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Navigating the readiness paradox

The Kyndryl Readiness Report 2024



A letter from our Chairman and CEO

In the inaugural Kyndryl Readiness Report, we combined some of the exclusive insights we have from Kyndryl Bridge, our AI-powered digital business platform, with survey data from 3,200 business executives. We embarked on this new report because we wanted to learn how ready executives believe their IT infrastructure is to address their biggest challenges and opportunities—today and in the future—and how they see technology helping or hindering their progress.

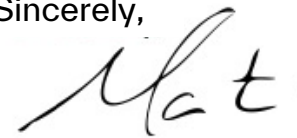
As the findings illustrate, there's an emerging paradox among business leaders on their technology readiness. We found that 90 percent of leaders reported having confidence in their IT infrastructure and believe that it is best-in-class, and yet only 39 percent said that their IT infrastructure is ready to manage risks. Another finding showed that 94 percent of leaders listed technology modernization as a high priority for their companies, yet data from Kyndryl Bridge indicates that 44 percent of critical IT infrastructure is approaching end-of-life. And that's only a sample.

We also concluded that most companies need to focus just as much on being 'people-ready' as being 'technology-ready'—bringing their employees along with skills-based training and making sure that new tools and systems are compatible with their company's culture and business goals.

A complicated web of technical systems powers our global economy, enabling the transfer of trillions of dollars in financial transactions, the processing of online retail orders and insurance claims, and the distribution of social benefits to their recipients. Businesses and governments need trusted experts who know how to design, implement and run these technologies, and allow data to move freely and securely. As the world's largest IT managed services provider, Kyndryl does this every day. And based on the operational data we amass from running these IT estates for our customers, we have unique insights on the fitness of the systems that billions of people rely on.

I'm proud to share the thought-provoking insights in this Kyndryl Readiness Report and look forward to collaborating with our customers, industry leaders and policy makers on creative solutions to meet today's needs while preparing for future possibilities.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Schroeter'.

Martin Schroeter

Chairman and Chief Executive Officer

Introduction

The uncertainty driven by volatile macroeconomics and geopolitics, combined with the acceleration of new technologies, create challenging conditions for global leaders. Most of them are on a transformation tightrope, balancing the need to innovate and future-proof their companies while driving efficiencies and delivering on their core promises.

Both business and IT leaders recognize the vital role their IT estate plays in optimizing that balancing act. This is why Kyndryl surveyed executives across 18 markets to explore their perspective on what is enabling or hindering progress. The findings of that research, combined with data and insight provided by Kyndryl experts, highlight the complexity attached to building readiness for organizations and the demand set on business leaders to dynamically factor multiple imperatives and trade-offs.

The findings show that while there is a certain degree of confidence from leaders about their ability to deliver against challenges, they also report blind spots and vulnerabilities that cannot be ignored. Business and IT leaders that recognize this paradox and reconcile it in their decision making will be in better position to for both short- and long-term success.





An Emerging Paradox

The Kyndryl Readiness Report sheds light on a **tech readiness paradox** among business and IT leaders — who express confidence in their current technology posture while expressing concern about its readiness to address future challenges.

WHILE

90%

of leaders are confident their IT infrastructure is best-in-class

ONLY

39%

of those leaders say their IT infrastructure is ready to manage future risks

Methodology

The Kyndryl Readiness Report combines survey data from 3,200 senior leaders and decision-makers with insights from Kyndryl Bridge, the company's AI-powered, open integration digital business platform.

About Kyndryl Bridge

Kyndryl Bridge uses operational data, IP and embedded AI to provide observability across an enterprise's entire IT estate. To date, more than 1,200 enterprises have been onboarded onto the platform, which delivers 5.6 million AI-driven insights monthly. Kyndryl Bridge data in this report is a rolling three-month average from July to September 2024.

Kyndryl Bridge shows the status of IT estates across these dimensions

- **Best practices:** A score that shows alignment to both security and compliance requirements as well as industry best practices
- **Responsive:** A count of incidents automatically resolved (vs. requiring human intervention)
- **Competitive:** The amount of an IT estate that has aged past its expected life

3,200

Leaders and senior decision-makers

C-Suite business leaders (CEOs, CFOs), C-Suite tech leaders (CIOs, CTOs) and Senior Directors and Business Unit Leaders. Within this sample, 50% of respondents were C-Suite level executives and 50% of respondents represented companies with \$1 billion in revenue.

18

Markets

US	Brazil	Spain	Germany	Netherlands	Australia
Japan	Mexico	France	Italy	Luxembourg	China
Canada	UK	Germany	Belgium	Middle East	India

25

Industries, with a focus on a core 6

Banking and Financial	Insurance	Other: e.g., Technology, Retail Professional services, Automotive, Government
Manufacturing	Healthcare	
Telecommunications	Energy and Utilities	

The survey was conducted by Edelman DXI, on behalf of Kyndryl. Fieldwork was conducted via online survey and telephone interview between July 1, 2024 – August 12, 2024.

Six learnings

01

Leaders don't feel risk ready, struggling with diverse disruptions and the pace of change

02

The tech readiness paradox: Leaders are confident in their tech, yet concerned about its readiness – **and end-of-life tech is a looming challenge**

03

IT is the best line of defense to mitigate risk, yet most are in **earlier stages of their tech modernization journey**

04

Keeping tech modernized is **hindered by complexity and prioritization paralysis**

05

Despite **significant AI investments** to drive modernization, leaders **struggle to see positive ROI**

06

Leaders in tech modernization report better business-tech alignment, higher ROI and **greater readiness for the future**

Being tech ready is being people ready: Readiness is a continual process that involves every part of an organization—and relies on people just as much as it does on technology.

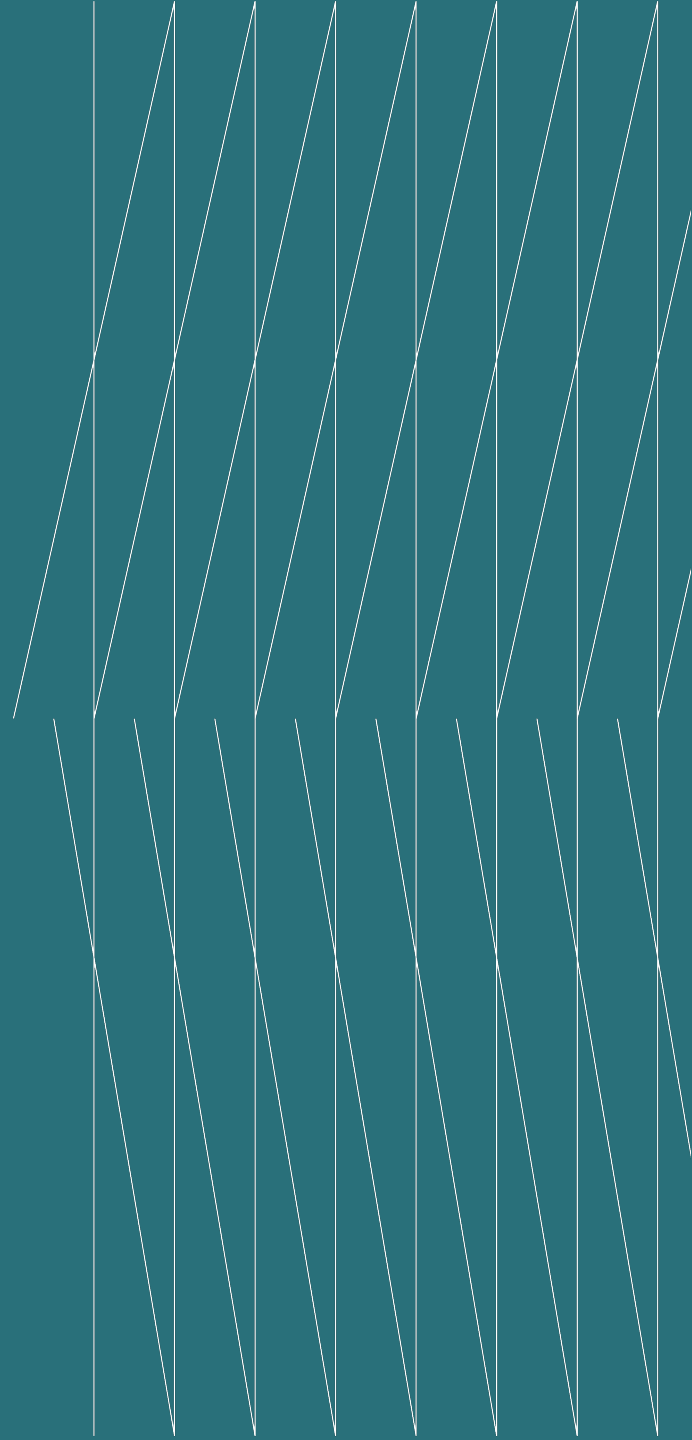
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Detailed Findings



01

Risk Readiness



01.

Leaders don't feel risk ready, struggling with diverse disruptions and the pace of change

Multiple risks keep CEOs, CIOs and CTOs up at night, such as cyber attacks, evolving regulations, climate disruptions, economic uncertainty and keeping up with technological advances.

Cyber-attacks are a top concern for both CEOs and CIOs/CTOs. However, CEOs are more concerned about external headwinds (e.g., economy, climate, geopolitics) than CIOs/CTOs.

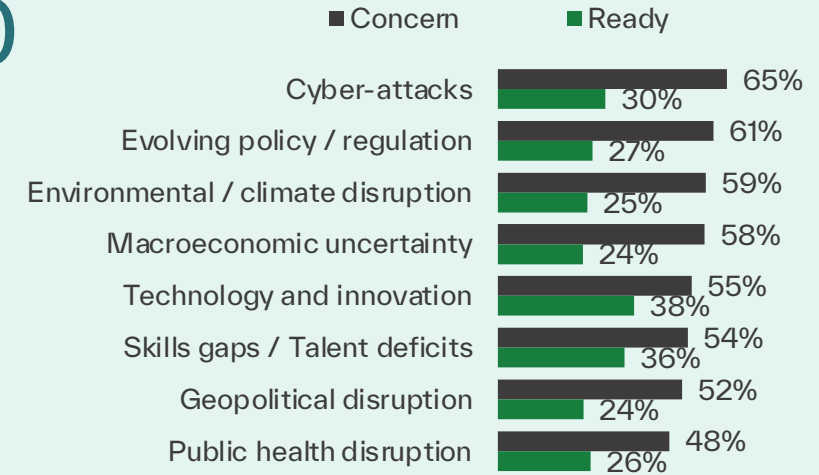
“Readiness” is a moving goalpost as leaders struggle to keep up with the speed of technological innovation. The pace of new regulations also presents a challenge for most, especially in Luxembourg, France, the Netherlands, India and Australia.

ONLY
29%

of business leaders
feel ready across
external risks

RISK READINESS

Concern vs. Readiness for future risks



3 in 5

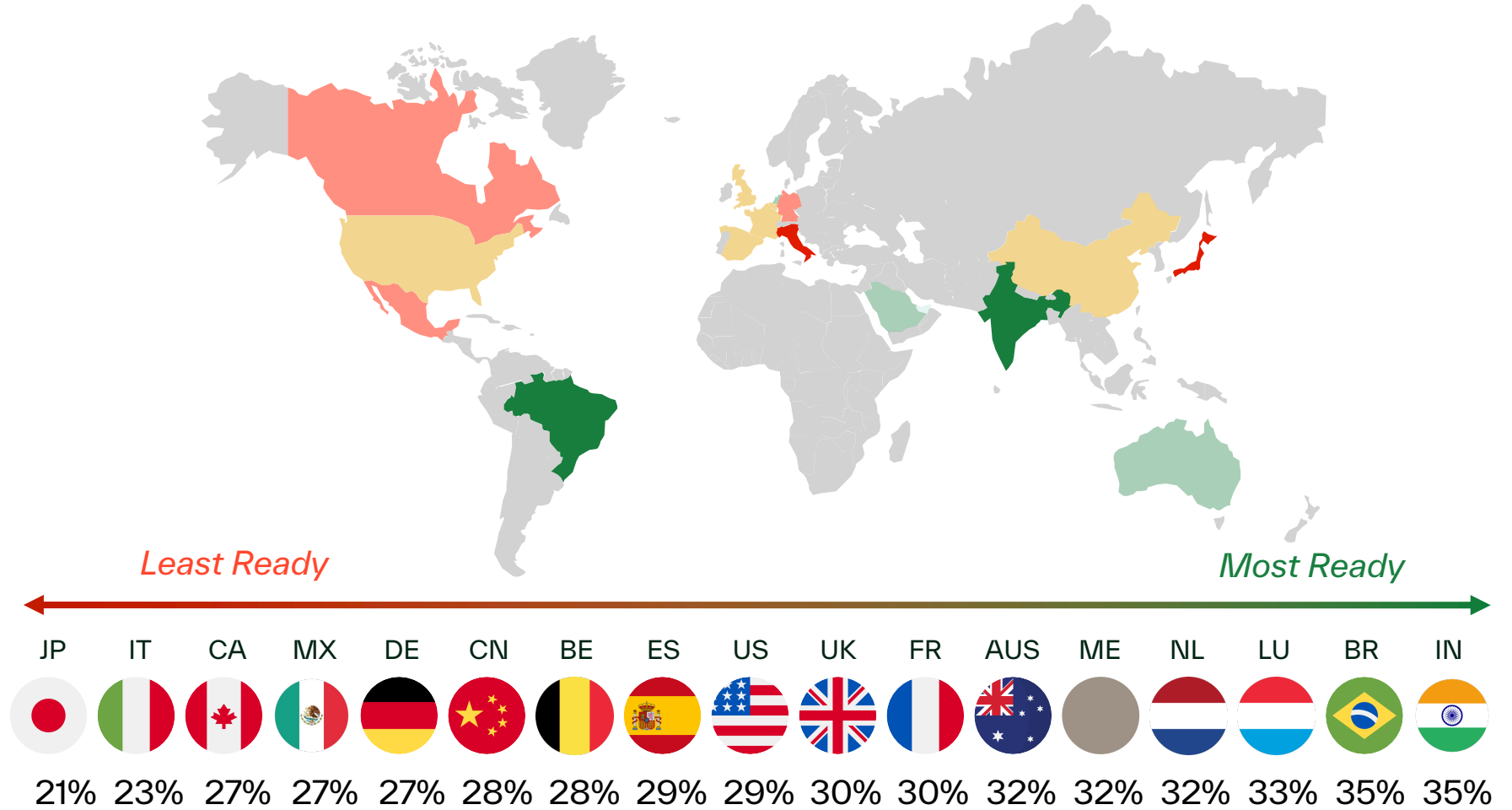
business leaders
struggle to keep up
with the speed of
technological
advancements

1 in 2

say **policy and**
regulatory changes are
moving too fast
in their country

Leaders in Japan and Italy feel most at risk, while readiness is higher in Brazil and India

Risk readiness
% Average readiness across risks



Q13: How ready would you say your organization currently is to manage the following external business risks?
Base: Total (n=3200); US, Japan (n=300), All other markets (n=200); All Industries base sizes from (n=200) to (n=642)

01.

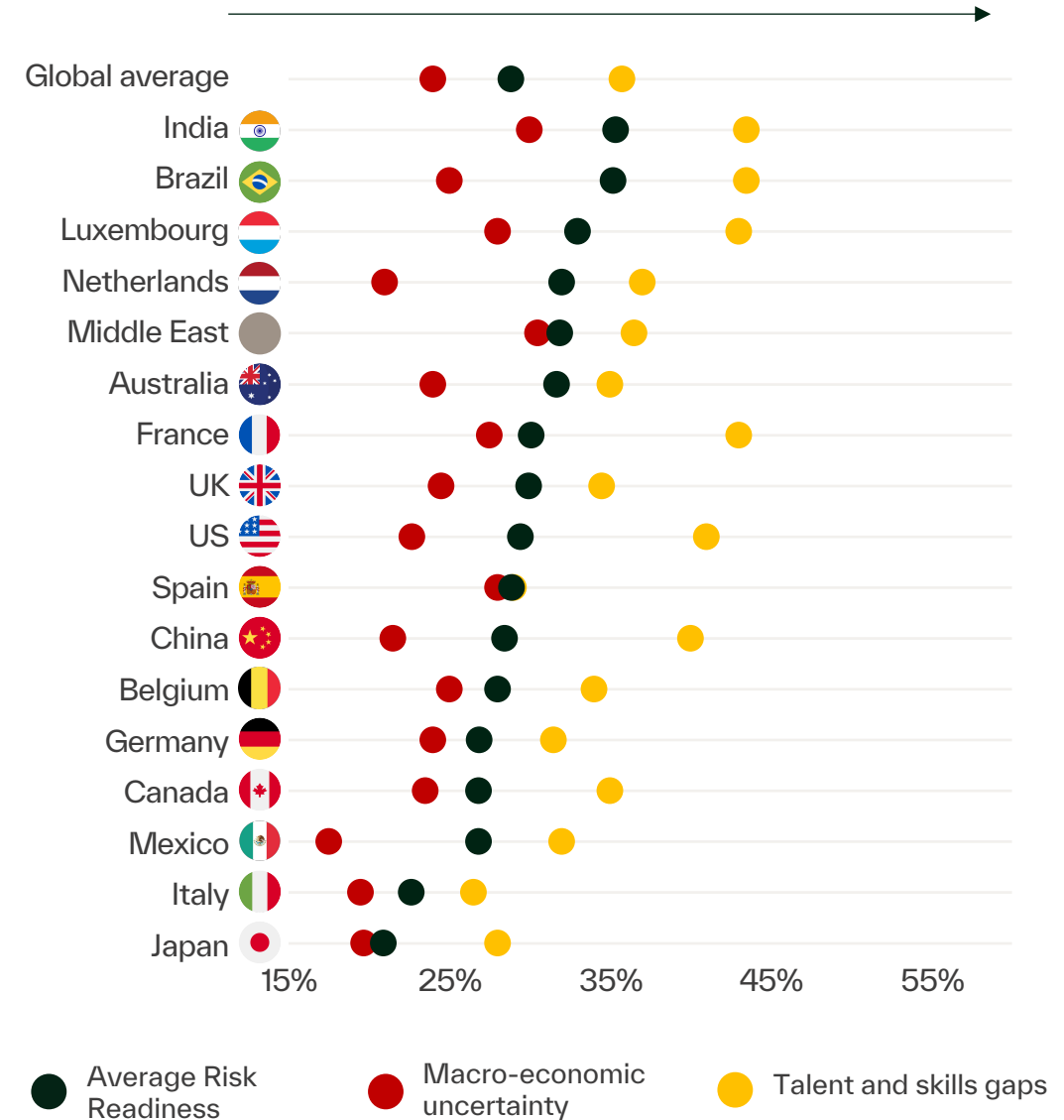
Across markets, readiness to navigate talent gaps is higher than external factors such as the economy

Overall risk readiness is highest in emerging markets, with India and Brazil leading.

Across markets, talent is an area leaders feel more ready in comparison to uncontrollable risks such as economic uncertainty.

Large populous markets like India, Brazil, US and China feel most ready to navigate talent and skill gaps. France also has high talent readiness. Low talent readiness in Japan and Italy suggests leaders are concerned about the local talent pool.

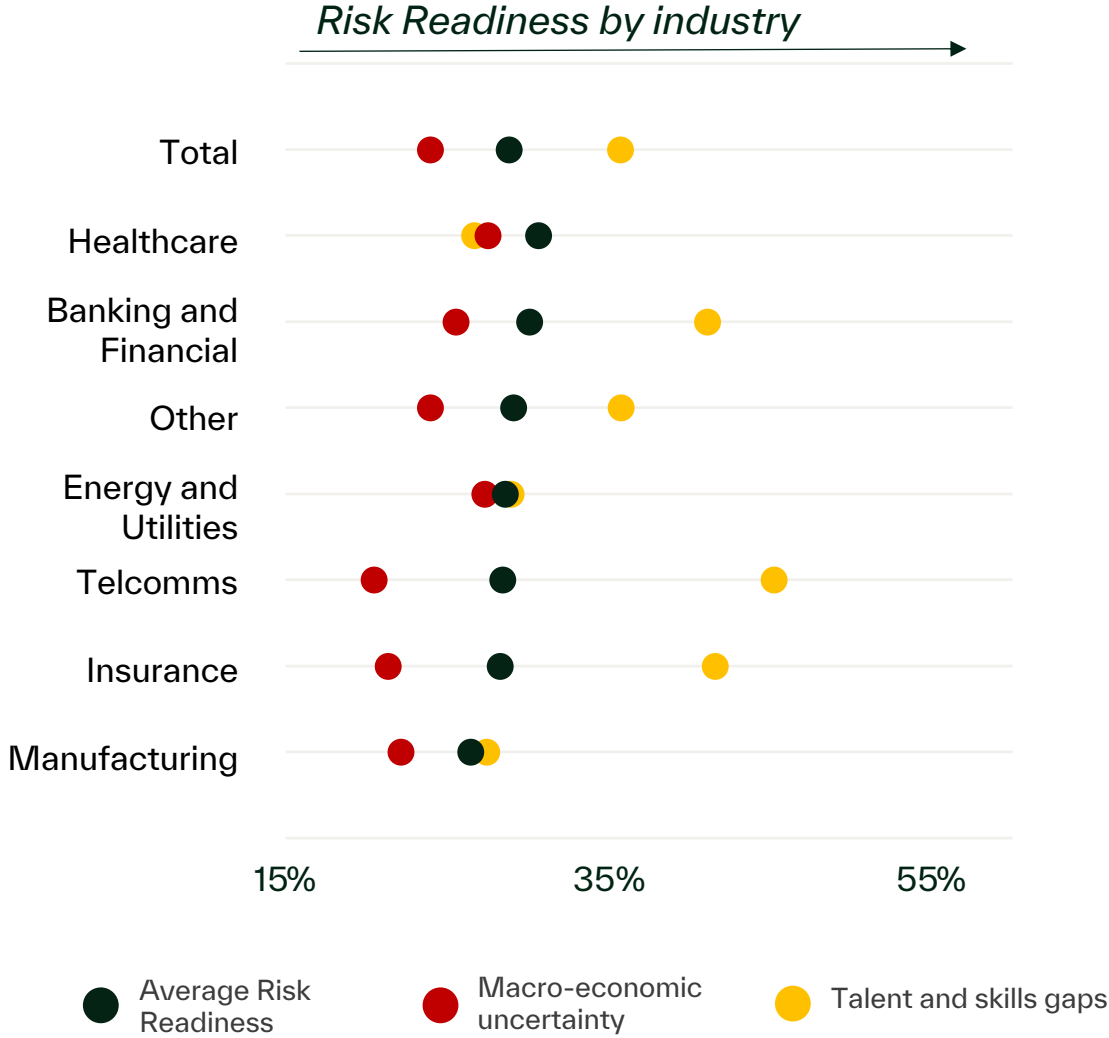
Risk readiness by market



Energy and Utilities, Healthcare and Manufacturing report low readiness for skill gaps

Overall, Healthcare (31%) and Banking and Financial (30%) leaders feel more ready to navigate risks, while Manufacturing (26%) leaders feel the least ready.

Energy and Utilities, Healthcare and Manufacturing report the lowest readiness for talent gaps. Telecomms, Insurance and Banking and Financial feel at risk of external macroeconomic uncertainty, yet more ready to navigate talent gaps.



Businesses face multiple risks, but are not ready to navigate them

There is a readiness gap across most external risks:

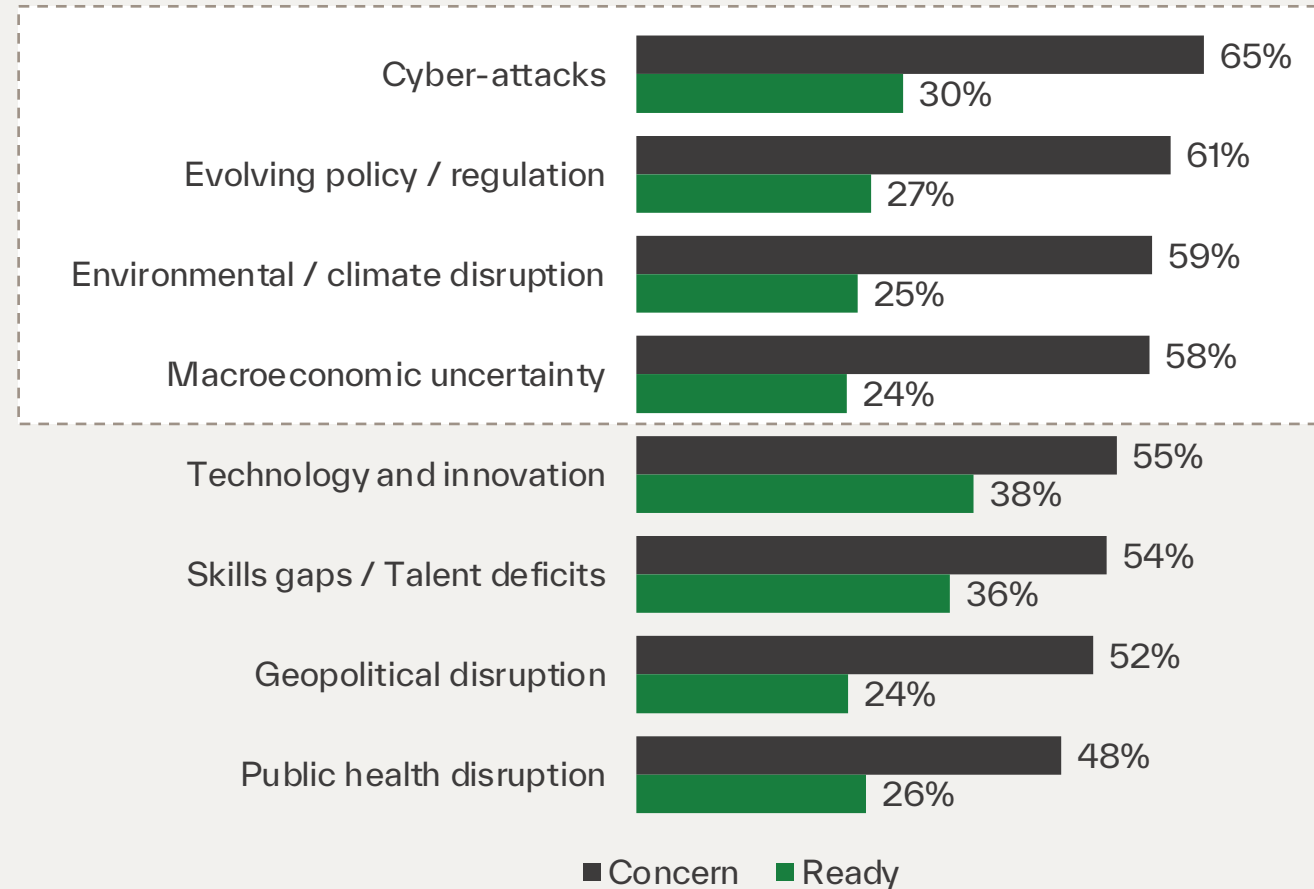
65% are concerned about cyber-attacks, yet only 30% are ready

59% are concerned about climate disruption, yet only 25% are ready

52% are concerned about geopolitical disruption, yet only 24% are ready

Concern vs. Readiness gap

% Concerned vs. % Completely Ready across risks



Q12: When thinking holistically about the external risks your organization faces, how concerned are you about each of the following?
Q13: How ready would you say your organization currently is to manage the following external business risks? Base: Total (n=3200)

CEOs are more concerned about external disruptions than CIOs and CTOs

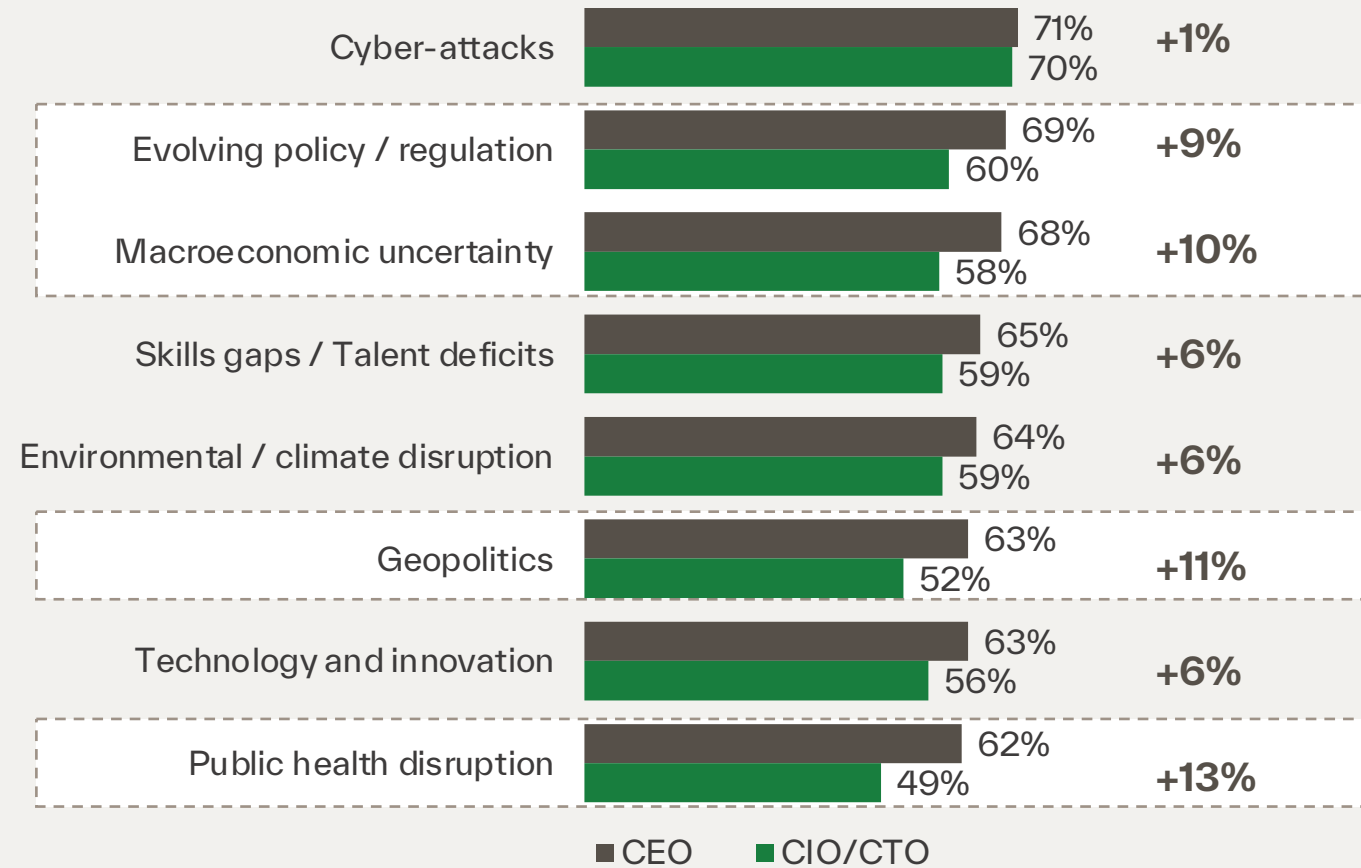
+9% pts

On average, CEOs are +9 percentage points more concerned than other leaders across all risks

Risk Concerns by Role

% Concerned

Gap between CEO and CIO/CTO concern



Q12: When thinking holistically about the external risks your organization faces, how concerned are you about each of the following? Q13: How ready would you say your organization currently is to manage the following external business risks? Base: Total (n=3200), CEOs (n=291), CIO/CTOs (n=617)

Business leaders struggle with the pace of innovation

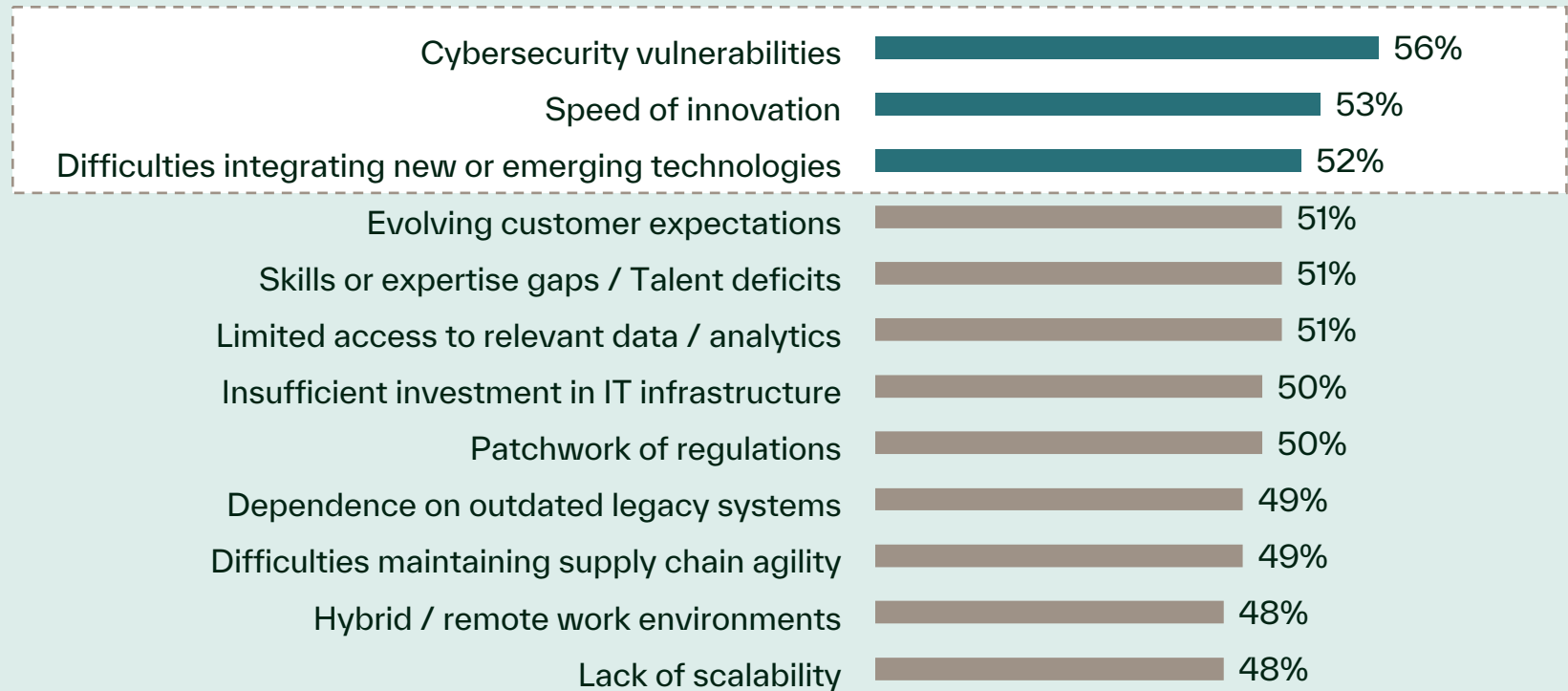
3 in 5

(% Agree)

businesses struggle to keep up with the **pace of technological advancements** (62%)

Top challenges when navigating business risks

Very significant challenge %



Q19: How much do you agree or disagree with the following statements about your organization's IT skills and talent? Statement: "Our organization struggles to keep up with the pace of technological advancements". Q15: When thinking holistically about your organization, how much of a challenge are the following when navigating business risks and disruptive forces? Base: Total (n=3200)

The speed of policy and regulatory changes is another significant challenge

Challenges to tech modernization

Total significant challenge %

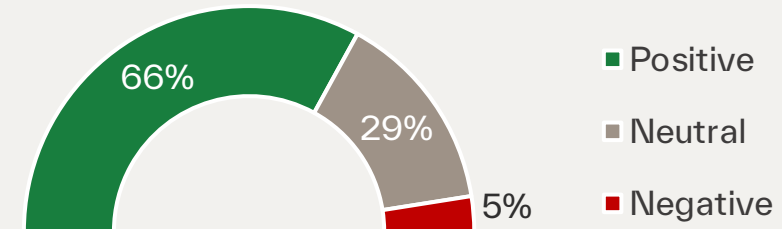
55%

report navigating the frequency and speed of policy / regulatory changes is a significant challenge

Q29: Thinking about your technology modernization efforts, how much of a challenge are the following for your organization today? *Navigating the frequency and speed of policy / regulatory changes* Base: Total (n=3200)

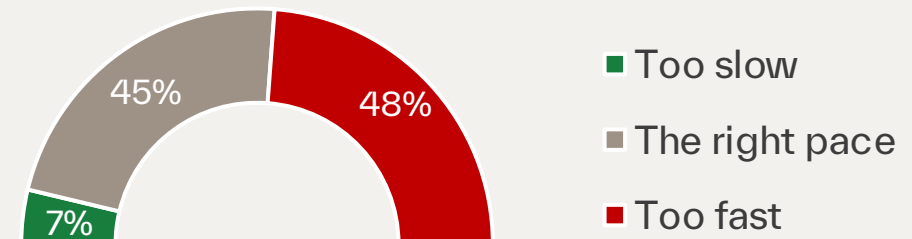
Impact of regulation in my country

Total %



Pace of regulation in my country

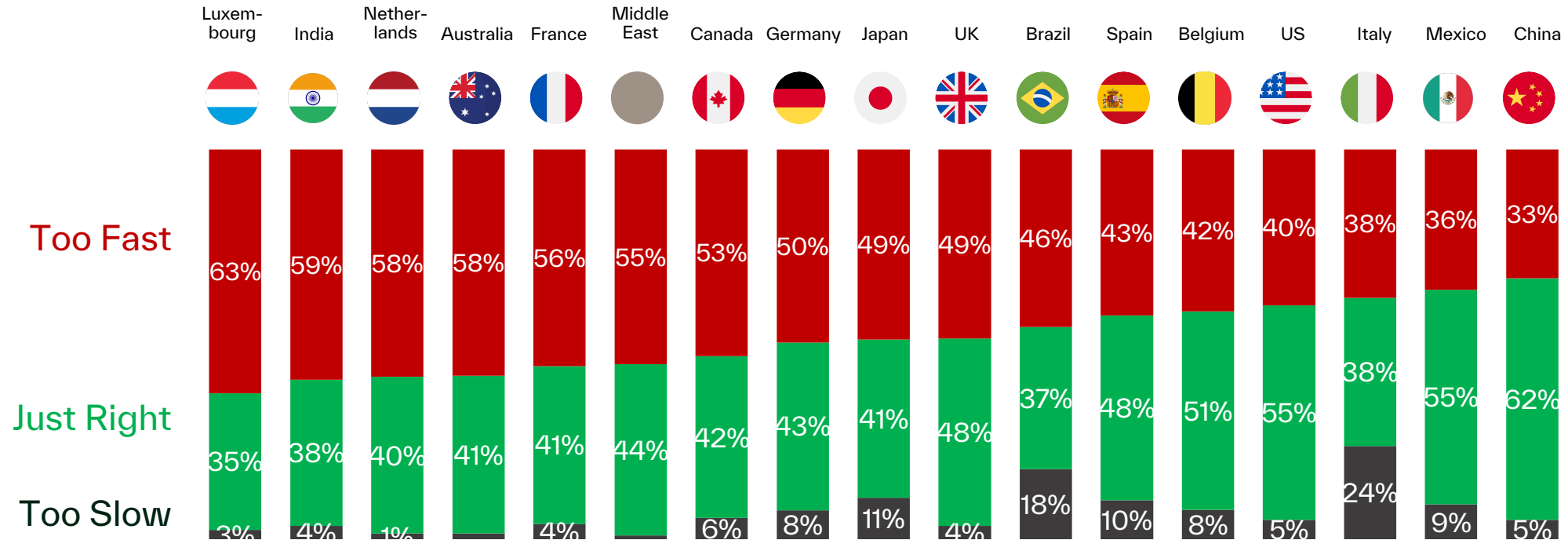
Total %



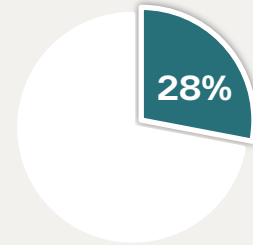
Q16A: Which of the following best describes your perceptions of today's evolving policy / regulatory landscape in your country? Q16B: Which of the following best describes your perceptions of today's evolving policy / regulatory landscape in your country? Q16C: Which of the following best describes your perceptions of today's evolving policy / regulatory landscape in your country? Base: Total (n=3200)

Regulation moves too fast in Luxembourg and India

The pace of regulation in my country is...
Total %



Skills gaps hinder progress, as technology outpaces training

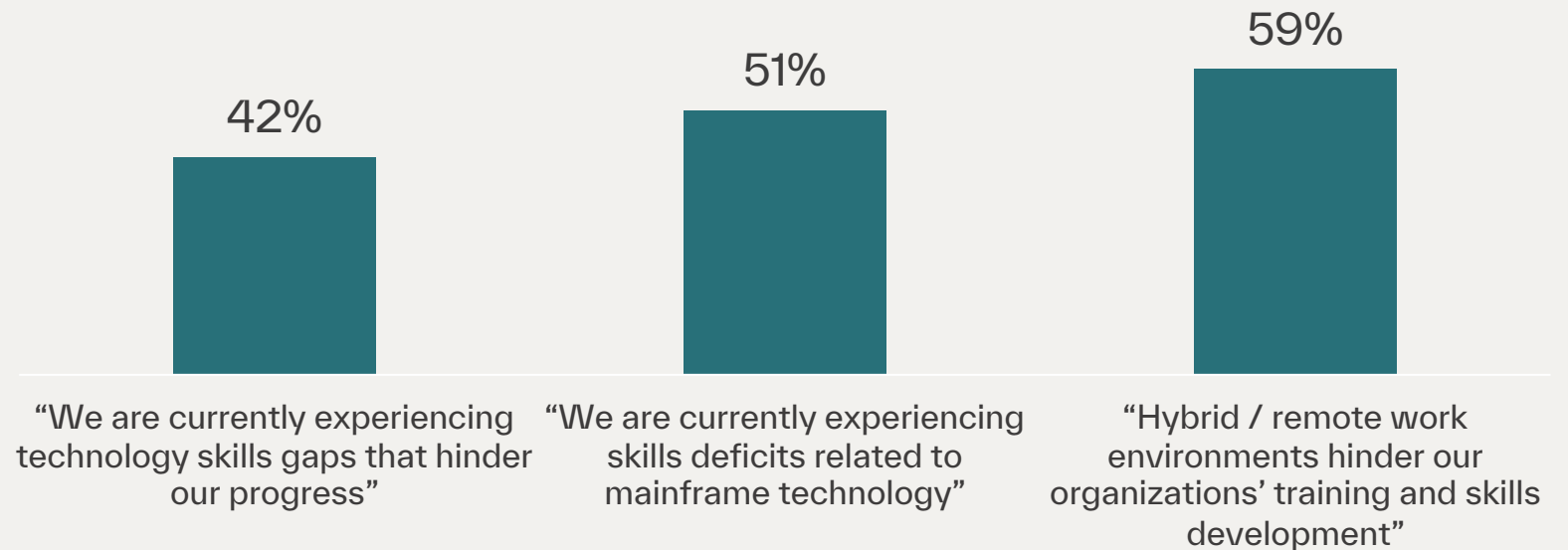


Over 1 in 4

Leaders experience issues where **implementation of digital solutions outpaces employee training**

Skills gap concerns

% Agree



Healthcare and Energy/Utility sectors struggle the most to keep up with pace of change

Telecom and Banking / Financial

are navigating the speed of change better than other industries



RISK READINESS

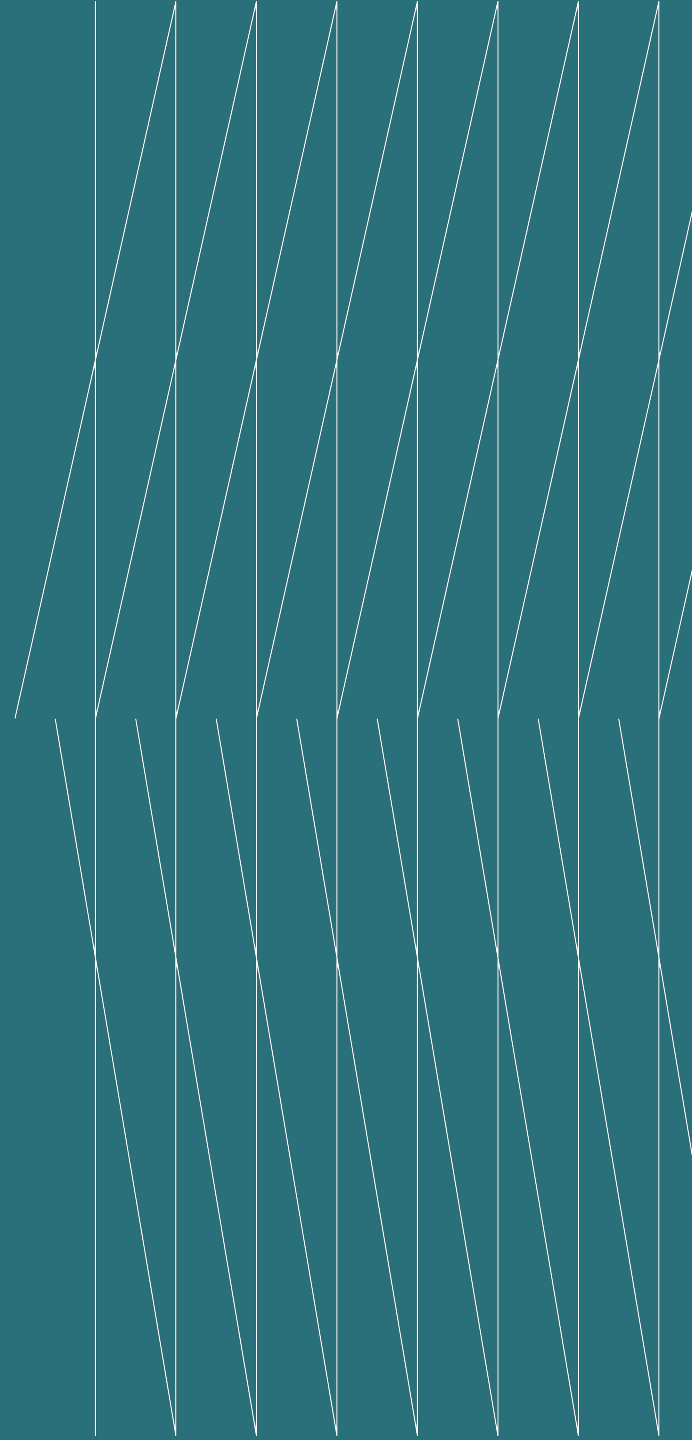
	Total	Telecom	Banking and Financial	Insurance	Manufacturing	Energy and Utilities	Health-care
Innovation % Agree they struggle to keep up with pace of technological advancements	62%	48%	59%	68%	68%	75%	72%
Policy % Significantly challenged by frequency and speed of policy / regulatory changes	55%	43%	52%	56%	59%	69%	65%
Skills % Experiencing technology skill gaps that hinder their progress	42%	30%	38%	45%	51%	46%	48%

Red highlight indicates statistically higher than Total

Q19: How much do you agree or disagree with the following statements about your organization's IT skills and talent? Statement: "Our organization struggles to keep up with the pace of technological advancements." Q29: Thinking about your technology modernization efforts, how much of a challenge are the following for your organization today? Navigating the frequency and speed of policy / regulatory changes
 Base: Total (n=3200), All Industries base sizes from (n=200) to (n=642).

02

The Readiness Paradox



02.

The tech readiness paradox: Leaders are confident in their tech, yet concerned about its readiness – and end-of-life tech is a looming challenge

Executives have high confidence in the current state of their IT: 9 in 10 leaders say their company’s IT is best in class. Dig deeper, and uncertainties emerge: Six in 10 do not feel it is ready to manage future risks. That gap deepens when it comes to newer technologies, such as AI: Seven in 10 don’t feel their IT is completely ready to navigate future disruptions with the technology.

An end-of-life and end-of-service challenge is looming. Two-thirds of CEOs are concerned that their IT is outdated or close to end-of-life, bringing vulnerabilities, skills gaps and challenges for modernization.

Almost all modern businesses are dealing with an end-of-life tech challenge. According to Kyndryl Bridge data, 44% of mission-critical components such as servers, storage networks and operating systems are approaching or at end-of-life. Being aware of these end-of-life challenges can help organizations better plan for future investments, realizing higher readiness, efficiency and growth.

90%

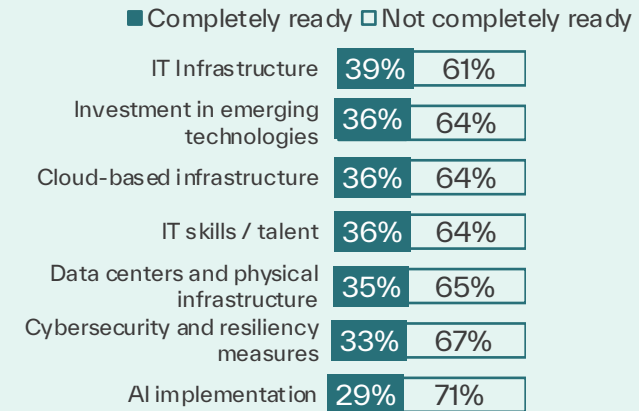
of business leaders are confident their IT infrastructure is **best-in-class**

THE READINESS PARADOX

HOWEVER, ONLY

39%

of businesses report their **IT infrastructure is ready** to manage future risks



AND

64%

of **CEOs** are concerned their IT is outdated or close to end-of-life

44%

of **servers, storage, networks, and operating systems** are approaching or at end of life, according to Kyndryl Bridge

Leaders are confident in their IT infrastructure, yet doubt its readiness for future disruptions



9 in 10

leaders are confident their **IT infrastructure is best-in-class** (90%)



4 in 10

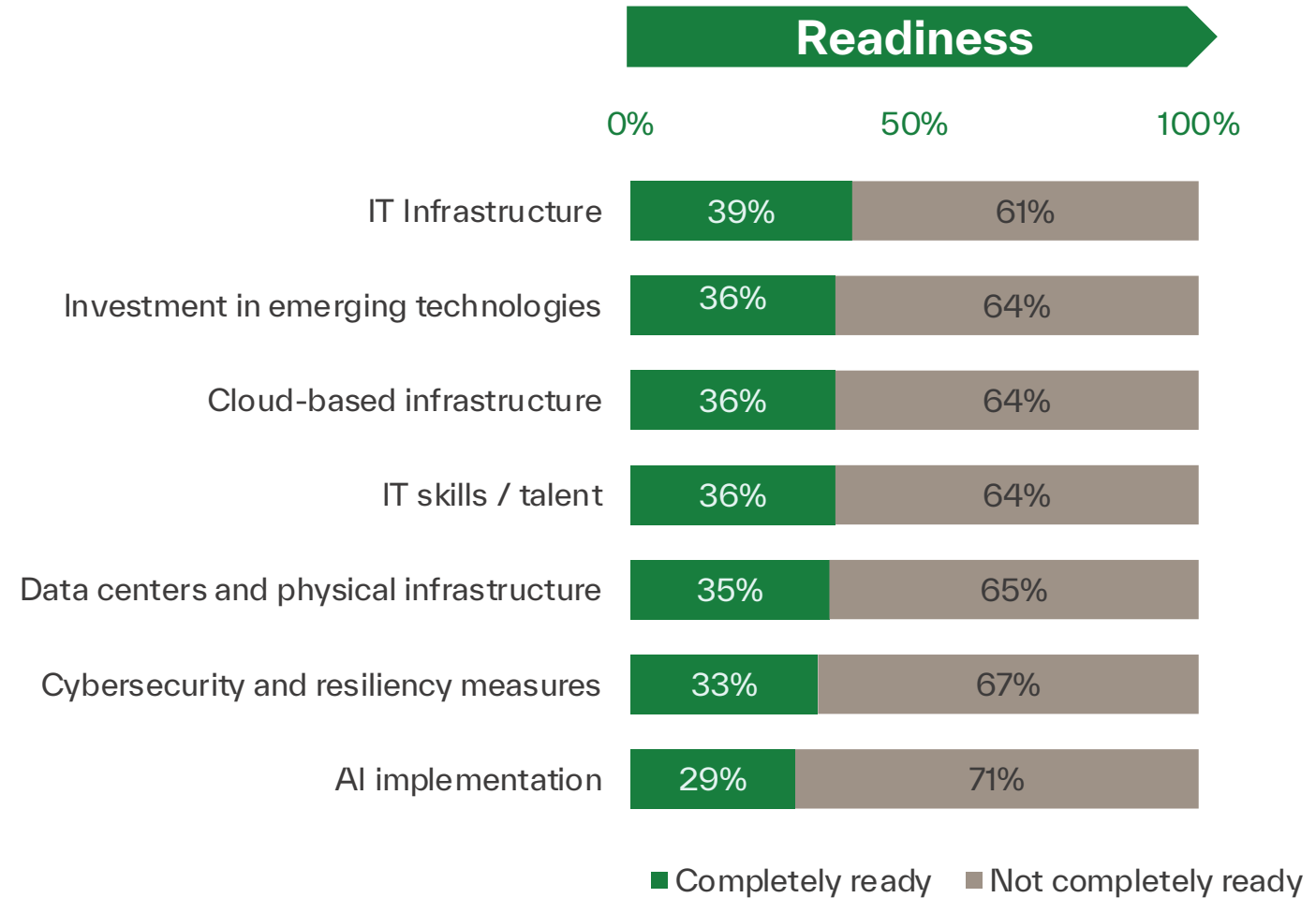
feel their IT infrastructure is completely **ready to manage future risks and disruptive forces** (39%)

However, readiness levels are low across all IT elements, with AI and cybersecurity the least ready

61% of business leaders don't feel their IT infrastructure is completely ready to manage future risks

71% of business leaders don't feel their AI implementation is ready to manage future risks

Readiness levels of IT elements
% selected

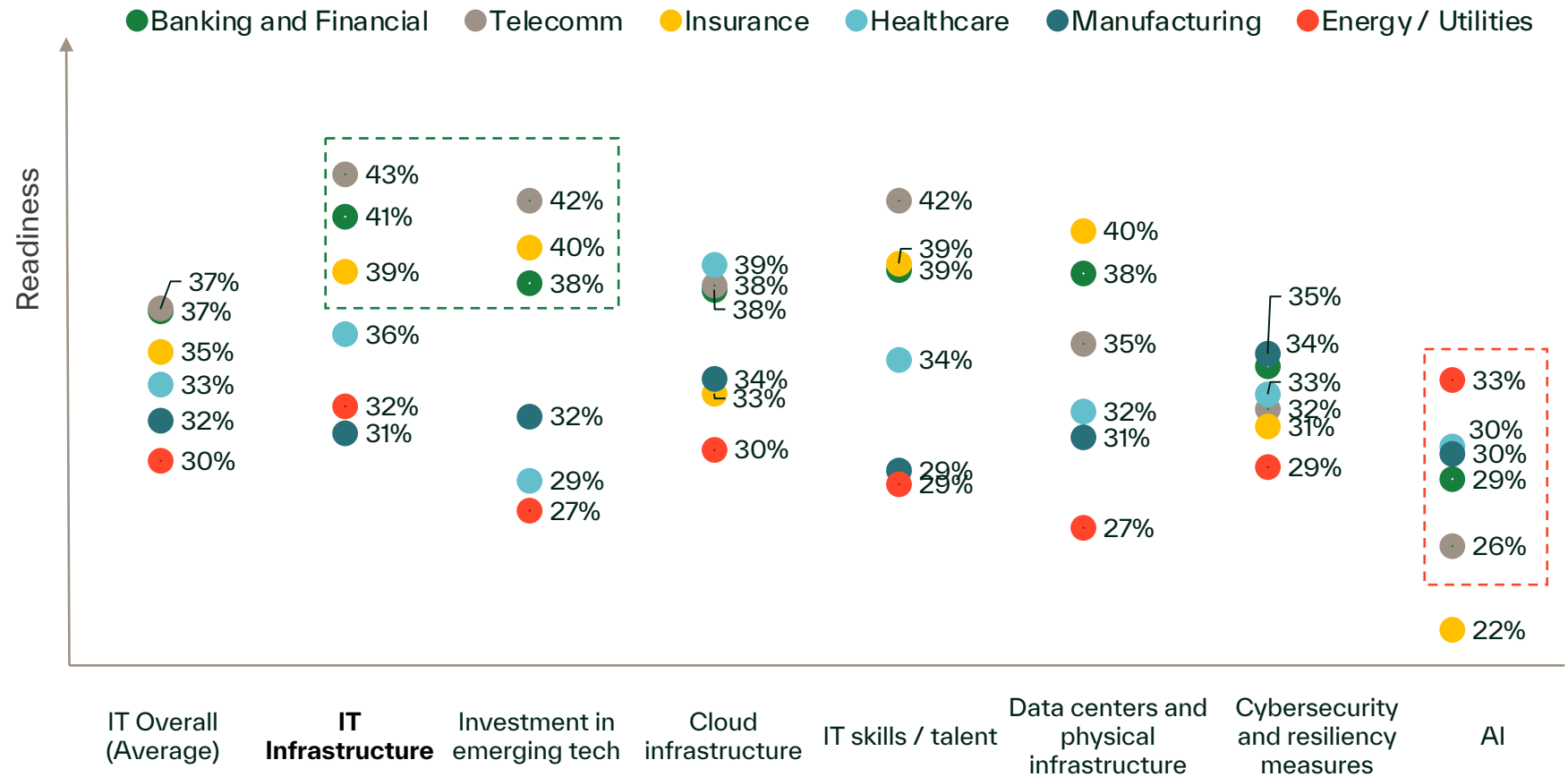


Q17: How ready would you say these elements of your organization's IT currently are to manage future risks and disruptive forces? Base: Total (n=3200)

Telecom, Financial, and Insurance leaders lead in IT readiness, but lag in AI implementation

Readiness across IT elements

% Completely Ready



Q17: How ready would you say these elements of your organization's IT currently are to manage future risks and disruptive forces? Base: Total (n=3200); All Industries base sizes from (n=200) to (n=500)

Leaders in BRIC countries are more likely to feel their IT infrastructure and cloud is ready compared to Europe and Japan

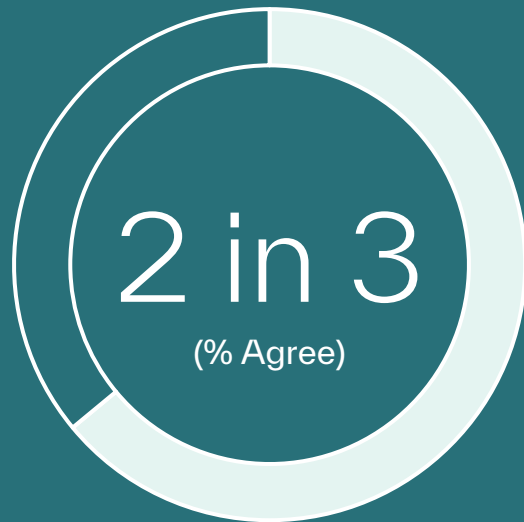
Readiness levels of IT elements

% completely ready

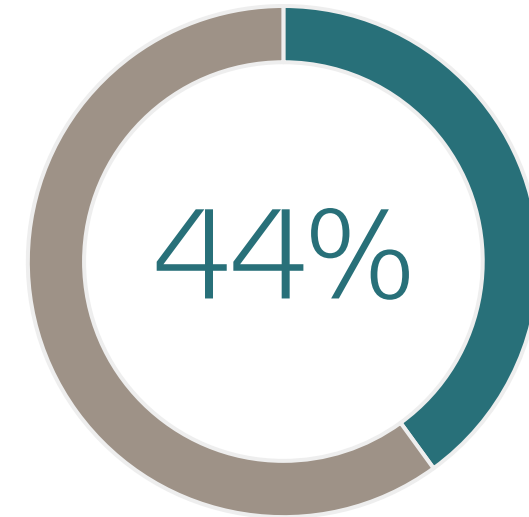
	Average IT readiness	Infrastructure			Cyber	AI
		IT infrastructure	Cloud-based infrastructure	Data centers and physical infrastructure	Cybersecurity and resiliency measures	AI implementation
Total	35%	39%	36%	35%	33%	29%
Brazil	43%	49%	49%	47%	33%	41%
India	41%	44%	48%	41%	40%	35%
China	38%	48%	41%	26%	38%	29%
Luxembourg	37%	38%	35%	40%	35%	24%
Mexico	37%	39%	39%	39%	39%	31%
France	37%	38%	36%	41%	36%	29%
Australia	37%	38%	35%	38%	31%	33%
Middle East	36%	43%	38%	37%	30%	39%
Spain	36%	41%	39%	36%	34%	27%
US	36%	44%	32%	41%	31%	26%
Netherlands	32%	36%	33%	31%	33%	19%
Canada	32%	34%	37%	34%	33%	23%
UK	32%	35%	31%	37%	39%	22%
Belgium	31%	40%	28%	28%	23%	23%
Italy	31%	33%	36%	32%	24%	27%
Germany	30%	34%	25%	33%	29%	29%
Japan	27%	30%	28%	20%	28%	22%

Q17: How ready would you say these elements of your organization's IT currently are to manage future risks and disruptive forces? Base: Total (n=3200); US, Japan (n=300), All other markets (n=200)

Two in three CEOs globally are concerned their IT is outdated or near end-of-life



CEOs are concerned their IT tools or processes are **outdated or close to end-of-life** (64%)

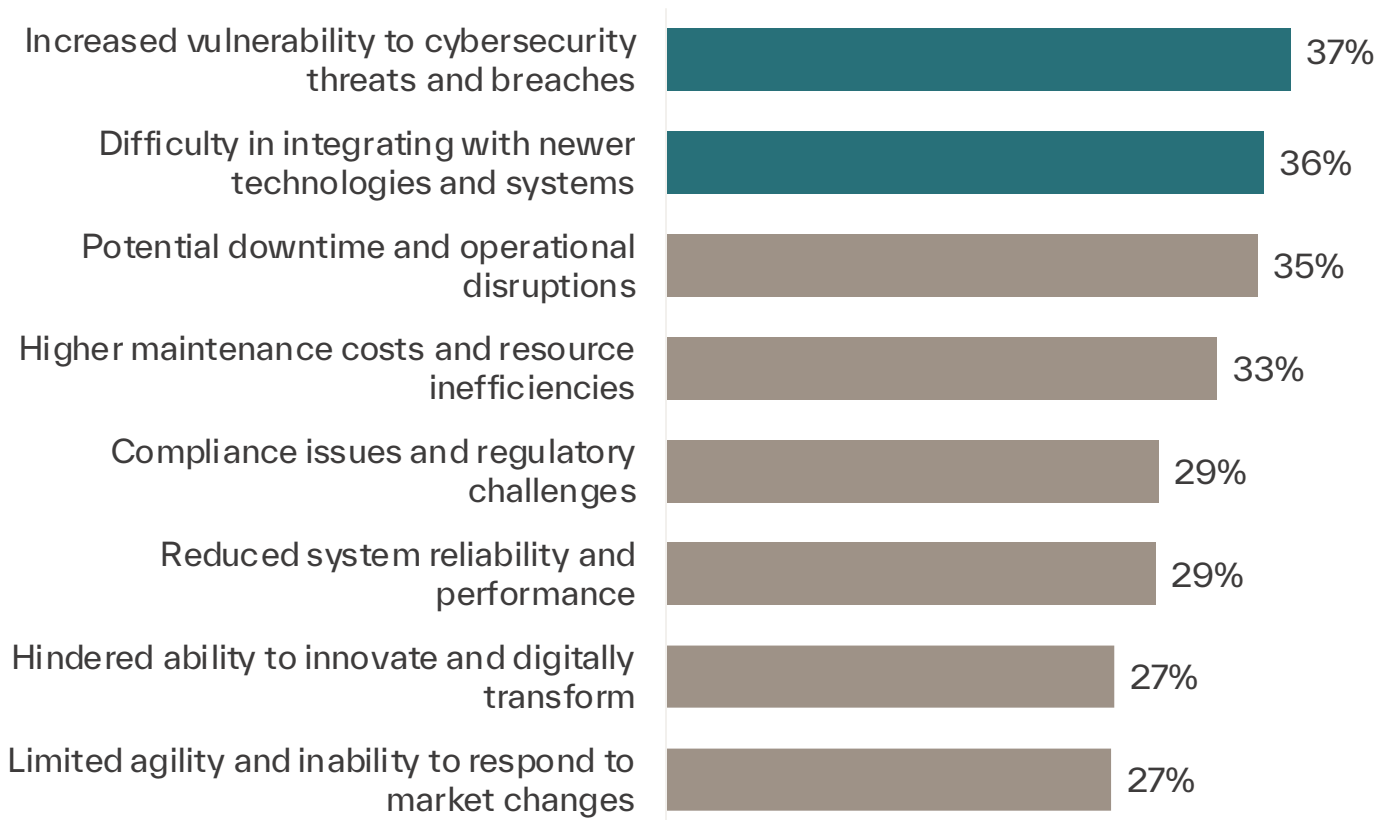


of **businesses** have IT estate that is “aged” past its expected life or end-of-life

End-of-life anxieties are heightened with cybersecurity and new tech integration

Largest risks with outdated or end-of-life systems

% Selected

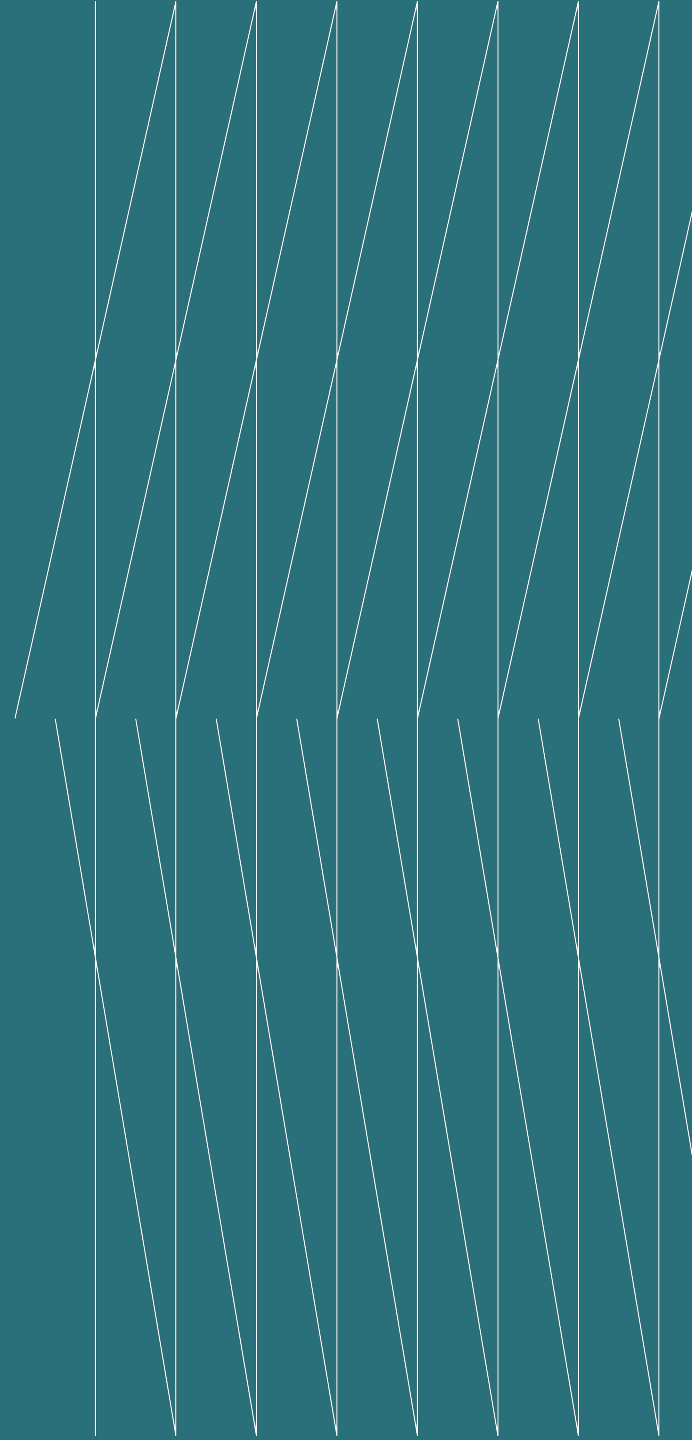


Forty-four percent of the inventory Kyndryl holds for its customers consists of end-of life or end-of-service technology – making it more vulnerable to cyber-attacks, as well as at higher risk for prolonged outages. In practical terms, that means almost half of the world’s most critical infrastructure is not resilient and has to be upgraded.”

—Kyndryl Security Leader

03

Vision of Tech Modernization



03.

IT is the best line of defense to mitigate risks, yet most are in earlier stages of their tech modernization journey

Almost all leaders — 94% — say modernizing their business is a high priority, and updating their IT is the top action to mitigate risk. Yet, only 3 in 10 feel their organization is leading when it comes to their tech modernization journey and utilizing innovative technologies to drive business outcomes.

Most leaders (71%) are somewhere in the earlier stages of modernization: 56% of leaders say they are in the process of adopting new digital technologies, and 15% say they're just starting out.

#1

Executives say **upgrading their IT** is the number one way to mitigate all of their business risks

Top 5 risk mitigation actions:

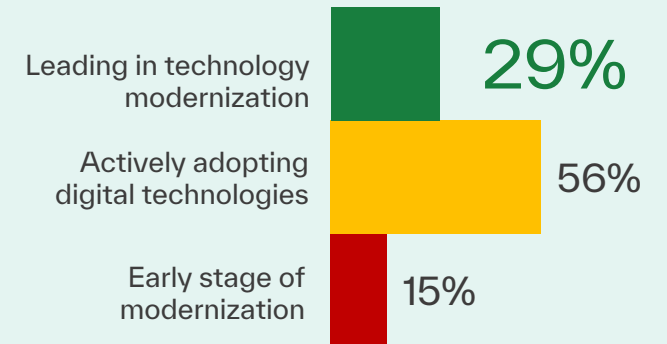
1. Upgrading IT
2. Cybersecurity measures
3. Risk assessments
4. Employee training
5. Regulatory compliance

VISION OF TECH MODERNIZATION

94%

Say tech modernization is a high priority

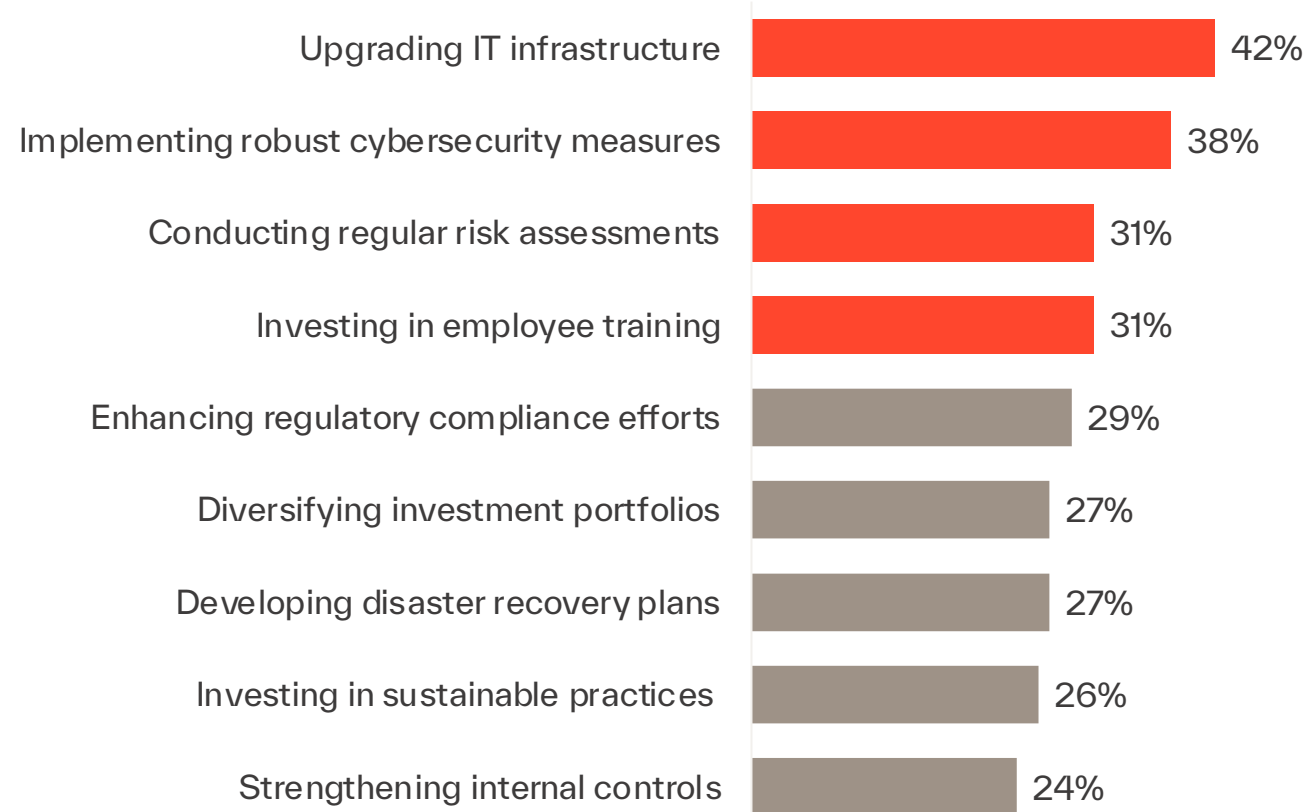
Only 3 in 10 feel they are leading when it comes to their **technology modernization journey**



Leaders say that upgrading their IT infrastructure is the top risk mitigation measure

Top actions organizations are currently taking to mitigate risks

% Selected in top 3

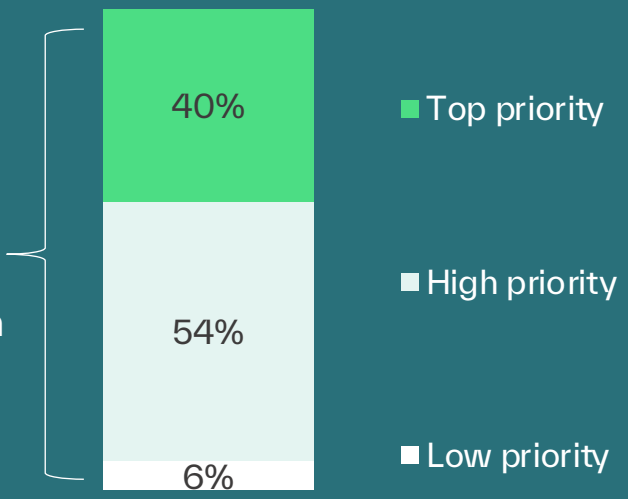


Almost all leaders prioritize modernization, yet only a few follow through

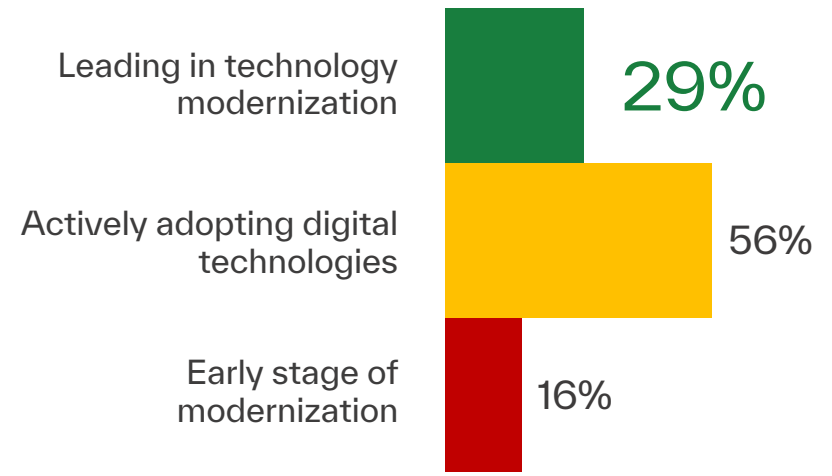
Technology Modernization Priority
% Selected

9 in 10

businesses say tech modernization is a high priority (94%)



Stage of Technology Modernization
% Selected



Technology modernization is defined as... the process of updating an organization's IT infrastructure, systems, and practices to keep up with new technologies and meet the demands of the digital age. It involves consolidating systems and workflows, and adopting advanced technologies, methodologies, and best practices to improve efficiency, security, scalability, and overall performance.



Q1: To what extent is technology modernization a priority for your company? Q2: Which of the following best describes where your organization currently is in its technology modernization journey? Base: Total (n= 3200)

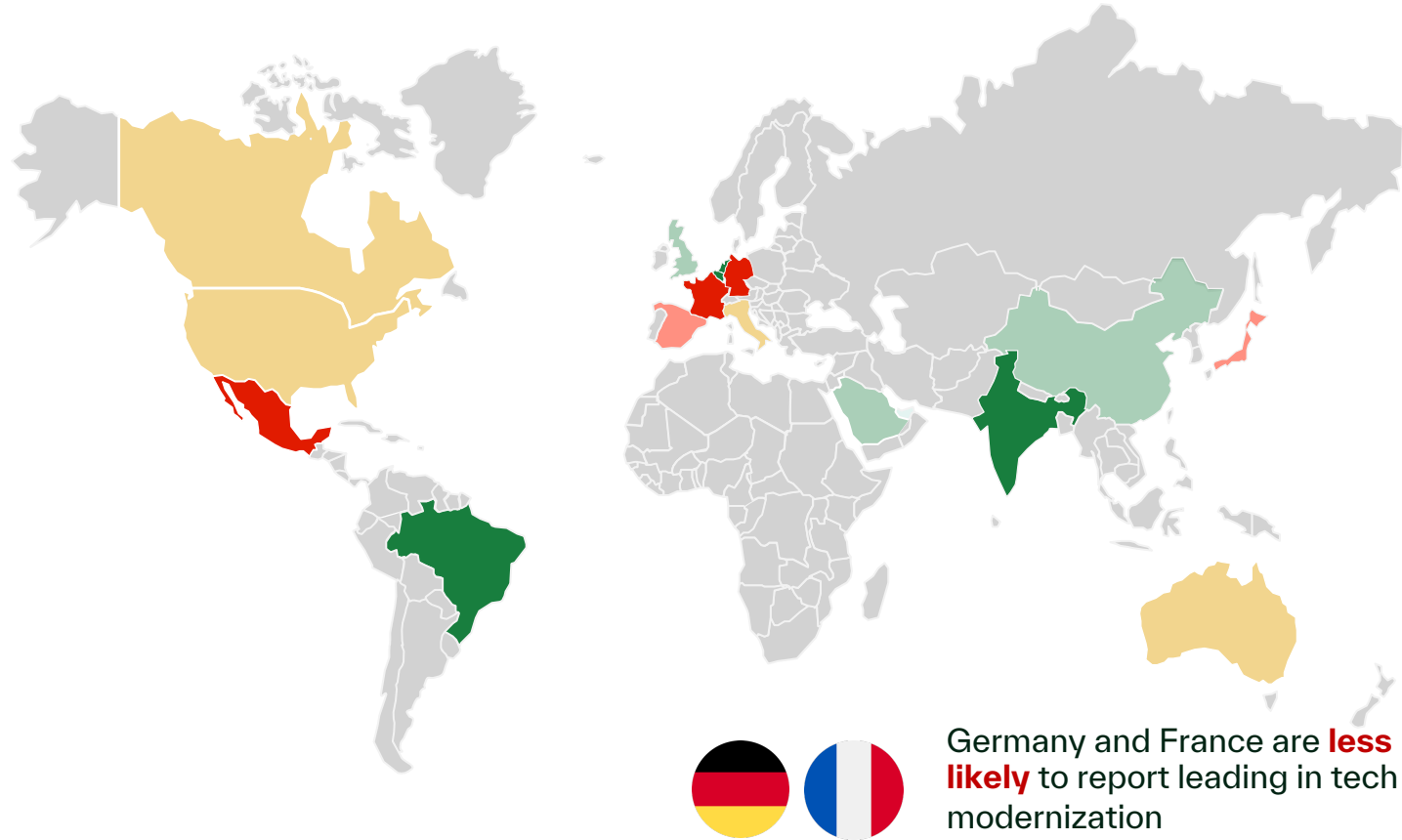
India,
Luxembourg and
Brazil are most
likely to say they
are leading in
modernization

VISION OF TECH
MODERNIZATION

Leading in technology modernization

% Selected "Leading in technology modernization and utilizing innovative technologies to drive business outcomes"

  Luxembourg and India are **more likely** to report they are leading in tech modernization

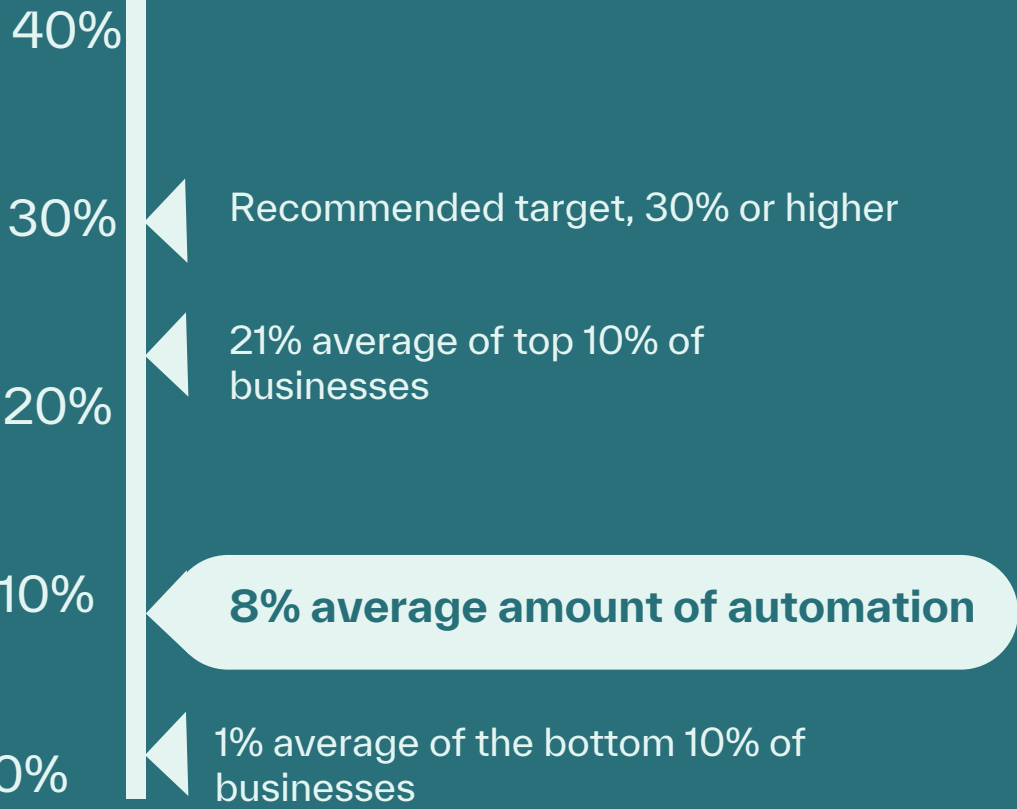
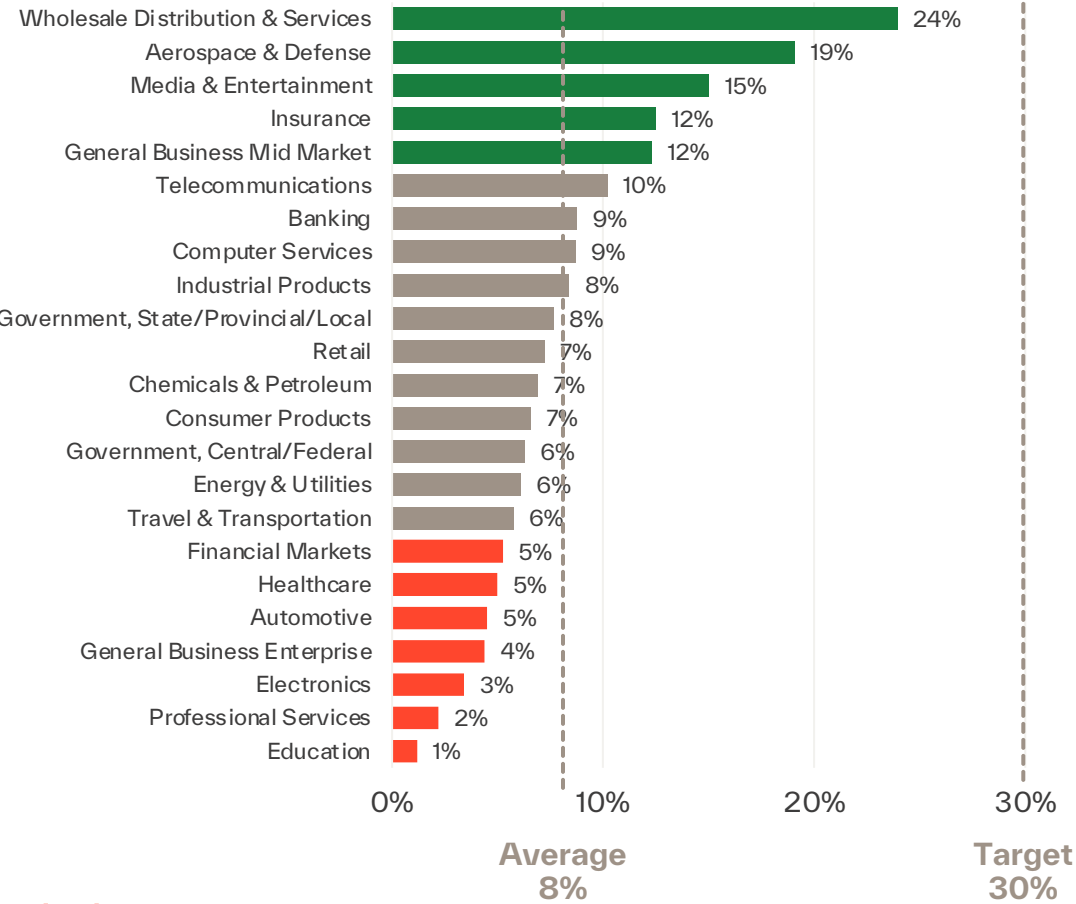


Q2: Which of the following best describes where your organization currently is in its technology modernization journey? Base: Total (n= 3200); US, Japan (n=300), All other markets (n=200). More or less likely defined as statistically higher or lower than global average.

Even businesses that have already adopted automation have room to run

% of IT events resolved through automation

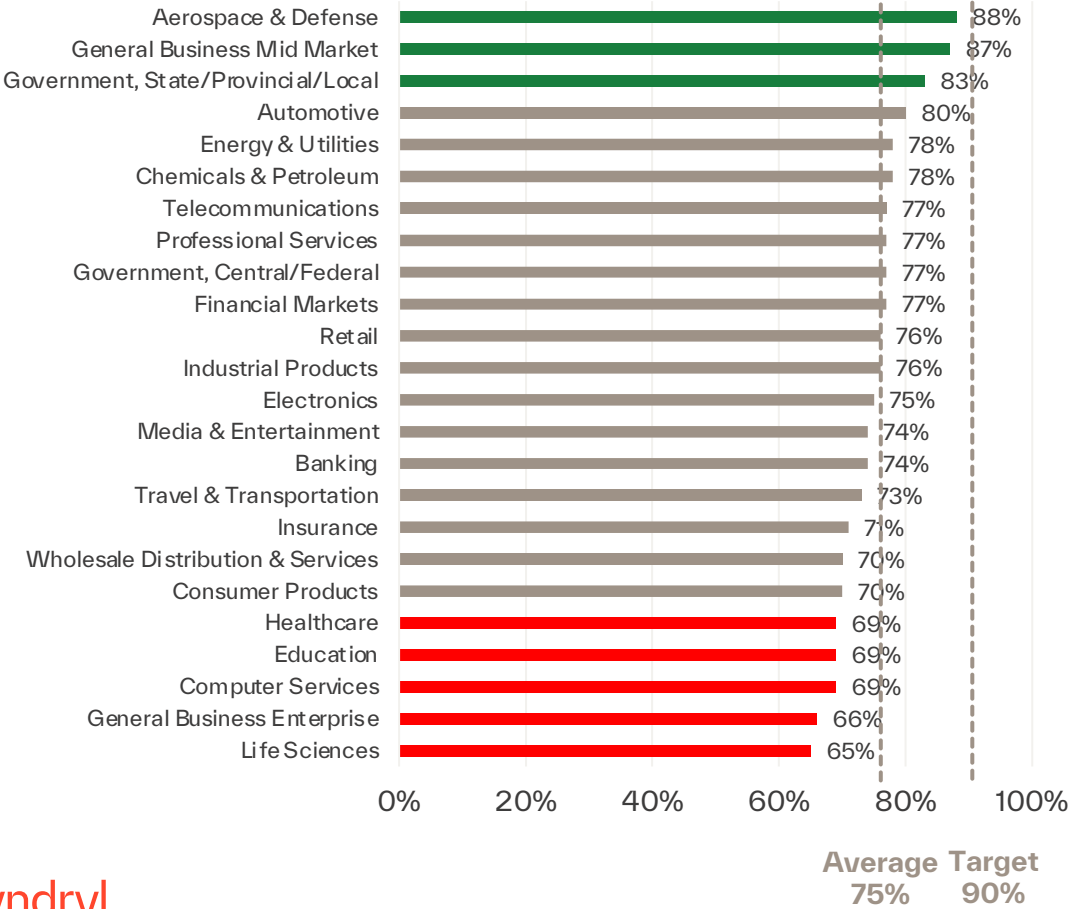
% of IT events resolved through automation



It also shows that most industries are not fully aligning to IT standards.

About this statistic: Best practice adoption is a holistic measure of effective IT, comprised of industry IT standards and measures for security compliance and regulatory compliance that can be monitored automatically.

% of IT best practice adoption



% of IT best practice adoption



04

Prioritization Paralysis

04.

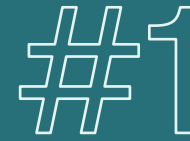
Keeping tech modernized is hindered by complexity and prioritization paralysis

Complexity, resistance to change and misalignment between business and tech leaders are common challenges hindering modernization.

Conflicting priorities and diverse organizational needs like short-term gains vs. long-term benefits, innovation vs. risk and cost vs. function can paralyze leaders as they try to run the business and modernize simultaneously.

Sustainability goals also complicate modernization efforts. Most leaders cite sustainability as a priority, yet difficult tradeoffs often impede their ESG initiatives and only 27% of leaders are currently seeing sustainability-based outcomes from their tech modernization.

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Complexity is the #1 challenge to tech modernization

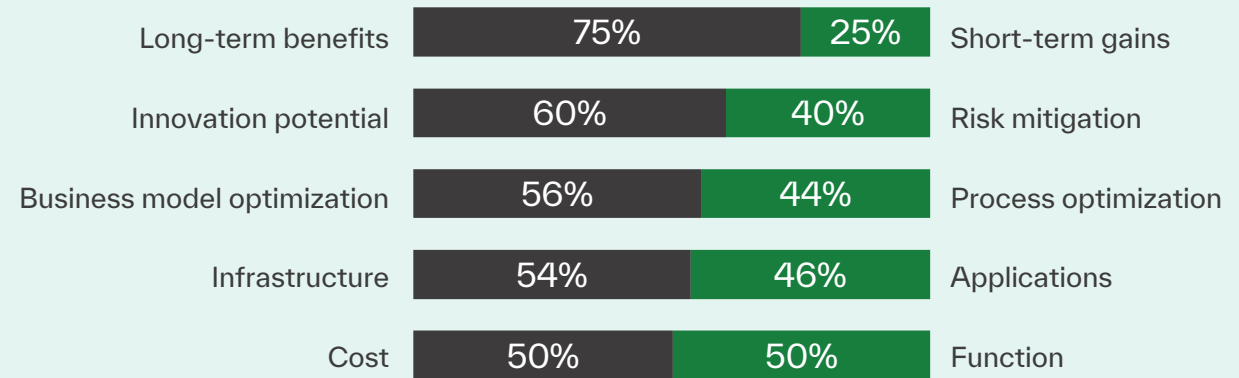
Top sources of tension between business and tech leaders:

1. Resistance to change
2. Challenges in balancing short-term needs with long-term investments
3. Difficulty quantifying ROI

PRIORITIZATION PARALYSIS

Priorities When Evaluating the Success of Tech Investments

% Prioritizing (Selected, forced choice)



90%

Prioritize **sustainability** when implementing tech modernization initiatives

27%

Report seeing **sustainability-based outcomes** (e.g. lower emissions) from tech modernization, in the past year

Complexity is the key challenge for today's businesses impeding their efforts to modernize. They struggle with compatibility, long-term costs, rising cyber threats and technical debt

Top 5 technology modernization challenges % Ranked among Top 3

- 1 Complexity (28%)
- 2 Compatibility (23%)
- 3 Long-term financial costs (21%)
- 4 Rise in data breach or cyber attacks (19%)
- 5 Technical debt (17%)

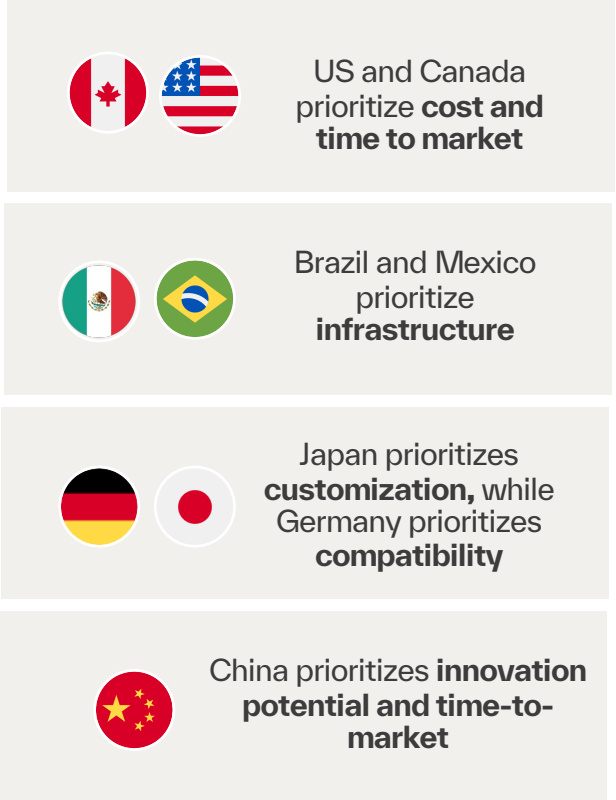
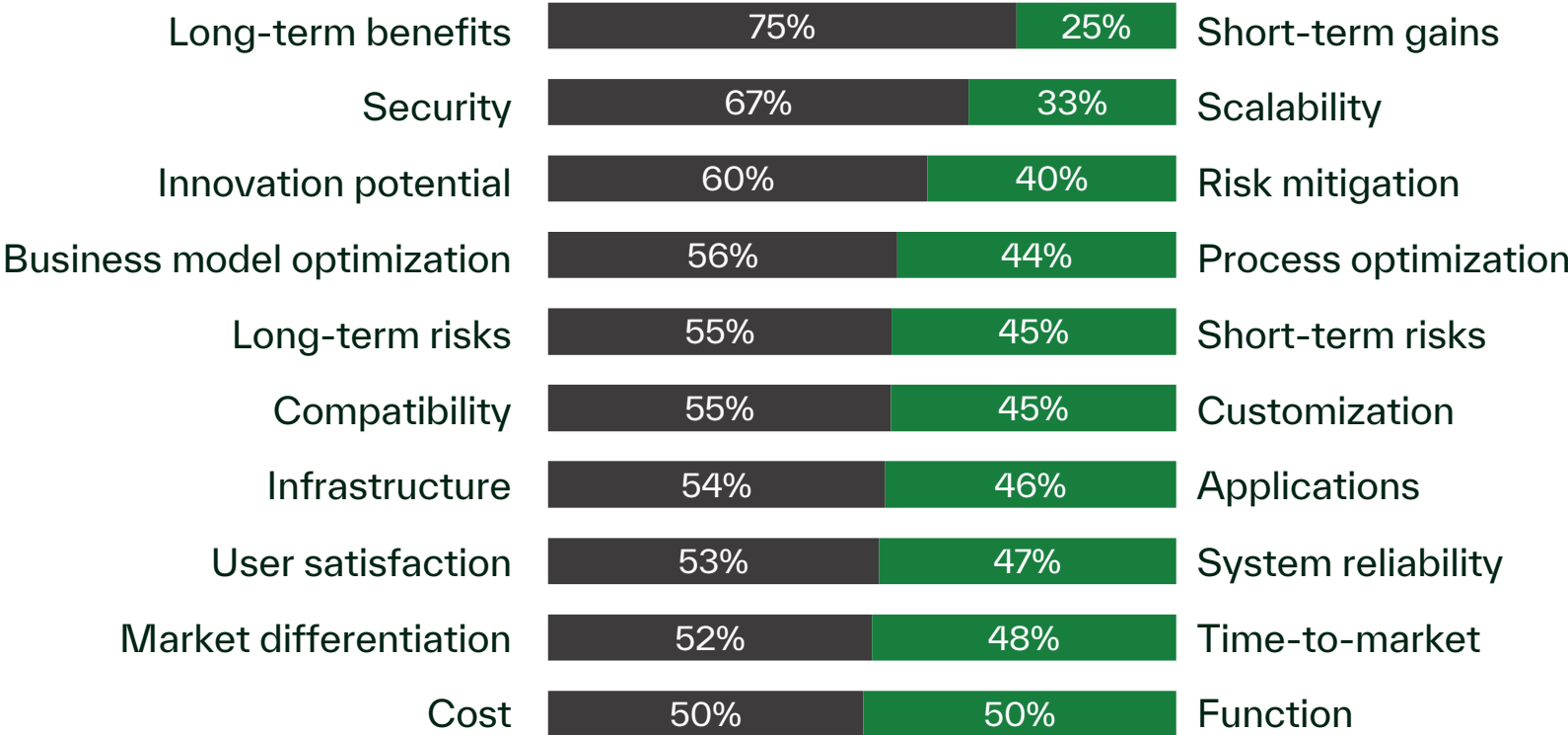


Telecom, Insurance, and Financial businesses feel more challenged with complexity

When deciding what to prioritize with their tech investments, businesses are faced with very difficult trade-offs

Tech investment priorities

% Prioritizing (Selected, forced choice)

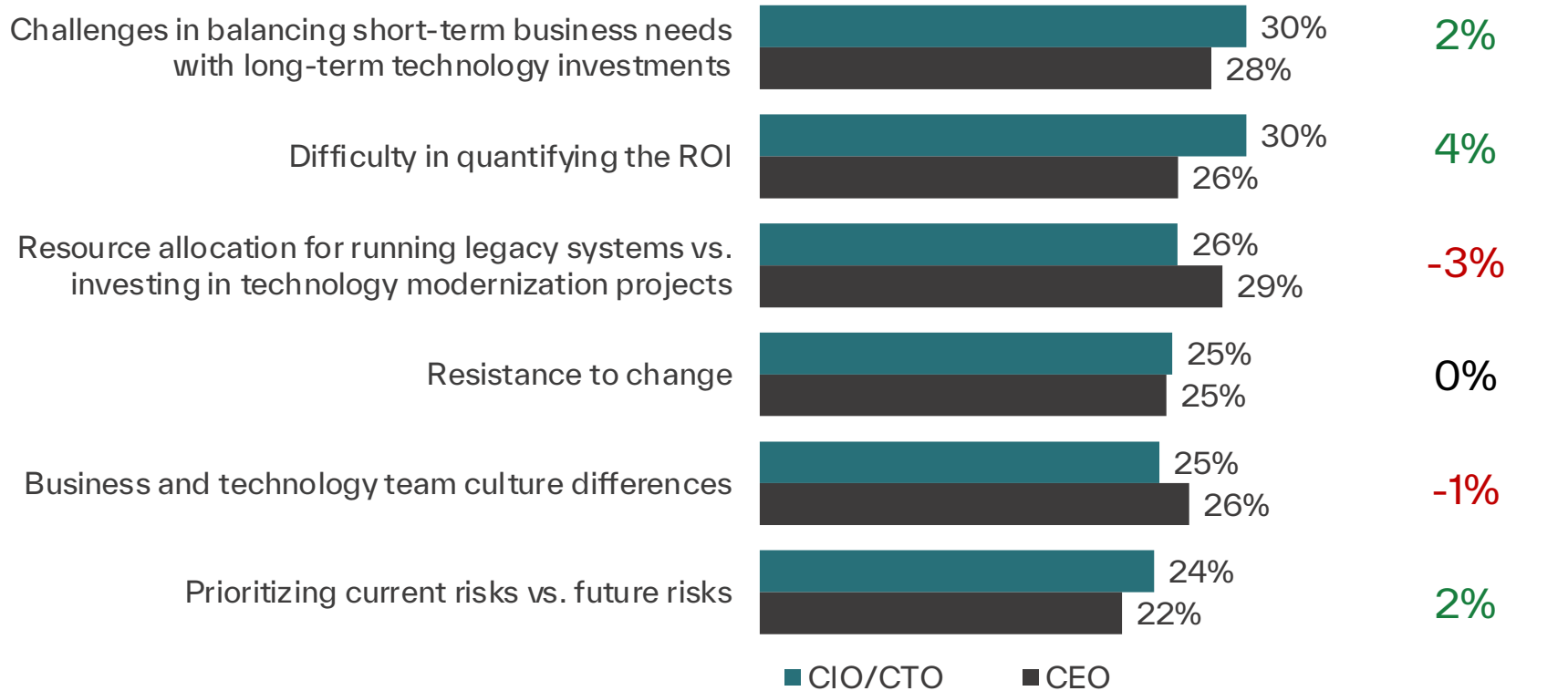


Balancing short-term needs and quantifying ROI leads to tensions between CIOs/CTOs and other business leaders

Primary sources of tension between business and tech leaders

% Ranked among Top 3

Gap between CIO/CTO and CEO



Sustainability is a priority, yet tradeoffs impede ESG goals

PRIORITIZATION PARALYSIS

→ 9 in 10

leaders say their organization **prioritizes sustainability** when implementing technology modernization initiatives (90%)

→ 1 in 2

leaders **say meeting sustainability or ESG goals is a challenge** for their technology modernization efforts (54%)

→ 1 in 4

report seeing **sustainability-based outcomes - such as lower emissions** - from tech modernization in the past year (27%)

→ 1 in 4

say their **organization has prioritized efficiency over sustainability** while pursuing its technology modernization goals (24%)

Q32: How much do you agree or disagree with the following statements about how your business is transforming sustainably?
Q29: Thinking about your technology modernization efforts, how much of a challenge are the following for your organization today?
Q27: Which of the following tradeoffs has your organization made to achieve its technology modernization goals? Base: Total (n= 3200)

Despite these challenges, businesses that modernize are realizing benefits of efficiency, innovation and sustainability

Top tech modernization benefits

% Experienced in past year



85%

Experienced improved efficiency

71%

Experienced improved innovation

60%

Experienced improved employee or customer experience

34%

Enhanced data security and compliance with regulations

27%

Sustainability-based outcomes such as lower power use or emissions

Q34: Thinking about the past 12 months, which of the following benefits has your organization experienced as a result of its technology modernization efforts? Base: Total (n=3200)

05

Challenges for AI

05.

Despite significant AI investments to drive modernization, leaders struggle to see positive ROI

Most businesses are investing in both traditional AI—which includes Machine Learning—and Generative AI. However, only 42% of business leaders currently see positive ROI on their AI investments.

And 86% say their AI implementation is best in class, yet only 29% feel their AI is ready to navigate future risks.

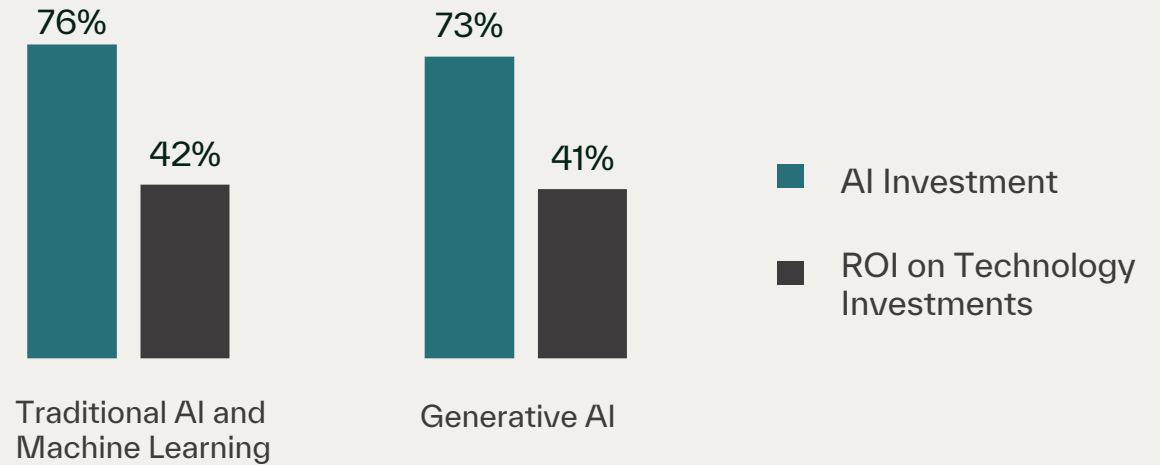
Business leaders report data privacy, uncertainty of ROI and compliance as the biggest barriers to AI adoption; AI skills are the number one skills shortage they are desperately trying to fill to stay ahead of their competition.

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CHALLENGES FOR AI

AI Investment vs. ROI

% Selected, Currently Investing; % Net Positive ROI



86%

Say their AI implementation is best-in-class

YET ONLY 29%

think their AI implementation is ready to manage future risks

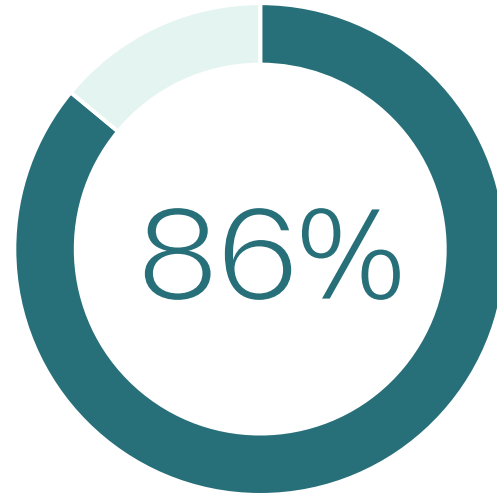
Top 5 barriers to AI adoption:

1. Data Privacy and security
2. Uncertainty of ROI
3. Regulation and compliance
4. Integration
5. AI Skills gaps

Most common skills gaps:

1. AI / ML skills
2. Cyber-security
3. Data science / analytics

Leaders are confident in their AI implementation, yet most doubt its readiness with external risks



of leaders are confident their **AI implementation relative to competitors is best-in-class**



feel their AI implementation **is ready to manage future risks and disruptive forces**

Privacy, security and ROI uncertainty are the barriers to AI adoption

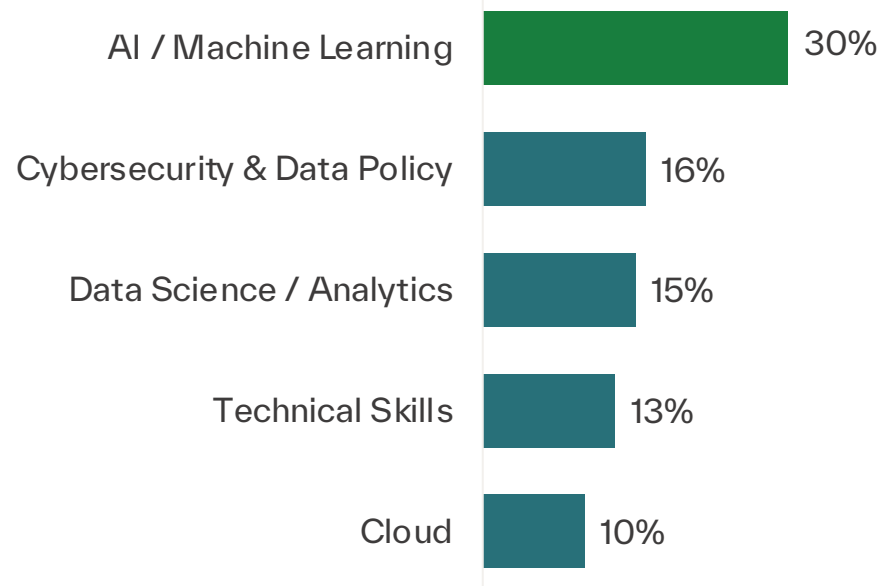
Top barriers to AI adoption

% Selected

- 1 Concerns about **data privacy** and security (31%)
- 2 Uncertainty about the **ROI** and long-term benefits (30%)
- 3 Regulatory and **compliance** challenges (26%)
- 4 Difficulty integrating AI technologies with **existing systems and workflows** (25%)
- 5 Lack of **skilled personnel** with expertise in AI development and implementation (24%)

Artificial Intelligence is the top skills gaps businesses are experiencing today, as demand rises

Most common skills gaps business leaders are experiencing



“

With the rapid development of AI technology, the demand for AI and machine learning talents has increased dramatically”

Business Leader

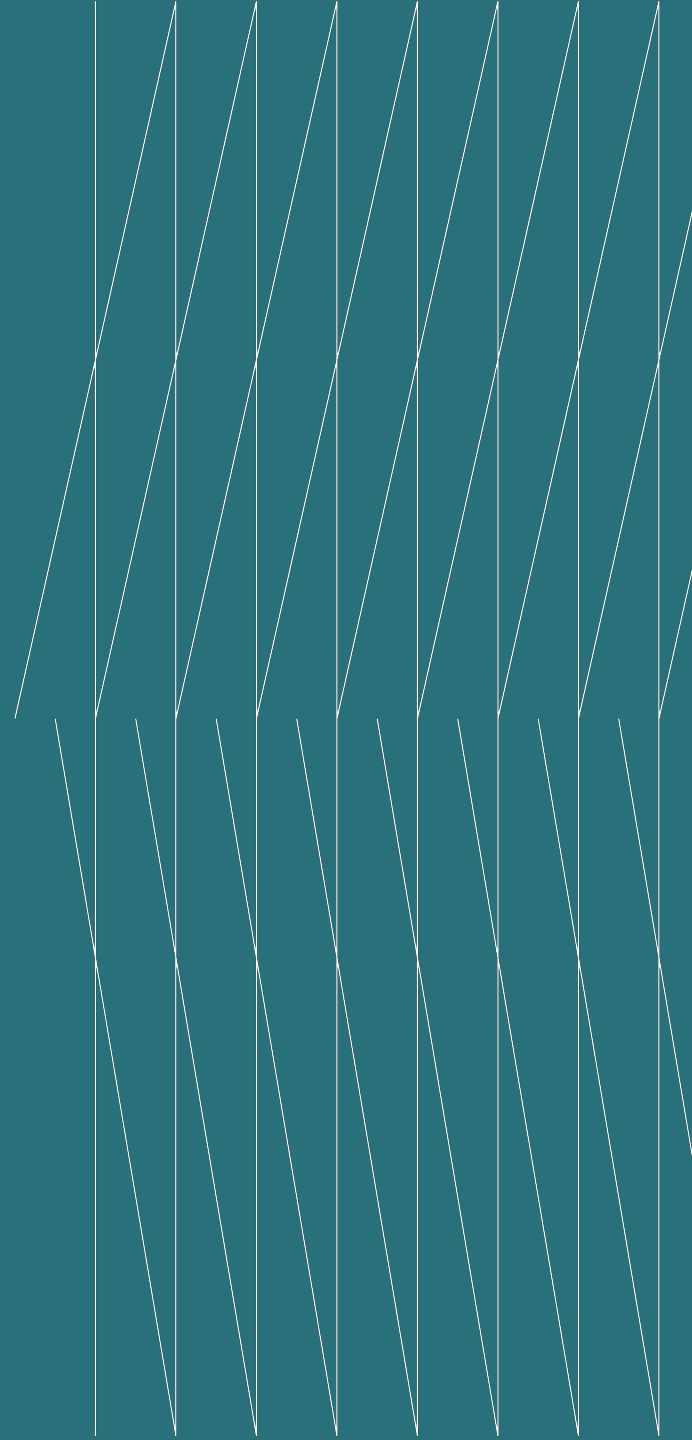
“

Skills related to artificial intelligence and big data are difficult to discover and cultivate because they are highly demanding”

Business Leader

06

Tech Modernization Opportunity



06.

Leaders that have progressed on the modernization journey overcome this prioritization paralysis and are more ready for the future

The leaders that are further along the tech modernization journey feel a heightened level of readiness to navigate risks (+11% pts vs. early stage modernization) and demonstrate four characteristics that set them apart:

- Prioritizing in a way that lets them both run their mission-critical business operations today while transforming for the future
- Seeing better ROI on emerging technology (e.g., AI, Quantum, Edge)
- Nurturing talent, skills and culture
- Collaborating effectively to achieve business goals

Businesses that report they are leading on their tech modernization journey, compared to those who are early stage:

+11% pts

feel more ready for future risks

+55% pts

say their IT is updated and ready for current and future needs

DECISION-MAKING

+22% pts

agree executive leadership effectively allocates resources to support IT infrastructure and technology modernization projects

MEASURING SUCCESS

+16% pts

see a positive ROI on emerging technologies such as AI, Generative AI, Quantum Computing and Edge Computing

TALENT

+19% pts

have a pool of talent proficient in emerging technologies

COLLABORATION

+43% pts

have seamless collaboration and alignment between business leaders and tech leaders

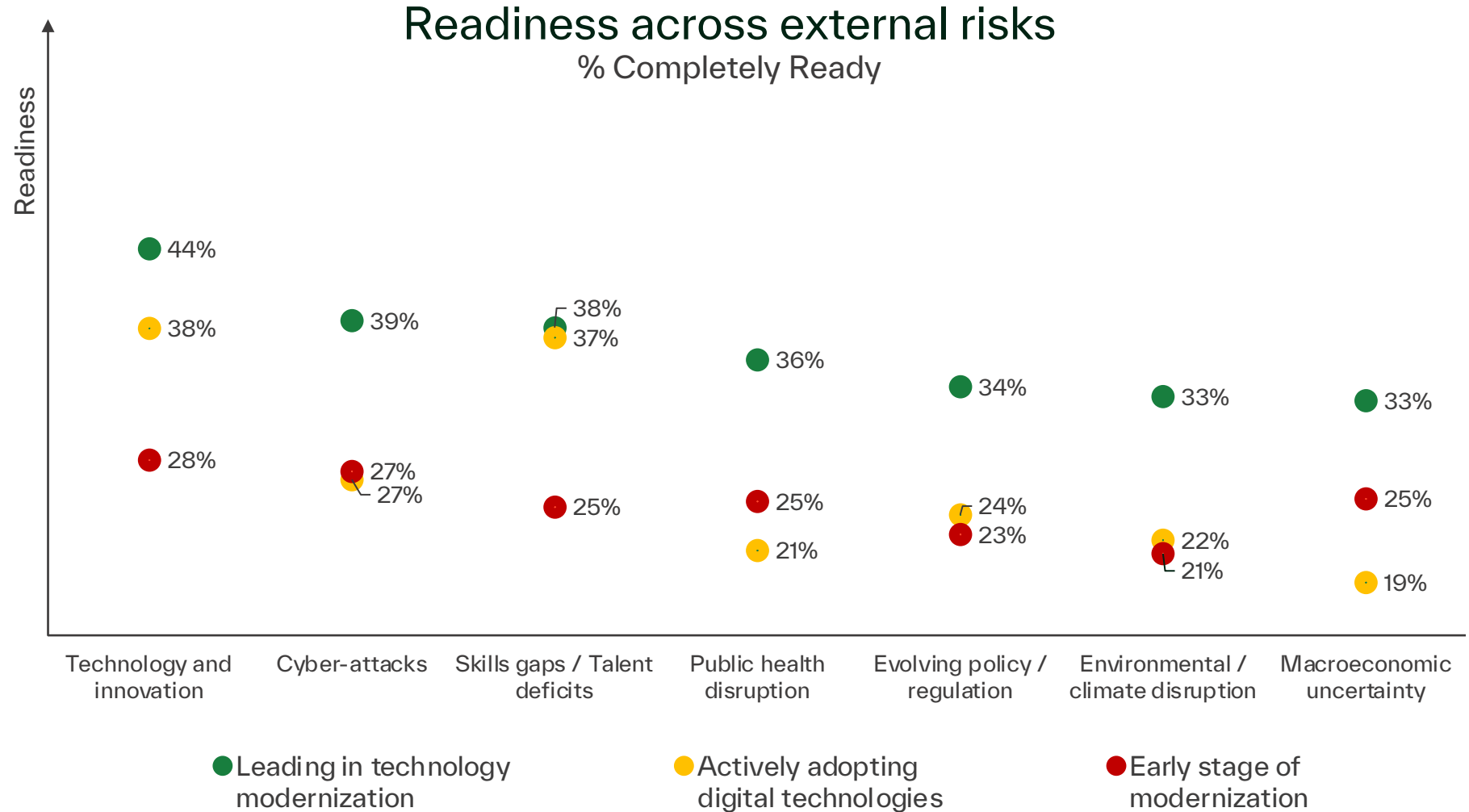
Ultimately, those leading in tech modernization have a higher readiness for external risks

On average, those leading in tech modernization are

+11% pts

more ready for risks than those in early stage

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Q13: How ready would you say your organization currently is to manage the following external business risks?
 Base: Total (n=3200); Leading (n=942), Actively adopting (n=1776), Early stage(n=482).

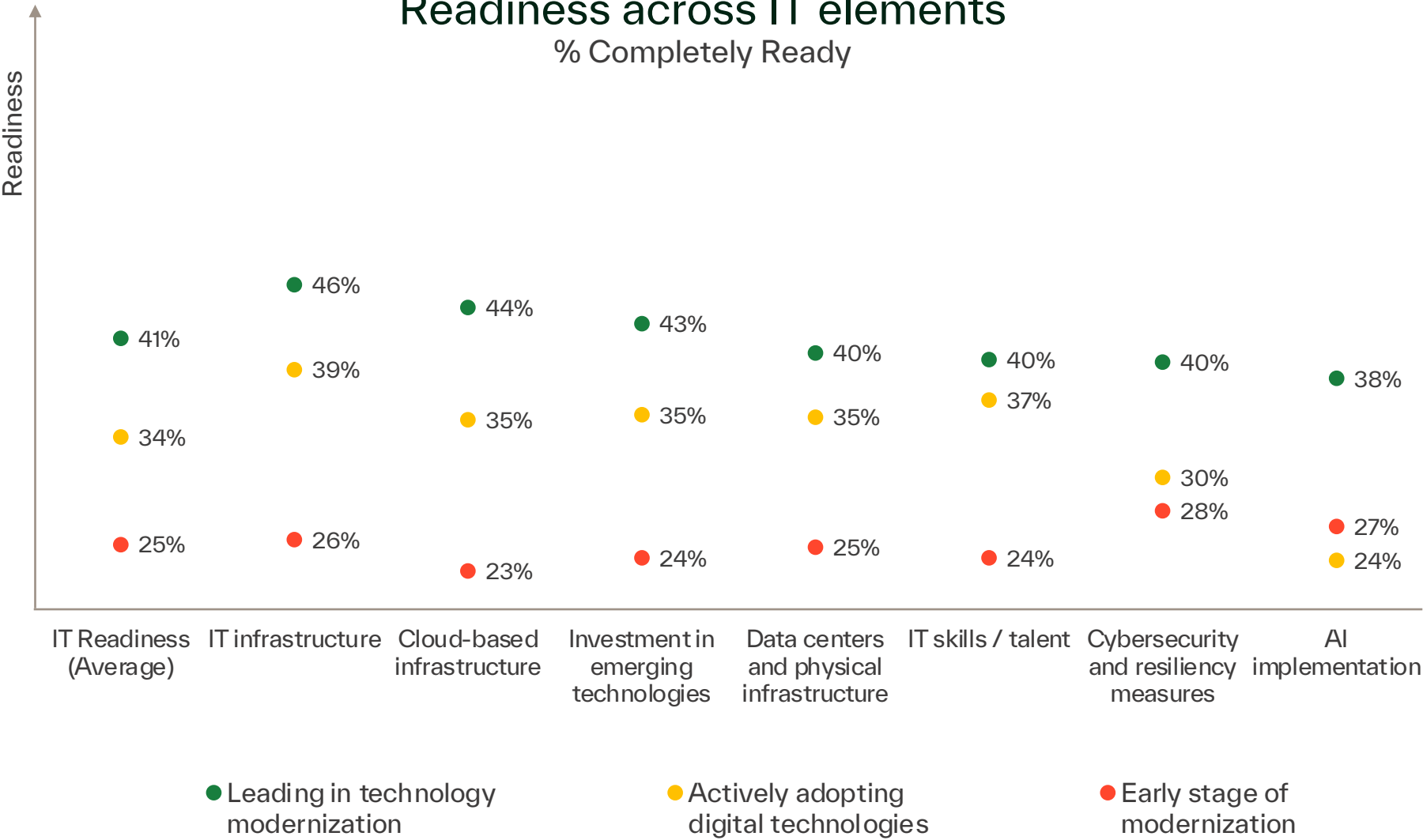
Businesses leading in tech modernization also feel their IT is more ready to manage risks

On average, those leading in tech modernization are

+16% pts

more ready across various IT elements than those in early stage

Readiness across IT elements
% Completely Ready



Q17: How ready would you say these elements of your organization's IT currently are to manage future risks and disruptive forces? Base: Total (n=3200); Leading (n=942), Actively adopting (n=1776), Early stage (n=482).

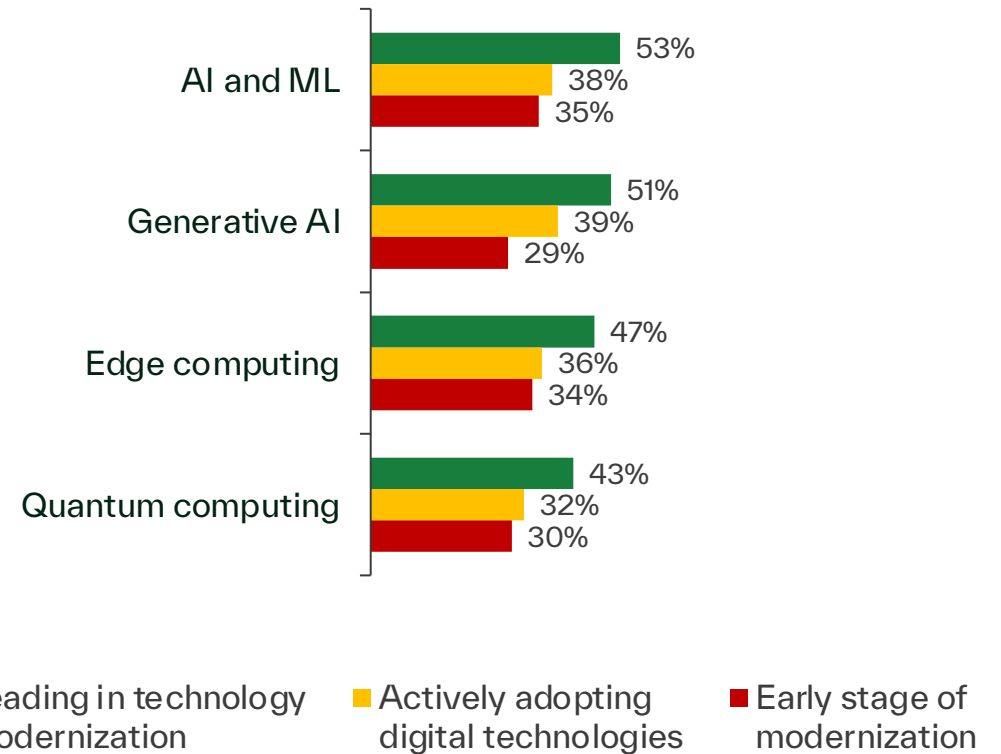
Businesses leading in tech modernization are benefiting from higher ROI on their emerging technology investments

On average, those leading in tech modernization are

+16% pts

vs. Early stage more likely to see positive ROI on emerging technology investments

Positive ROI on tech investments
% Positive ROI



Q23: Thinking about the specific digital technologies, tools, or solutions your organization is currently investing in, how would you describe the return on investment (ROI) your company has experienced as a result of these investments? Base: Total (n=3200); Leading (n=942), Actively adopting (n=1776), Early stage (n=482).

Businesses leading in tech modernization are nurturing their talent and prioritizing IT infrastructure

TECH MODERNIZATION OPPORTUNITY

Those leading in tech modernization

+19% pts

vs. Early stage

agree they have a pool of talent proficient in emerging technologies

+22% pts

vs. Early stage

agree executive leadership effectively allocates resources to support IT infrastructure and technology modernization projects

Emerging tech proficient talent
% Agree by Modernization status

Leading in technology modernization	Actively adopting digital technologies	Early stage of modernization
48%	34%	28%

IT resource allocation
% Agree by Modernization status

Leading in technology modernization	Actively adopting digital technologies	Early stage of modernization
55%	43%	34%

Q19: How much do you agree or disagree with the following statements about your organization's IT skills and talent? Q10: How much do you agree or disagree with the following statements about your organization's executive leadership, inclusive of both business leaders and technology leaders? Base: Total (n=3200)

Businesses leading in technology modernization are collaborating more effectively, leading to better decision-making

TECH MODERNIZATION OPPORTUNITY

Those leading in tech modernization report

+43% pts

vs. Early stage

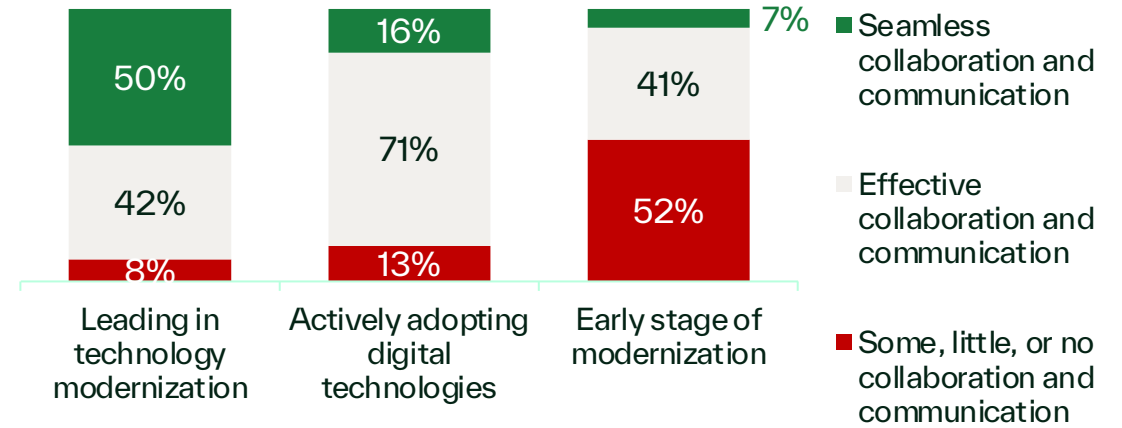
seamless collaboration and communication, resulting in highly effective decision-making

+23% pts

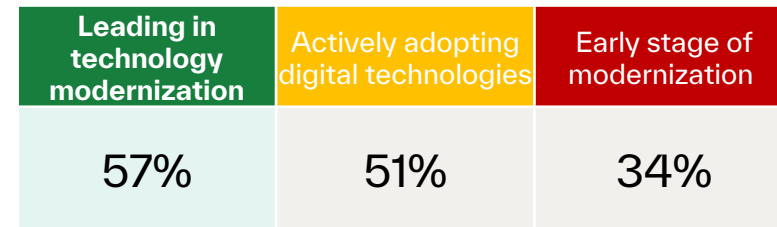
vs. Early stage

say executive leadership communicates a clear vision for the role of technology in achieving business goals

Collaboration between business and technology leaders
% Selected



Clear executive vision for tech in business goals
% Agree by Modernization segment



Q9: In your organization, how would you describe the level of collaboration between business leaders and technology leaders? Q10: How much do you agree or disagree with the following statements about your organization's executive leadership, inclusive of both business leaders and technology leaders? Base: Total (n=3200)

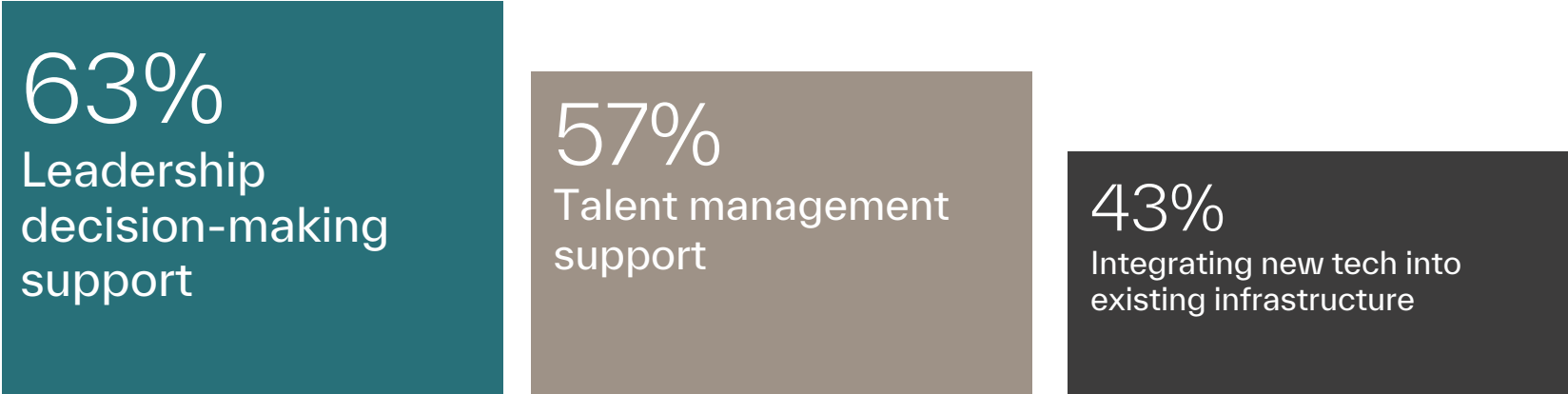
There is appetite for support related to leadership decision-making and talent to better navigate tech modernization

Businesses that report investing in IT employees' skills is a top priority are

+11% pts

more ready for future risks

Top Areas of Support Needed for Modernization Efforts Total %



- Enhancing collaboration between IT and other departments
- Ensuring alignment of modernization efforts with business objectives
- Talent acquisition and retention in IT-related roles
- Enhancing user adoption and training for new technologies
- Integration of new technologies into existing infrastructure
- Addressing legacy system limitations and modernization challenges

The readiness mindset shift

The readiness mindset shift

While all modern organizations are building readiness and transforming through technology, as this data shows, there are difficult trade-offs to be made. To overcome these challenges, organizations should consider a shift in mindset: Readiness goes beyond preparedness and resilience—going beyond transformation to arrive at transformative and sustainable performance. IT is core to this expansive vision, and organizations that allow for new investment paradigms, evolve collaboration models within their C-suite and adopt a holistic view of assets driving long-term success.

Being 'people-ready' is just as important as being 'tech-ready'. IT is everyone's business.

- With IT playing a more prominent role in shaping workplace culture than ever, it is just as critical to the CMO and CHRO as it is for the CTO and CIO. Getting on the same page is crucial, and bringing employees along is necessary.
- While automation may help with some IT challenges, rather than replacing people, it allows for an expansion of skills, creating new business imperatives for upskilling and reskilling.

Weigh the fantastic vs. the familiar and embrace their interdependence.

- Emerging technologies offer tantalizing opportunities to grow in new directions, but leaders must weigh new investments alongside upgrades to their existing IT.
- To make the most of new tech, leaders need to understand how those tools will integrate not only with technology but the company culture, processes and goals.
- All new tech capabilities rely on a solid foundation; investing in the familiar first may get better ROI.

Operate, accelerate, iterate. Agility is a hallmark of modern tech leadership.

- No enterprise can stay competitive by standing still, and talent can be the best bulwark against risks—and the best levers for opportunity.
- Businesses struggling to realize a meaningful ROI can start with shorter-term success metrics to drive long-term value. Those smaller starts can help build a better case to move into more complex projects.

Reframe the conversation about tech debt. Observability is an important ally.

- In an evolving market, with everyone continuously confronting this challenge, businesses are not alone.
- Observability across IT allows teams to identify aging equipment and potential issues, offering intelligence for the entire C-suite.
- Knowing where to start can be a challenge, but reducing technical debt eliminates operational inefficiencies and unlocks potential for faster growth.



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