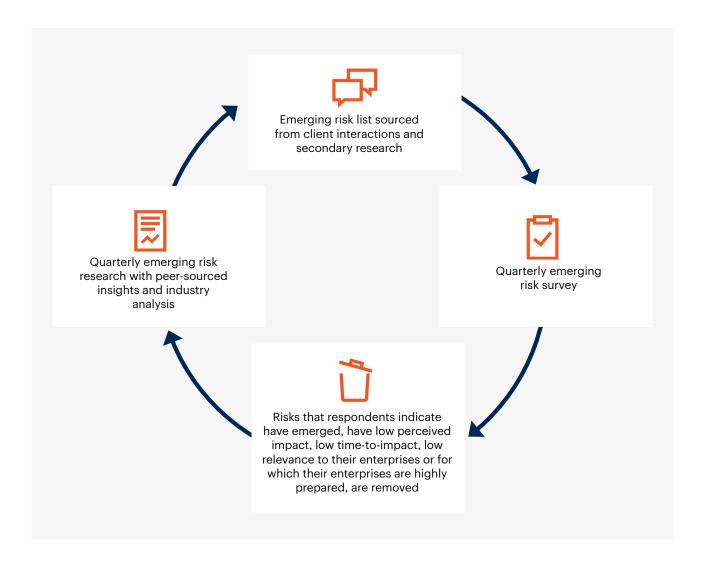
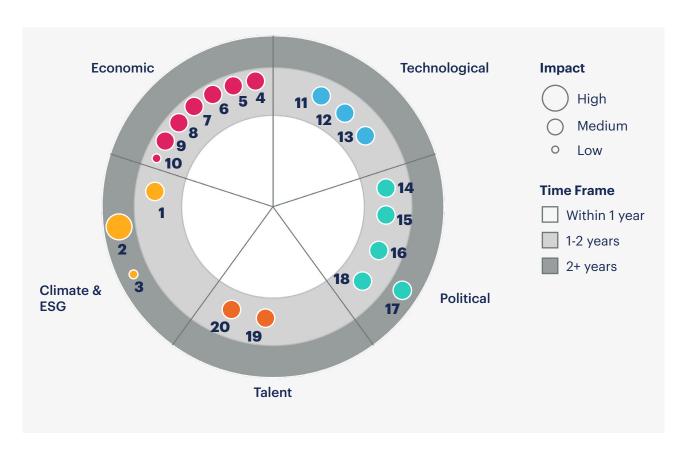
# Gartner 4Q23 Emerging Risks Report

# **How We Create This Report**

- **Emerging risks** are those whose effects have not yet been substantially realized in the enterprise.
- Their evolution is **highly uncertain** because it is rapid, nonlinear or both.
- Our Quarterly Emerging Risk Report captures senior executives' and risk managers' views on emerging risks and provides insight on identifying and mitigating them.



# **4Q23 Emerging Risk Universe Map**



#	Risk category	Risk Name
1	Olimate & ESG	Climate Activism
2	Olimate & ESG	Extreme Heat Consequences
3	• Climate & ESG	Whipsawing Sustainability Commitments
4	<ul><li>Economic</li></ul>	Bank Crisis-Driven Inflation
5	<ul><li>Economic</li></ul>	Credit Crunch Widens
6	<ul><li>Economic</li></ul>	Debt Pockets Aggregation
7	• Economic	Market Effects From Higher Borrowing Costs
8	<ul><li>Economic</li></ul>	Overzealous Cost Cutting
9	<ul><li>Economic</li></ul>	Stagflation Expectations
10	<ul><li>Economic</li></ul>	Wage-Price Spiral

#	Risk category	Risk Name
11	<ul><li>Technological</li></ul>	Cloud Concentration Risk
12	<ul><li>Technological</li></ul>	Mass Generative AI Availability
13	<ul><li>Technological</li></ul>	Personal Data Regulatory Fragmentation
14	<ul><li>Political</li></ul>	China Trade Tensions
15	<ul><li>Political</li></ul>	Escalating Political Polarization
16	<ul><li>Political</li></ul>	Evolving Sociopolitical Expectations
17	<ul><li>Political</li></ul>	Increased Antitrust Scrutiny
18	<ul><li>Political</li></ul>	New Geopolitical Partnerships
19	<ul><li>Talent</li></ul>	Decline in Employee Productivity
20	<ul><li>Talent</li></ul>	Expectations of Faster Career Shifts

Source: 1Q23 Gartner Emerging Risks Survey, n = 321

# **4Q23 Top Risks**



### **Mass Generative AI Availability**

Impact Score: 2.91 / Time Frame: 2.05 / Frequency Selected: 76%

### **Root Causes**

### Immature Corporate Governance and Regulations

Lack of industry standards on GenAl governance and still evolving regulatory oversight create space for organizations to pilot and experiment with GenAl with few limitations.

### Rapid Proliferation of Diverse Approaches

High levels of investment and keen business appetite for GenAI applications encourage new entrants into the market, leading to a diversity of new approaches, models and applications.

### **Increased Adoption Across Sectors**

Rapid technology maturation and organization shift toward GenAl deployment at scale increase momentum for lagging adopters to use GenAl, even when the strategic business case is still unclear.

### **Potential Consequences**

### **Business Continuity Threats**

Immature governance in GenAl organizations, coupled with reliance on a single Al vendor leads to significant investment losses or threatens core business functions/strategy around digital transformations.

### **Sub-optimal Application Choice**

The failure of GenAl adoption projects due to poor use case identification and non-suitable application selection. Poor vendor selection and partnerships expose organizations to disruptions.

### **Negative Impact Amplification**

Adverse impacts from factual inaccuracies, hallucinations, biases and potential copyright infringements in large language models (LLM) outputs are amplified across organizational functions as GenAl adoption spreads internally.

**Risk Description:** The risk that massively available, generative AI rapidly surpasses organizational ability to understand associated risks and opportunities.

Risk

**Exposure** 

Mass Generative AI

**Availability** 



# **4Q23 Top Risks**



### **Escalating Political Polarization**

Impact Score: 2.67 / Time Frame: 1.71 / Frequency Selected: 69%

### **Root Causes**

### **Reinforcing Social Media Algorithms**

Algorithms designed to ensure engagement and retention deliver tailored content to individual users, leading to information silos and reinforcing divisive political outlooks.

### **Pervasive Economic Pessimism**

Although the global economy is growing, commodity and housing prices remain high. Heightened economic concerns push extreme ideological realignments.

### **Politicization of Civic Institutions**

As formerly neutral civic institutions (e.g., education system) are under increasing political scrutiny, public trust wavers and individuals seek nonmainstream information sources that align with preexisting beliefs.

### **Potential Consequences**

### Proliferation of Misinformation Entangles Organizations

Amplified by a polarized political environment, social media platforms provide channels for users to disseminate false information, embroiling organizations unwillingly in political debates and causing reputational challenges.

### **Strategic Planning Volatility**

Volatile and unpredictable elections shake investor confidence due to policy shifts and uncertain outcomes. Organizations may face delays in expansion and customer confidence may fluctuate, impacting demand and sales.

### Global Impacts of US Government Shutdown

A potential US government shutdown due to political polarization creates global economic uncertainty, impacting supply chains/services, and upending business growth potential.

**Risk Description:** The risk that political polarizations will increasingly impair basic government functions in major economies, causing geopolitical instability (e.g. Russia-Ukraine conflict), gridlock critical trade lanes (e.g. ports, airports), or cause volatility in equity markets.

Risk

**Exposure** 

**Escalating** 

Political

Polarization



# **4Q23 Top Risks**



### **Cloud Concentration Risk**

Impact Score: 2.95 / Time Frame: 2.12 / Frequency Selected: 64%

### **Root Causes**

### **Increased Oversight**

Increased scrutiny of cloud providers and tech giants from regulatory bodies and the lack of legal harmonization across jurisdictions open multiple legal risks.

### **Limited Choice of Vendors**

A handful of hyperscale cloud providers dominate global and regional markets due to their superior technical capabilities, business reach and partner ecosystems.

### **Advanced Microprocessor Access**

Limited access to the most advanced microchips necessary for GenAl and cloud services (e.g., Nvidia Grace Hopper Superchip) gives large providers market advantage.

### **Potential Consequences**

### **Change in Service Upends Strategy and Operations**

Regulators take an activist stance on reducing concentration in the technology sector, leaving organizations exposed to quick changes in provider relationships that affect operations.

### Wider Incident "Blast Radius"

The more applications (and business processes) depend on a particular cloud provider, the greater the potential breadth of impact of a cloud service issue, which may heighten business continuity concerns.

### **Concentrated Lock-in Effect**

Concentrated dependency on a particular provider locks organizations in vendor-customized Al/cloud ecosystems, giving a third party significant influence over the organization's technology future.

**Risk Description:** The risk associated with dependence on a particular cloud provider for multiple business capabilities, such as a failure that results in a disruption to multiple aspects of the business.

Risk

**Exposure** 

Cloud

Concentration

Risk



## **4Q23** Risk Dashboards



### **Regional Emerging Risks**

### Top 5 Emerging Risks By Risk Score<sup>1</sup>

### Canada

- Market Effects from Higher Borrowing Costs
- 2. Cloud Concentration Risk
- 3. Evolving Socio-Political Expectations
- 4. Stagflation Expectations
- 5. Personal Data Regulatory Fragmentation

### **United Kingdom**

- 1. Mass Generative AI Availability
- 2. Stagflation Expectations
- 3. Escalating Political Polarization
- 4. Evolving Socio-Political Expectations
- 5. China Trade Tensions

### Asia/Pacific (excl. Australia and NZ)

- 1. Mass Generative AI Availability
- 2. Overzealous Cost Cutting
- 3. Escalating Political Polarization
- 4. Personal Data Regulatory Fragmentation
- 5. China Trade Tensions

### **Middle East and Africa**

- 1. Decline in Employee Productivity
- 2. Overzealous Cost Cutting
- 3. Escalating Political Polarization
- 4. Market Effects from Higher Borrowing Costs
- 5. Cloud Concentration Risk

### United States

- 1. Mass Generative AI Availability
- 2. Escalating Political Polarization
- 3. Cloud Concentration Risk
- 4. Market Effects from Higher Borrowing Costs
- 5. Overzealous Cost Cutting

### **Europe (excl. U.K.)**

- 1. Escalating Political Polarization
- 2. Mass Generative AI Availability
- 3. Evolving Socio-Political Expectations
- 4. Cloud Concentration Risk
- 5. China Trade Tensions

### **Australia and New Zealand**

- Evolving Socio-Political Expectations
- 2. Mass Generative Al Availability
- 3. Personal Data Regulatory Fragmentation
- 4. Cloud Concentration Risk
- 5. Decline in Employee Productivity



n = 25 (Canada); 193 (United States); 20 (United Kingdom); 40 (Europe, excl. U.K.); 19 (Asia/Pacific, excl. Australia and New Zealand); 31 (Australia and New Zealand); 13 (Middle East/Africa).

Note: Mexico, Central America/South America is not presented due to n size.

Source: 4Q23 Gartner Emerging Risks Survey

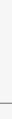
¹Risk Score: Risk Score = Cube Root (Impact x Inverse Time Frame x Frequency Selected as a Top 10 Emerging Risk Rescaled)

### **Emerging Risk Misalignment and Blind Spots**

### Emerging Risks by Level of Attention and Risk Score

♦ Top 5 Risk

Other Risk



Level of Attention (Avg.)



### **Potential Overinvestment**

- Bank-Crisis-Driven Inflation
- Climate Activism
- Credit Crunch Widens
- Debt Pockets Aggregation
- Increased Antitrust Scrutiny



### **Prioritized Risks**

- China Trade Tensions
- Cloud Concentration Risk
- Market Effects from Higher Borrowing Costs
- Personal Data Regulatory Fragmentation
- Stagflation Expectations



### Deprioritized Risks

- Expectations of Faster Career Shifts
- Extreme Heat Consequences
- New Geopolitical Partnerships
- Wage-Price Spiral
- Whipsawing Sustainability Commitments



### **Potential Blind Spots**

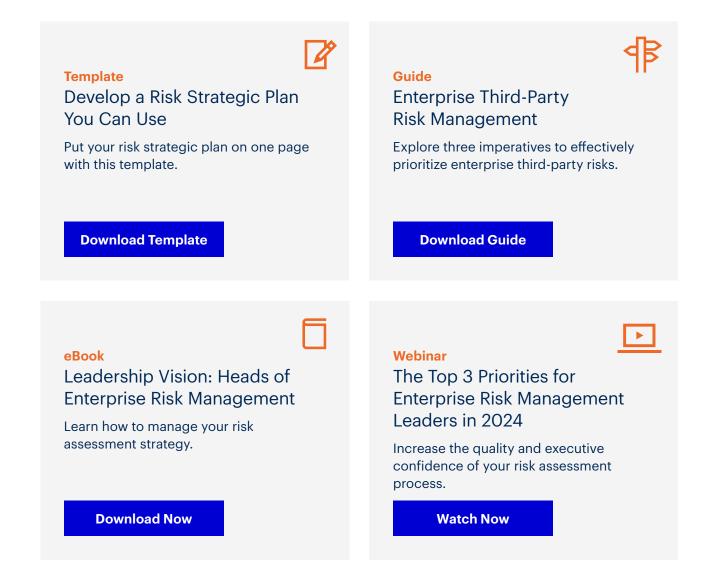
- Decline in Employee Productivity
- Escalating Political Polarization
- Evolving Socio-Political Expectations
- Mass Generative AI Availability
- Overzealous Cost Cutting

Risk Score (Avg.)



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