Journey toward AI-Native

Unlock Your Inside Edge™

kyndryl®

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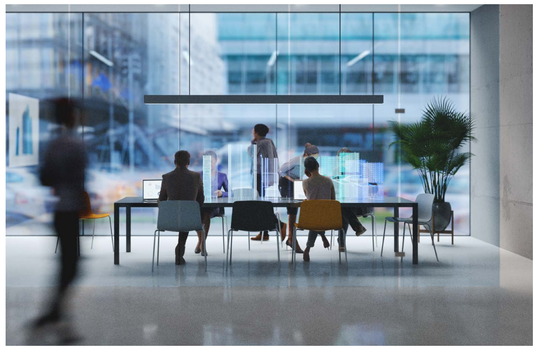

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The outcomes that matter to organizations haven't changed. But the game has. A perfect storm of market uncertainty, rapidly evolving technology, and competitive dynamics is impacting the operating environment like never before. Rising costs, geopolitical instability, supply chain pressures, cyber threats, skills shortages, and advancing artificial intelligence are driving material challenges across sectors.

Winning amid this volatility demands a new paradigm:

Agility by design. AI at the core.

And people collaborating with digital agents that are orchestrated intelligently, secure by design, and scalable across the organization. These elements create an enterprise that can sense, respond, and act within policy, in real time.

In this evolution, AI moves beyond an added layer to become the reimagined core of the organization. Now, leaders can outpace competitors with a business that can continuously adapt to change, reinvent itself, create new revenue streams, strengthen resilience, differentiate, and deliver continual competitive edge.

We call this the **AI-Native Enterprise.** And in this paper, we'll cover what that means, what's changing for businesses (and what's not), the journey toward AI-Native, and how Kyndryl's Agentic AI Framework can help enable organizations to achieve faster speed to results. We'll also discuss how organizations can win with powerful and flexible technology foundations (including advanced security); change culture embedded into their DNA; and the benefit of decades of Kyndryl's mission-critical expertise.

A future in flux

It used to be that leaders set strategy years ahead. There were established operating models and long-hardened organizational structures. And “transformation” mostly meant digitization to optimize existing processes and experiences, with KPIs focused on efficiency gains, cost reduction, and incremental improvements. But in an era of historic volatility, traditional strategies and structures are no longer sufficient.

Today, conducting business is increasingly impacted by the effects of ongoing wars and geopolitical conflicts, shifting tariffs, regulatory challenges, widening risk exposure, new competitive pressures, and talent shortages. Further challenges stem from the proliferation of technologies and the rapid advancement of artificial intelligence.

Only 31% of business leaders report feeling ready in the face of external risks.[1]

Businesses are dealing with volatility, uncertainty, complexity, and ambiguity from a convergence of global forces.

Market and geopolitical dynamics

Wars and tariffs continue to cause disruption to supply chains the world over.

Regulatory changes continue to challenge how organizations respond.

40%
of executives say they feel unprepared for market shocks.[2]

56%+
of leaders name cyber-attacks as the biggest threat to supply chain stability.[3]

Competitive dynamics

Challenges range from growing cost pressures to competing with new market entrants and nontraditional competitors as industries converge.

Skills shortages continue to challenge businesses and hamper progress — even as skill obsolescence is accelerating.

76%
of employers report difficulty filling roles because of skills shortages.[4]

51%
of leaders are worried about global talent shortages.[5]

32%
feel confident they have the skills they need for long-term success.[5]

Technology dynamics

As technology evolves and proliferates, the modernization of legacy estates to mitigate cyber risk, improve experiences, and drive efficiency becomes paramount.

Rapid advancements in artificial intelligence offer both challenge and significant opportunity — but leaders are struggling to integrate and scale the technology.

60%
of leaders say their organization struggles to keep up with technology advancements.[6]

64%
of business leaders do not feel their AI implementation is ready to manage future risks and disruptive forces.[7]

1%
of companies believe their AI investments have reached maturity.[8]

So, while the goals that matter most to organizations haven't changed — profitable and sustainable growth, lower costs, better customer experiences, security, and resilience — the game has. With this kind of volatility challenging the operating environment like never before, it's not only more difficult for leaders to deliver the outcomes they're seeking, but it's also becoming imperative for leaders to rethink how they do business in the first place.

Hyper-velocity outside demands hyper-agility inside

Businesses must prepare to make change and agility part of organizational DNA — only by doing this can they keep pace with changing consumer and market demands.

Technology: rigid	→	agile
Talent: functions and jobs	→	skills and tasks, change as culture
Process: static strategy	→	dynamic operations

Agile technology

Rather than building complex, rigid systems, leaders recognize the need for composability in their technology — leveraging modular architectures to enable performance and flexibility without vendor lock-in.

Businesses implementing composable commerce solutions have realized an average return on investment of

156%

within the first 18 months of deployment.[9]

They also report a 42% reduction in development costs and a 37% decrease in maintenance expenses compared to previous monolithic systems.[9]

Agile talent

Skills requirements are changing — not only in hard skills (e.g., technical and coding skills), but in power skills (critical thinking, judgment, creativity). Organizations must prepare to make upskilling and reskilling continuous processes as the nature of work continues to evolve. They must also proactively manage change to make it part of their cultural DNA.

Employers expect that

39%

of key skills required in the job market will change by 2030.[10]

50%

of CEOs say their culture and workforce adaptability move too slowly.[11]

Agile process

The old textbook of linear strategy and waterfall process is dead. Today's environment demands that we expect — and design — for change, and that leaders embrace this. Roadmaps must now be flexible, and speed to impact matters more than ever.

Nearly

1 in 5

organizations are now reinventing faster than their budgetary cycles.[12]

57%

of executives say that they're missing opportunities because they can't make decisions quickly enough.[13]

Winning in this environment requires bold change in the way we both think about and architect organizations for success. It's clear: This era of uncertainty and disruption demands a new paradigm.

The AI inflection point

Artificial intelligence marks a pivotal shift — building on robotic process automation and machine learning to unlock generative capabilities and usher in the era of agentic AI. This evolution takes the promise of automation further with the introduction and orchestration of intelligent agents into the architecture. These intelligent agents reason, adapt, and act, handling tasks and collaborating with people across the organization. AI agents represent a step change in enterprise AI. In this model, agents can understand goals; break those goals into smaller sub-tasks; interact with people, teams, and systems alike; and execute and adapt in real time.

And the technology just keeps advancing, delivering capabilities to enable the kind of competitive advantage that wasn't possible previously. Yet, leaders across sectors are struggling to drive meaningful adoption or scale AI securely across their organizations. This results in a scattering of disconnected proofs of concept and one-off workstreams that never deliver tangible value.

61%

of CEOs say competitive advantage depends on who has the most advanced AI.[14]

74%

of U.S. CEOs admit they'll lose their job within two years if they don't deliver measurable AI business gains.[15]

8 in 10

companies are actively using AI.[16]

9 in 10

pilots fail to make a return on investment.[17]

Shifting from disconnected pilot to new business paradigm

Agentic AI is poised to deliver monumental improvements in speed, efficiency, modernization, and experience. But that's just the beginning. The true promise is in enabling enterprises to move beyond static workflows and rigid systems to dynamic, autonomous operations with full transparency and human oversight. It's a fundamental reimagining of the operating model itself, but also of the core roles, functions, dependencies, and enablers across teams, technologies, and processes.

Consider: AI expands the meaning of IT infrastructure to include digital agents as new assets. What this really means is the advent of unique requirements for security, governance, and management as HR and IT begin to blur. Equally, the meaning of "infrastructure" itself expands to include the process and application layers, transitioning static or condition-based environments into truly intelligent, dynamic enterprises.

However, this opportunity comes with a challenge: integrating these new intelligent systems with complex legacy technology environments. And it's true that agents represent both the modernized end state but also the means to modernizing in the first place. So it's no wonder that leaders are unsure about where, how, and when to prioritize which AI entry point. And why most executives see AI's potential but do not feel well-positioned to deploy it strategically.

This gap between ambition and execution is the critical challenge for today's enterprise leaders.

And one that Kyndryl is positioned to help leaders solve.

The Kyndryl perspective

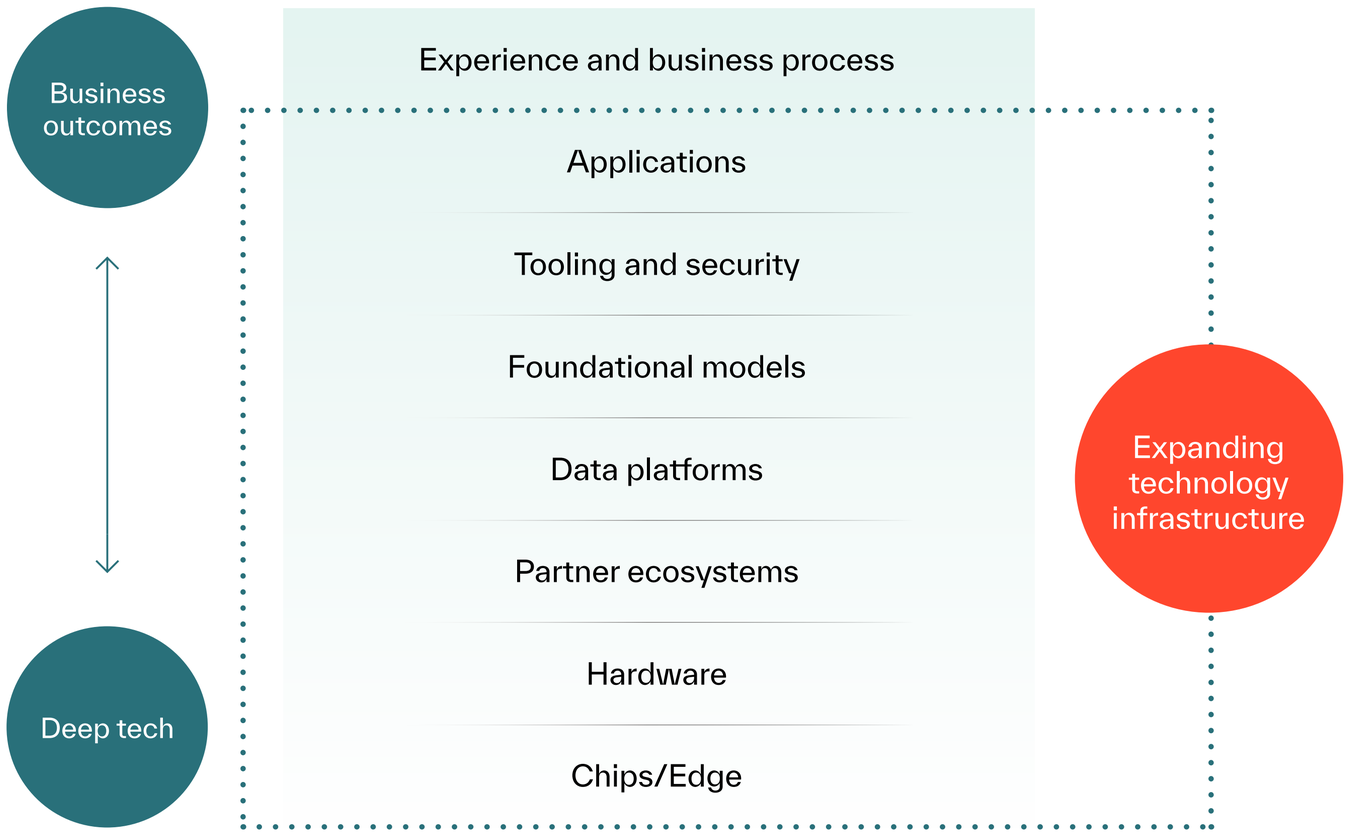
To realize true ROI with AI agents — including cost optimization, time to value, productivity, and growth and innovation — enterprise leaders must first acknowledge three truths.

Truth #1:
Every business outcome depends on technology.

Once an enabler of — or obstacle to — business outcomes, technology is now what drives business outcomes. That means every business ambition has a deep and intimate dependency on its technology capabilities. But the complexion of that technology is changing, as is the discipline needed to manage the change. Understanding how each workflow and technology layer connects to, supports, and enables the next is essential to architecting and optimizing the system to deliver the outcomes that matter.

This relationship between technology and business outcomes becomes even more critical as organizations begin to meaningfully integrate AI. This integration requires strong foundational data, security by design, computational power, and seamless interoperability across the stack at scale.

We call this "chip to experience."



Truth #2:
Big-bang transformations are out; continuous reinvention is in.

70%

of transformation initiatives fail to achieve their ambitions.[18]

The challenges range from initiatives that are too big or take too long, to those that divorce strategy from execution. Whatever the reason, by the time they're complete, the market has moved on and it's time to start again. This kind of transformation is now a liability.

As market conditions continue to change, our definition of transformation is also changing. It's no longer about large transformation initiatives with a static end state. Now, leaders must prioritize continuous, incremental evolution and agility across technology, talent, and processes.

Truth #3:
The anatomy of the workforce is being rewired.

As AI continues to evolve, enterprises will need to reimagine the composition of their workforces to include people and AI agents working together. This will require a new way of thinking about and managing talent. In this new model, the role of IT is recast as the HR function for agents — responsible not just for managing systems, but for deploying, managing, and overseeing teams of agents across the organization.

With agents already delivering significant efficiency gains across lower-skill tasks, both traditional constructs of organizational charts and role profiles face existential questions. What happens to entry-level roles if agents can handle low-skill work with exponential pace and accuracy? And if agents are deployed for increasingly complex tasks, what does that mean for where we position uniquely human value?

Displacement concerns pose obvious challenges for leaders and colleagues alike. But with the changing nature of work, a report from the World Economic Forum indicates that AI is set to create as many as 170 million new jobs in the next five years.[19] A vital question for leaders in this changing environment is how to recast the value of people, shape future professions, and set positive cultural parameters for this new workforce.

As NVIDIA CEO Jensen Huang said, "You're not going to lose your job to an AI, but you're going to lose your job to someone who uses AI."[20] In either case, the future complexion of the workforce and nature of work itself require leaders to think very differently about the future anatomy of their organizations.

The shifting roles of the CIO and CHRO

The CIO

The CIO's role is fundamentally shifting. With the advent of agentic AI, technology leaders must now orchestrate a new dynamic enterprise engine. This represents a profound opportunity to drive and implement innovation and operational efficiency.

The CHRO

The CHRO mandate is to manage blended teams of people and agents while upskilling their people. This requires them to sharpen the focus on change management and take a systemic approach to skills. Equally, they must equip employees to responsibly manage and collaborate with their agentic counterparts as part of the new culture.

Progressing toward AI-Native

In a world where technology powers outcomes, transformation is continuous, and agents become a core part of workforces, the question is no longer about the *what* or *when* of agentic AI. Rather, it's about the *how*:

- How to orchestrate agents across complex technology systems
- How to secure them with embedded security by design and governance
- How to scale from isolated pilots to enterprise-wide adoption

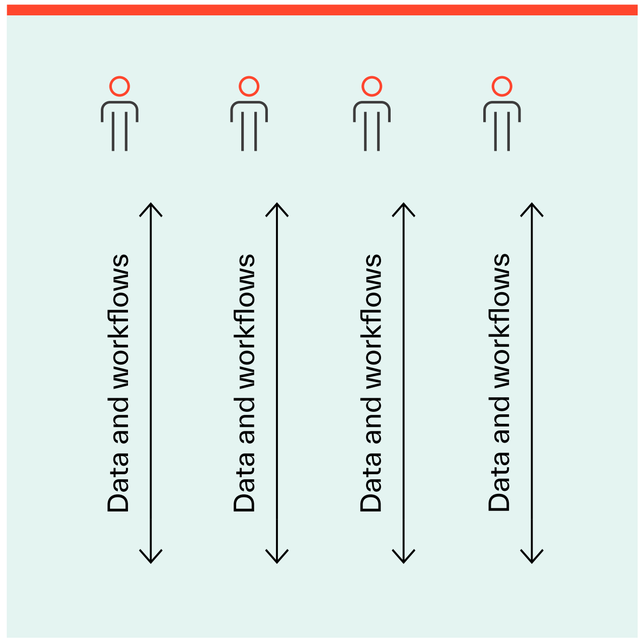
Currently, most approaches layer AI onto existing structures and workflows, with the goal of enhancing efficiency or optimizing costs associated with existing business models and processes. But to capitalize on the true potential of agentic AI, growth-oriented leaders are driving a new organizational paradigm. Here, AI isn't a layer on top of existing processes, but rather the reimagined core of the entire organization.

By designing with AI capabilities at the center, organizations can move from static digitization toward dynamic, autonomous enterprises where information flows freely across the organization. In these enterprises, people and agents work together to execute complex processes in real time and at scale, within a self-optimizing system that includes embedded security by design.

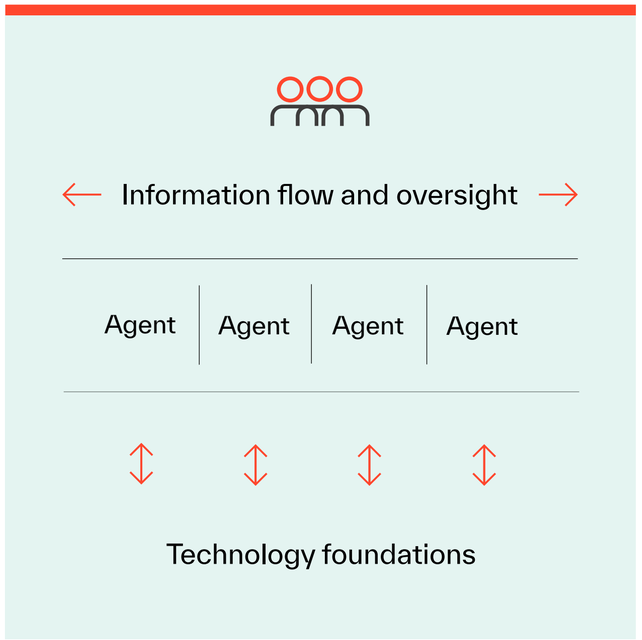
Kyndryl defines this as the AI-Native Enterprise.

What's different?

From siloed and fragmented functions, workflows, and technology to...



agents that work across workflows and technology foundations, removing silos and enabling free-flowing information by design



Again, in the AI-Native Enterprise, AI isn't bolted onto existing infrastructure, processes, or models. Rather, the enterprise is reimagined with AI at the core. In this model, critical human direction, judgment, and control remain absolute. Leaders continue to set strategy, governance, and security protocols — but the way the organization operates changes fundamentally.

In the past, organizations created silos by design. Departments and functions were established to manage individual processes, technology, and data linked to specific workflows and operations. Gaining visibility and control across silos meant reconciling system and data integration, often supplemented by manual processes and communications across a fragmented technology system.

The AI-Native Enterprise breaks this model by using AI to dissolve silos and move toward more complete oversight and orchestration across the organization.

What’s *not* different?

The successful deployment of agentic AI is as much a people challenge as it is a technology one. So it’s just as important to acknowledge that AI agents won’t replace people. Nor will they replace what is unique to people, like creativity, imagination, collaboration, or empathy — and critically, human oversight, judgment, and control.

Leaders will continue to set strategy and make critical decisions. Vital security and governance protocols also stay in place but get strengthened by intelligent monitoring and adaptive compliance systems. These help to ensure transparency, auditability, and people-in-the-loop business controls.

Journey toward AI-Native

Fundamentally, AI requires organizations to evolve how they manage their technology systems and how they design and run business processes. It also requires them to reimagine the way they work with their employees. It demands AI-ready infrastructure, governed data, and embedded security — integrated with modern platforms and applications.

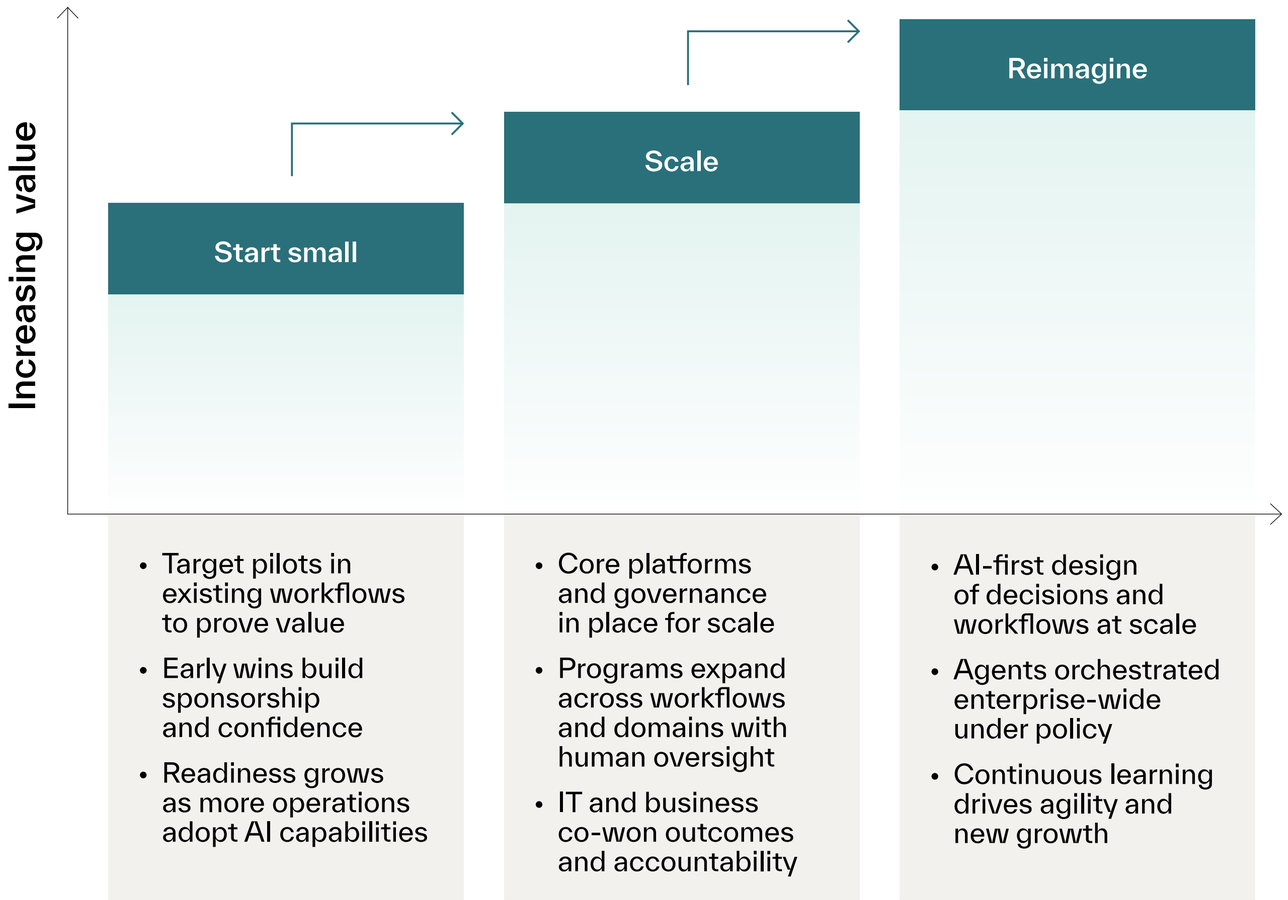
But it's important to remember that AI-Native is a North Star state. The journey itself requires careful execution — from technology modernization and GenAI infrastructure, models and engineering, to proactive organizational change management and workforce readiness.

The speed and scale of the journey will depend on ambition, risk appetite, and access to the right expertise to make AI-Native Enterprise a reality. And all this without compromising business continuity, security, or performance along the way.

Wherever organizations are on their journeys toward AI-Native, moving from one-off projects to the full potential of agentic AI at scale depends on the right foundations coupled with new transformation principles and operating structures.

That's exactly where Kyndryl can help.

AI maturity continuum



Reducing risks of AI modernization:

Introducing the Kyndryl Agentic AI Framework

As the world's largest IT infrastructure services provider for mission-critical technology systems, we understand what it takes to move toward AI-Native, and what's at stake.

Previously, modernizing a technology system to enable innovations like agentic AI was a minefield of blind spots and hidden dependencies.

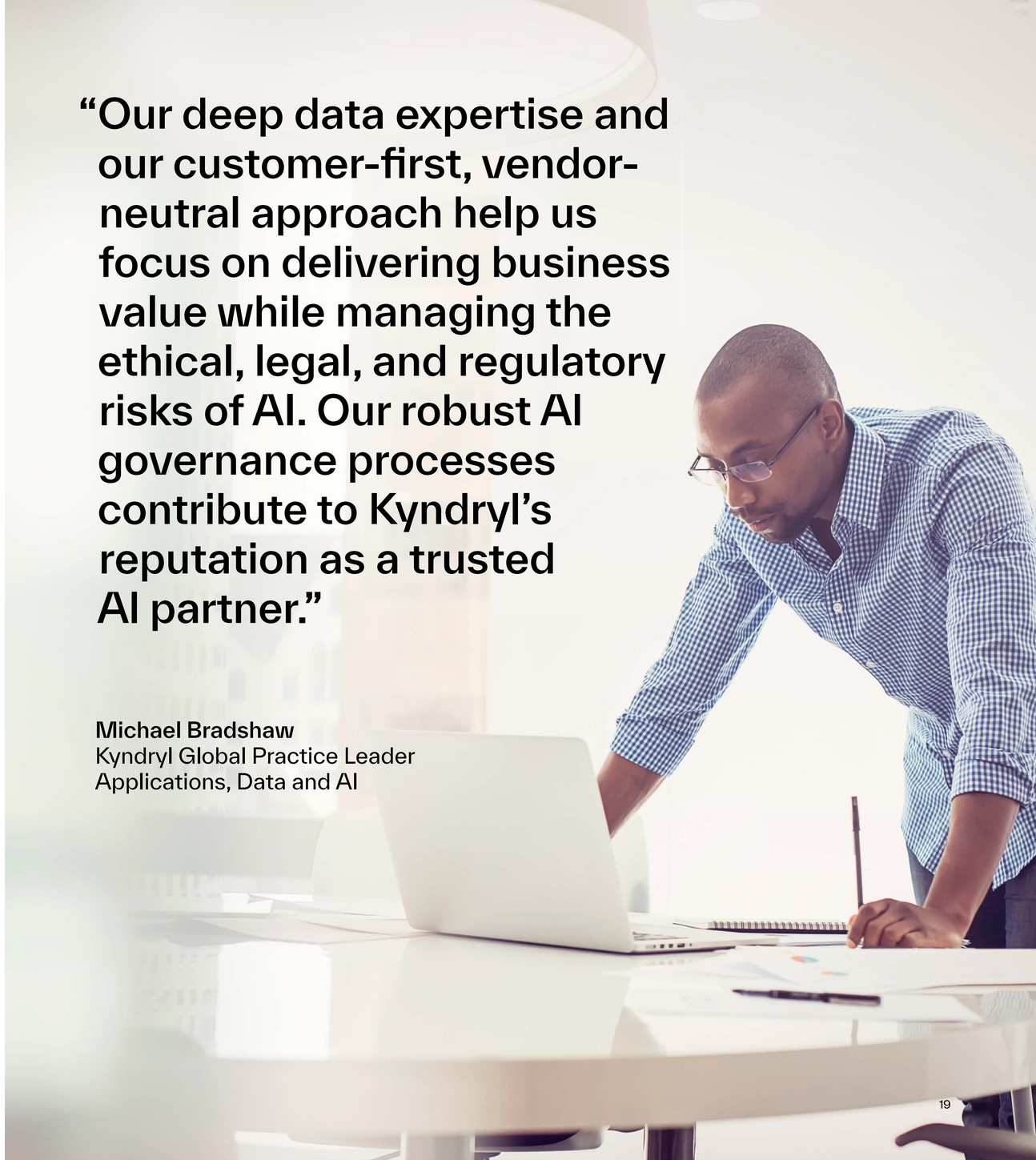
But with Kyndryl, it's possible to reduce the risk of modernization and accelerate agentic AI, and ROI, through the Kyndryl Agentic AI Framework.

Kyndryl's Agentic AI Framework is our approach to helping customers transform their AI investments from isolated pilots and workflows into core components of their business engines. At the core is a secure-by-design agentic capability with the embedded technology to orchestrate, secure, and scale AI agents. These agents have the ability to sense, respond, and act within policy — across the entire enterprise, all in real time.

Through the Framework, we apply people-centric design, composable architecture, seamless integration, interoperability across technologies and AI models, data sovereignty by design, policy-driven intelligence, and transparent decision-making.

Built on 100% open-source architecture for complete transparency and control, our framework can be applied anywhere — on-premises, edge, cloud, or hybrid. It works with existing platforms and applications to make an organization's systems smarter.

Over the next couple of pages, we'll explain why the Framework is the best way to accelerate adoption, cut time to value, and boost the impact of agentic AI.



"Our deep data expertise and our customer-first, vendor-neutral approach help us focus on delivering business value while managing the ethical, legal, and regulatory risks of AI. Our robust AI governance processes contribute to Kyndryl's reputation as a trusted AI partner."

Michael Bradshaw
Kyndryl Global Practice Leader
Applications, Data and AI

Build next-generation experiences

A step change in operational agility necessitates an equal step change in experience design. Our approach draws on human-centered design principles and global partnerships to design, build, and run next-generation AI-enabled UI and UX to maximize adoption and impact across:

- AI-Native customer journey designs
- Employee experience and user interface designs
- Dynamic and agile digital front ends that adapt to changing conditions

Connect the future workforce

Technology is only one side of the AI coin. Talent is the other. Kyndryl helps organizations take a 360-degree approach to workforce readiness to ensure a smooth transition and drive adoption, productivity, and collaboration:

- Skills assessment and gap analysis
- Role-specific training integrated into daily work
- Job and task redesign to free people to focus on high-priority activities
- Clear career paths in the AI-Native organization
- Continuous capability development programs
- Change-management principles and approaches

Maintain mandates for security, governance, and responsible AI

While a pilot with 100 users poses manageable risk, scaling to 10,000 users across critical systems triggers broader security and compliance concerns. Kyndryl's approach includes security by design:

- Zero-trust security architecture and industry-standard encryption
- Role-based access controls with fine-grained permissions, explainability, and comprehensive audit trails
- Continuous security and compliance monitoring, as well as on-premises deployment options for data sovereignty

Unlock Your Inside Edge™ with Kyndryl

In the age of disruption, a competitive edge depends on high-performance technology foundations that don't just *support* business processes but actively drive them.

It depends on the ability to embrace and embody continuous change to mitigate risk and capitalize on opportunity.

And it depends on building a new kind of workforce that brings the very best of human creativity together with agentic intelligence.

After 30+ years of running the world's mission-critical technology systems, turning what's inside into an outside — and outsized — advantage is what we do.

We bring decades of experience with processes, tools, and methods to inform, analyze, design, build, manage, and govern the integration of AI agents into your most critical workflows. We strive to ensure that your AI strategy delivers measurable results, with security by design, at scale, and underscored by our people and trust.

Together, we can help you reimagine the way your business operates. Reduce your time to impact through forward-engineered solutions. Expand from isolated pilots toward powerful enterprise-wide orchestration and adoption. And evolve your mission-critical systems with trusted AI governance.

The organizations that act decisively now — that commit to AI evolution, invest in composable architecture, and embrace people-agent collaboration — will define the next era of business.

They will recognize AI not as a tool to optimize existing business models, but as a means to reinvent them to enable entirely new revenue streams, value chains, and possibilities.

Turn your AI vision into action.

Share your priorities and discover how the right expertise can accelerate your business.

Schedule a consultation →

Resources

Discover the Kyndryl Agentic AI Framework – your route to AI-native enterprise

Discover Kyndryl Consult – your co-pilot on the journey to get there

Discover AI-powered modernization

Discover security that does not compromise

Citations

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Our world is alive with opportunity, and it's in constant motion. To thrive with a continuous competitive edge, businesses must unlock their underlying technology infrastructure as an asset that both protects and accelerates outcomes.

At Kyndryl, we run and reimagine the mission-critical technology systems that drive advantage for the world's leading businesses.

Over decades we've proven ourselves as trusted advisors who turn vision into measurable value, building IT infrastructure as an adaptive, intelligent system that creates an uninterrupted path between your technology investments and market leadership. Kyndryl Bridge is the force multiplier that sets us apart. This always-on, AI-powered platform analyzes billions of data points within your own technology, uncovering insights that become oxygen for your innovation.

Our experts are restlessly devoted to your success, working alongside you to combine this rich insight with pragmatic industry expertise and continually optimize performance. High performance leads to progress at pace. Because when your technology runs securely and smoothly, you create space to imagine the future, recognize meaningful patterns in your data, and quickly scale your best ideas. We push for progress even further by convening partner ecosystems and skills and through our ongoing sustainability commitments.

With Kyndryl at the heart of your business, you get a proactive partner who understands your realities and your possibilities. Together, we'll turn ideas into the outcomes that keep you advancing.

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