Cisco AI Readiness Index

Intentions Outpacing Abilities

Japan

Global Executive Summary

The accelerating adoption of Artificial Intelligence (AI) is a once-in-a-generation technology shift that is impacting almost every area of business and daily life. While AI adoption has been slowly progressing for decades, the advancements particularly in Generative AI in the past year, coupled with the public availability of these tools, are driving greater attention to the changes and new possibilities the era of AI may bring.

Out of those we surveyed for this study, 97% say the urgency to deploy AI-powered technologies has increased in their company within the past six months. While this pressure is coming from almost every stakeholder group, the greatest pressure is being felt from the top, with over half saying this urgency is being driven by their CEO and leadership team, followed by their Board of Directors. As a result, 84% believe that AI will have a significant impact on their business operations in the future.

The reality, though, is that intentions of adopting and leveraging AI are far outpacing the abilities to do so. Our inaugural ***Cisco AI Readiness Index*** shows that 86% of companies across the globe are not fully prepared to leverage AI and AI-powered technologies to the fullest potential.

The ***Cisco AI Readiness Index*** investigates readiness beyond general intentions, incorporating Strategy, Infrastructure, Data, Talent, Governance, and Culture. Based on these six pillars, we have identified four groups at different levels of organizational readiness – **Pacesetters** (fully prepared), **Chasers** (moderately prepared), **Followers** (limited preparedness), and **Laggards** (unprepared). A more detailed explanation of the benchmarking methodology is contained in later sections of this report.

Using this methodology, the breakdown of respondents in these groups was determined as: Pacesetters (14%); Chasers (34%); Followers (48%) and Laggards (4%). Almost a third of respondents are classified as Pacesetters in **Strategy**, the highest number of Pacesetters of any of the six pillars, suggesting that considerable time and effort is being invested in this area at the present time by management teams and Boards. They scored highly in

this area with well-defined AI deployment strategies, clear ownership, processes to measure impact, and a healthy stream of funding – with a strong focus on the immediate term. In fact, organizations have already started to deploy AI across some areas of their business with IT infrastructure and cybersecurity emerging as the top areas where deployments are being currently prioritized.

Considerable readiness gaps exist in the other pillars.

In **Infrastructure**, 95% of respondents recognize that AI will increase infrastructure workloads. The demands will surge on almost every aspect of infrastructure needed to not just deploy AI but leverage its full potential. This includes scalability and allocation of compute resources, adaptability, latency and integration of the network with AI workloads, as well as an increase in power consumption. Despite the awareness that workloads will increase, readiness resides largely at an average level.

Over half of the respondents say their infrastructure is scalable only to a moderate or limited extent and requires upgrading for more complex AI technology. Among all the factors, preparedness to meet the increased demand for power consumption ranked the highest. However, even the high scores in this area are relatively low with only 55% of respondents stating they are not prepared or 'somewhat' prepared.

Looking at the **Data** pillar, the largest immediate issue is data centralization, with 81% of respondents admitting that their data exists in silos across the organization. This presents considerable risks for data and AI management and limits the ability to fully leverage AI technologies. If data is not centralized or pre-processed and ready for use in AI tools, it will limit the ability for those tools to deliver to their full potential. In addition, unaccounted-for data can not only broaden the attack surface for malicious actors to exploit vulnerabilities, but also add another layer of complexity around data accuracy.

It is a well acknowledged fact that AI models are as good as the data they have access to, and their performance is highly dependent on the input/output capabilities, commonly referred to as I/O. Simply put, I/O capabilities are a measure of how effectively data can be transferred between the source to its destination. This has become incredibly important as the volume of data being generated by companies is growing at an exponential rate, and it is distributed across multiple locations. It is crucial for companies to have the ability to transfer data in large quantities, do it as fast as possible, and in a deterministic way. Companies that are able to do so are considered I/O rich, while the others are I/O poor.

Advanced capabilities are critical to ensure that companies can leverage the full potential of AI and AI-powered technologies. However, our research reveals significant gaps. As mentioned above, the majority of respondents say their data exists in silos. In addition, a mere 21% of companies say their network has 'optimal' latency in their network to cater to demanding AI workloads. This highlights that most companies are still I/O poor and lack basic data management capabilities.

Governance poses a further myriad of challenges for organizations with a need to navigate the implementation of new policies and protocols, as well as evolving legislation in the areas of data and AI, and AI biases. Our study finds that three out of 10 respondents currently have comprehensive AI policies and protocols, and just four out of 10 have systematic processes for bias and fairness

corrections. Regulatory awareness and compliance are further advanced with three quarters of respondents having a comprehensive understanding and systems for data compliance and managing data sovereignty*. While mastering data governance is a daunting challenge for companies, once conquered, it can unlock the true power of AI and ensure the safety and reliability of data.

The **Talent** pillar uncovers some contradictions with most organizations facing some resourcing gaps, but at the same time feeling relatively positive about the talent in the market – the issue seems to be attracting and retaining these sought-after professionals. An overwhelming 90% of organizations are investing in training to address some of these skills gaps. Ensuring equitable accessibility to AI technologies for employees with differing abilities is also a priority for almost all organizations, though presently a far lower number have this as a core feature of their AI strategy.

Finally, the lowest portion of Pacesetters is seen in the **Culture** pillar, suggesting that business leaders are still wrestling with how to best integrate AI across their organizations. There is a sizeable gap seen in the receptiveness of those in senior leadership positions and middle management and employees that will need to be addressed. Not helping this issue is that only a quarter of organizations have well-defined change management plans.

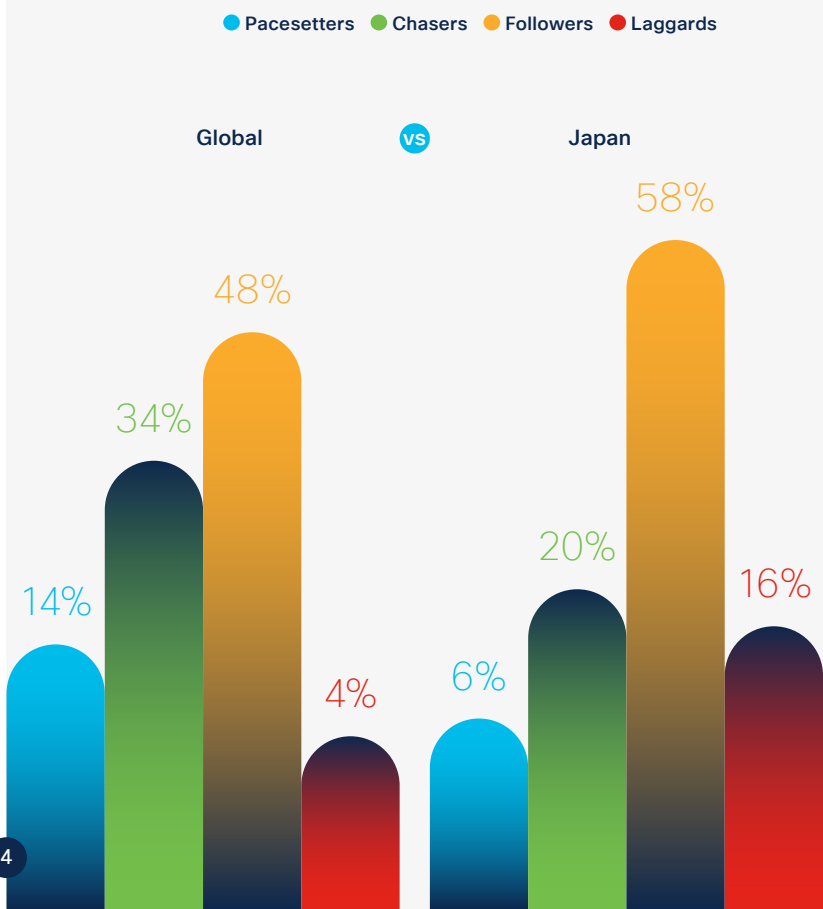
Overall, we see a consistent theme of increasing urgency fueling ambitious intentions – which in many places are far outpacing the realistic abilities of organizations to deliver. However, with the right focus and investment across each of these critical pillars identified for AI readiness, moving from an AI Laggard to a Pacesetter can be achievable for almost any organization.

Companies must address these gaps promptly as 61% of respondents have just one year or less to implement their AI strategy before incurring significant negative business impacts from falling behind.

We hope that this Index will serve as a useful guide for AI-ambitious leaders and professionals looking to accelerate AI adoption, unlock business value, and improve experiences for employees and customers.

* Data sovereignty refers to the concept that data is subject to the laws and governance of the country or region where it is generated and/or stored. This concept is increasingly coming into play in discussions about privacy, security, and legal compliance, particularly in the context of international data transfer and storage.

Overall readiness



It All Starts with Strategy

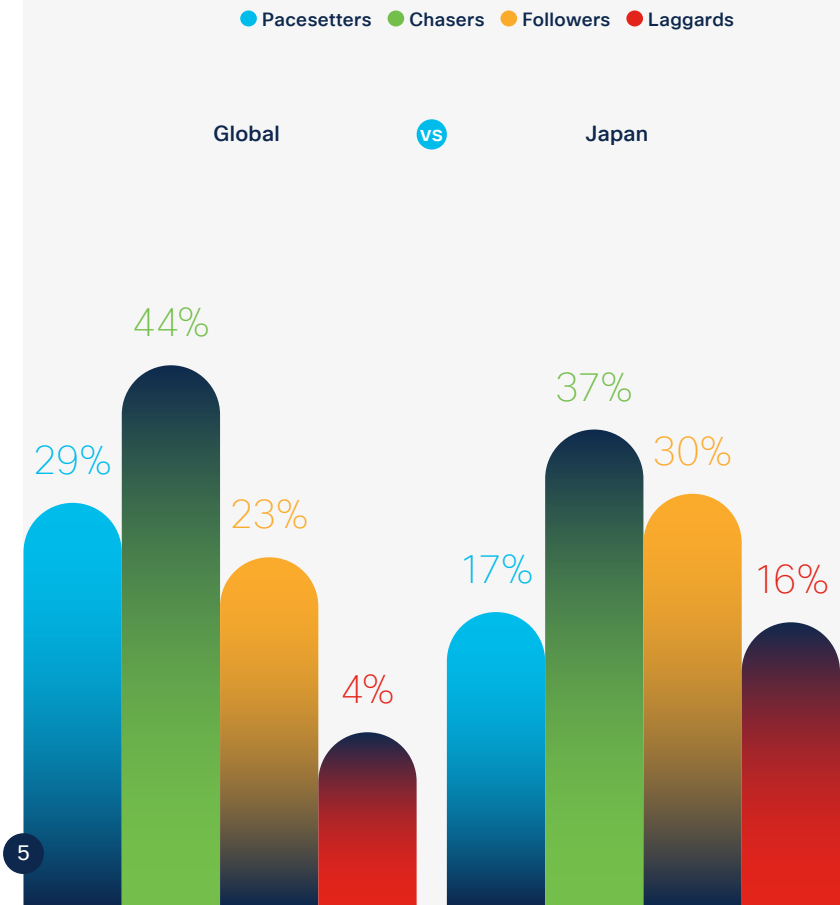
Improving the efficiency of systems, processes and operations, was ranked among the top outcomes that companies are looking to drive through adoption of AI. Among our respondents, 74% placed this in their top three reasons. This was followed by improving the ability to innovate and remain competitive at 52% and improving risk management and decreasing business risk at 43%.

One of the key criteria that differentiates the Pacesetters from the rest under the Strategy pillar is the willingness to invest in AI. With only 18% of respondents in Japan saying AI deployment has been given the highest priority for budget allocation and additional budget, organizations need to think about how they plan to fund AI deployments over the long run.

Effective deployment of any initiative across an organization, including AI, requires a well-defined strategy.

This principle is widely acknowledged globally, with 95% of organizations already having a robust AI strategy in place or in the process of developing one. Globally, Strategy emerged as the most mature pillar of the AI Readiness Index, with the same holding true in Japan. Over half (54%) of organizations are classified as either Pacesetters or Chasers, with 16% falling into the category of Laggards.

Strategy readiness



Infrastructure for the Future

Beyond strategizing, business leaders must consider whether their organization has the infrastructure necessary to leverage AI.

This study finds that in Japan, Infrastructure readiness is still at a low level, with just 9% of local organizations categorized as Pacesetters, and almost three quarters (71%) as Followers or Laggards.

In the current operating environment, the ability to leverage AI quickly provides a distinct advantage. Scalability and flexibility of an organization's existing IT infrastructure are crucial to seizing this advantage as scalable architecture can grow to handle increasing demands, while flexible architecture can adapt easily to changes without major disruptions.

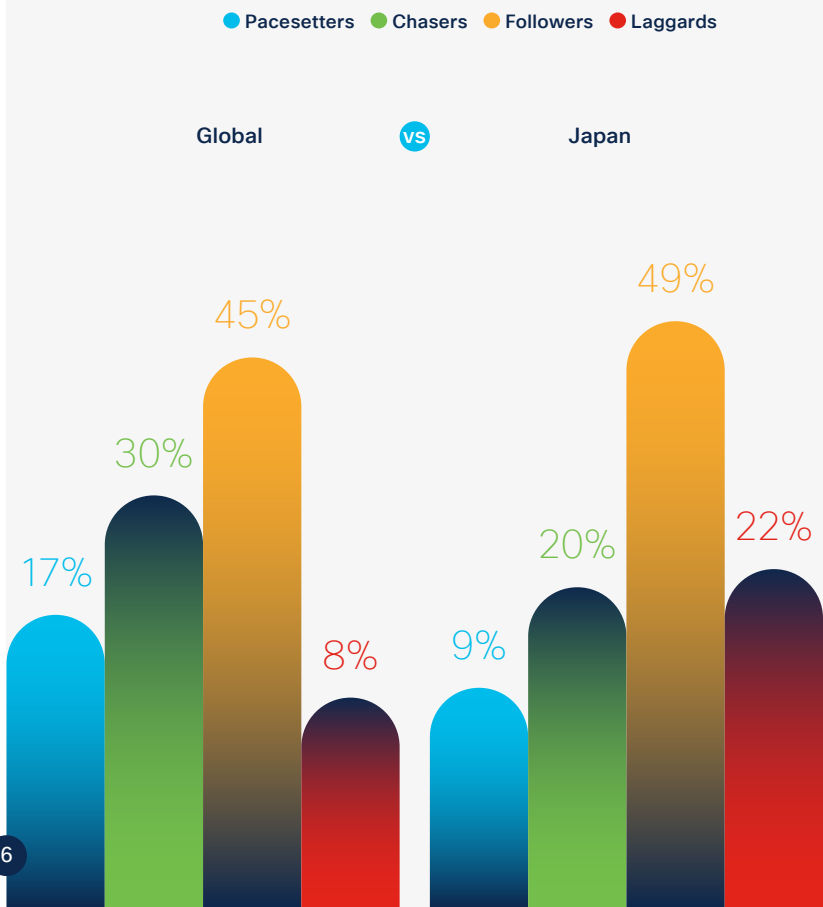
However, the majority of respondents (69%) indicate that their infrastructure has only moderate or limited scalability, and requires enhancements or updates to handle complex AI applications. Only a quarter (26%) consider their infrastructure highly scalable.

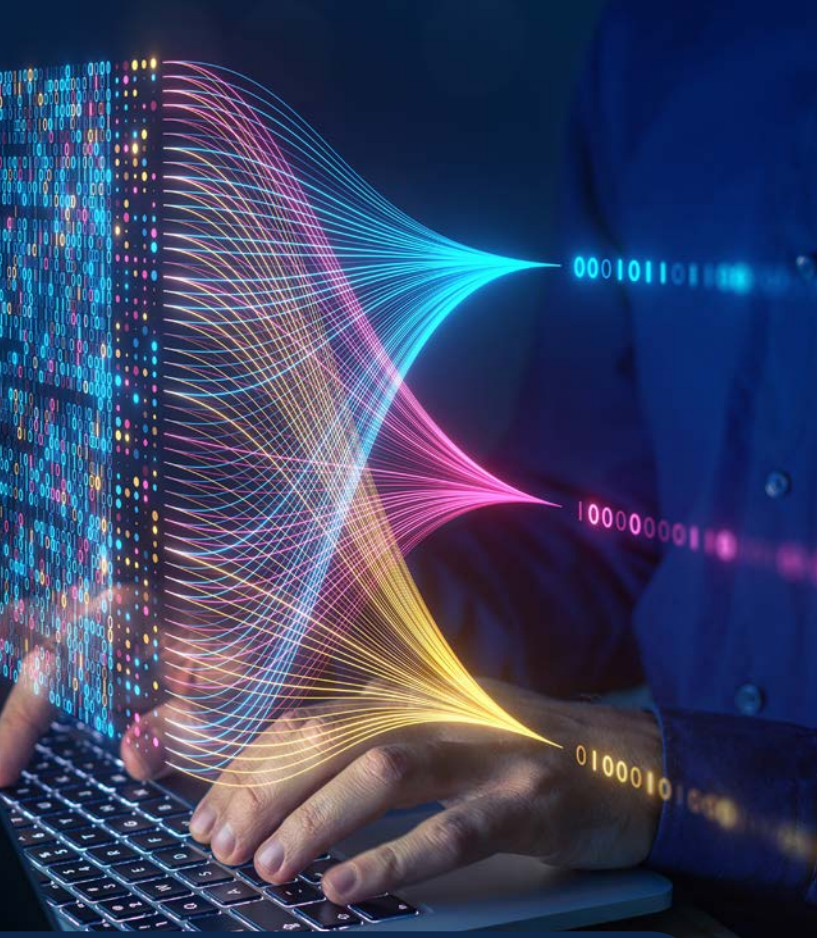
Looking at different components of IT infrastructure, 87% will require further data center graphics processing units (GPUs) to support future AI workloads. The lack of Infrastructure preparedness is further accentuated by the fact that most companies are input/output (I/O) poor, which negatively impacts their ability to extract the full potential of AI or AI-powered technologies.

In Japan, organizations are not fully prepared to safeguard against cybersecurity threats that come with AI adoption. 83% of respondents lack full readiness in detecting and thwarting attacks on AI models. This underscores the need for increased education among organizations and their staff to ensure secure AI utilization.

Since infrastructure very much determines the capability to execute AI, and 95% of respondents globally believe AI will increase the workloads of their IT infrastructure – there is likely still some way to go before we will see the widespread deployment of AI solutions at scale, despite the hype.

Infrastructure readiness





Data, Data, Data

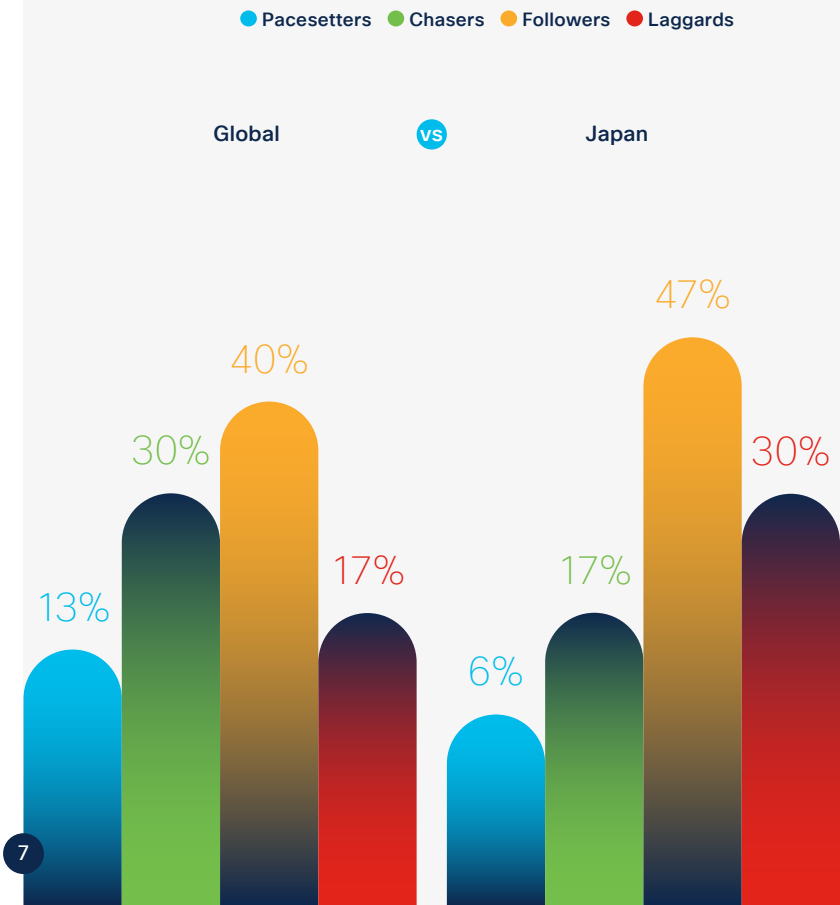
Effective data analytics tools go hand in hand with AI applications and overall data strategy, and it's clear that business leaders recognize this. Under half (44%) of Japan respondents positively rated the ability of their analytics tools to handle complex AI-related data sets. Organizations are facing a challenge in the fact that 91% of respondents say that their analytics tools are not fully integrated with data sources and AI platforms being used. In fact, 52% of respondents say their tools were not integrated at all (12%) or only somewhat integrated (40%).

Despite data serving as the critical backbone and lifeblood necessary for AI operations, in Japan, Data has the largest number of organizations classified as Laggards (30%) and 47% falling into the Follower group.

With a broad set of data sitting across different domains, applications and workloads, organizations face a real – and increasingly urgent – need to prioritize a strong data strategy to unlock the true potential of AI.

High-quality, diverse, and accessible data is indispensable for AI algorithms. Understanding patterns, recognizing anomalies, and providing personalized experiences is critical, making businesses more efficient and competitive. A lot of work needs to be done on this front as 91% of respondents admitted that their data exists in silos across the organization.

Data readiness



Governing Real Risk

AI promises transformative benefits, but navigating its adoption is fraught with risks that demand organizations have in place a strong framework of policies and protocols guiding the ethical and responsible management of data and AI systems.

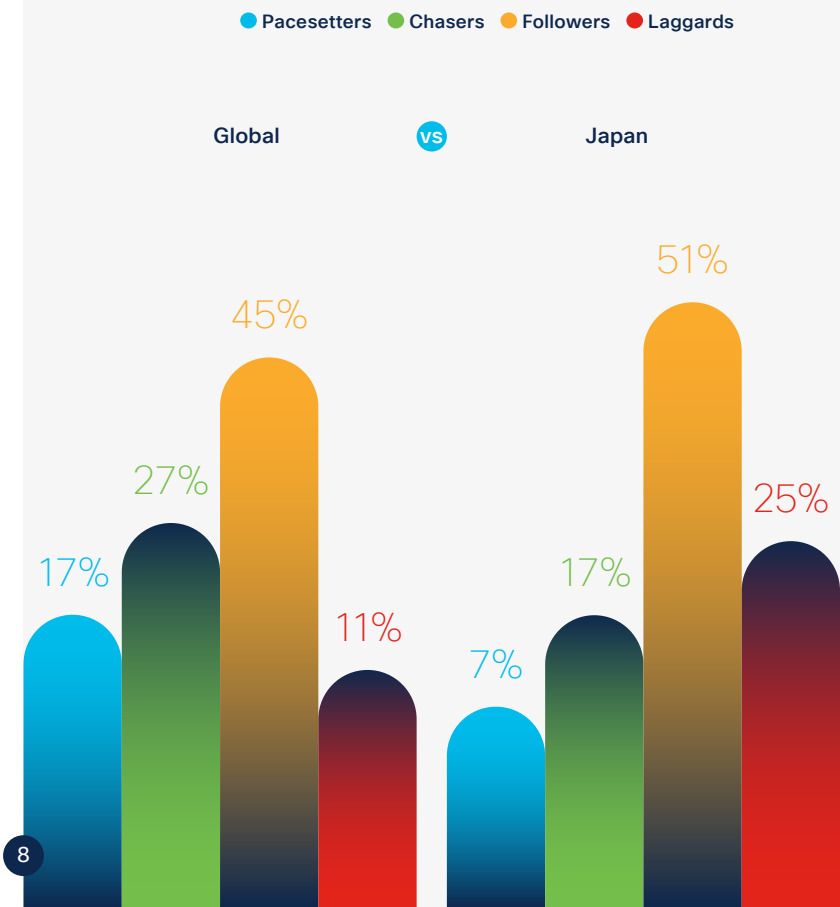
While the majority of respondents in Japan recognize this, there's room for improvement. Governance readiness, on the whole, remains relatively low, with three quarters of organizations classified as Followers or Laggards. Pacesetters account for just 7%, while Chasers make up 17%.

Only 16% of respondents say they have highly comprehensive AI policies and protocols in place, while 49% say they had only moderate policies and protocols in place.

A key governance risk that is emerging is bias. This is a significant challenge with 50% of organizations acknowledging that they have limited to no awareness regarding potential biases and fairness in data sets used for AI, and 46% saying they do not have systematic mechanisms to detect data biases. This is further compounded by 35% of respondents recognizing that even if biases and lack of fairness are detected in data, they lack systematic correction mechanisms or have no formal processes for rectification.

Data privacy is yet another key risk facing organizations. In Japan, 53% of respondents state that their organizations have strict or sophisticated procedures to ensure data storage and utilization comply with local data sovereignty demands. When it comes to AI governance readiness, it's crucial to consider an organization's ability to address and rectify situations in the case of a data breach or privacy violation. In this aspect, there is cause for concern, as 38% of organizations have either untested, basic protocols, or none at all for responding to such incidents.

Governance readiness



Talent for the Tech

When asked to highlight what specific skills were lacking among employees in their organization, 43% of respondents ranked comprehension and proficiency of AI tools and technologies as their primary skill gap.

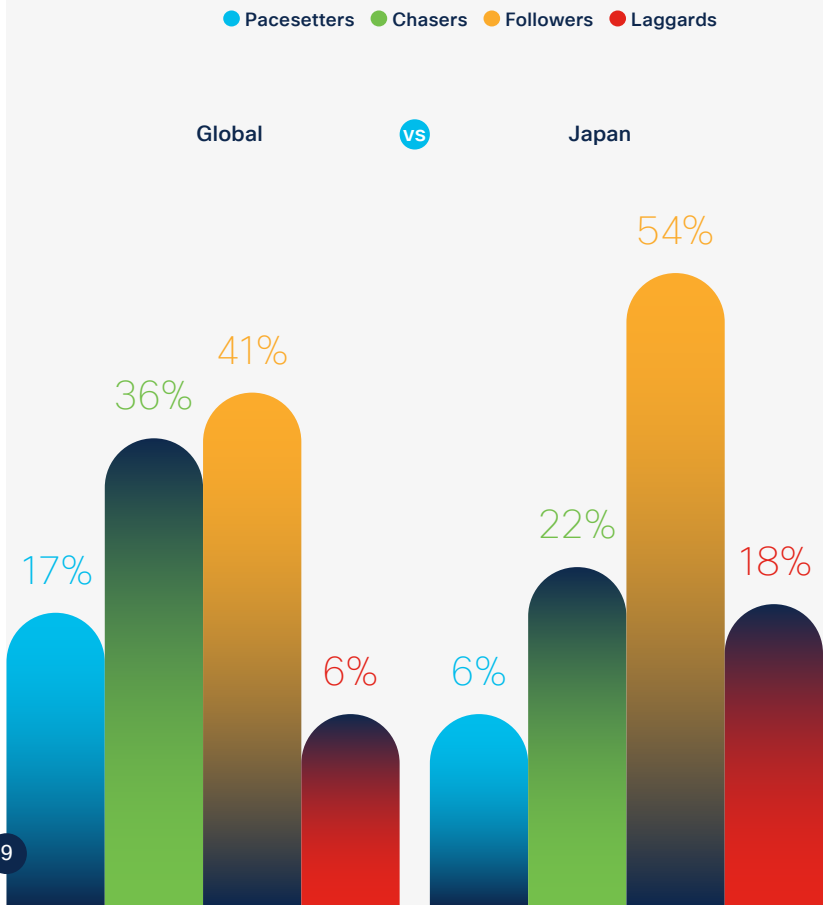
The good news is that organizations are taking steps to address the skills gap. Among the organizations surveyed in Japan, 82% say they are investing in training for employees in this area, highlighting in addition to hiring new talent, companies are upskilling their existing workforce to leverage the full potential of AI technologies they deploy.

A focus on reskilling talent will also be critical to maintaining a high morale among the employees as deployment of AI technologies will likely see a change in the scope of some jobs in areas where it is deployed.

AI at its best represents an effective partnership between people and technology, which makes having the right talent for AI integration and deployment a crucial piece of the readiness puzzle.

Just over a third (36%) of respondents say that their organizations are moderately well resourced with far less saying they are very well resourced (9%). Over half feel they are moderately (41%) or significantly under resourced (14%). Those at larger companies with more than 1,500 employees are slightly more likely to feel under resourced, and media & communications, education and natural resources are the industries with the largest issues in this area.

Talent readiness



Culture is Crucial

To drive meaningful change, it must be initiated from the top. The study found that Boards and leadership teams are highly receptive to embracing the changes brought about by AI, with 72% and 74% respectively being highly or moderately receptive as indicated by respondents.

However, there is more work to be done to engage middle management where 33% have either limited or no receptiveness to AI. This challenge is even greater amongst employees, where 41% of organizations report employees are limited in their willingness to adopt AI or outright resistant.

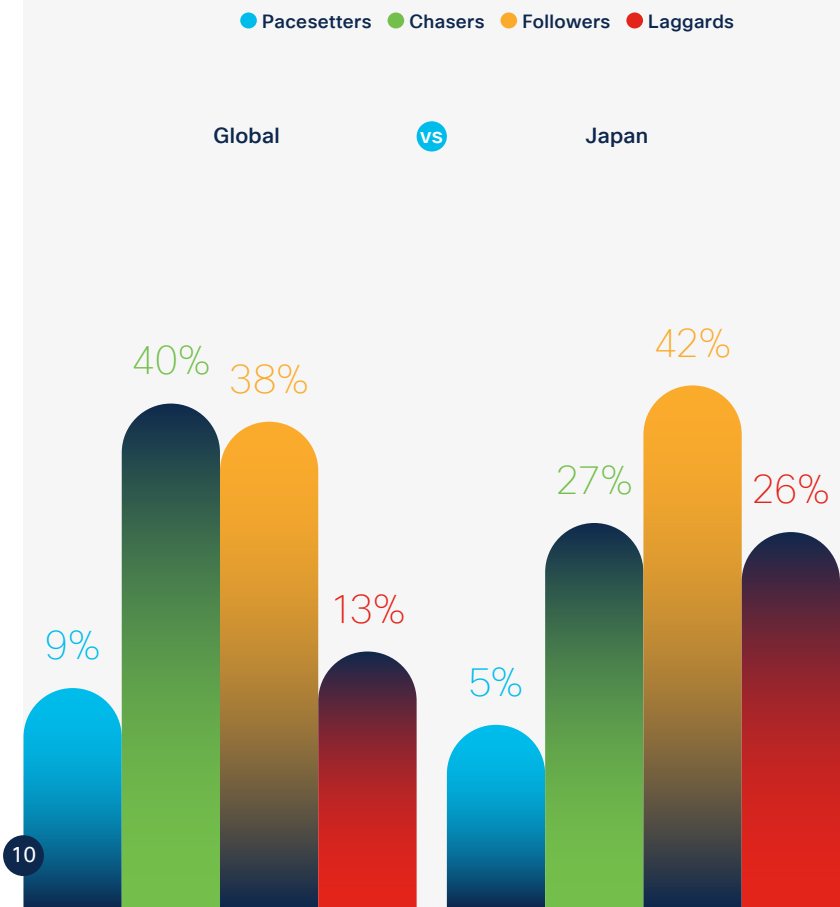
A change management plan is an essential tool for navigating the complexity of AI integration, especially in the face of differing stakeholder views. Reflecting the perhaps still relatively nascent stage of more widespread AI adoption, just 17% of organizations currently have a comprehensive change management plan for this, but all of those remaining either have one in progress (65%) or in draft form (18%).

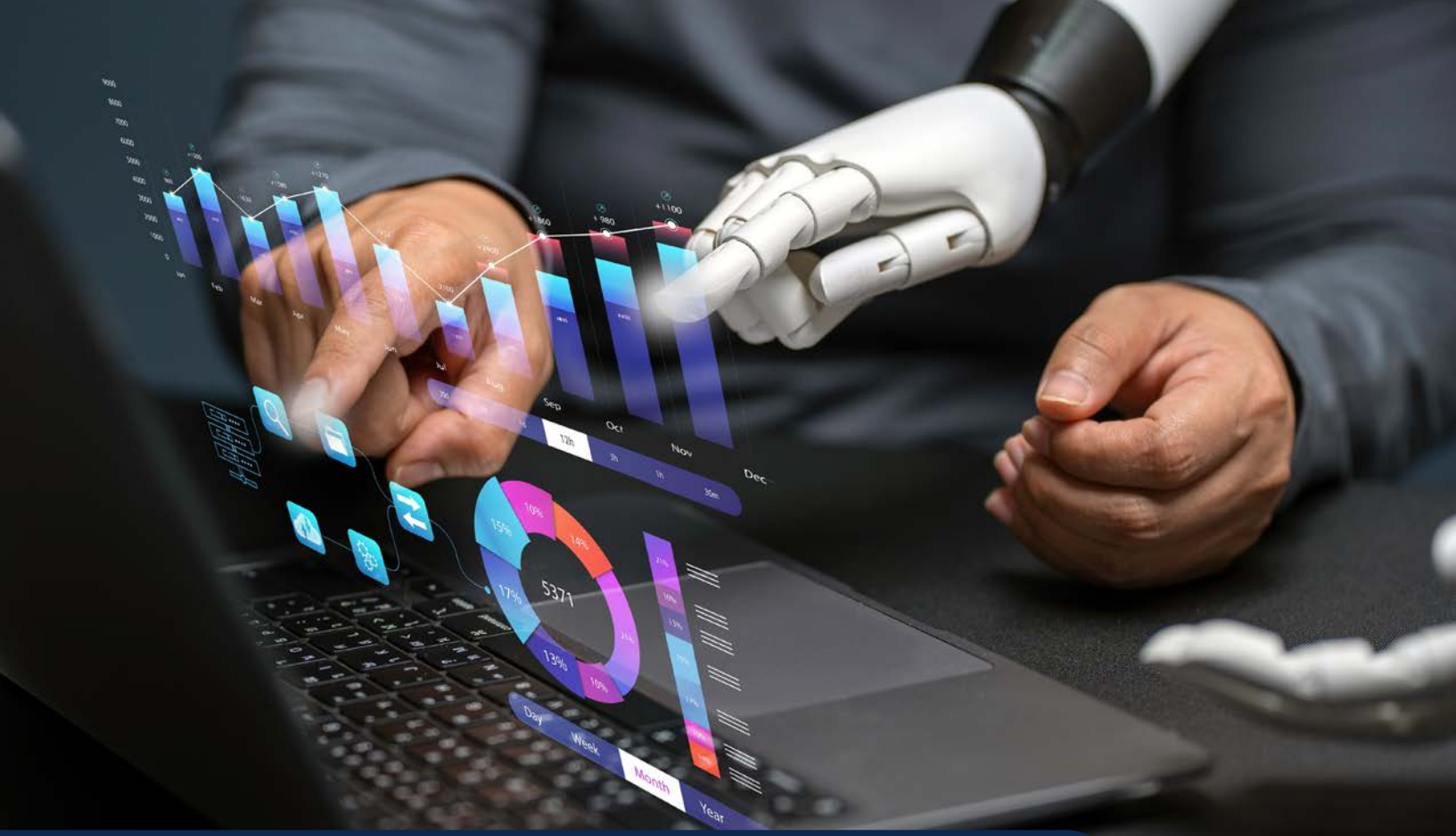
The growing adoption of AI is poised to bring about large and fundamental changes and for these to land with success, stakeholder support and receptivity is needed.

Within this pillar, just 5% qualify as Pacesetters against the determined criteria, with Followers the largest grouping at 42%.

The good news is that motivation is high. Well over half (62%) say their organization is embracing AI with a moderate to high level of urgency. Only 2% say they were resistant to change. Coupled with 97% of respondents saying that the urgency to deploy AI-powered technologies has increased in their company within the past six months, we can expect this upward trend to continue.

Culture readiness





What Can Organizations Do To Boost AI Readiness?

While most companies are not fully ready, globally, 61% of companies feel that they have at most one year to implement their AI strategy before facing significant negative impacts on their business. It is therefore crucial for businesses to take action now and become ready to fully leverage AI technology.

To boost their AI readiness, companies can take the following five actions:

1. Look long-term and think big
2. Build infrastructure for the future
3. Breakdown data silos
4. Keep people at the core
5. Deploy timely internal policies and protocols to keep pace with the industry

About the Research

The ***Cisco AI Readiness Index*** is based on a double-blind survey of 8,161 business leaders with responsibility for AI integration and deployment at organizations with 500 or more employees based across 30 markets globally. The Index uses six pillars, each with a different percentage weightage, to benchmark AI readiness – **Strategy** (15%), Infrastructure (25%), **Data** (20%), **Governance** (15%), **Talent** (15%), and **Culture** (10%). Within these pillars, levels of readiness are assessed using a combined total of 49 indicators to determine a readiness score for each pillar as well as an overall readiness score for the respondent's organization.

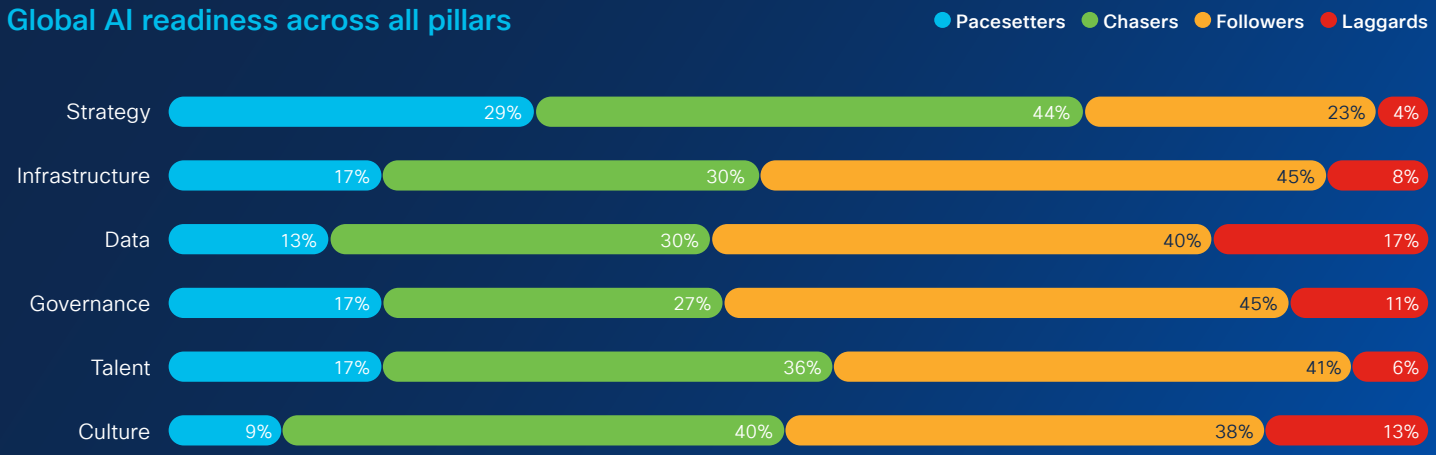
The data was organized and categorized into a level of readiness, with respondents ranked in four groups – Pacesetters, Chasers, Followers, and Laggards. These groups and their corresponding scores are pictured left in descending order.

Based on this scoring system, 14% of respondents globally met the criteria for Pacesetters, with Chasers at 34%, Followers are the largest group at 48%, and Laggards the smallest group at 4%.

Highlighting the vast divergence in levels of readiness, the average scores recorded for each group are **Pacesetters** – 93, **Chasers** – 72, **Followers** – 48, and **Laggards** – 24.

The ***Cisco AI Readiness Index*** is the first of its kind developed globally and provides a comprehensive assessment tool for organizational leaders.

Global AI readiness across all pillars



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