

EXECUTIVE PERSPECTIVES ON TOP RISKS

for the Near- and Long-Term

Talent, customer loyalty, disruptive innovations and cyber threats top list of CHRO risk concerns

By Fran Maxwell and Kimerle Campbell

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 organization'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 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 – perspectives of Chief Human Resources Officers

As chief human resources officers (CHROs) assess near-term and longer-term risks, their sights are set on macroeconomic variables and strategic challenges. These elevated CHRO perspectives closely align with the risk concerns of board members, CEOs, CFOs and other C-suite leaders in our latest annual [Executive Perspectives on Top Risks Survey](#).

While HR leaders remain focused on addressing and managing interrelated talent risks (labor costs, talent availability, and talent attraction, retention and development), they appear equally concerned about sustaining customer loyalty and customer retention; the rapid speed and impact of disruptive innovations; data privacy and security; economic conditions; cyber threats; and geopolitical risks.

Although boards and C-suite leaders cannot directly control macroeconomic risks like the rising cost of labor or the shrinking supply of skilled talent, CHROs are deploying operational capabilities and approaches designed to mitigate the organization's exposure to external threats. These innovations and improvements relate to workforce planning, learning and development, succession planning, change management, culture-strengthening and cybersecurity.

The short-term risk landscape: Spotlight on talent management issues

When asked to identify which risks they expect to pose the most formidable challenges in the next two to three years, CHROs prioritize talent management issues. Besides rising labor costs and shrinking supplies of skilled labor, CHROs identify two other talent risks:

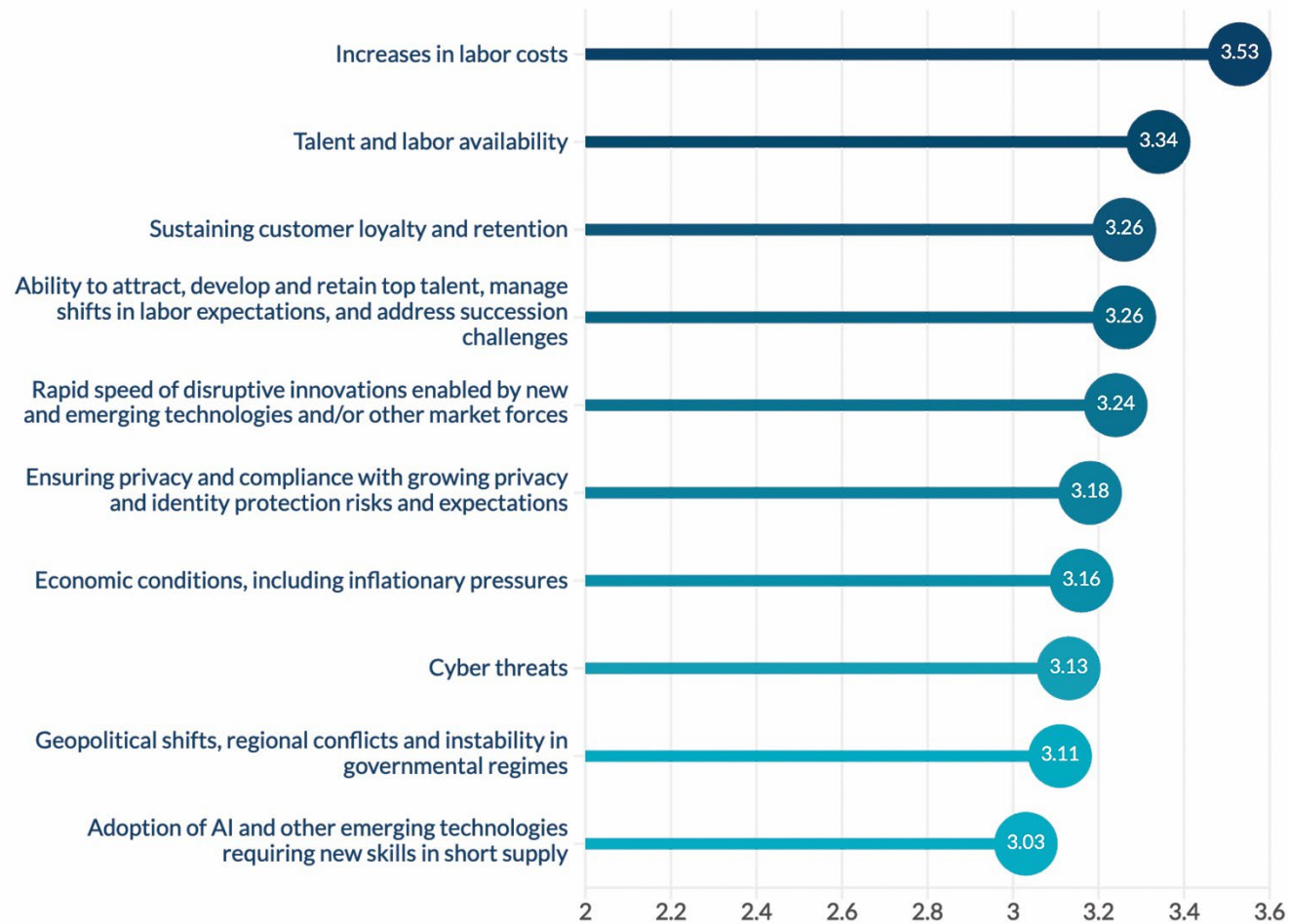
- Our organization's ability to attract, develop and retain top talent, navigate evolving labor expectations and demands, and address succession challenges amid the constraints of the talent/labor market may limit our ability to achieve operational targets.
- Our organization may struggle in a competitive marketplace for talent and skills needed to capture fully new capabilities and strategic opportunities introduced by rapidly evolving technologies emerging in the marketplace, including generative AI, without significant efforts to upskill and reskill existing employees.

These risk management priorities reflect CHROs' work with business partners to develop and update holistic workforce planning strategies that can mitigate the impacts of macroeconomic threats.

While talent risks top CHROs' lists of risk focal points, the majority of these concerns are macroeconomic and strategic in nature rather than operational. Sustaining customer loyalty and retention, the rapid speed of disruptive innovations, data privacy, economic conditions, cyber threats and AI adoption (and skills) all feature as top 10 CHRO risk concerns over the next two to three years. These risk management priorities

reflect CHROs’ work with business partners to develop and update holistic workforce planning strategies that can mitigate the impacts of macroeconomic threats.

Chief Human Resources Officers – near-term outlook



Customer loyalty and cyber threats round out top concerns

Here is a rundown of CHROs’ highest-rated risk concerns for the next 24 to 36 months:

- **Increases in labor costs:** Effective responses to rising labor costs require holistic rewards strategies. Although salary remains a crucial rewards component, savvy HR leaders develop total rewards offerings that also include a top-notch employee experience, career-pathing, attention to the first-line manager relationship, leadership and development opportunities and reskilling programs. HR groups are also responding to rising labor costs by creating more differentiated compensation strategies. These approaches leverage industry and skill compensation benchmarks and analytics to help organizations refine and improve how talent is sourced, developed and retained.
- **Talent and labor availability:** Labor costs are high in large part because the supply of labor is decreasing due to demographic realities: More people are leaving the labor pool than entering it. Other

factors also contribute to shrinking talent availability. Younger workers who came of age in the gig and influencer economies may balk at traditional employment structures (e.g., a nine-to-five schedule and in-office work). Aging workforce issues pose new risks to customer relationships as large swaths of customer-facing employees venture deeper into retirement age. The soaring demand and sky-high salaries for specialized AI and technology skills reflect the insufficient supply of that talent category. These challenges make it imperative to leverage high-value skills across the organization (e.g., individuals with data analytics skills can help financial planning and analysis groups *and* the HR function) and to source skills from a portfolio of full-time employees, co-sourced specialists, outside consulting and skills partners, and contractors. CHROs are also extending succession planning activities deeper and more broadly into the organization to help ensure they have a strong bench of talent to mitigate retention risks.

- **Sustaining customer loyalty:** As baby boomers and Gen X employees retire, CHROs are concerned about the impacts of these workforce departures on customer relationships. Retiring employees possess valuable knowledge of these relationships and often have developed meaningful relationships with high-value customers. Workforce diversity can also strengthen customer retention and loyalty, given that many customers want to work with people with whom they have shared experiences, backgrounds and perspectives.
- **Cyber threats:** HR leaders can help ensure that the organization does not overlook behavioral elements of cybersecurity. Communications and training activities can help prevent cybercriminals exploiting human fallibility via phishing, vishing (voice phishing) and other social engineering methods.
- **AI skills and workforce impacts:** Low supplies of AI skills relate to larger talent supply and labor cost challenges. AI adoption also affects the employee experience and, by extension, the organizational culture. CHROs should pay close attention to AI-related messages conveyed to the workforce, given the technology's disruptive impact on traditional work processes and tasks. The accelerating pace of AI and other technology advancements elevates the strategic value of learning and development programs used to upskill and reskill workers. Leading CHROs also strive to develop organizational cultures that can quickly absorb major changes in support of business agility.

Long-term risks: What the next decade holds

During the brunt of the global COVID-19 pandemic, the Great Resignation commanded the attention of boards and C-suite executives who viewed the spike in voluntary employee departures as a strategic risk. Alarm over the frequency of voluntary departures drove many CEOs to become personally involved in a wider range of recruiting efforts.

While the phrase fell out of favor amid post-pandemic economic turbulence and a short-lived surge in unemployment, the Great Resignation qualifies as a long-term dynamic driven by demographic realities, technology disruptions, changing work models and other systemic factors. CHROs' long-term risk concerns – those they project to pose challenges in 2035 – drive home the fact that constrained talent supplies and rising labor costs are “forever risks” that require sustained attention and responses in the boardroom and C-suite.

While talent and labor availability and increases in labor costs represent the top 2035 risks, CHROs also identify talent recruiting, development and retention as well as the short supply of AI and other advanced technology skills as long-term risk concerns.

Macroeconomic risk concerns

Risk	Percentage
Increases in labor costs	55%
Talent and labor availability	39%
Economic conditions, including inflationary pressures	21%
Changes in global markets and trade policies	21%

Strategic risk concerns

Risk	Percentage
Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces	29%
Sustaining customer loyalty and retention	29%
Adoption of AI and other emerging technologies requiring new skills in short supply	29%

Operational risk concerns

Risk	Percentage
Ability to attract, develop and retain top talent, manage shifts in labor expectations, and address succession challenges	29%
Emergence of new risks from implementing AI	26%
Cyber threats	24%

Call to action for CHROs

As HR leaders address their risk concerns, the following approaches and actions can help:

- **Continue to be a strategic partner to the business:** This age-old CHRO requirement has newfound relevance as AI, emerging technologies and heightened external volatility require HR leaders to work with business leaders to develop new talent strategies.
- **Communicate the people component of the organization's AI journey:** The efficacy with which the organization communicates its evolving AI strategy to the workforce determines the extent to which employees buy into the AI journey.
- **Make change enablement part of the culture:** The rapid pace of technology advancement and societal change requires change management to become an essential component of the organizational culture rather than an add-on project-management consideration. The most successful organizations during the next decade will be those that absorb and adapt to change quickly because doing so is a cultural value.

- **Supercharge the learning and development function:** As AI and emerging technologies advance, the skills required to harness those opportunities will become increasingly scarce and difficult to access. In turn, the cost to obtain those skills will be colossal. This makes it important for CHROs to build powerful and agile L&D capabilities that quickly upskill and reskill employees.
- **Probe the connection between employee retention and customer loyalty:** It is becoming more difficult to sustain customer retention and customer loyalty. Sticky relationships between high-value customers and front-line employees can ward off customer defections while enhancing customer value.
- **Elevate human cybersecurity:** While AI breakthroughs and tools strengthen cybercriminals' hands, organizations continue to give short shrift to the behavioral components of cybersecurity. Employee training, communications and modeling the right behaviors is a crucial cyber-attack deterrent.

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>.

About the authors



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Kimerle Campbell is a director with Protiviti and has over 20 years of consulting experience. She works with clients to align organization structure with objectives and develop and implement talent management programs and processes that align with organization strategy and drive the desired culture and employee experience. Prior to joining Protiviti, Kimerle was a leader in the Employee Experience practice at Willis Towers Watson, where she worked closely with some of the world's largest and most complex organizations.

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