

EXECUTIVE PERSPECTIVES ON TOP RISKS

2024 & 2034



Tech challenges, economic pressures, regulatory scrutiny and resilience are among the top risks for CLOs and GCs

by Chad Volkert
Global Leader, Protiviti Legal Consulting

The combined analysis of risk insights from global executives for both 2024 and a decade out reveals several interrelated challenges that may result in significant events with the potential to test an organisation's business agility and resilience.

Changes in the profile of top risks from the prior year disclose a number of shifting conditions that may disrupt markets, including events triggered by intensifying geopolitical conditions. Many of those events are expected to have long-lasting impacts on business models and the competitive balance in a nuanced global marketplace. Board members and C-suite leaders who recognise these shifting realities and address them through robust, enterprisewide risk analyses that are aligned with business strategy possess a differentiating skill that positions their organisation's readiness and ability to adjust and pivot in the face of inevitable disruptive change as well as or better than their competitors.

In this 12th annual survey, Protiviti and NC State University's ERM Initiative report on the top risks currently on the minds of board members and executives worldwide. The results of this global survey reflect their views on the extent to which a broad collection of risks is likely to affect their organisations over the next year – 2024 – and a decade later – 2034. Our respondent group, which includes 1,143 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 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

¹ Each respondent rated 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 organisation. For each of the 36 risk issues, we computed the average score reported by all respondents.

Commentary – Chief Legal Officer/General Counsel Perspectives

In the ever-evolving realm of in-house legal practice, staying ahead of the curve is not merely a strategic choice; it's an imperative. To navigate the intricate terrain of today's legal landscape effectively, general counsel (GC) and chief legal officers (CLOs) must be acutely aware of the risks to their organisations that loom on the horizon. Our latest [Top Risks Survey](#) sheds light on the pressing concerns faced by today's in-house legal leaders and teams.

Among the top concerns for CLOs and GCs include cyber threats, talent and the economy. Interestingly, these three risks mirror those in the overall global results, signalling the gravity and pervasiveness of these challenges in every market and industry. The survey also suggests the seriousness of many of the risks, with several factors showing up on both the 2024 and 2034 lists.

The broad spectrum that the risks identified encompass underscores the multifaceted nature of the challenges faced by in-house legal teams in today's dynamic environment.

Overview of top risks for 2024

The top risks that leaders in the legal profession see in 2024 fall into three categories:

1. Cyber and technology challenges

In a time where technology permeates every aspect of business, it's clear from the survey that **cyber threats** are of paramount concern, as this is the top-ranked risk issue for CLOs and GCs. The growth of malicious actors utilising sophisticated techniques, from ransomware to phishing, continues to raise the risks and stakes for organisations on multiple fronts, including regulatory and legal ramifications. The legal perspective accentuates the concern, focusing on the culpability and liability of organisations in the event of a cyber threat or breach. The loss of customer/client data brings forth significant legal consequences, especially with the U.S. Securities and Exchange Commission's recently finalised reporting requirements for public companies that have experienced a cyber breach. With few exceptions, failure to report a breach within four business days could result in regulatory fines and scrutiny, elevating the legal exposure that CLOs and GCs must grapple with.

It is clear that security and privacy have become inextricably linked as disruptive innovations like smart devices and sensitive data such as biometric data continue to grow. Thinking of those areas together is essential for reducing potential litigation and regulatory enforcement penalties.

Also high on the list of risks is the **inability to utilise rigorous data analytics**. Legal departments and law firms are facing a pivotal challenge in leveraging data analytics for market intelligence and operational efficiency. Unlike some other organisational functions, corporate legal departments and the legal sector in general have been slower in adopting advanced technologies compared with other functions and industries. The traditional mindset and ongoing challenges in recruiting skilled personnel to support and drive technology advancement, particularly given today's talent gaps, are evident. This challenge intersects with the broader theme of technological progression, especially in the face of the growth of technologies like generative artificial intelligence (AI).

Another highly ranked technology risk relates to **existing operations and legacy IT infrastructure**. Legal entities find themselves grappling with the inadequacies of their current technology infrastructure. The inability to meet performance expectations poses a significant challenge, especially when juxtaposed with "born digital" competitors that inherently possess technological advantages. This theme underscores the urgency for CLOs and GCs to embrace technological evolution.

In addition, GCs and CLOs expressed concern about the **rapid speed of disruptive innovations** propelled by emerging technologies and market forces. Legal leaders must stay agile to adapt to these innovations, ensuring that their practices remain relevant and competitive.

2. Economic and external pressures

High on the list of risks for legal professionals are **economic conditions, including inflationary pressures**. Running a successful legal practice (stand-alone or within a business) becomes more complex as costs rise across various aspects of the function, demanding strategic financial management.

Tied closely to concerns about the economy and inflationary pressures, CLOs and GCs are worried about the risks of **increased labour costs**. The broader economic conditions over the past couple of years have made everything more expensive, from running the business to engaging new technologies. Legal teams must navigate these challenges while ensuring operational success, often facing the dilemma of aligning the need for skilled personnel with budget constraints.

Another external factor CLOs and GCs are seeing as a risk is **pandemic-related government policies and regulation**. Interestingly, these legal leaders rank this risk issue much higher than other executives do. The lingering impact of the pandemic continues to influence legal considerations, with government policies and regulations shaping the operational landscape. Legal professionals must navigate complexities arising from pandemic-related measures, ensuring compliance and adaptability.

Regulatory dynamics are evolving swiftly. Adapting to these changes is imperative, requiring proactive measures to ensure compliance and mitigate legal risks.

3. Regulatory and organisational resilience

As expected, CLOs and GCs are concerned about **heightened regulatory changes and scrutiny**. Regulatory dynamics are evolving swiftly. Adapting to these changes is imperative, requiring proactive measures to ensure compliance and mitigate legal risks.

The unforeseen can strike at any moment, and CLOs and GCs are tasked with helping ensure that their organisations are **sufficiently resilient and agile to manage unexpected crises**, but many leaders in the legal profession view this as a risk. Crisis preparedness has become a crucial aspect of risk management.

Lastly, engaging with external entities introduces a spectrum of risks. CLOs and GCs are well aware that the organisation's work and collaboration with partners and vendors introduce a broad spectrum of **third-party risks**, including but not limited to potential legal liability, that must be assessed and managed from a legal and regulatory standpoint.

Risk category	Top 10 2024 risk issues	Rating
Operational	1. Cyber threats	5.63
Operational	2. Inability to utilise rigorous data analytics to achieve market intelligence and increase productivity and efficiency	5.60
Macroeconomic	3. Increases in labour costs	5.54
Macroeconomic	4. Economic conditions, including inflationary pressures	5.48
Operational	5. Existing operations and legacy IT infrastructure unable to meet performance expectations as well as “born digital” competitors	5.42
Macroeconomic	6. Pandemic-related government policies and regulation	5.38
Strategic	7. Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces	5.38
Strategic	8. Heightened regulatory changes and scrutiny	5.38
Strategic	9. Organisation not sufficiently resilient and/or agile to manage an unexpected crisis	5.38
Operational	10. Third-party risks	5.37

Overview of top risks for 2034

The 10-year outlook for legal leaders bears many resemblances to the 2024 rankings, but the risks are not identical.

Increases in labour costs moved up two slots to number one in 2034, with **cyber threats** down just one. Clearly, leaders do not see any signs of these challenges waning over the next decade.

The imminent baby boomer “retirement cliff” exacerbates the already-existing talent shortage, with a growing scarcity of qualified professionals in the job market. CLOs and GCs anticipate a sustained rise in labour costs due to heightened competition for talent that will become increasingly hard to find. This long-term outlook underscores the need for proactive people strategies to address persistent workforce dynamics and ensure successful talent acquisition and retention.

CLOs and GCs continue to see **cyber threats** as a critical risk over the next decade due to the increasing number of bad actors and nation-states conducting attacks. A prevailing view among many organisations is that a cyber breach may be inevitable within the next 10 years. This recognition stems from the growing sophistication of technologies and malicious entities in the cyber landscape. CLOs and GCs emphasise staying actively involved in cybersecurity efforts, understanding data protection measures and implementing proactive solutions. This includes decentralising data and adapting to new regulations to safeguard against evolving cyber threats and ensure privacy compliance.

The other top-of-mind risk for both 2024 and 2034 is **existing operations and legacy IT infrastructure unable to meet performance expectations**. This reflects the swift pace of technological advancements expected over the next 10 years and the concerns of CLOs and GCs about keeping pace within their functions. It also reveals their concerns about the organisation’s overall ability to remain competitive.

There will be ongoing challenges to recruit and retain qualified talent as the competition for skilled people intensifies and the pool of available workers shrinks as more workers retire without a commensurate number of people entering the workforce.

New entrants to the 2034 risk list are related to the data and technological landscape, such as **ensuring privacy and compliance**, the **inability to use data analytics**, and **digital transformation and skills shortages**. Also noted are talent management and workforce dynamic risks, such as **attracting, developing and retaining top talent**, as well as **cultural sustainability amid environmental changes**. As noted earlier, there will be ongoing challenges to recruit and retain qualified talent as the competition for skilled people intensifies and the pool of available workers shrinks as more workers retire without a commensurate number of people entering the workforce. The risk of sustaining organisational culture amid changes in the overall work environment highlights the need for adaptive leadership and strategies to preserve core values.

Rounding out the new entrants to the 10-year view are market dynamics and external-focus related risks, including **substitute products and services that affect the viability of our business** and the **growing focus on climate change and other sustainability policies, regulations and expanding disclosure requirements as well as expectations of key stakeholders**.

These newly ranked risks are key to understanding what’s on the minds of CLOs and GCs as they rethink their business strategies to stay on top of headwinds. They underscore the need for holistic and forward-thinking strategies to ensure the long-term success and adaptability of in-house legal functions.

Risk category	Top 10 2034 risk issues	Rating
Macroeconomic	1. Increases in labour costs	5.62
Operational	2. Cyber threats	5.52
Operational	3. Ensuring privacy and compliance with growing identity protection expectations	5.46
Operational	4. Inability to utilise rigorous data analytics to achieve market intelligence and increase productivity and efficiency	5.42
Operational	5. Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges	5.37
Operational	6. Existing operations and legacy IT infrastructure unable to meet performance expectations as well as “born digital” competitors	5.33
Macroeconomic	7. Adoption of digital technologies requiring new skills in short supply	5.29
Operational	8. Challenges in sustaining culture due to changes in overall work environment	5.25
Strategic	9. Substitute products and services that affect the viability of our business	5.25
Strategic	10. Growing focus on climate change and other sustainability policies, regulations, and expanding disclosure requirements as well as expectations of key stakeholders	5.24

About the Executive Perspectives on Top Risks Survey

We surveyed 1,143 board members and executives across a number of industries and from around the globe, asking them to assess the impact of 36 unique risks on their organisation over the next 12 months and over the next decade. Our survey was conducted in September and October 2023. Respondents rated the impact of each risk on their organisation using a 10-point scale, where 1 reflects “No Impact at All” and 10 reflects “Extensive Impact.” For each of the 36 risks, we computed the average score reported by all respondents and rank-ordered the risks from highest to lowest impact.

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

Contact

Chad Volkert

Managing Director

Leader, Protiviti Legal Consulting

chad.volkert@protiviti.com

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, digital, legal, HR, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the 2023 *Fortune* 100 Best Companies to Work For® list, Protiviti has served more than 80 percent of *Fortune* 100 and nearly 80 percent of *Fortune* 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

© 2024 Protiviti Inc. An Equal Opportunity Employer M/F/Disability/Veterans. PRO-0124
Protiviti is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.

protiviti®