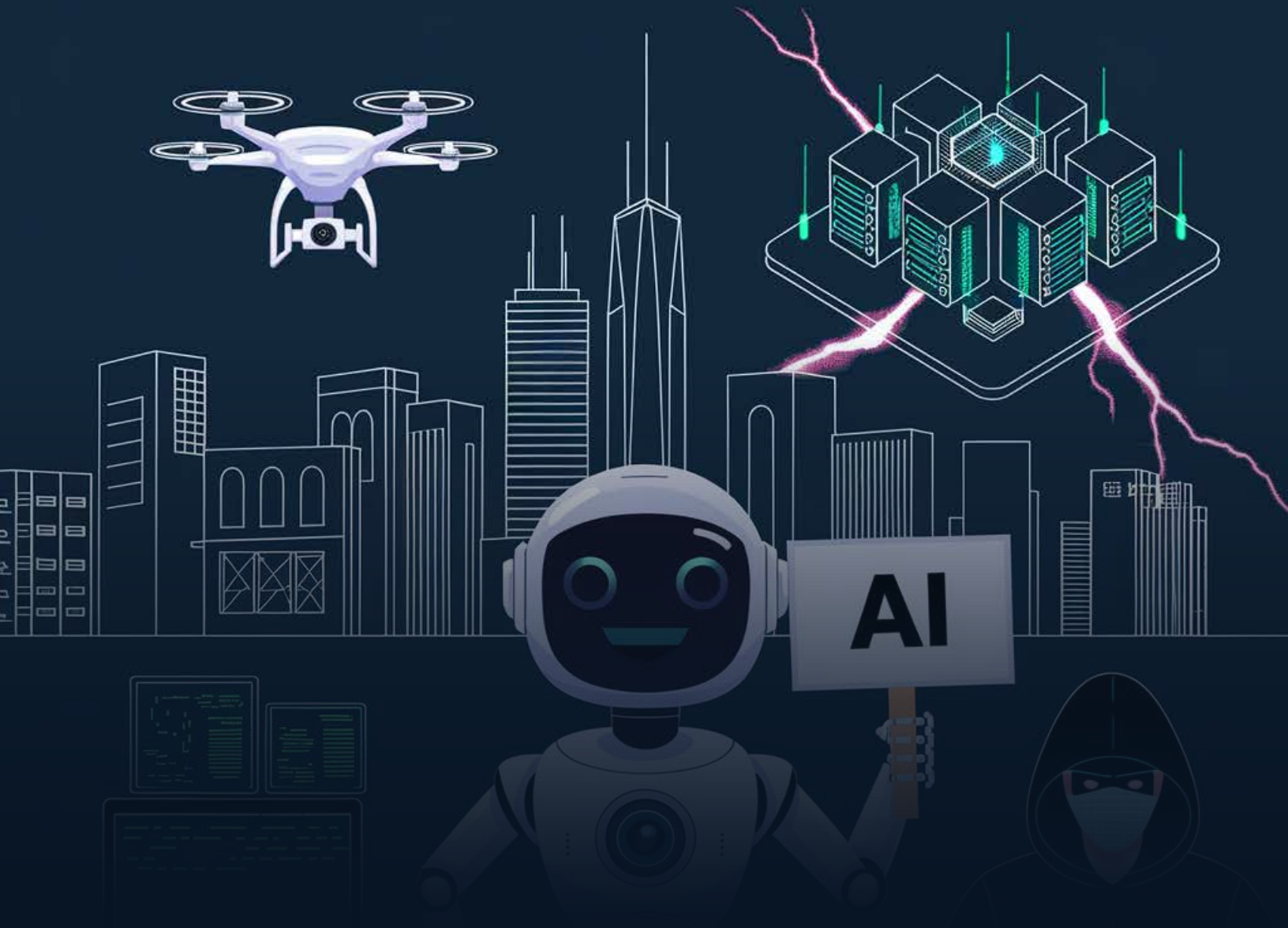# Five Emerging Risks in IT You May Not Be Thinking About

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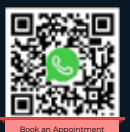
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WHITEPAPER

Five Emerging Risks in IT You May Not Be thinking About

As we kick-start 2025, the IT landscape is rapidly evolving, bringing a new wave of challenges and opportunities. Here are five critical risks that the IT community isn't discussing enough, but should, as we prepare for the future:

01   Overvalued Markets and Economic Volatility: Plan That Exit Early

Over the past few years, financial markets have experienced extraordinary growth, and the risks today are more to the downside especially since much of the good news has been priced in. Since 2020, the S&P 500 has rallied by 80%, with a 20% increase just in the last year. Similarly, the NASDAQ has surged by 113% over the same period, including a 25% rally in the past year. While this growth is impressive, it raises concerns especially since much of the optimism has already been priced into the markets – it appears we have avoided a recession, the Fed has started its rate reduction cycle, inflation has slowed down, the power of AI has been acknowledged, and we have an administration in Congress and in the White House that has historically been friendly to businesses.

Volatile markets can have a cascading effect on private markets and M&A activity and slow down activity. Historically, market volatility leads to delayed IPOs and other capital-raising activities, creating bottlenecks in the capital flow. This reduces liquidity for investments and slows deal-making. Additionally, valuation gaps between buyers and sellers often widen during these times, prolonging negotiations and due diligence processes. For IT businesses planning a major exit or transaction in 2025, the recommendation is clear: start early and plan proactively to mitigate these risks.

02   We May Not Get Cybersecurity Regulation Right: Don't Wait. Do The Obvious Things

The rapid evolution of cybersecurity threats has created an urgent need for effective regulation, but the path forward is fraught with challenges. Unlike the financial industry, which developed cohesive regulations after the 2008 financial crisis, the cybersecurity landscape remains fragmented. This lack of consistency has resulted in a confusing patchwork of frameworks and guidelines, which can lead to inaction.

For regulation to be effective, governments must adopt a comprehensive, flexible, and swift approach. They need to coordinate across agencies and jurisdictions to create unified guidelines that account for the dynamic nature of cyber threats. This requires expertise and foresight to design frameworks that not only address current risks but also remain adaptable to future challenges. Governments must also engage stakeholders—including businesses, technologists, and regulators—to ensure the policies are practical and enforceable.

The risk lies in getting these regulations wrong. If governments act without sufficient input from experts or rely on the advice of individuals with vested interests, the resulting regulations could be insufficient, overly rigid, or counterproductive. This could stifle innovation and leave critical vulnerabilities unaddressed.

In the absence of clear regulation, IT leaders must proactively implement best practices: cybersecurity training for employees and clients, secure data storage, robust backup protocols, disaster recovery plans, multi-factor authentication and comprehensive plans to patch up legacy systems like Windows XP. These steps not only bolster resilience but also position organizations to comply with future regulatory standards.

03 Post-Election Stress and Communication Fatigue:
Use Empathy and Face-to-Face Communication. Build Trust Before Selling

The intense political climate of 2024 has left many emotionally drained and has created latent stress. As humans we are often at our most vulnerable after an intense physical or mental experience like studying for an exam, completing a critical but stressful project or rising out an American election cycle!

This latent stress can manifest in subtle yet significant ways, impacting workplace communication, collaboration, and decision-making processes. Individuals may be more sensitive, prone to misinterpretation, or simply less engaged due to lingering exhaustion from a contentious election cycle.

For IT leaders, addressing this requires intentional strategies to foster a supportive and empathetic workplace. Prioritize face-to-face meetings over impersonal emails whenever possible, as these interactions are more likely to foster understanding and collaboration. When emails are necessary, take extra care in crafting messages to ensure clarity and minimize the potential for misinterpretation. Be empathetic, listen carefully and build trust with people before selling to them.

Additionally, consider hosting team-building activities or wellness initiatives to help employees decompress and rebuild morale. These efforts can create an environment where employees feel valued and supported, which, in turn, improves productivity and reduces stress-related conflicts. Finally, be mindful of setting realistic expectations and workloads during this period, as pushing teams too hard can exacerbate the effects of stress and fatigue.

04 AI Advancements Can Be Here Much Sooner Than You Think – Learn, Train, And Be An Advisor To Your Clients

AI technologies are advancing faster than anticipated, with projects like Google's Gemini—specifically Project Astra and Project Mariner—already in beta. These tools have the potential to automate tasks traditionally handled by humans, presenting both opportunities and risks.

The current state of AI can be likened to an iceberg, where the visible advancements represent only about 10% of its true capabilities. Beneath the surface, vast and powerful tools are being developed that the public and many organizations have yet to witness or understand. This underscores the urgency for IT professionals to prioritize AI education and training to stay abreast of AI trends. Find your favorite podcasts to cover AI, read a lot, and attend conferences. Actively sift out good content from marketing noise.

Providing clients with informed insights and actionable strategies to adapt to this rapidly changing landscape is critical. Those who remain proactive will not only mitigate risks but also position themselves as leaders in the field. As Sydney Hockett from Evergreen says, "The ones that do [well] are an irreplaceable advisor to their customers. So, they're not just answering the phone when somebody's laptop is broken. They're also helping define how technology is going to change how their customer works."

05 Modeling the Irrational is AI's Final Frontier – Watch that Social Media Post

As AI begins to explore irrational and emotional human behaviors, it challenges the assumption that creativity and emotion are uniquely human traits. While this opens up new possibilities, it also introduces ethical and existential risks. IT leaders must remain vigilant about the data shared on digital platforms, recognizing its potential to train AI in unpredictable ways.

Social Media platforms are often filled with irrational posts that often do not align with reality, posted by individuals in highly emotional states. The risk here is that such posts may already be studied to model irrational behavior, allowing AI to predict or replicate human emotional and irrational patterns. This creates a frontier where AI could potentially manipulate or simulate irrational decisions, posing a significant ethical challenge. Leaders must critically assess how their data contributes to these advancements and ensure ethical boundaries are maintained in AI development.

Moving Forward

These risks highlight the complexity of challenges facing the IT sector in 2025. By addressing them proactively, we can not only safeguard our organizations but also unlock opportunities for innovation and growth. Let's steer the conversation toward solutions and ensure we're prepared for what lies ahead.

MADHUR DUGGAR

Senior Advisor - M&A Advisory Excendio Advisors

Madhur Duggar brings over 20 years of experience in middle market related M&A, direct lending, financial valuation and networks with job experiences at Lehman Brothers, Citigroup, Barclays, New York Life, KPMG and KBRA.

Middle market businesses are personal and can often be someone's passion and life's work. As such, Madhur focuses not just on the specifics of the transaction, but also on how it fits into the life goals of the owner and the importance of career transition for them.

Madhur guides founders through a proven consultative process designed to attract the highest valuations by finding the right partners who can best leverage their unique strengths—including employees, clients, and IT. His communication style is personal, proactive, transparent and respectful as he believes that every successful M&A advisor must start as a student at the beginning of every transaction.

With his support, founders can confidently exit knowing they've maximized their business's value, gaining the clarity, confidence, and peace of mind they deserve.

Madhur has a PhD in Financial Economics from UC Berkeley, Haas School of Business. He lives with his wife and son in New Jersey.

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