



Kyndryl Report: As AI Broadens Modernization Agenda, Leaders Prioritize Business Outcomes Over Replacing Legacy Systems

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Global survey reveals how 2,000 business and technology leaders are addressing AI-driven demand across IT elements

- Nearly half of organizations are behind schedule despite modernization being a top priority
- 98% of organizations delayed modernization and experienced negative business impacts
- As AI reshapes expectations for how technology can deliver results, more organizations are expanding their use of technology than consolidating them
- Organizations deploying agentic AI are making faster modernization progress and seeing early benefits as AI takes on traditionally challenging tasks

NEW YORK, Oct. 1, 2026 /PRNewswire/ -- [Kyndryl](#) (NYSE: KD), a leading provider of mission-critical enterprise technology services, today released its first global Modernization Report, which found that as organizations expand investments across legacy and modern platforms, modernization increasingly requires business orchestration, not technology consolidation.



"AI is creating new possibilities and raising expectations for the business outcomes technology should deliver," said Martin Schroeter, Chairman and CEO, Kyndryl. "Modernization is about preparing for what comes next, and the leaders making the most progress are investing across their technology environments—strengthening resilience and putting those investments to work where they deliver the greatest value."

Based on insights from 2,000 business and technology leaders across five continents and 12 industries, the research shows how AI is reshaping investment priorities across infrastructure and applications, while also challenging organizations' operating models.

According to the report's findings, the need to adopt AI now outranks priorities to reduce spending, replace legacy systems, or address a shrinking pool of legacy systems expertise. AI is the top driver of increased mainframe and edge computing use, the second-biggest driver for SaaS and private cloud expansion, and the leading reason organizations are upgrading their networks and application portfolios. Every organization with a mainframe now reports plans to deploy AI to the platform.

Together, these trends are creating more complex technology environments and new operational challenges for technology leaders.

Nearly half of respondents said they are behind schedule on their modernization goals. Agentic AI, which can autonomously plan and execute tasks, is emerging as a way to modernize faster. Ten percent of organizations have deployed agentic AI in production for modernization, applying it to typically time- and skills-intensive tasks of dependency mapping, code conversion, and generating documentation. Early adopters reported stronger outcomes, with 67% saying they are ahead of or on track with modernization goals, compared with 51% of other organizations.

The research also highlights what is slowing organizations down. Just 9% said they fully understand their applications' dependencies, and one-quarter say they have large numbers of undocumented applications.

Among other findings, Kyndryl's study shows that:

Modernization has become a business-wide priority, not just a technical one

The findings underscore the growing demands on CIOs, who must advance several priorities at once: AI adoption, cyber resilience, regulatory

compliance, operational efficiency, and business growth. Respondents named nine distinct stakeholder groups with control over modernization, from CIOs and CTOs to boards of directors and finance and compliance teams. Modernization has outgrown the IT department and become a board-level business decision. Its growing importance also requires organizations to coordinate decision-making across more stakeholders without sacrificing speed.

Global events shape technology decisions alongside cost and performance

Sovereignty considerations are a growing factor in modernization strategies. While 65% of organizations address sovereignty selectively or primarily through a compliance lens, 63% expect sovereign cloud usage to increase and 55% expect sovereignty and regulatory requirements to place greater demands on their network architectures. The findings suggest that the geographic location of where technology runs is increasingly being shaped by governance and geopolitical considerations alongside performance, cost and innovation.

Complexity keeps compounding

The findings challenge the long-held assumption that digital transformation would lead organizations to gradually migrate toward a single preferred technology environment. Instead, their technology environments are becoming more distributed and complex as they prepare for AI. Mission-critical applications are distributed almost evenly across public cloud, private cloud, mainframe and on-premises environments, creating an increasingly hybrid enterprise. As digital transformation extends across the business, it must be underpinned by strategic, governance, and operational coordination—including a more integrated approach to cyber resilience as AI-driven threats accelerate and broaden.

Read more about [Kyndryl's 2026 Modernization Report](#).

About Kyndryl

Kyndryl (NYSE: KD) is a leading provider of mission-critical enterprise technology services, offering advisory, implementation and managed services across thousands of customer environments in more than 60 countries. The company designs, builds, manages and modernizes the complex information systems that the world depends on every day. For more information, visit www.kyndryl.com.

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