EXECUTIVE PERSPECTIVES ON TOP RISKS AND OPPORTUNITIES

for the Near - and Long - Term

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Global Business Consulting

Private equity's mandate: create value, govern AI and be ready to respond

Turning operational readiness into a PE advantage

Private equity leaders are entering 2027 with confidence in the asset class's core opportunities, but far less tolerance for strategies that depend on favourable markets. Revenue growth and ecosystem development remain important, yet geographic expansion has lost appeal as tariffs, trade policy and regional conflict complicate underwriting. With exit backlogs elevated, distributions constrained and entry multiples near prior highs, operational performance is no longer one lever among many. It is the investment thesis.

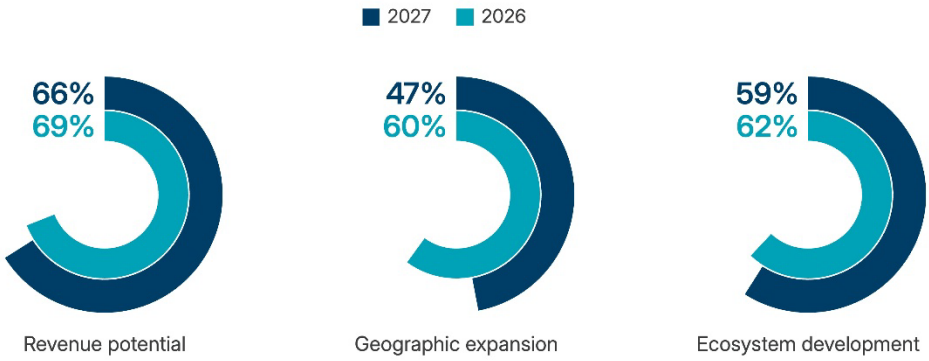
The survey findings point to a more disciplined agenda. Sponsors are prioritising business process improvement, infrastructure modernisation, workforce skills and advanced analytics, while pressing AI investments to demonstrate measurable returns. They also recognise that AI value depends less on the technology itself than on the people, governance and data surrounding it. At the same time, rising concern about third-party risk, privacy and liquidity is not always matched by investment.

For PE firms, the implication is clear: Use portfolio-wide standards where scale creates advantage but execute against the specific value-creation needs of each company. That means underwriting the operating plan, maintaining exit readiness, strengthening real-time insight and treating response capability as a competitive advantage. In uncertain markets, firms prepared to act decisively are positioned to create lasting value.

Where do private equity leaders see the greatest opportunities over the next two to three years?

When we look at the results, optimism has cooled at the edges, but not at the core. Two-thirds of PE respondents (66%) still see revenue potential as a real opportunity, down slightly from 69%, while ecosystem development remains steady at 59%. The biggest year-over-year change is the drop in geographic expansion, from 60% to 47%. That 13-point drop is the clearest signal in the growth data. With tariffs, trade policy and regional conflict all live variables, crossing borders stops being a growth lever and starts being an underwriting problem.

Views about opportunities for growth – Private Equity



66%

see significant opportunities to grow revenues over the next two to three years.

The opportunity isn't going away — it’s relocating from where you buy growth to how you build it. The industry is carrying a record backlog of unsold portfolio companies, distributions to limited partners (LPs) have run well below historical norms for four straight years and entry multiples are back near prior highs. Nobody is underwriting multiple expansions anymore. **The growth needed to earn a target return today is materially higher than it was in the last cycle, and that's an operating problem.** Operating problems are where sponsors create separation, typically in four places:

- **Margin and working capital inside the existing book**, because those assets must be exit-ready whether the window opens in six months or two years
- **Buy-and-build in fragmented sectors** with durable end-market demand, which is where we're seeing sponsors concentrate as they get more selective
- **Carve-outs** from corporates rationalising portfolios

- **Enhancing ecosystems**, which for PE means shared platforms and capability sharing rather than 20 companies solving the same problem alone.

But PE respondents are less enthusiastic about ecosystems (59%) than global respondents (65%). This presents an opportunity. Portfolio-wide leverage is one of the few structural advantages a sponsor has, and it is underused.

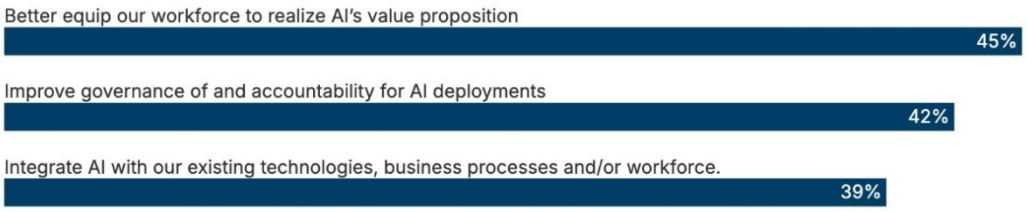
What priorities matter most to maximising the value of AI deployments?

The top three priorities for maximising the value of AI deployments are tightly clustered, and they make sense:

- Equipping the workforce to realise AI's value proposition (45%)
- Improving governance of and accountability for AI deployments (42%)
- Integrating AI with existing technologies, processes and the workforce (39%)

Then there's a 13-point drop to the fourth item — a clear sign of consensus.

Top AI opportunities – Private Equity



Two findings distinguish PE respondents from the broader group: Governance ranks second for PE, ahead of integration, while global respondents rank integration second. In addition, 26% of PE respondents prioritise assessing AI investments for the likelihood of meaningful returns, compared with 15% globally — the largest PE-to-global gap on this question. That is consistent with an audience that underwrites for a living: Sponsors are no longer debating whether AI matters; they are prioritising deployments that can contribute to EBITDA before an asset goes to market.

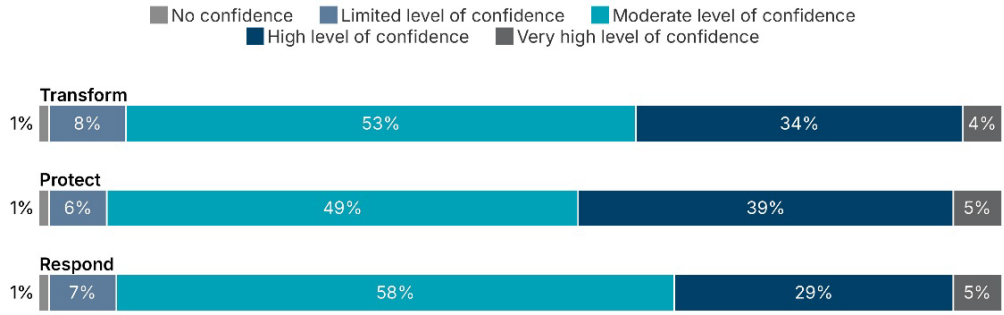
Meanwhile, governance and data security should not be treated as separate priorities. Data security sits at 23%, but organisations cannot govern what they have not secured or secure what they have not governed. Viewed together, the findings point to a significant priority: **For most portfolio companies, the AI value gap lies in people, governance and data — not necessarily the technology itself.**

For sponsors, the answer is to operate at the portfolio level rather than company by company: Establish one governance standard and one data standard across the portfolio, then apply them to the two or three use cases most likely to create value at each company. This approach replaces 20 uncoordinated pilots with a disciplined, portfolio-wide strategy.

What did leaders tell us about transforming, protecting and responding?

PE falls in the middle across all three categories. A majority rate their organisations as moderately confident in their ability to transform (53%), protect (49%) and respond (58%), while 38% for transform, 44% for protect and 34% for respond report high or very high confidence in their organisations' ability to do each. For PE, protect ranks strongest and respond weakest, mirroring the global results.

Views about the ability to transform, protect and respond – Private Equity



38%

have a high level of confidence in the organisation's ability to transform the enterprise.

Some might be tempted to view the concentration in the middle as hedging. We do not. These PE respondents price risk for a living and are unlikely to claim capabilities they have not tested. The group also skews toward private and middle-market companies, which often have less control infrastructure and regulatory scaffolding than large public companies. Leaders are unlikely to express high confidence when they know the underlying layer is thin.

Perhaps the most revealing finding is where that confidence resides. In PE, all three capabilities sit one level below the survey respondent. The sponsor can influence outcomes, but portfolio companies execute the strategy, operate the controls, patch the systems and hire the people. An executive assessing the firm's ability to protect or respond is therefore evaluating 20 management teams at various levels of maturity. Moderate may be the most accurate assessment available.

That distinction matters most for respond, where high or very high confidence falls to 34%. Most industries can absorb a delayed reaction; a fund operates against a clock. Entry timing, refinancing, exit windows and returns all depend on moving quickly as conditions change.

But the counterpoint is equally important: Only 8% report limited or no confidence in their ability to respond, compared with 16% globally. PE has fewer low-confidence outliers — precisely the result active ownership should produce.

What are the most significant near-term concerns and risks?

As we evaluate the PE-specific data set, the major takeaway is that the risks are far more pronounced this year than last. The risks barely changed, but their intensity increased significantly. Of the 30 comparable risks, 29 scored higher than last year, several by half a point on a five-point scale. That's not a reshuffling of concerns; it's a broad escalation.

Top five near-term risks – Private Equity

Risk description	2027	2026
Cyber threats	3.53	3.01
Emergence of new risks from implementing AI	3.41	2.97
Rapid speed of disruptive innovations enabled by emerging technologies and/or other market forces	3.40	2.90
Economic conditions, including inflationary pressures	3.40	2.98
Heightened regulatory change, uncertainty and fragmentation	3.35	2.89

Based on a five-point scale assessing levels of agreement and disagreement.



Not surprisingly, cyber risk leads and remains remarkably resilient at the top, with AI implementation risk close behind. For me, the escalation of third-party risk is the story — it rose to sixth. Last year, it couldn't crack the top 10. Third-party risk and cyber risk go hand in hand. The more your operating model sits outside your four walls, the less control you have over the things most likely to hurt you. Add AI vendors to that chain, and the exposure compounds.

The most PE-specific finding is access to capital and liquidity. It's the largest year-over-year riser in the PE data set and sits more than a quarter-point above the global average — the widest PE-to-global gap of any risk. That's the exit backlog and the DPI conversation showing up in the risk data. **The liquidity squeeze has been with us long enough to stop being a cycle and start being a condition, and this is the year executives started treating it that way.** Meanwhile, new market entrants and interest rates are the other two areas where PE runs hot.

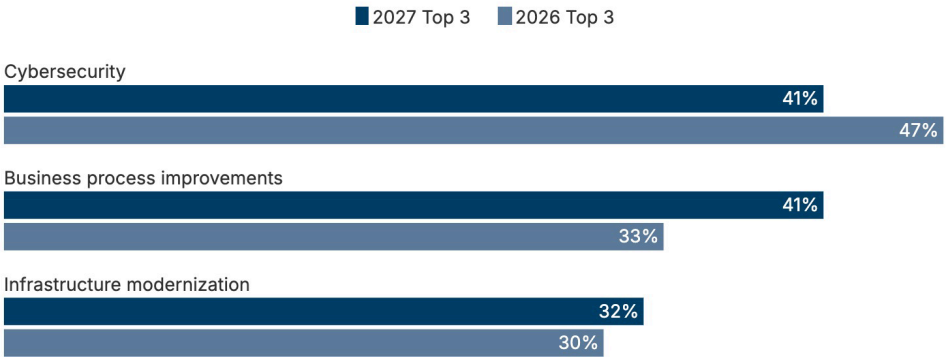
Given these risks, where do PE organisations plan to invest most?

Cybersecurity and business process improvement are tied as the top investment priorities for PE at 41%. The direction of movement for each is more revealing: Cybersecurity is down 6 percentage points year over year, while business process improvement is up 8 points. **PE leaders are increasingly focused on measurable outcomes, and ROI is driving investment decisions.**

41%

rank cybersecurity and business process improvements as top strategic investment priorities.

Top strategic investment priorities – Private Equity



The next priorities are infrastructure modernisation, human capital and workforce skilling, data privacy, advanced data analytics and regulatory

compliance infrastructure. Of this next group, advanced data analytics is the other major mover, up 10 points. This finding directly addresses the weakness discussed earlier. Organisations cannot react effectively to a market they cannot see, and better data provides that visibility.

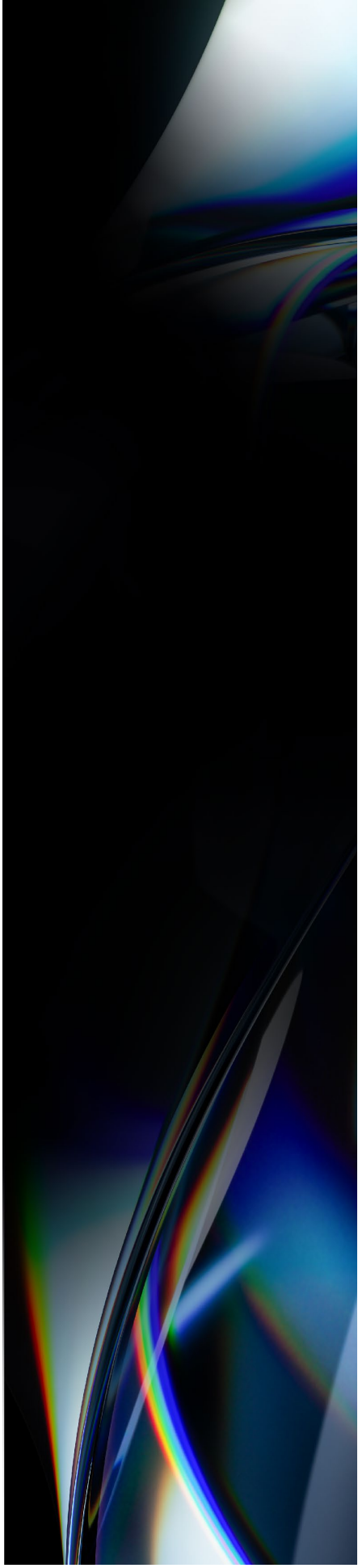
Meanwhile, third-party risk rose to the sixth-ranked near-term concern, yet it fell to 10% as an investment priority, down from 15%. Exposure is rising as investment declines. In many organisations, the likely cause is unclear ownership: Third-party risk spans procurement, IT and legal, so it can lose budget decisions to priorities with a clearly accountable leader. Meanwhile, greater use of managed services and embedded AI vendors places more data and operations outside the organisation. The gap may be unintentional, but the risk continues to grow.

Data privacy reflects the same disconnect: Concern is rising even as investment declines. Organisations may be normalising the exposure rather than addressing it. A more favourable explanation is that core compliance infrastructure is already in place, with remaining investments folded into cybersecurity and AI governance budgets.

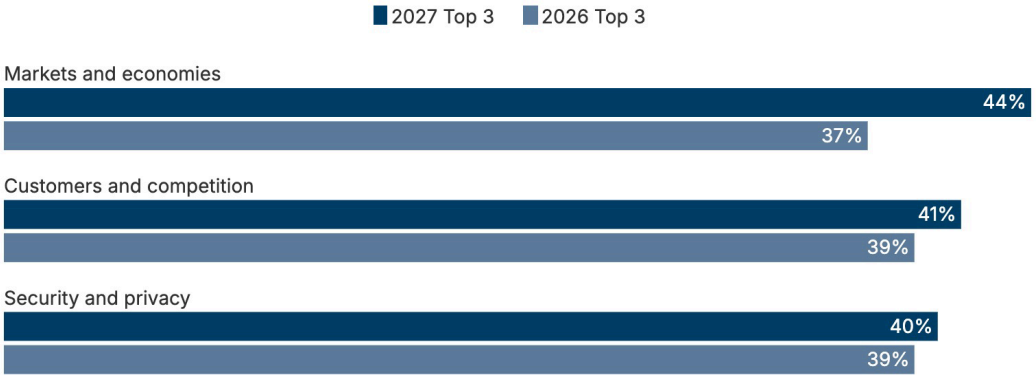
How do PE executives view the 10-year risk outlook?

Looking further out, markets and economies lead the way for PE, while the theme ranks third globally. Customers and competition follow, then security and privacy, AI deployments and talent to round out the top five.

A few things to consider: AI is the only top-five risk that declined year over year. This should not be misconstrued as diminishing importance. The expectation is that organisations improve each year, so the risk shifts from existential to operational. Sustainability fell the most, from 35% to 21%. Organisational resilience and culture sit at 26% for PE, compared with 31% globally. This should be a concern considering how much an organisation's ability to respond depends on these two factors.



Top long-term risks – Private Equity



Here's a significant data point: Quantum computing more than tripled, from 4% to 13%. In some respects, it's surprising that this number isn't even higher for a 10-year view. This is not unlike the Y2K conundrum — everyone knows the date is coming, but nobody moves until it's close enough to be somebody's problem *this* year. It's coming faster each day, and it's likely that quantum will be in the 20% or even 30% range in next year's survey.

Operational readiness underlies near-term and long-term opportunities. PE firms that combine portfolio-wide discipline with company-specific execution will be best positioned to respond decisively, accelerate value creation and capitalise when exit opportunities emerge.

Calls to action: What should PE leaders do now?

- **Underwrite the operating plan, not the exit window.** At today's entry multiples and with holds stretching well past five years, operational value creation is the deal thesis. Build it in diligence, own it from day one and refresh it annually against actual performance rather than the original model.
- **Treat exit readiness as a standing program.** With a large share of the buyout-backed universe held for four years or more, the assets that clear are the ones already clean: reliable data, defensible numbers and professionalised governance. That work takes 18 months and can't start when the window opens.
- **Govern AI at the fund level and deploy it at the company level.** Use one standard for governance, accountability and data security across the portfolio, with use cases chosen company by company based on measurable value. Fund the workforce component because talent is the constraint, not the technology.
- **Close the third-party and privacy gaps deliberately.** Either fund them or state clearly where they're covered inside other investments. Rising concern with falling investment is a position worth defending on purpose, not by accident.
- **Invest in the ability to respond.** It's the weakest of the three confidence measures and the one most likely to decide outcomes. In practice, that means real-time portfolio data, rolling forecasts, scenario planning with defined trigger points and analytics that reach portfolio companies rather than stopping at the fund.
- **Put liquidity planning on the same footing as deployment.** Access to capital is where PE diverges most sharply from others. In our client conversations, continuation vehicles, secondaries, NAV facilities and partial realisations have moved from work-around to standard tool kit, and LPs are judging funds on DPI.

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:

- Ability to transform and protect the enterprise and respond to market opportunities and risks;
- Opportunities for growth considering the current environment;
- Priorities perceived as most critical to maximising the value of AI deployments;
- The top risks on the horison 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 organisations' near-term strategic investment priorities, given the opportunities and the risks they face; and
- The long-term horison 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.

About the author



Rob Gould is a managing director and leader of Protiviti's Global Private Equity and Transaction Services practice, based in New York. For more than 25 years, he's worked with private equity sponsors and their portfolio companies across the investment life cycle, from diligence and value creation through IPO readiness and exit, bringing finance, technology, risk and transaction capabilities together around the priorities of each investment. He brings depth in M&A transactions, public company readiness, financial restatements and reporting infrastructure.

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