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Navigating Hybrid IT Modernization

Kyndryl Readiness Report



Contents

- 01 Introduction
- 02 There is an imperative to innovate and keep up with evolving technology
- 03 Tech modernization is hindered by complexity
- 04 The way forward: Pragmatic, agile and people-ready

Introduction

Overcoming complexity in Hybrid IT environments

Organizations are under mounting pressure to transform their IT systems, whether for upgrading technologies, meeting business and customer demands, or adapting to new regulations. However, the complexity of hybrid IT environments often hampers progress, potentially leading to a decision-making paralysis.

The good news is that leaders who overcome these challenges can significantly benefit by increasing growth, optimizing costs and managing risks. Success comes from leveraging an agile and continuous hybrid IT modernization model that allows businesses to transform while reliably running IT operations.



There is an
imperative to
keep up with
new technology

Keeping up with disruptive technology is a challenge

With AI-related use cases expanding, the economics of technology value creation are shifting. It's no longer enough to just keep up with technology. AI is rapidly becoming a core infrastructure component that impacts IT processes and business worldwide.

In this context, organizations must free up resources to drive strategic change and stay ahead of new risks. However, many IT departments say they are not able to keep up with how fast technology is evolving.

→ 4 in 10

business leaders think **their IT infrastructure is completely ready** to manage 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

End-of-life tech is impeding innovation

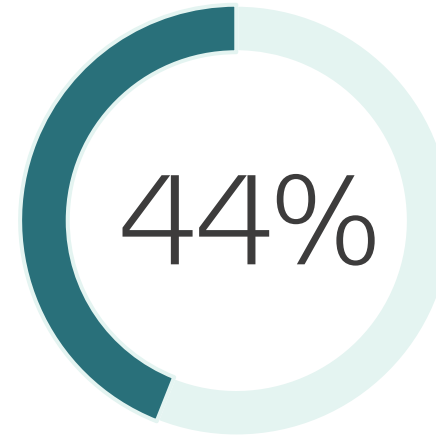
An end-of-life and end-of-service challenge is looming. Nearly two-thirds of CEOs are concerned that their IT is outdated or close to end-of-life, bringing vulnerabilities, skills gaps and challenges for modernization.

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.

Kyndryl customers are not alone in their urgency to modernize – globally leaders feel behind on modernization. End-of-life risks are both increased risks to the entire organization (security, operations), increased costs and hindered innovation (integration, emerging tech).



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



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

Tech modernization is hindered by complexity

Modernization is a top priority, yet few are making progress

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 16% say they're just starting out.

WHILE

94%

say tech modernization
is a **high priority**

AND

82%

say **gaining a competitive
advantage** is a top priority
for modernization

ONLY

3 in 10

say they are leading when it
comes to their **technology
modernization journey**

Leading in technology
modernization

29%

Actively adopting
digital technologies

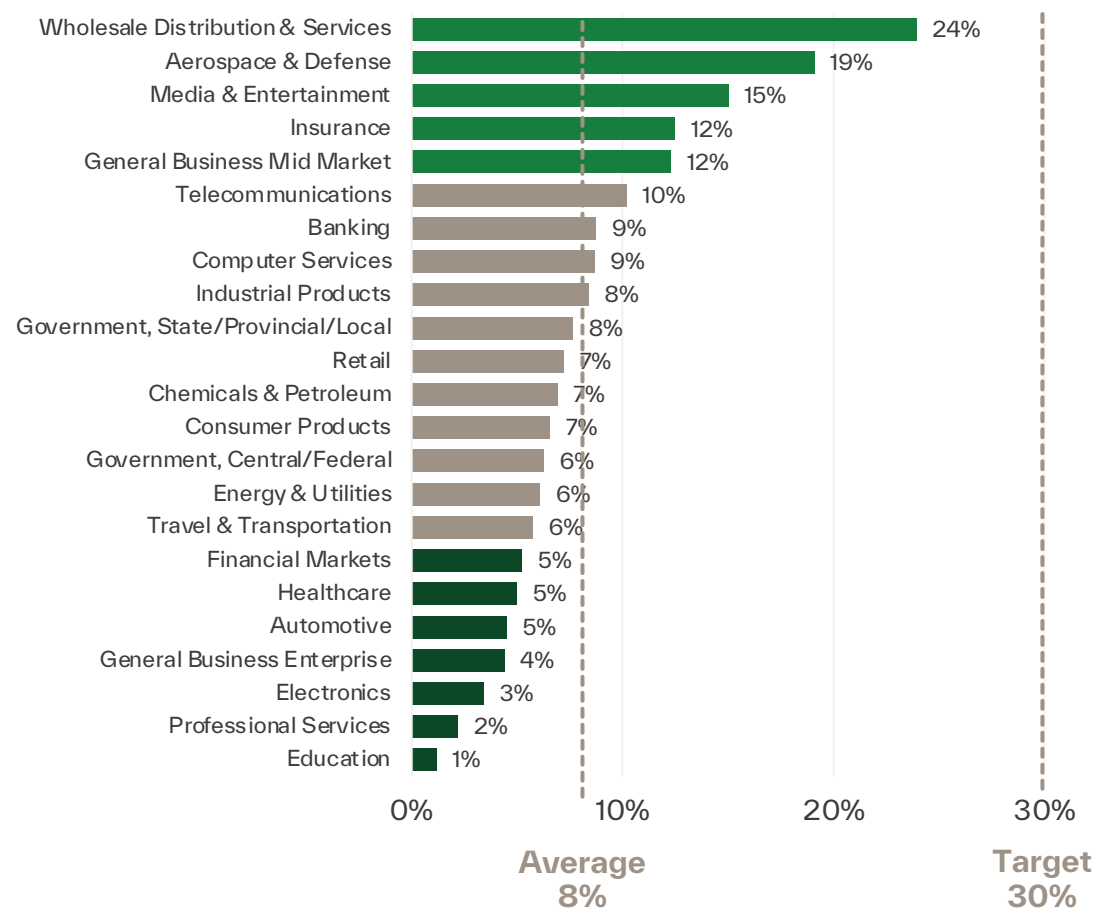
56%

Early stage of
modernization

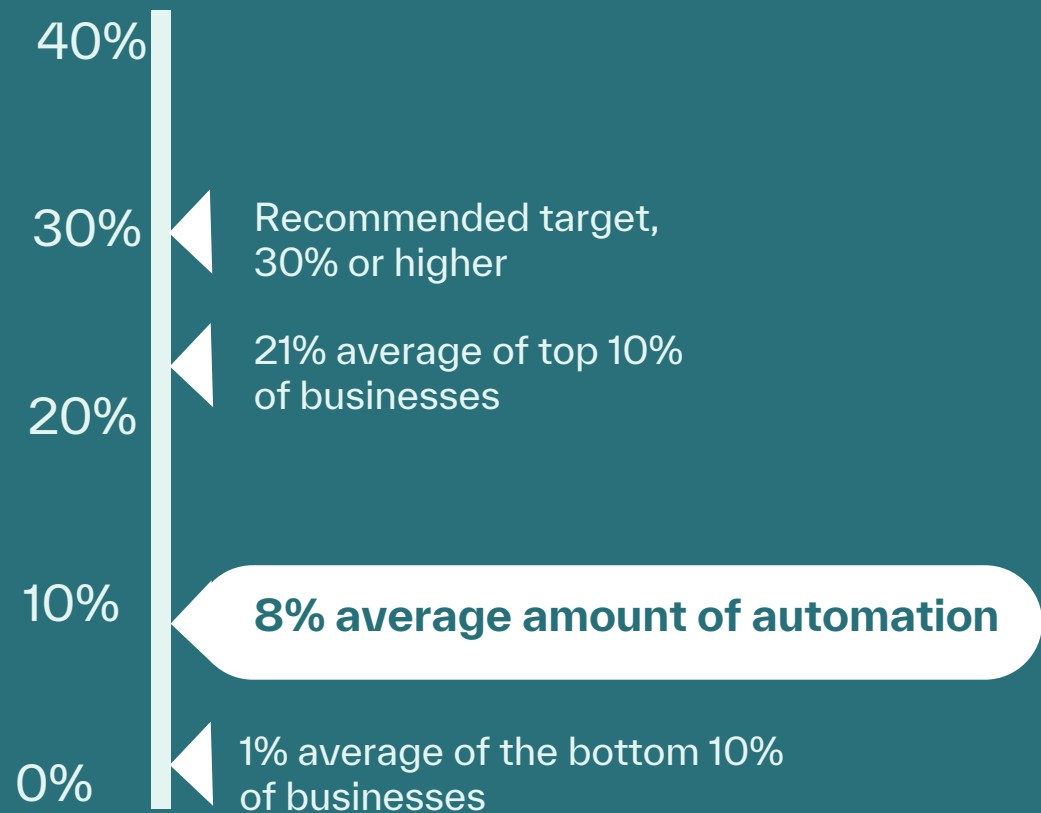
15%

Even businesses that have already adopted automation have room to run

% of IT events resolved through automation



% of IT events resolved through automation



Complexity impedes modernization progress

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

Modernization efforts are delayed by and tend to fail because of the complexity of hybrid IT, which contributes to a decision-making paralysis.

There is an unmet need to simplify an ever-evolving process and tradeoffs in IT modernization.

#1

Businesses say **complexity** is the number one challenge for modernization

Primary sources of tension between business and tech leaders

% ranked among Top 3 by CIO/CTO and CEOs

#1

Challenges in balancing short-term business needs with long-term tech investments

#2

Difficulty quantifying ROI

#3

Resource allocation for running legacy systems vs. investing in technology modernization projects

The way forward: Pragmatic, agile and people-ready

Leaders who modernize benefit from improved innovation and efficiency

Leaders who tackle complexity and prioritization paralysis to modernize gain significant organizational benefits, such as entering new markets, creating new business models, and enhancing customer engagement.

Kyndryl customers achieve success by balancing operational excellence with business transformation. For example, an investment firm managing over \$1 trillion in assets launched a SaaS platform that boosted performance by 30-40% for wealth managers without delaying a single transaction.

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

Businesses that are pragmatic, agile and people-ready will gain the advantage

No enterprise can stay competitive by standing still, and talent can be the best bulwark against Hybrid IT complexity—and the best levers for opportunity.

Leaders who do prioritize employee skills report higher risk readiness overall. Kyndryl understands people-readiness and enables leaders to strengthen their talent through modernization, instead of at the expense of it.

To make the most of transformation, leaders need to understand how new capabilities will integrate not only with existing technology but with the company culture, processes and goals.

Leaders must be agile to operate, accelerate, and iterate to reap modernization benefits.

The path forward must embrace emerging technologies and how they integrate not only with existing IT, but company culture, processes and goals to be both tech and people-ready.

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

+22% pts

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

+19% pts

have a pool of talent proficient in emerging technologies

+16% pts

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



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



Visit the Kyndryl Readiness Report 2024 for more insights.

Thank You

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