EXECUTIVE PERSPECTIVES ON TOP RISKS AND OPPORTUNITIES

for the Near - and Long-term

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The execution gap: Why capacity is becoming government's defining transformation challenge

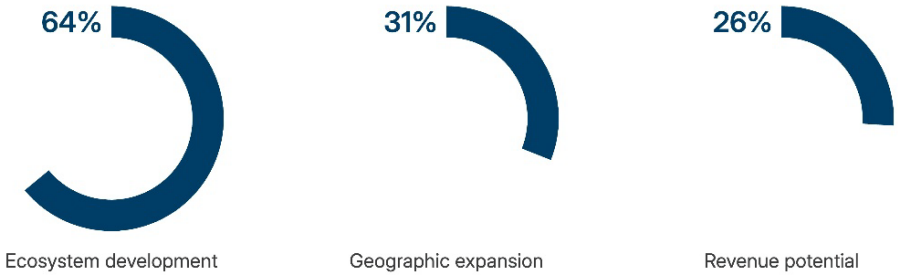
Government leaders are not short on clarity – they know what they need to do to prepare their agencies for the future.The question is whether they have the organizational capacity to get there.

This execution challenge runs through the findings of Protiviti's **2027 Executive Perspectives on Top Risks and Opportunities Survey**. Leaders are only moderately confident in their ability to transform the organization and respond to emerging opportunities and risks. Workforce enablement is a key priority in the quest to maximize AI value. Governance, security and infrastructure continue to draw investment while holding top positions in the risk register. Over the long term, resilience, culture and talent have emerged as the dominant concerns.

To get ahead of these issues, most leaders are looking to ecosystem development (partnerships, collaborations and procured services), even as confidence in growth opportunities overall has fallen sharply. For capacity- and revenue-constrained agencies, partnerships create a viable path to increased capability, providing access to skills and technology that cannot easily be built internally.

The task then is to ensure the foundations are in place to make that capacity usable: a ready workforce, trustworthy data, effective governance, modern infrastructure and strong data and asset protection. The vision is clear. Implementing the road map to achieve it is what comes next.

Where do government leaders see the greatest opportunities for their organization over the next two to three years?



Overall confidence in opportunities fell this year, but **it is concentrated around what leaders see as the most viable path forward**. As expectations for revenue potential and geographic expansion dropped sharply, ecosystem development emerged as the opportunity around which the vast majority of leaders remain aligned (only 3% disagreed).

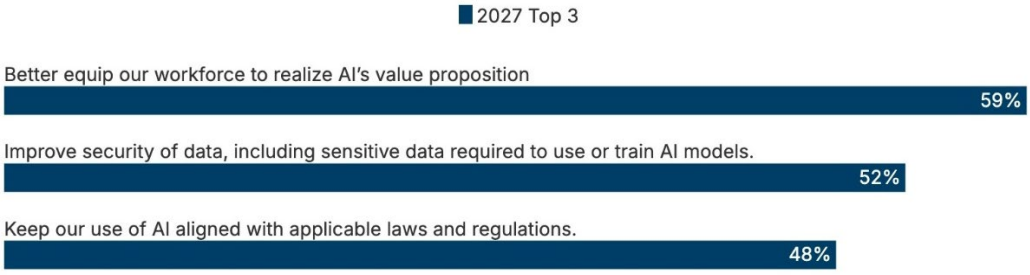
The shift suggests a realistic assessment of the landscape rather than outright pessimism. Confidence in revenue potential fell substantially, but responses shifted toward the middle rather than the bottom. Leaders are not necessarily predicting decline; they've stopped counting on growth, or at least conventional growth. Instead, they expect to deliver more with the footprint and funding they already have, and they see partnership as a mechanism for doing so.

In the public sector, ecosystem partnerships are less about joint ventures and more about adding capability without adding headcount: specialized skills the agency cannot hire, faster delivery cycles, shared risk on pilots, a way to avoid lengthy internal builds that may be obsolete before they are completed. Partnerships therefore become a capacity strategy: a way to make limited resources go further by making them strategic and actionable.

Focusing on **the ecosystem as a growth and capacity strategy is the most notable finding in this year's survey.** It provides context for many of the other findings related to technology, workforce, investment and resilience.

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What priorities do leaders see as most important to maximizing the value of AI deployments?



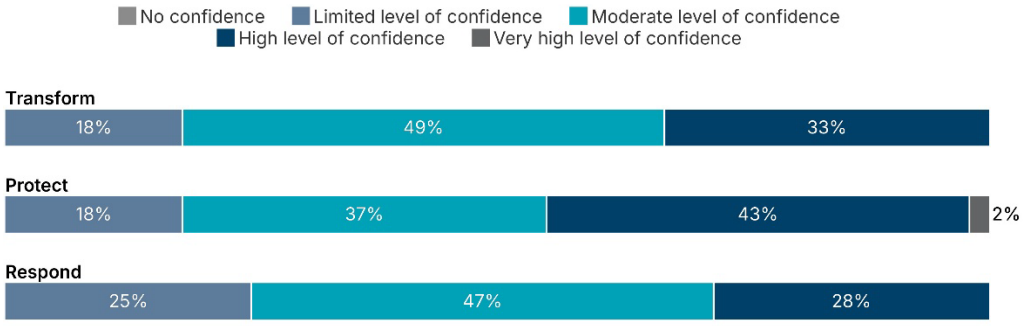
Government leaders' AI focus is on **preparedness to capture value, well beyond evaluation or adoption.** The top four priorities, including improved governance and accountability, captured the vast majority of responses; no other priority exceeded 22%, whether deploying AI at a more competitive pace, pursuing transformational impact or increasing senior management involvement. The implicit takeaway: few leaders are focused on moving faster, spending bigger or aiming higher. Instead, they want the foundation that makes AI investment defensible.

This ordering is, once again, clear-eyed and rational. If ecosystem partnerships can bring new capacity into government, workforce readiness, security, compliance and governance determine how safely, quickly and effectively that capacity can be put to work.

The cluster also reflects a logical risk-prevention slant. An agency that deploys a model it cannot explain, on data it cannot vouch for, under an evolving legal framework, is taking not just a technology risk but a public accountability risk. The top priorities are, in effect, one priority expressed four ways: making AI accountable and safe to use in the public sector.

Workforce enablement at the top is particularly noteworthy because it cannot be reduced to a deliverable. Governance can be documented, data secured and regulatory alignment mapped. Workforce readiness must be built over time, including trust and buy-in from employees who may question how AI will affect their roles or job security. Agencies that treat enablement as a training exercise at the end of deployment risk acquiring capability their people are not prepared, or willing, to use.

We asked leaders three specific questions about their views on the organization's ability to (1) transform the enterprise, (2) protect enterprise value, and (3) respond with agility to market opportunities and risks. What did they tell us?



The self-rating across the three capabilities reveals a pattern that is more instructive than any single number. Protect leads, while confidence in Transform and Respond is concentrated in the middle. Nearly half of leaders report moderate confidence in both Transform and Respond, and none report very high confidence in either. **These are not organizations in crisis, but neither are they entirely comfortable with their ability to change or adapt.**

The findings make sense for the public sector. Protection is familiar territory for government. Controls, audit, compliance and oversight are embedded in the operating model, and cybersecurity remains both a leading near-term risk and investment priority. Transforming and responding with agility present different challenges. Transformation is dependent on budget cycles, procurement timelines and the need for political consensus, which rarely come together in the same year, while quick and frequent changes to address new circumstances run against the procedural safeguards designed to ensure accountability and trust. All three capabilities also draw on the same constrained talent pool and budget, with protection taking priority when needs compete.

The opportunity is to build on the strongest capability to close the confidence gaps. Strong protection can provide the foundation for transformation when the time is ripe. It can also encourage external partnerships and tap into new capabilities with less fear of data loss or exposure, increasing both their agility and their confidence.

What are the most significant near-term concerns and risks on the minds of government leaders?

Risk description	2027*
Cyber threats	4.09
Heightened regulatory change, uncertainty and fragmentation	3.89
Economic conditions, including inflationary pressures	3.71
Ensuring privacy and compliance with growing identity protection regulations and expectations	3.71
Inability to utilize rigorous data analytics to achieve market intelligence and increase productivity and efficiency	3.67
Operations and legacy IT infrastructure unable to support performance expectations	3.57

**Average values are based on a 5-point scale where 1 reflects "No impact at all" and 5 reflects "Extensive impact."*

Agencies are being asked to do more, under tighter scrutiny, with systems and data built for a different environment. This difficult mandate is evident in the near-term risk landscape, where cyber threats lead, followed by regulatory change and uncertainty, economic conditions, privacy and identity protection, and limitations in data analytics.

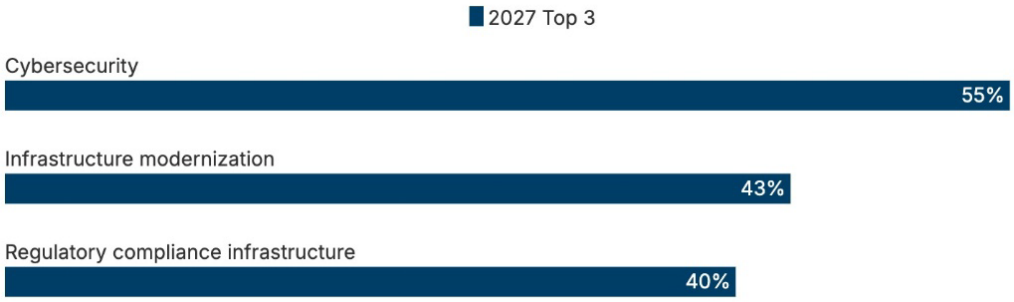
The movement from last year underscores the shifting nature of challenges. Cyber, driven by rapidly evolving cyber threats and nation-state actors, is now the clear top risk and the only one rated above 4.0. Regulatory pressure rose sharply, while privacy and identity protection posted the largest increase in the survey. Legacy IT also sits just outside the top five, quietly underpinning many of the risks above it.

Direct AI risk (not shown in the table) ranks lower, but that is easy to misread. Several risks above it, including cyber, data limitations, legacy infrastructure, skills shortages and disruptive innovation, describe the conditions that can make AI difficult to deploy safely and effectively. Leaders may be less concerned with AI in isolation than with whether their organizations are equipped to manage what comes with it.

One new risk (also not shown in the table) is particularly worth watching: lack of trust in the reliability of information used for decision-making. This includes information available in the public space as well as information from inside the organizations, such as data that may not be current or complete. While it sits mid-table, it cuts across much of the risk landscape and can undermine organizations' confidence to execute or react to circumstances.

Taken together, these risks point to a compounding challenge: modernization is becoming more necessary at the same time when doing it safely is becoming more challenging, while the cost of not doing it is rising.

Given these near-term risk issues, where do government organizations plan to invest most?



Reordering of investment priorities reflects the near-term risk landscape, suggesting agencies are directing resources toward the vulnerabilities they see most clearly. Cybersecurity jumped from fifth to first, while infrastructure modernization climbed two places and regulatory compliance held. Together, these top investments map closely to the leading concerns around cyber, regulatory pressure, privacy, data limitations and legacy technology.

But one of the most significant shifts is in people. Human capital management and workforce skilling rose 22 points, from ninth to sixth. Set that alongside workforce enablement leading the AI priorities and talent challenges rising in the long-term outlook, and a consistent capacity issue emerges: technology modernization increasingly depends on people with the skills to put those investments to work.

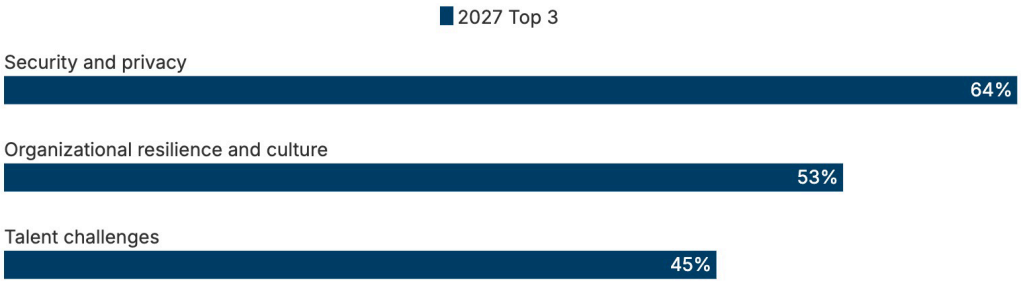
On the other hand, investment in third-party risk management fell 33 points, from second to ninth, even as its severity rating remained unchanged. At a time when ecosystem development has emerged as the leading opportunity, the shift could be a cause for concern. If agencies increasingly look to partners for technology, skills and capacity, reducing investment in managing the relationships creates a potential gap between strategy and oversight.



The overall direction is nevertheless clear. Agencies are concentrating investment on protecting what they have, modernizing what they need and developing the workforce required to make new capabilities useful.

There is also an opportunity to treat leading investments as interconnected. Cybersecurity, infrastructure modernization, regulatory compliance and data privacy can form a coordinated modernization program with multiple business-case justifications, addressing several pressing near-term risks through one investment agenda.

How do government leaders view the 10-year risk outlook for their organizations?



Government leaders' long-term view is where the capacity challenge comes into focus most clearly, summing up findings throughout the survey.

Security and privacy as a leading long-term theme is not a surprise; we expect it to dominate as agencies continue to digitize services and expand their digital partnerships. The real news is underneath: organizational resilience and culture rose 32 points from seventh to second, while talent challenges rose 22 points from sixth to third. AI deployments remain fourth.

A 32-point move in a year is not a drift in sentiment. It is a reassessment. It suggests that when government leaders look ten years out, the constraint they expect to face is not access to technology, but whether their people and institutions can absorb and adapt to the pace of change.

That conclusion brings home a number of other findings throughout the survey. Leaders expressed the least confidence in their ability to transform the organization and respond with agility to risks and opportunities; workforce enablement was elevated to the top for maximizing AI value; and investment in workforce skilling climbed sharply. Now, resilience, culture and

talent emerge among their leading long-term themes. This is the same capacity concern appearing independently across confidence, AI, investment and over two different time horizons.

Quantum computing is an increasing velocity risk: it rose slightly in the rankings, indicating executive awareness of its potential for disruption. While not a priority today, quantum is worth tracking given its eventual implications for the security and privacy theme sitting at the top of this list.

Calls to action — What should leaders do now?

Government agencies do not lack priorities. The opportunity is to build the capacity to execute them, combining stronger foundations, an enabled workforce, well-governed partnerships and greater organizational resilience.

- **Modernize the foundation.** Treat modernization, security, compliance, privacy and data as interconnected investments rather than competing programs. Address legacy technology as both an operational and security issue, strengthen data governance and quality, and establish the controls needed to support AI at scale. Where possible, bundle these priorities into a coordinated modernization program with multiple business-case and funding justifications to reinforce their interdependencies and avoid competition for funding.
- **Build workforce capacity alongside technology capacity.** Workforce enablement leads leaders' AI priorities, workforce skilling rose sharply as an investment priority, and talent ranks among the top long-term risks. Treat workforce readiness as part of implementation, not training at the end. That means assessing skills, redesigning roles and processes, building AI literacy and addressing the trust and adoption issues that determine whether new capabilities deliver to their full potential.
- **Expand capacity through ecosystems and govern the expansion.** Partnerships offer agencies access to skills and capabilities they cannot readily build or hire. Scale vendor governance in pace with this ecosystem strategy, not after. Continue to use co-sourced, managed and other partnership models where they add capacity while strengthening vendor governance, accountability and third-party risk management at the same time.
- **Build the ability to adapt, not just withstand.** The prominence of the organizational resilience and culture theme, combined with lower confidence in the abilities to transform and respond, points to a



fundamental organizational challenge. Build resilience into operating models, governance and change programs so agencies can respond to disruption without sacrificing the controls and accountability that underpin public trust.

The gap between what leaders see today and where they need to be tomorrow will not close on its own. Make the above four broad actions the public sector agenda for the next two to three years.

"Leaders are not asking how to move faster. They are asking for the governance, the data security and the workforce confidence that would make moving faster defensible."

– John Owen, Managing Director, Protiviti

About the survey

Our 15th annual **Executive Perspectives on Top Risks and Opportunities Survey** contains insights from 1,330 board members and C-suite executives around the world regarding their views on:

- Opportunities for growth considering the current environment;
- Priorities perceived as most critical to maximizing the value of AI deployments;
- The top risks on the horizon for the near-term (two to three years ahead) related to 30 specific risks across three dimensions (transform, protect and respond);
- A discussion of their organizations' near-term strategic investment priorities, given the opportunities and the risks they face; and.
- The long-term horizon based on 11 risk themes that encompass the 30 near-term risk issues.

Our survey participants shared their views through an online survey conducted in June and July 2026. This paper offers specific insights into these issues from the perspective of government leaders in North America.

About the authors



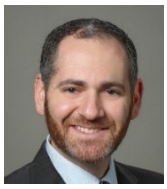
John Owen is a Managing Director within Protiviti's public sector practice, responsible for delivering enterprise capabilities that support the missions of public sector clients. He is a seasoned leader combining decades of government experience with strategic leadership to deliver high-impact solutions for federal, state and local agencies. John helps Protiviti's government teams provide tailored consulting, advisory services, data analytics and digital solutions to help governmental bodies operate effectively, efficiently and in compliance with regulatory requirements.

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