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# Navigating the readiness paradox

The Kyndryl Readiness Report 2024

Industry focus: Banking and Financial Services







## Introduction

The Kyndryl Readiness Report — a global survey of business and technology leaders combined with exclusive data from Kyndryl Bridge, the company’s AI-driven digital business platform — sheds light on how business leaders turn to their IT and talent to address business challenges and gain a competitive edge.

The study reveals 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

91%

of Banking and Financial leaders are confident their IT infrastructure is best-in-class (vs. 90% across all industries)

ONLY

41%

of those leaders say their IT infrastructure is ready to manage future risks (vs. 39% across all industries)

# Banking and Financial Services: Industry snapshot

A transformation is underway in the financial services sector that will shape technology investment for years to come. Digital transactions have increased dramatically as banks look to accommodate real-time transfers and enable cross-border payments. The complex regulatory landscape is rapidly changing amid geopolitical volatility, presenting implications for data privacy and cybersecurity. And for everyday consumers, banking options that provide ease, access, and a personalized touch are paramount.

## High levels of IT readiness, and adoption of newer technologies

Banking and Financial leaders report stronger readiness across several key IT elements, like IT infrastructure and data centers against other industries.

The most innovative companies will expand their focus on low-code and no-code development, particularly in serverless applications, to accelerate their digital transformations. This can help firms manage complex hybrid computing environments as they automate workflows and build customized solutions that deliver the personalized experiences that today's customers demand.

## Strong focus on using data for security, compliance, and fraud detection

Banking and Financial leaders are most concerned about cyberattacks. Firms can harness their data to leverage AI for cybersecurity and compliance, with significant applications around regulatory controls, fraud detection, rapid fraud recovery and consumer data protection.

They report the highest levels of cybersecurity investment compared to other industries. They also report stronger readiness when it comes to their cybersecurity and resiliency measures.

## Higher skills readiness, with several use cases for generative AI

Banking and Financial leaders, like many other industries, report low readiness for skills gaps (41% vs. 36% across all industries).

As new technologies enter the workplace, generative AI can help firms rapidly update documentation as compliance requirements change, reducing the time required for teams to review these documents. Generative AI use in the anti-money laundering space is also expected to grow, as firms apply the technology to more accurately identify suspicious activity and get ahead of bad actors.

## Effective collaboration between business and tech leaders

While complexity is still a challenge for Banking and Financial leaders, they are more likely than those in other industries to report effective collaboration between business and tech leaders and say executive leadership fosters a culture of collaboration between the two.

# 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.



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

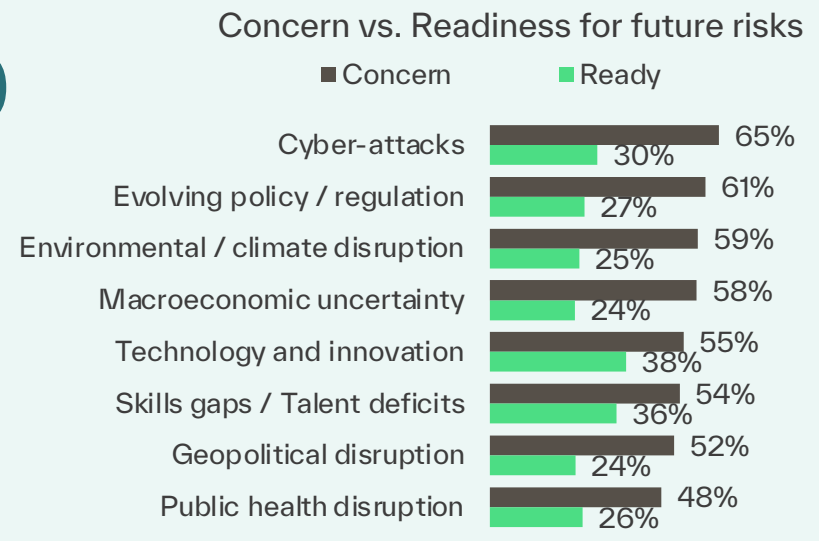
Multiple risks keep CEOs, CIOs and CTOs up at night, such as cyber attacks, evolving regulations, climate disruptions, economic uncertainty and keeping up with technological advances.

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



# 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

01.

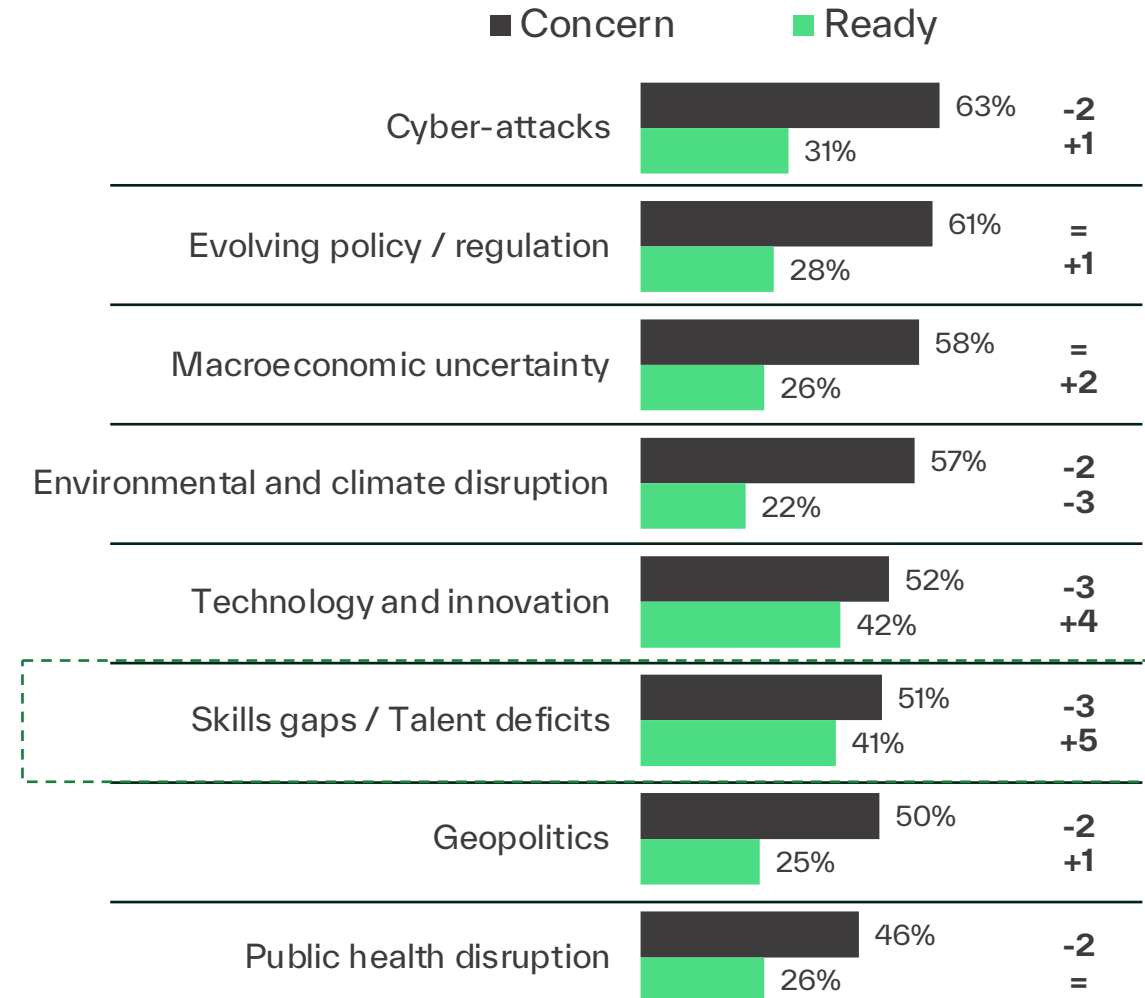
Banking and Financial leaders feel more ready for skills gaps than those in other industries

30%

of Banking and Financial leaders **feel ready** across external risks (vs. 29% all industries)

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## Concern vs. Readiness for Future Risks

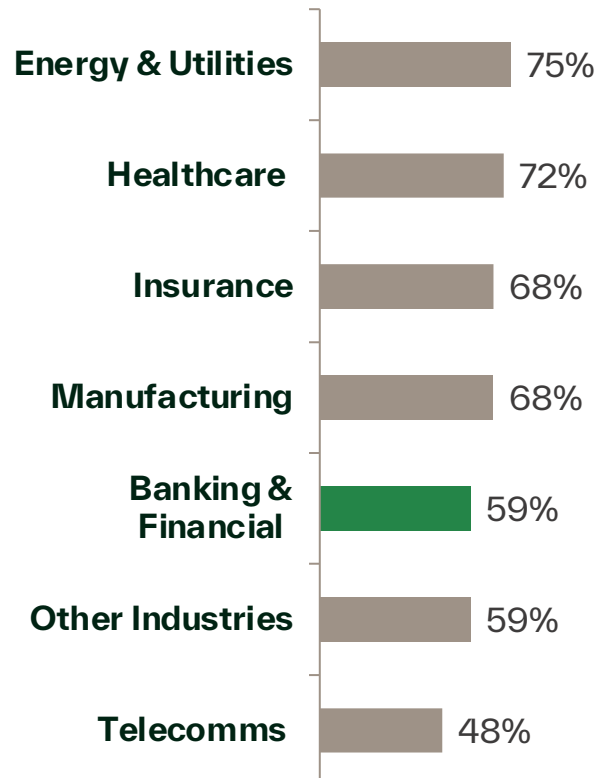


*Concern/Readiness vs. all industry average (percentage point difference)*

# 01. In line with other industries, Banking and Financial businesses struggle to keep up with the pace of innovation and regulatory changes

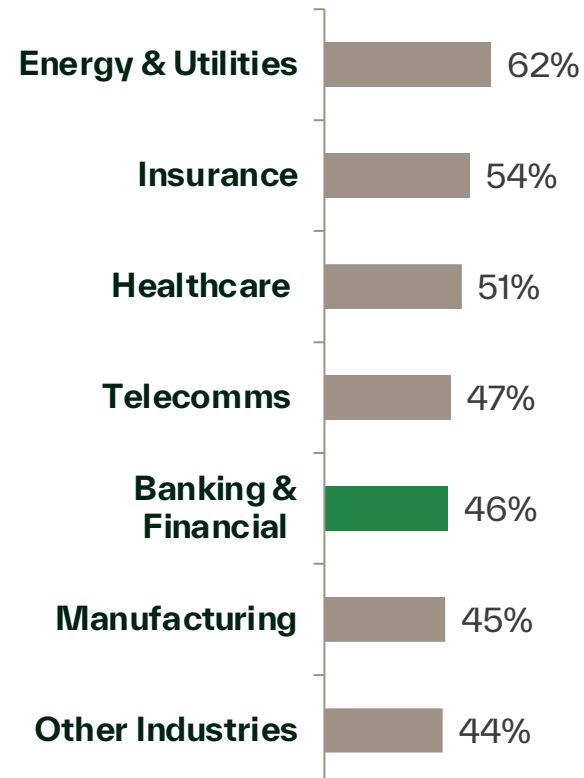
Struggle to keep up with the  
pace of technological  
advancements

Agree %



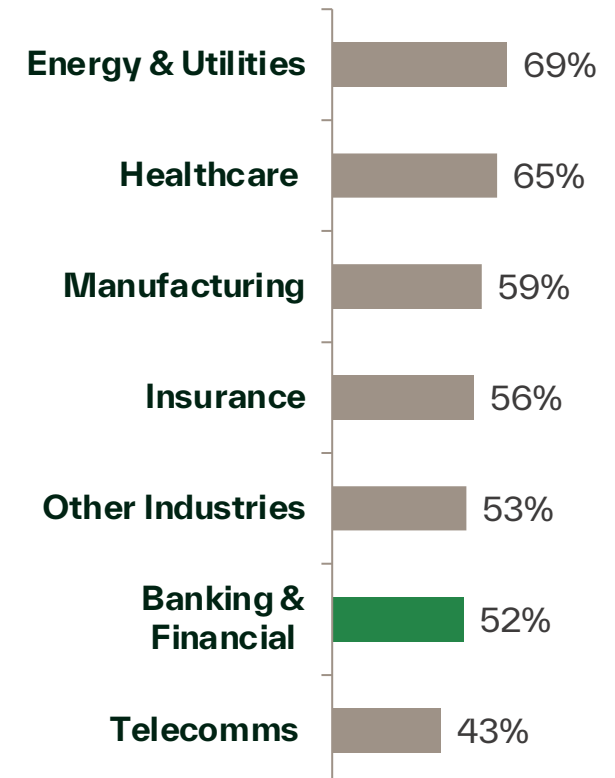
Policy and regulatory changes are  
moving too fast  
in their country

Selected %



Navigating the frequency and speed of  
policy / regulatory changes is a  
challenge for their modernization efforts

Selected %



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. 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.

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# 90%

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

HOWEVER, ONLY

# 39%

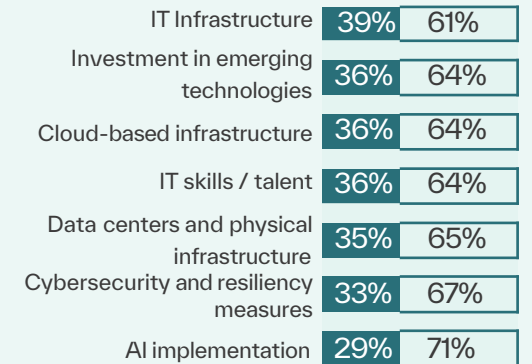
of businesses report their **IT infrastructure is ready** to manage future risks

AND

# 64%

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

■ Completely ready □ Not completely ready



# 44%

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



# 02.

Compared to other industries, Banking and Financial businesses report strong readiness across several key IT elements

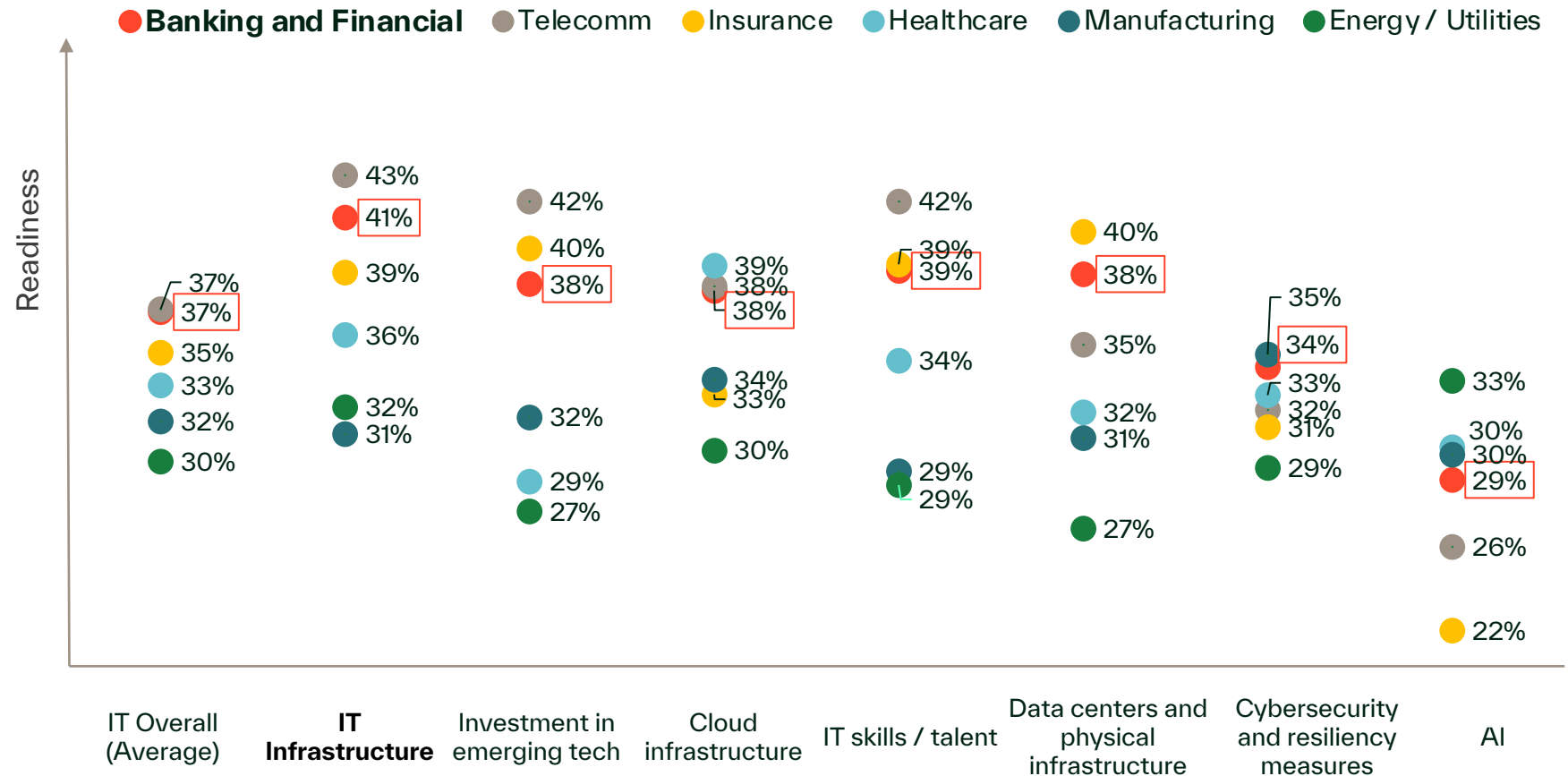
# 41%

of Banking and Financial leaders report their **IT infrastructure is ready** to manage future risks (vs. 39% all industries)

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## Readiness across IT elements

% Completely Ready

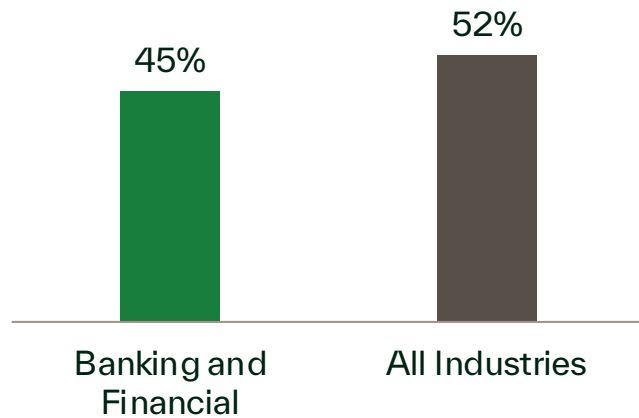


Q17: How ready would you say these elements of your organization's IT currently are to manage future risks and disruptive forces? Base: Total (n=3200); All Industries base sizes from (n=200) to (n=500)

## 02. Nearly half of Banking and Financial leaders are concerned with outdated technology and potential risks

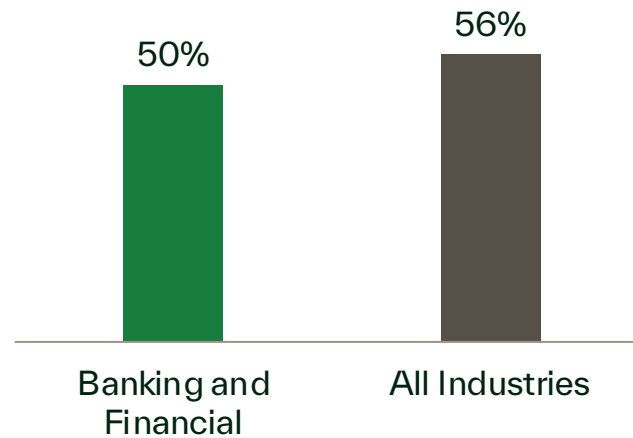
# 45%

Of Banking and Financial leaders **are concerned** their IT is **outdated or close to end-of-life**



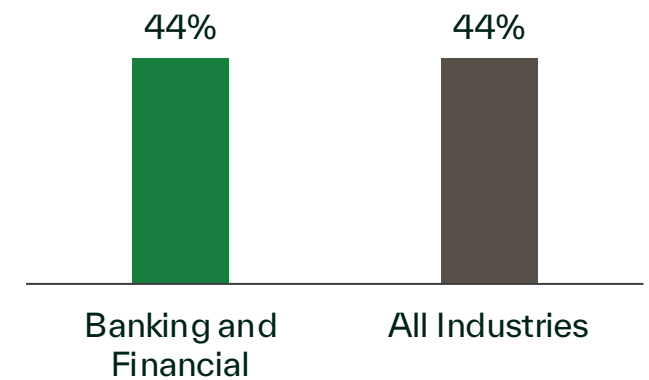
# 1 in 2

Banking and Financial leaders **are anxious about the potential risks** posed **by end-of-life IT systems** within their organization



# 44%

of **servers, storage, networks, and operating systems** among Banking and Financial businesses are **approaching or at end-of-life**, according to Kyndryl Bridge (on par with 44% global average)



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

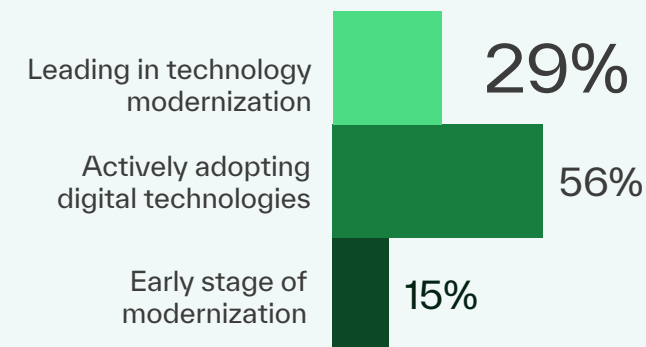
*Top 5 risk mitigation actions:*

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

94%

Say tech modernization is a high priority

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

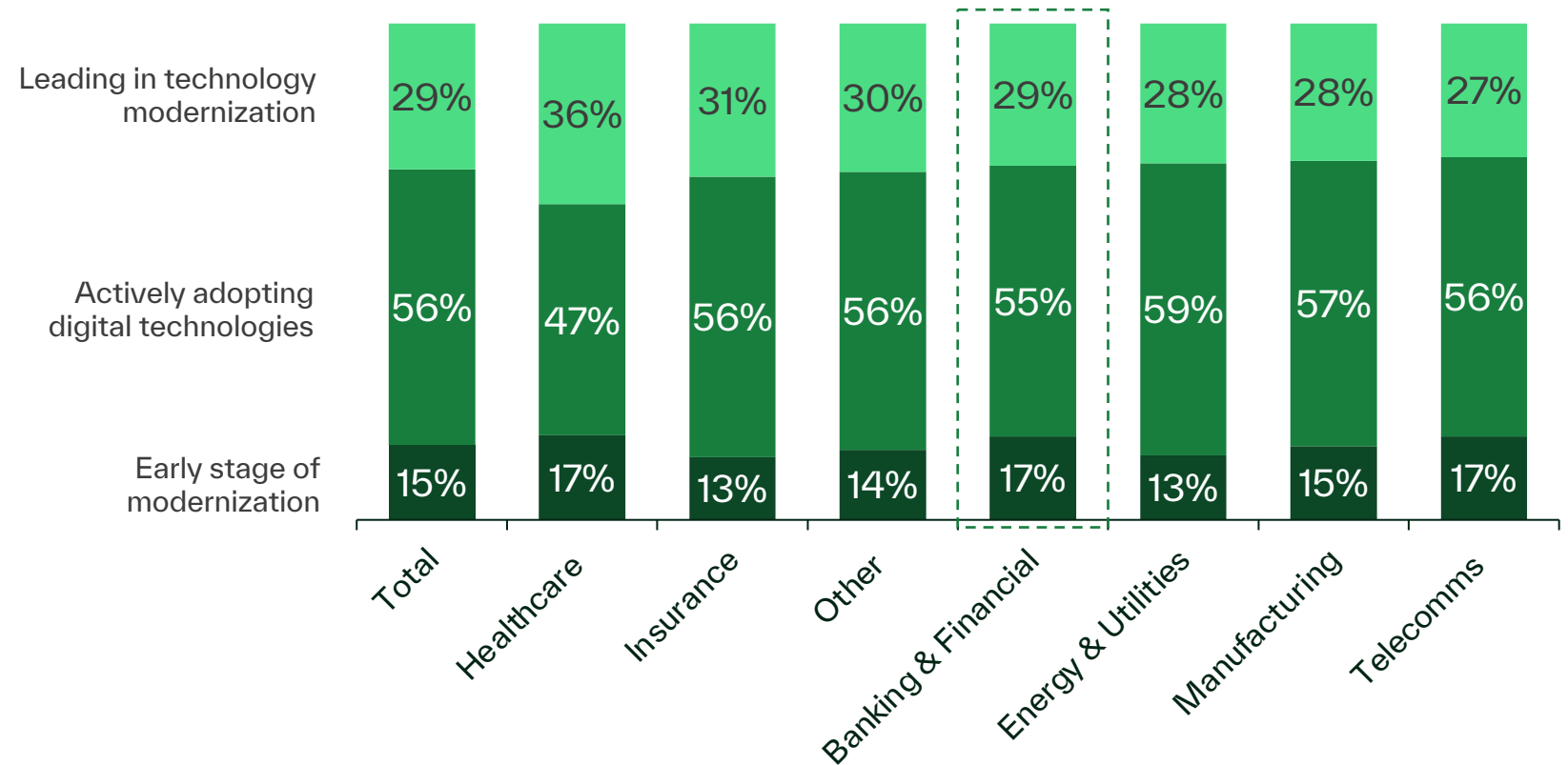


## 03.

## Banking and Financial leaders are aligned with other industries in terms of tech modernization

On par with the all-industry average, 71% of Banking and Financial leaders say they are somewhere in the earlier stages of modernization: 55% of leaders say they are in the process of adopting new digital technologies, and 17% say they're just starting out.

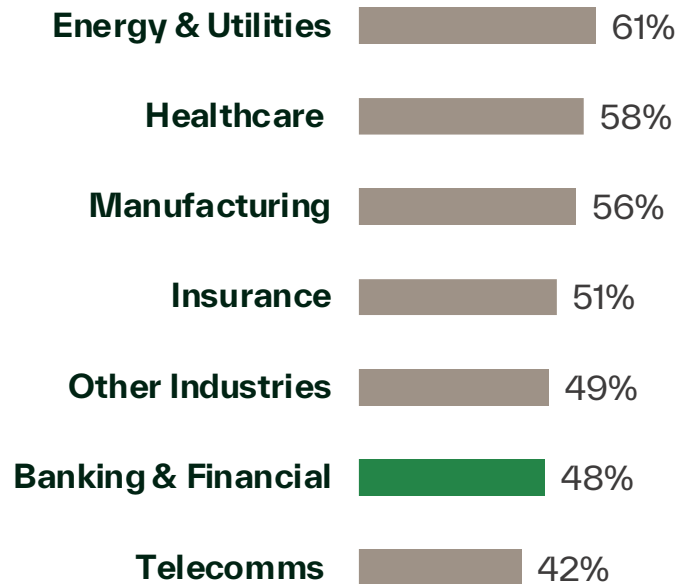
### Tech Modernization Journey % selected



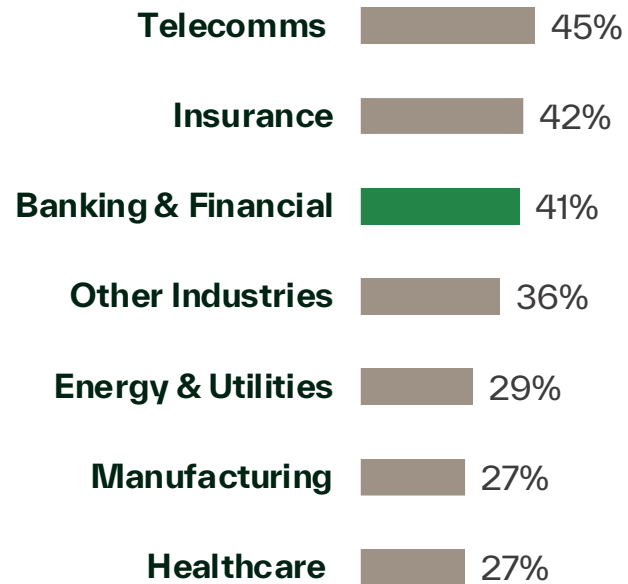


## 03. More than most other industries, Banking and Financial leaders say they prioritize training and upskilling to bridge skills gaps in their organizations

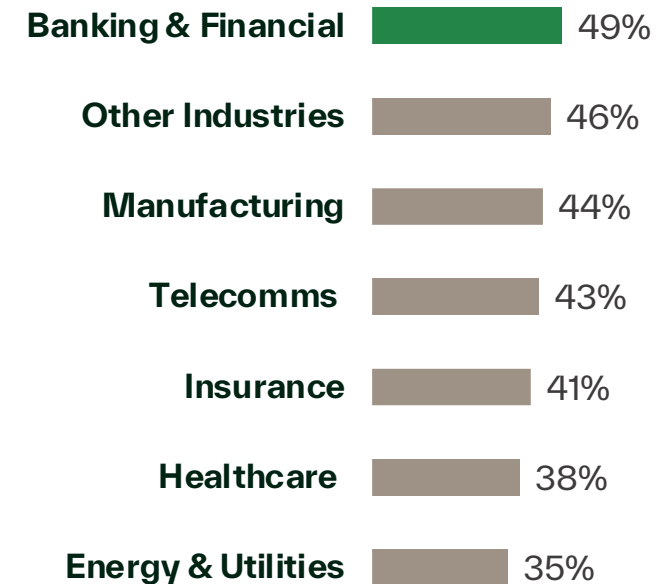
Cite skills gaps / talent deficits as a challenge  
Selected %



Say they are ready to manage skills gaps / talent deficits  
Selected %



Say they prioritize training and upskilling initiatives to bridge skills gaps  
Completely Agree %



# 03. Even businesses that have already adopted automation have room to run

8% vs. 30%+ target

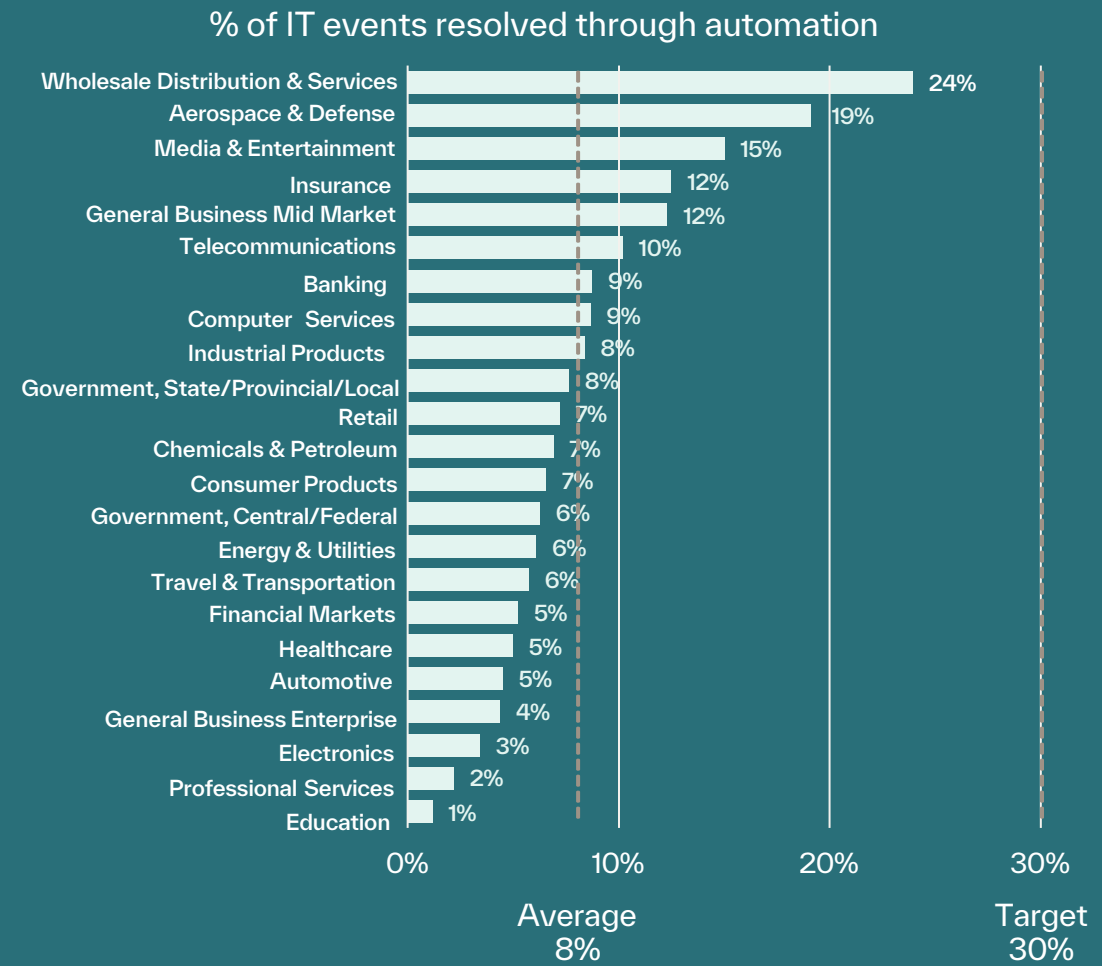
of IT incidents are being resolved through automation, according to Kyndryl Bridge data

**About this statistic:** Automation can help companies automatically resolve issues in their environments without human intervention, avoiding major incidents and planned maintenance costs. The result is that organizations can improve their speed of execution and overall quality of services they provide to their own customers.

75% vs. 90%+ target

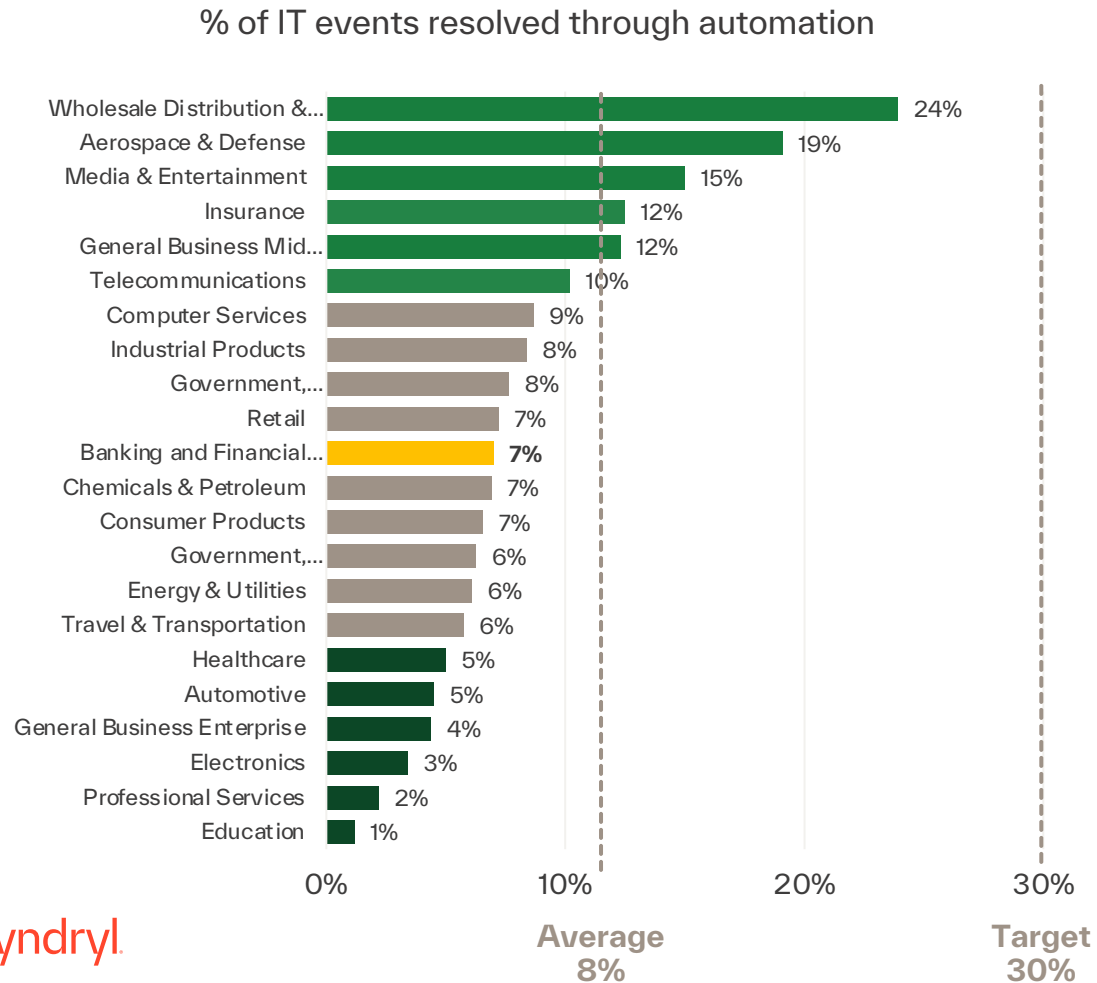
Average IT best practices adoption, according to Kyndryl Bridge data

**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.

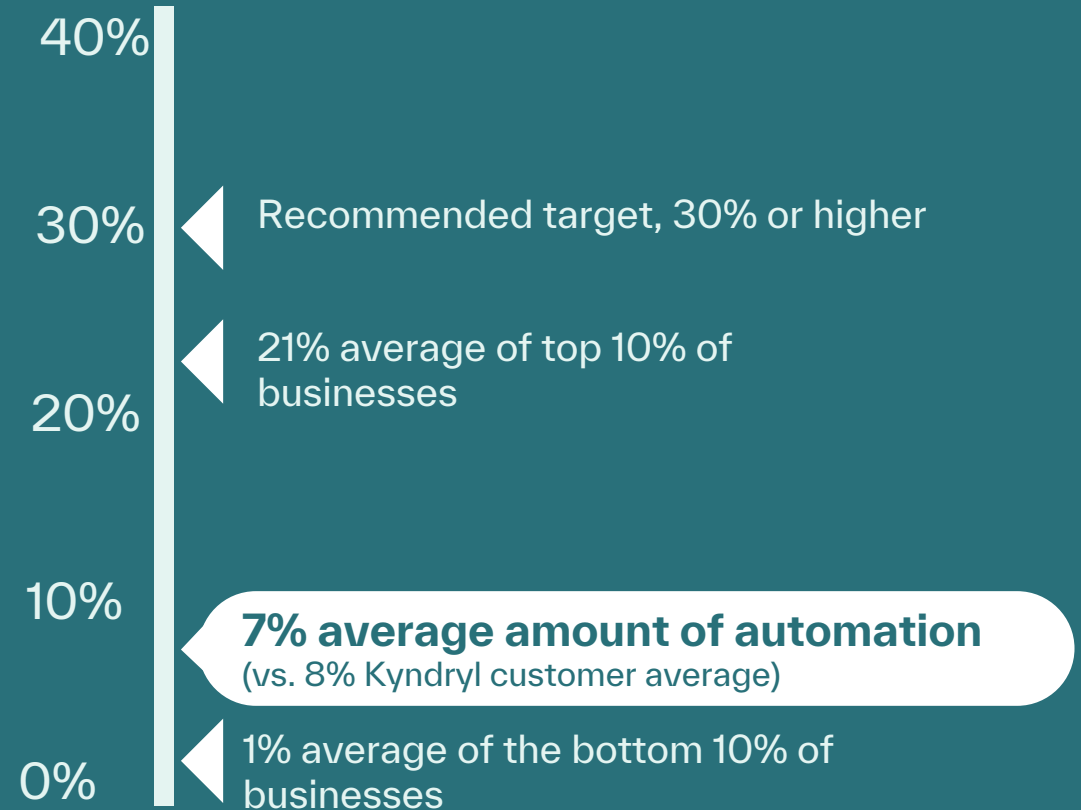


03.

## Banking and Financial businesses are on par with Kyndryl customer average on automation

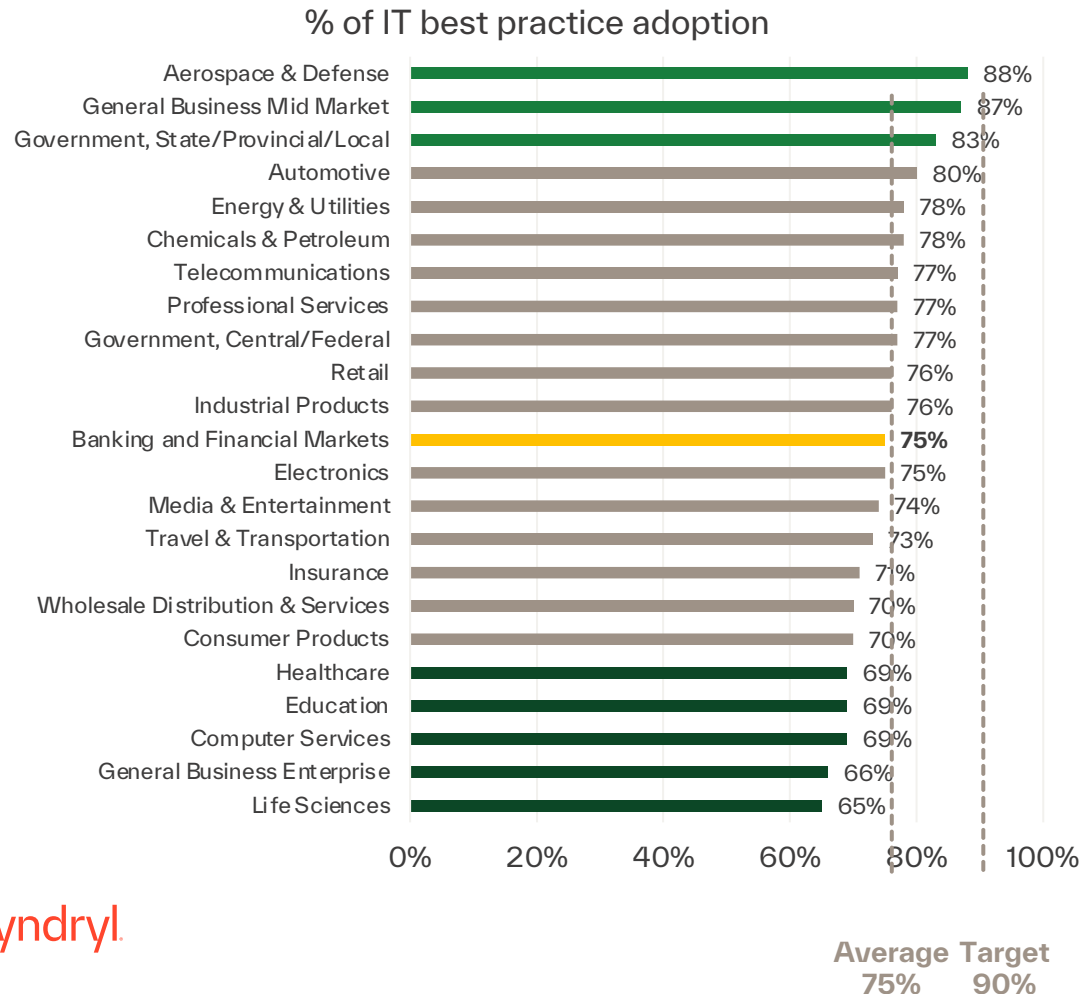


## % of IT events resolved through automation



Source: Kyndryl Bridge data

## 03. Similarly, Banking and Financial leaders are in line with the average on IT best practice adoption



**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

100%

94% average of top 10% of businesses

Recommended target, 90% or higher

**75% IT best practice adoption**  
(vs. 75% Kyndryl customer average)

61% average of the bottom 10% of businesses

50%



## 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.

#1

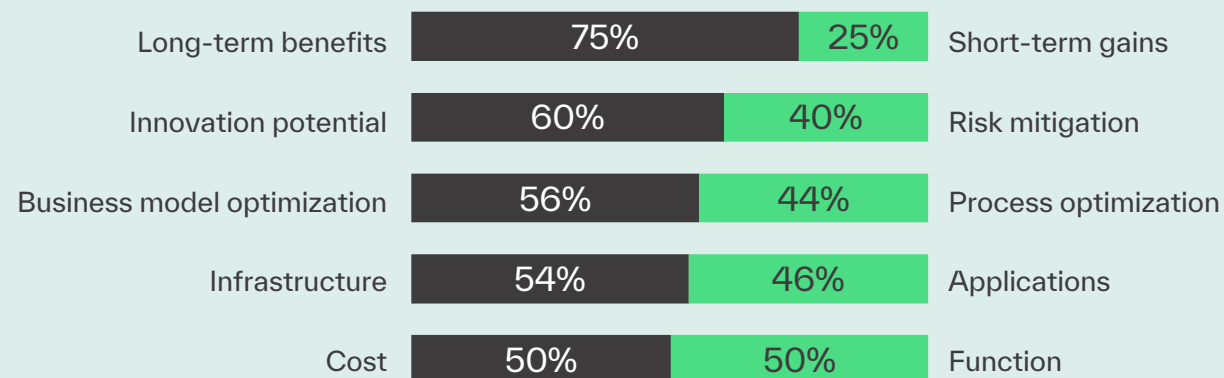
**Complexity** is the #1 challenge to tech modernization

**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

### Priorities When Evaluating the Success of Tech Investments

% Prioritizing (Selected, forced choice)



90%

Prioritize **sustainability** when implementing tech modernization initiatives

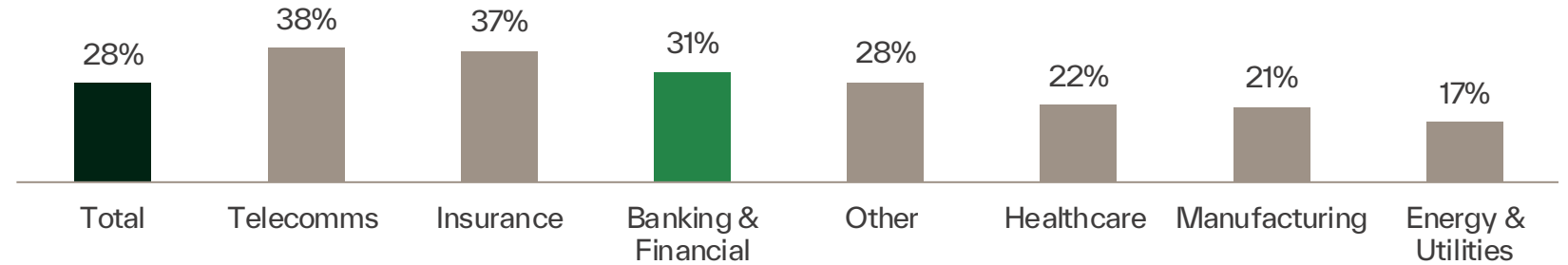
27%

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

# 04.

While complexity is still a challenge, Banking and Financial businesses are more likely to report effective collaboration between business and tech leaders

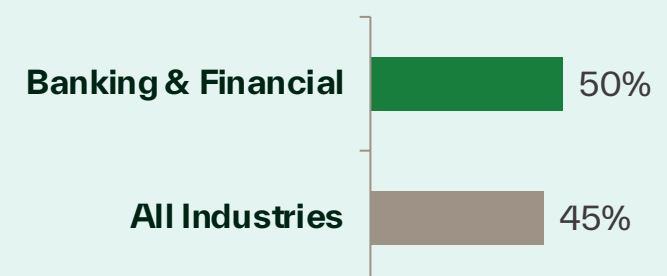
Cite 'Complexity' Among Top 3 Largest Tech Modernization Challenges  
% Selected



Report effective collaboration between business leaders and technology leaders  
Selected %

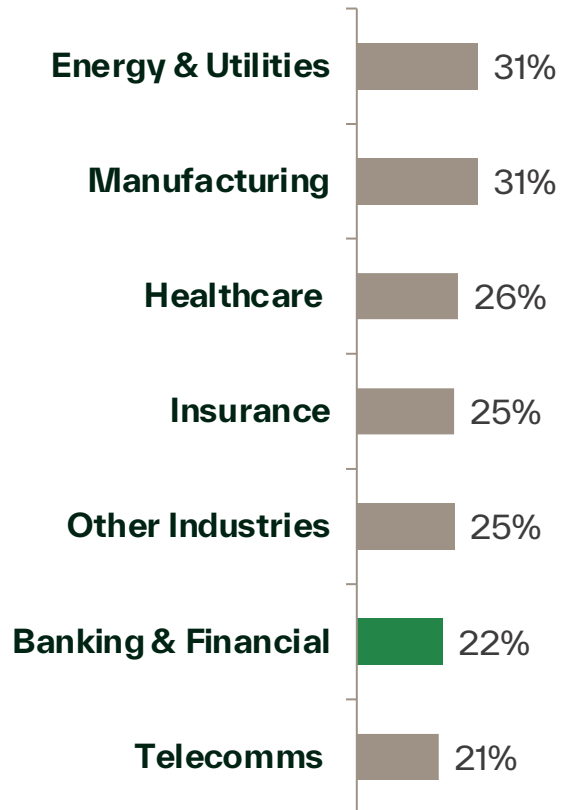


Say executive leadership fosters a culture of collaboration between business and technology leaders  
Completely Agree %

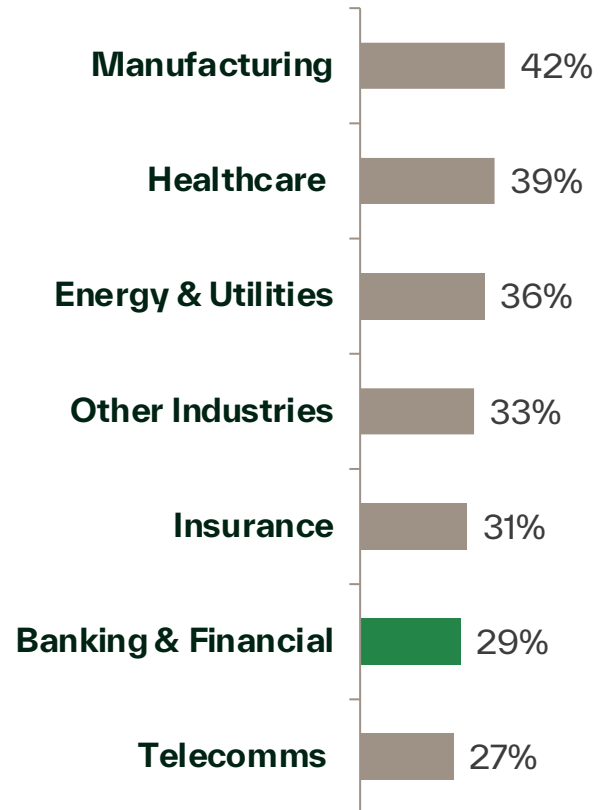


## 04. Compared to those in other industries, Banking and Financial leaders are less focused on sustainable modernization

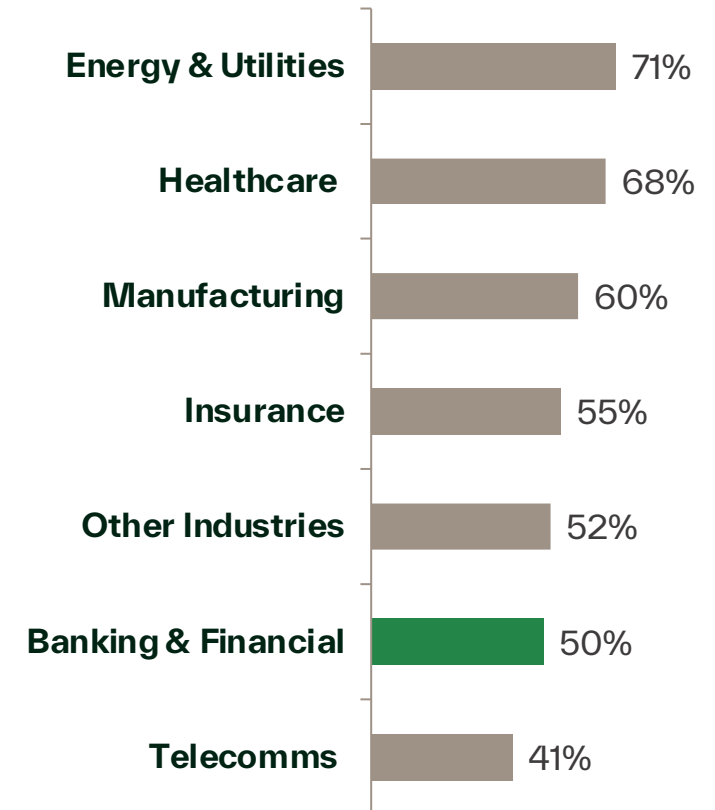
Cite investing in environmentally sustainable practices as a top action they are taking to mitigate risk  
Selected %



Consider sustainability / ESG goals when evaluating success of tech modernization efforts  
Selected %



Cite meeting sustainability / ESG goals as a challenge for their modernization efforts  
Selected %



# 05.

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

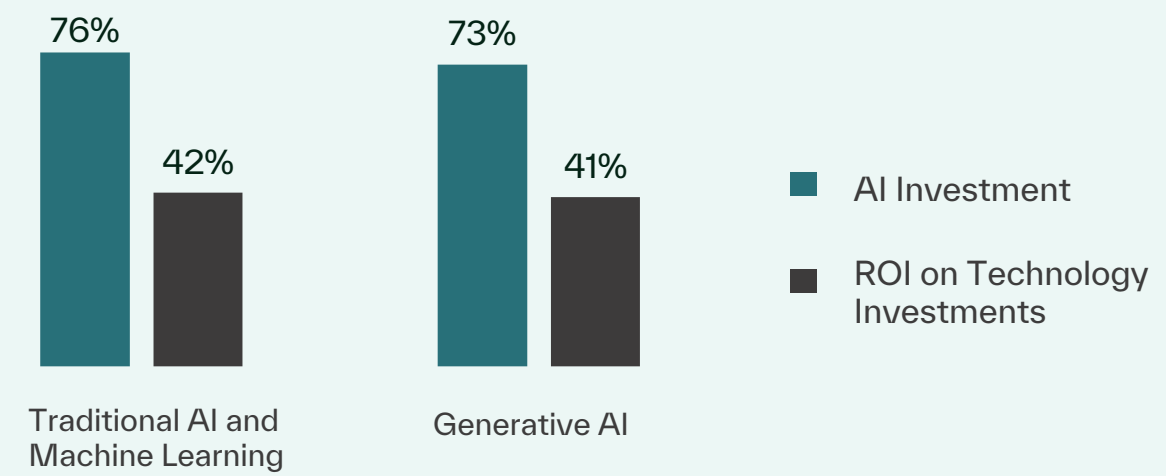
Most businesses are investing in both traditional AI—which includes Machine Learning—and Generative AI. However, only 42% of business leaders currently see positive ROI on their AI investments.

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.

### 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

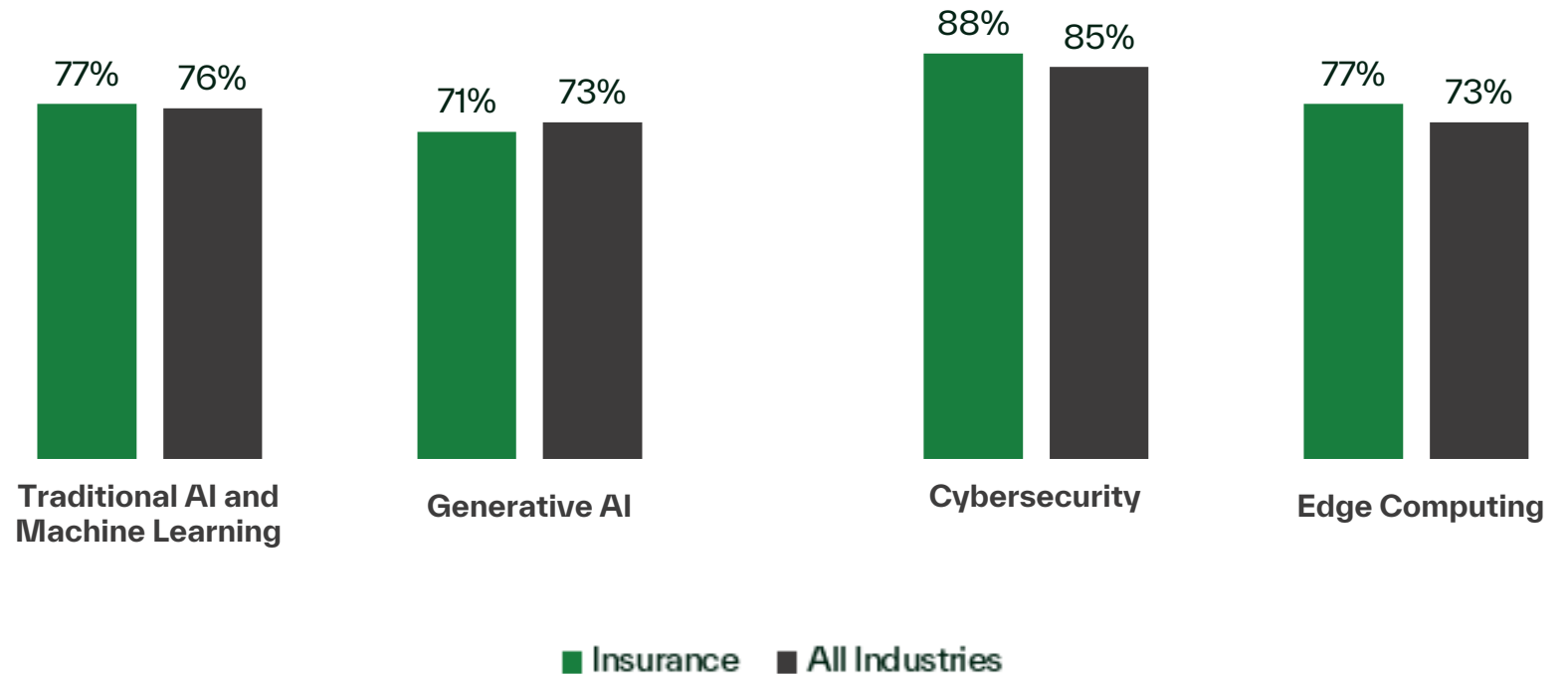


## 05.

While still focused on AI, Banking and Financial leaders are more likely than those in other industries to be investing in security and edge computing

## Investment in Digital Technologies

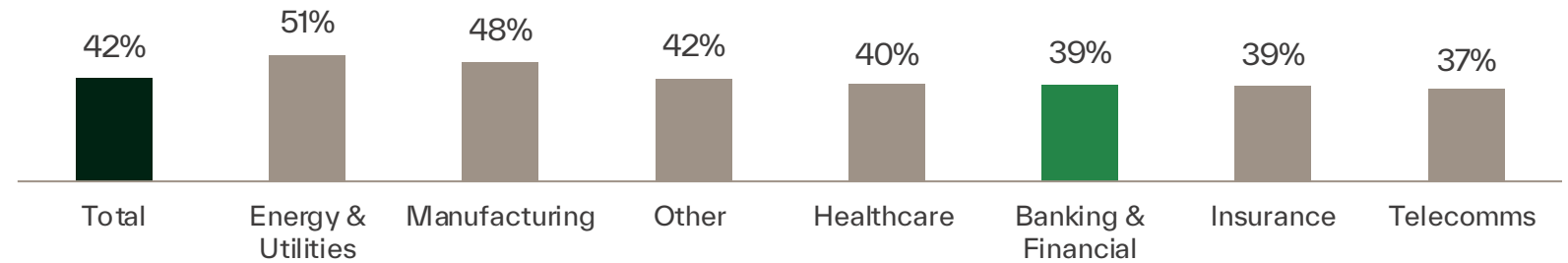
% Selected, Currently Investing



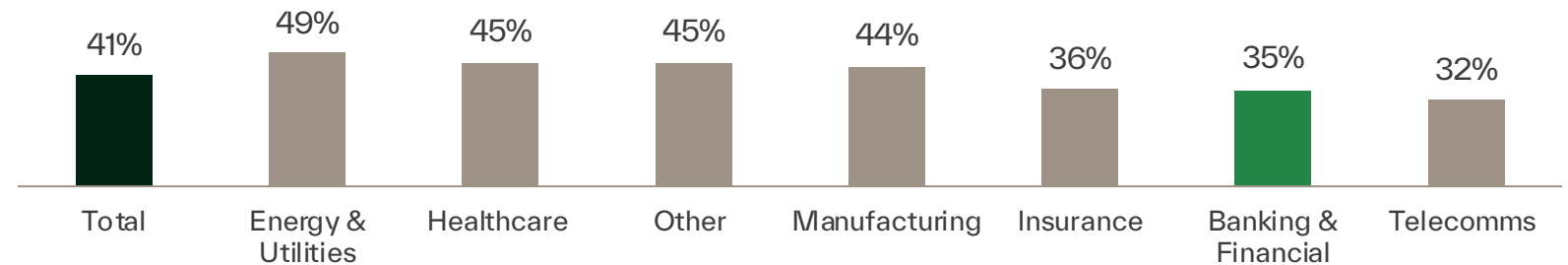
05.

Compared to those in other industries, few Banking and Financial leaders are seeing positive ROI on their generative AI investments

ROI on Artificial Intelligence and/or Machine Learning Investments  
(% Selected NET Positive ROI)



ROI on Generative AI Investments  
(% Selected NET Positive ROI)



## 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

Among Banking and Financial businesses, there is appetite for more support on leadership decision-making and talent management to navigate tech modernization

### Areas of Support Needed for Modernization Efforts Total %

**59%**  
Leadership  
decision-making  
support

vs. 63% all industries

- Enhancing collaboration between IT and other departments
- Ensuring alignment of modernization efforts with business objectives

**57%**  
Talent management  
support

vs. 57% all industries

- Talent acquisition and retention in IT-related roles
- Enhancing user adoption and training for new technologies

**44%**  
Integrating new tech in  
existing infrastructure

vs. 43% all industries

- Integration of new technologies into existing infrastructure
- Addressing legacy system limitations and modernization challenges

## 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.

# 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.

# 17

## Markets

US	Brazil	Spain	Germany	Netherlands	Australia
Japan	Mexico	France	Italy	Luxembourg	China
Canada	UK	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 and August 12, 2024.

## Learn More

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.



Scan the QR code or visit  
[kyndryl.com/readiness-report](https://kyndryl.com/readiness-report)  
for more insights



# Thank you

## Company Headquarters

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