations	2.57
Strategic	9. Ease of entrance of new competitors or other changes in competitive environment	2.56
Market	10. Increase in global terrorism, crime and violence	2.53

*Respondents were 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.

Environmental concerns

Climate concerns featured heavily in long-term risks. In the strategic and operational segments, both top issues were specifically about these topics: “Impact of climate change and other environmental and sustainability requirements and expectations” and “rising threat of catastrophic natural disasters and weather phenomena” were the number one strategic and operational risk, respectively.

“Certainly the magnitude of Lahaina, North Carolina, and Los Angeles events in the last year had an impression on everyone,” says Ryan Muck, Managing Director in Protiviti’s public sector industry practice.

“If the federal government changes FEMA, what is that impact for us and what do we need to do to be prepared?”

To be sure, the new administration in Washington, DC, plays a role as well. “This area has been shifting greatly due to the new administration's agenda,” says John Owen, Managing Director in Protiviti’s public sector industry practice. “The change and uncertainty from the federal government causes more pressure on the individual state and local government leaders.”

“The general assumption among observers is that the SEC rule on ESG disclosure will likely be repealed before it comes into effect, so the historical view that ‘we in government should model the sustainability behaviors that US public companies are being asked to report on’ is less a focus now,” says Unger. Still, the impact of weather events “is absolutely a key focus,” he says. “Everyone in government will be acutely aware of the fact that the costs to respond to emergency events, as well as the impact of these severe weather events, are ever increasing.”

The Trump administration certainly seems more inclined to support states at the individual level. President Trump on March 18 signed an [executive order](#) seeking to shift disaster preparation to state and local governments from the Federal Emergency Management Agency (FEMA). The White House previously [announced](#) it would assess the agency.

This news should reinforce that “State leaders should assess their needs/infrastructure, craft plans and seek funding and adoption as appropriate,” says Owen.

There are specific questions risk managers in state and local government should be asking. ““What are our continuity plans? What support mechanisms will we stand up to support our impacted citizens? With the federal government changes to FEMA, what is that impact for us and what do we need to do to be prepared? Do neighboring states create joint operational contingencies?””

Long-term risk outlook

Macroeconomic risk issues

Risk	Percentage
Geopolitical shifts, regional conflicts and instability in governmental regimes	48%
Economic conditions, including inflationary pressures	36%
Impact of expected demographic changes	24%

Strategic risk issues

Risk	Percentage
Impact of climate change and other environmental and sustainability requirements and expectations	36%
Ease of entrance of new competitors or other changes in competitive environment	35%
Organization not sufficiently resilient and/or agile to manage an unexpected crisis	32%

Operational risk issues

Risk	Percentage
Rising threat of catastrophic natural disasters and weather phenomena	32%
Cyber threats	29%
Challenges in sustaining culture due to changes in overall work environment	25%

Note: Respondents were asked to identify the “top two” risks in each category (macroeconomic, strategic, operational) separately. That is, respondents identified six risks (two in each category) as “top two” risks. For each category, the three risk issues (including ties) receiving the most responses by percentage are shown.

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 organization 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>.

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