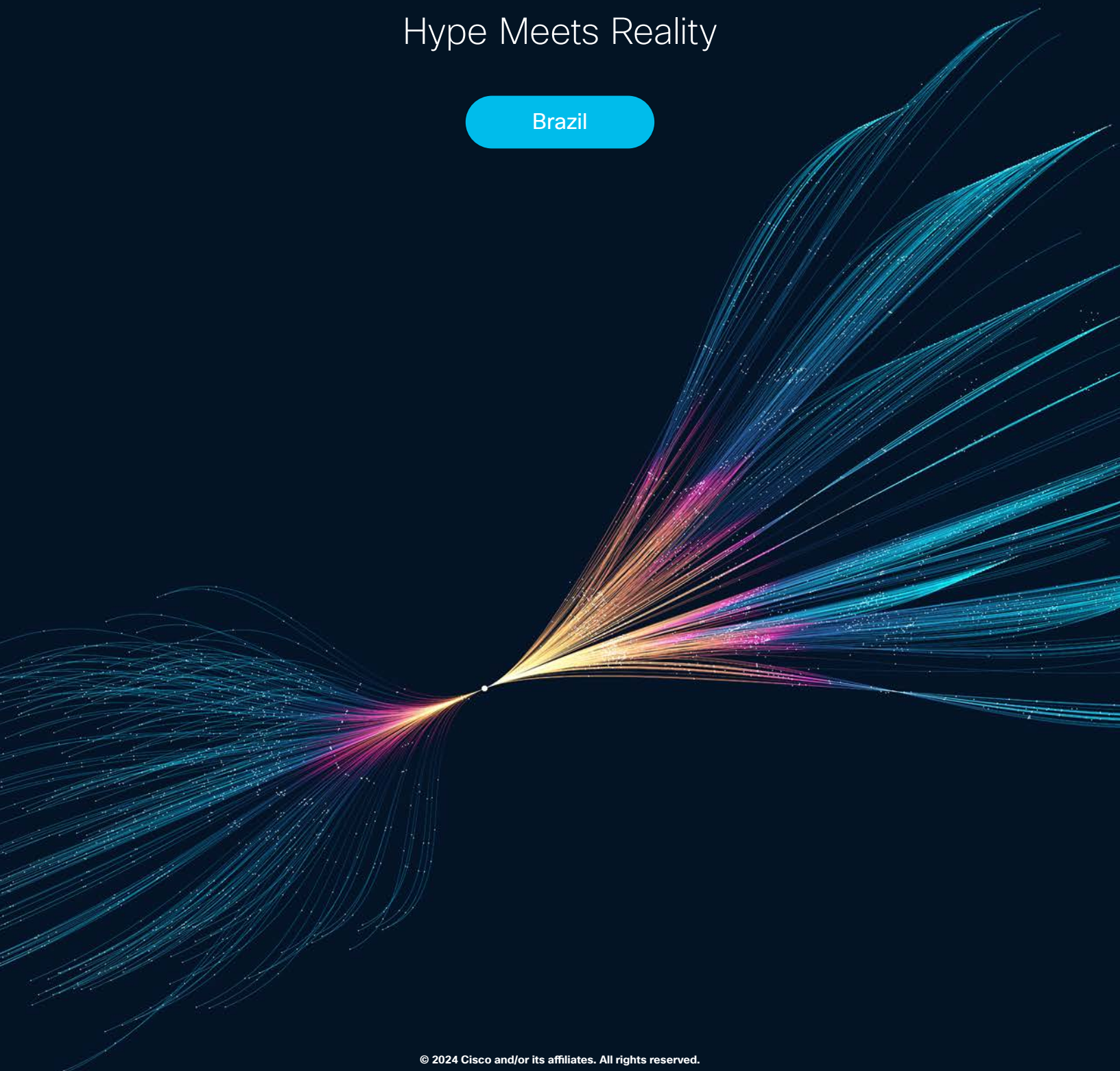




Cisco AI Readiness Index

Hype Meets Reality

Brazil





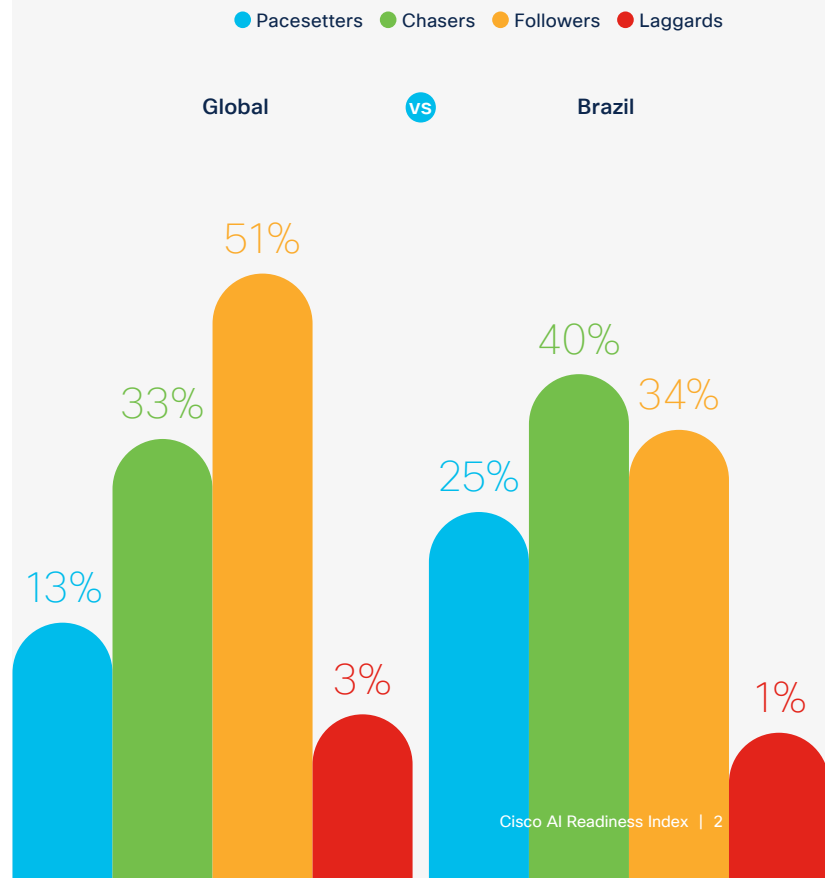
Global Executive Summary

Artificial Intelligence (AI) has been the dominant theme of the business world over the past couple of years. It's increasingly in strategy updates, earnings statements, and in almost every stakeholder communication. At its current level of mass scale impact, AI may well overtake the cloud and even the internet in its significance as a technology disruptor.

However, as companies learn more about AI and how to adopt, deploy, and fully use its capabilities, they are beginning to realize they may not be as prepared as they thought.

The *Cisco 2024 AI Readiness Index*, which follows the 2023 inaugural Index, measures AI readiness of companies across six key pillars: **Strategy, Infrastructure, Data, Governance, Talent, and Culture**. Based on their readiness score, companies

Overall Readiness



are categorized into four levels: **Pacesetters** (fully prepared), **Chasers** (moderately prepared), **Followers**, (limited preparedness), and **Laggards** (unprepared). The Index highlights that organizations globally have seen a decline across multiple areas of AI Readiness. This means that despite the focus and investment, business leaders do not feel they have made enough progress towards their AI ambitions.

This is not deterring them, as leaders say they will not only continue to invest in AI, but actually increase their spend. The Index reveals that the C-suite is the biggest driver of AI adoption, with 50% of companies citing pressure from the CEO and their leadership team. However, enthusiasm around the transformative power of AI has faded at the senior level. Only 66% of respondents report that their organizations' boards are receptive and 75% say their leadership teams are receptive, down from 82% for both last year.

Less than one in seven companies globally are ranked as Pacesetters, a decline from last year's Index. We have also seen fewer companies make it to Chasers, the next category of preparedness. Individual pillars including Infrastructure, Data, Governance, Talent, and Culture, each saw declines.

Companies allocate a significant amount of money towards AI, with 50% of those surveyed saying as much as 10-30% of their current IT budget is dedicated to AI. Interestingly, a large number of respondents in our survey noted that their AI investments have not yet delivered the gains they expected. Nearly 50% of respondents reported not seeing any gains or gains below expectations in areas such as assisting, augmenting, or automating a process or operation. The results highlight that while companies are keen to adopt and deploy AI, the ability and readiness to fully leverage it remains limited. The lack of visible results may also be due to organizations not having the right processes in place to accurately measure the impact of AI, with just over a third (38%) of respondents saying they have clearly defined metrics to do so.

Encouragingly, companies recognize they need to do more to be better prepared to leverage AI. For example, 51% of those surveyed have rated improving scalability, flexibility, and manageability of their IT infrastructure as among their top three priorities as they look to improve overall AI readiness.

However, businesses face significant challenges on the road to improving their readiness. These include: lack of talent with the right skills, concerns over cybersecurity risks posed by AI workloads, long lead times to procure required technology, data silos, and data spread across multiple geographical jurisdictions.

Some of the other key findings of the Index are:

- The **Strategy** pillar has the highest number of Pacesetters of any of the pillars for the second consecutive year. The **Culture** pillar continues to have the lowest percentage of Pacesetters and even saw its share of lowest-ranking readiness tick up by four points.
- 93% of respondents predict that AI will increase **infrastructure** workloads as AI technologies are deployed.
- Less than a third (32%) of respondents report high readiness from a **data** perspective to adapt, deploy, and fully leverage AI technologies.
- **Governance** readiness fell this year, potentially due to the quickly-evolving global regulatory landscape around AI. Only one in three respondents (35%) believe there is a high level of understanding across their organization about global data privacy standards.
- The **Talent** pillar reveals that close to half (48%) of respondents say their organization is only moderately well-resourced with the right level of in-house talent to manage successful AI deployment.

The Index is based on a double-blind survey of 7,985 senior business leaders with responsibilities for AI integration and deployment at organizations with 500 or more employees. A more detailed explanation of the benchmarking methodology is contained in later sections of this report.

Overall, this year's research finds that organizations remain committed to adopting and deploying AI across their businesses, yet remain significantly underprepared to do so. Time is of the essence in the race to adopt AI, and businesses risk negative impacts if they move slowly. Among the respondents, 59% said they have a maximum of one year to implement their AI strategy, or they run the risk of losing competitive advantage. Business leaders must act now and improve their readiness across all six critical pillars to capture the transformative opportunities that AI offers.



Strategy

Nothing can be deployed effectively in an organization without a clear strategy, and the same is true for AI. Our respondents agree, with 98% of organizations in Brazil stating they already have a highly defined AI strategy in place or are in the process of developing one (same as last year).

Across all assessment pillars for this Index, Strategy had the highest level of AI readiness, with 83% (up from 80% last year) of organizations benchmarked as either Pacesetters or Chasers, and no organizations (down from 2% last year) considered Laggards.

As we look at the areas that organizations are prioritizing for AI deployment, IT infrastructure is leading, with 51% in Brazil saying they have achieved advanced deployment of AI in this area, followed by cybersecurity, and data analysis. When it comes to the impact, companies are looking to enhance system,

process, and operational efficiency, which was cited by 65% of respondents as one of their top three reasons for adopting AI.

The kinds of AI being deployed are reflective of the evolution of the tools available and the most prominent trends in the industry. Currently, Generative AI has the highest rate of deployment in Brazil at 47%, while Predictive AI has the highest rate of in-progress deployment, at 43%.

One of the key criteria under the Strategy pillar that differentiates the Pacesetters from the rest is a willingness to invest in AI. 41% of respondents in Brazil say AI deployment has been given the highest priority for budget allocation and incremental budget funding, compared to other technological deployments.

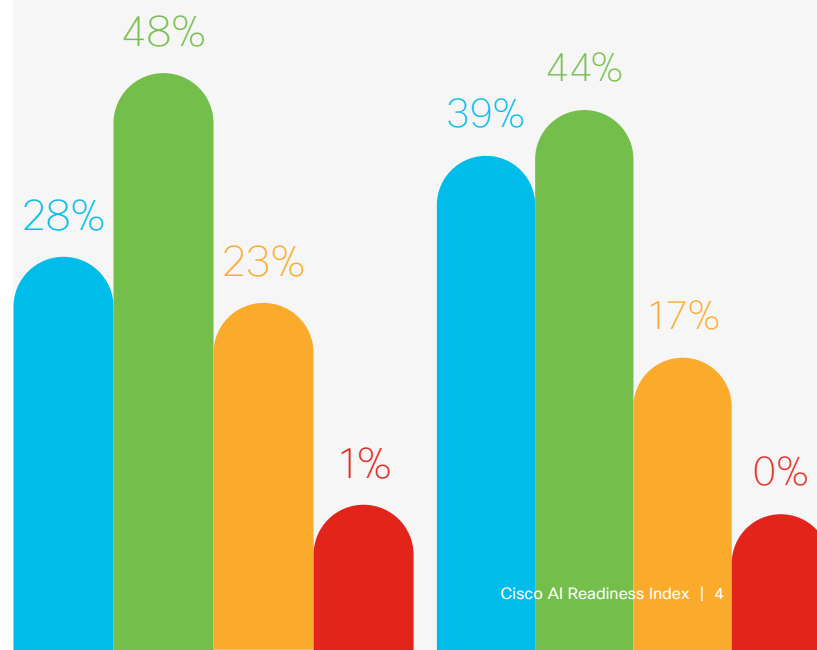
Strategy Readiness

● Pacesetters ● Chasers ● Followers ● Laggards

Global

vs

Brazil





Infrastructure

The readiness of Infrastructure to support AI initiatives has seen a slight improvement, with 62% of organizations in Brazil categorized as Pacesetters or Chasers this year, up from 61% a year ago. Nevertheless, when asked how they would rate their own overall readiness of their IT infrastructure to accommodate AI technology adoption and scaling, 54% said they feel moderately ready at best.

This is a key issue that needs to be addressed, not least because 93% of respondents in Brazil predict that the workload of their organizations' infrastructure will increase with the deployment of AI-powered technologies. However, close to half (48%) acknowledge their infrastructure has limited or moderate scalability and flexibility to accommodate these increasing needs. Honing in on specific areas of IT infrastructure, systems are struggling to keep

pace with accelerating AI development as 74% of respondents say they require further data center graphics processing units (GPUs) to support future AI workloads. Additionally, 65% of respondents lack confidence in the availability of computing resources for AI workloads.

As the volume and complexity of AI-related data flows increase, cybersecurity issues become all the more daunting. As a result, best practices in managing access control to AI systems and datasets are increasingly under strain, with 61% falling short of a robust posture in this area.

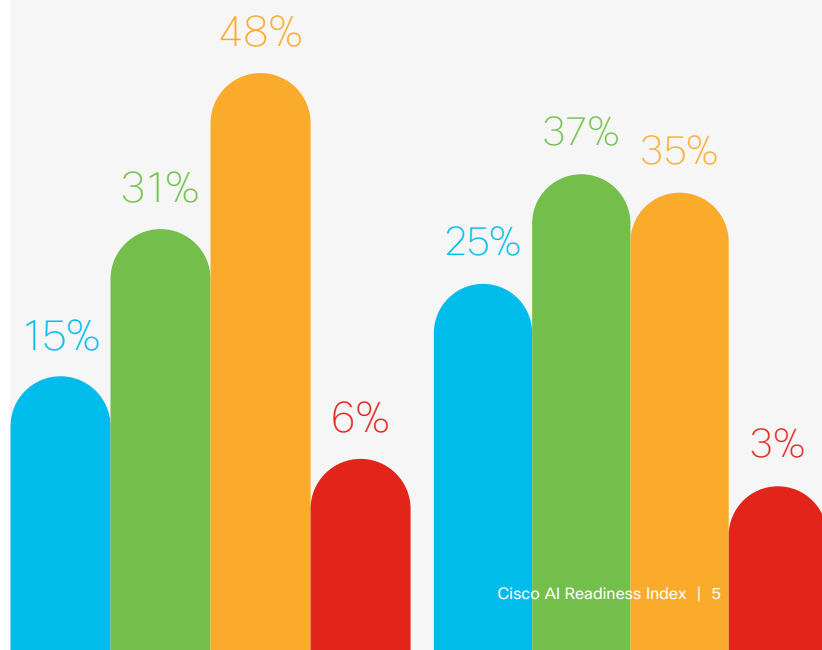
Infrastructure Readiness

● Pacesetters ● Chasers ● Followers ● Laggards

Global

vs

Brazil





Data

There has been plenty of discussion about the importance of data in the successful use of AI workloads. However, despite the growing knowledge about its criticality, the readiness of organizations to manage data effectively for AI initiatives has declined in the past year.

Less than half (44%) of respondents in Brazil report high readiness from a data perspective to adapt, deploy, and fully leverage AI technologies.

Organizations still face significant challenges in establishing a strong data foundation for AI, which includes maintaining a centrally managed database, integrating AI systems, upholding rigorous data hygiene practices, and ensuring data security and protection.

In fact, 67% of respondents in Brazil acknowledge inconsistencies or shortcomings in the pre-processing

and cleaning of data for AI projects. Additionally, more than half (53%) report that they feel there is room for improvement in tracking the origins of data.

Even with satisfactory processing and lineage tracking measures in place, data must be easily accessible for use in AI initiatives. However, most companies (71%) report that their data is fragmented to varying degrees, indicating issues with data accessibility.

Additionally, the proficiency in current analytics tools and the skill levels of employees are areas that require continuous attention. As with Infrastructure, the talent crunch rears its head as the key barrier to better data readiness. As many as 63% of respondents report a lack of talent with the right skills and knowledge in this area as a challenge in this regard.

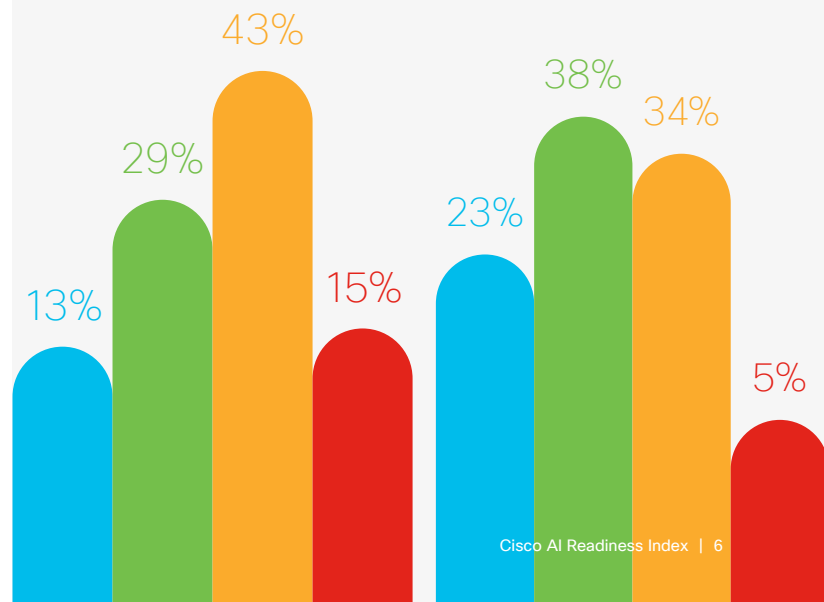
Data Readiness

● Pacesetters ● Chasers ● Followers ● Laggards

Global

vs

Brazil





Governance

Against a rapidly evolving regulatory environment, effective AI governance has become even more crucial to the successful implementation of AI. However, it has also created greater uncertainties and feelings of unpreparedness. In this year's Index, 57% of companies in Brazil qualified as Pacesetters or Chasers, compared to 62% last year.

The challenge for most organizations may lie in the lack of knowledge and skill to ensure compliance with the policies and protocols in place, as more than half (55%) of respondents in Brazil identified "the lack of talent with expertise in AI governance, law and ethics in the market" as a challenge in improving their readiness from the governance perspective.

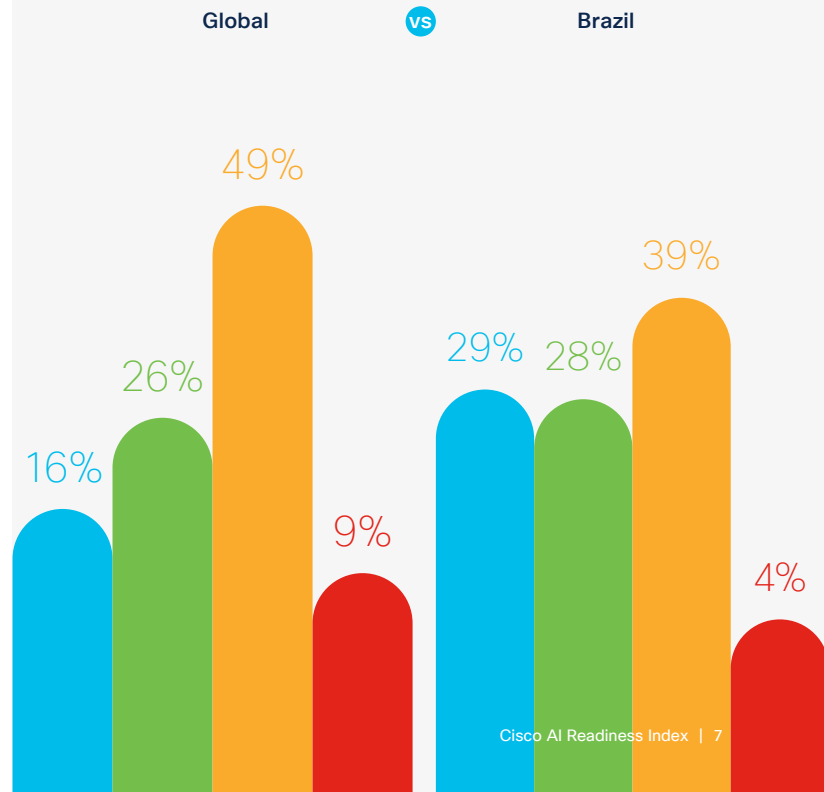
Insufficient understanding of potential biases and fairness in data sets used for AI is another key hurdle for organizations. 43% of respondents rate the level of

awareness about potential biases and fairness in data sets across their organization as moderate, with only occasional training or awareness programs in place.

Data privacy and security is another key tenet of AI governance. 44% of respondents in Brazil believe there is a high level of understanding across their organization about global data privacy standards. As many organizations operate internationally across multiple geographical jurisdictions, having a good understanding of and protocols around data sovereignty is key to compliance. 43% of organizations say they have a high level of understanding, possessing detailed knowledge of varied jurisdictions and having experts on board.

Governance Readiness

● Pacesetters ● Chasers ● Followers ● Laggards





Talent

The race to adopt and deploy AI has triggered a widespread discussion on the lack of skilled talent in the field due in part to the pace at which the technology is evolving, with only 40% of organizations in Brazil claiming their talent is at a high state of readiness to fully leverage AI. Nearly a quarter (22%) of respondents say that their organizations are under resourced in terms of in-house talent necessary for successful AI deployment.

Organizations are actively addressing this issue through a mix of tactics. One of the most common solutions, used by 46% of organizations that are not currently at a high state of talent readiness, is onboarding contractors to plug AI talent gaps.

41% of such organizations are also taking a longer-term approach by allocating more budget to hire new

talent. However, as many as 49% highlighted the shortage of talent in the market as a challenge they face as they look to improve their readiness to adopt AI from a talent perspective.

Faced with a competitive talent market, training and upskilling existing talent could be a more sustainable solution for organizations. Among our respondents, 48% say their organization is investing in upskilling and reskilling existing talent.

The above factors may explain why talent readiness has seen a significant lag, with 36% of organizations in Brazil falling into the Followers category, a jump from 29% last year.

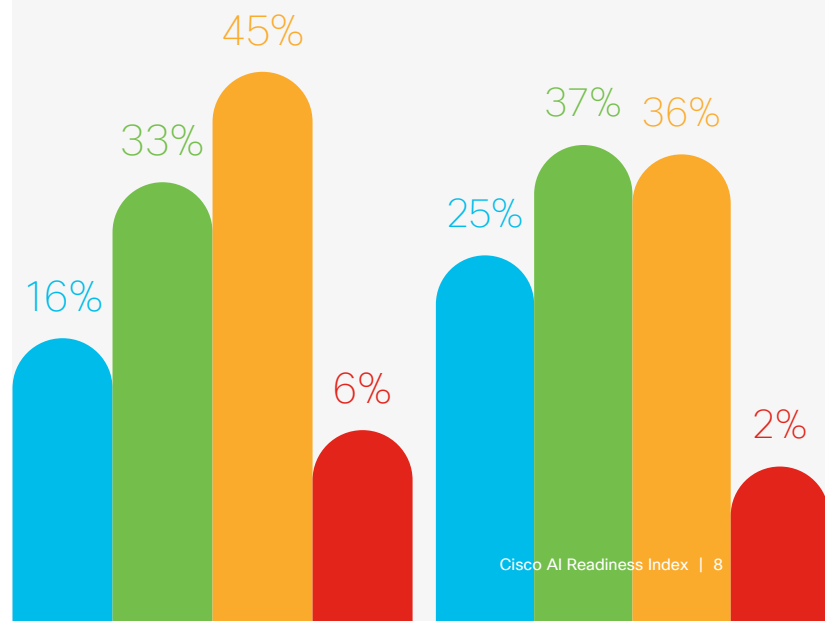
Talent Readiness

● Pacesetters ● Chasers ● Followers ● Laggards

Global

vs

Brazil





Culture

The growing adoption of AI is poised to bring about large and fundamental culture changes requiring stakeholder support and receptivity for success.

Yet, there has been a noticeable reduction in cultural readiness to embrace AI globally, which is mirrored in Brazil. Within the Culture pillar, just 19% of respondents qualify as Pacesetters against the determined criteria, compared to 24% last year.

Organizations that made it to the Chaser category have declined from 42% in 2023 to 40% in Brazil this year, and the Laggard category increased to 8% from 7%.

The drive for meaningful change is often initiated from the top. However, respondents report that over the past year, Boards have become much less receptive to embracing the transformative power of AI, with 79%

of Boards being highly or moderately receptive, down from 87% last year.

More work can also be done to engage middle management, where 13% have either limited or no receptiveness to AI. The adoption challenge is reportedly greater amongst employees where close to a quarter (22%) of organizations report employees are limited in their willingness to adopt AI or are outright resistant.

Change management is essential for navigating the complexity of AI integration, especially in the face of differing stakeholder views. The Index highlighted that while 87% of organizations have one in place, only 39% of these said their plan is a comprehensive one.

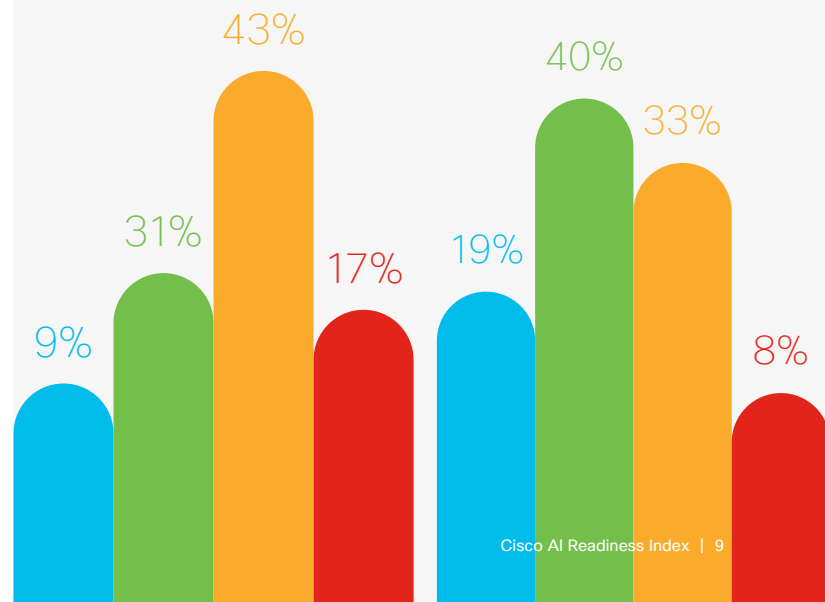
Culture Readiness

● Pacesetters ● Chasers ● Followers ● Laggards

Global

vs

Brazil



Recommendations

Invest in Scalable, Adaptive, and Secure Infrastructure

As AI workloads increase, the IT infrastructure will need to keep up. There is a lot to be done to achieve that, as is evident from the result of the Index. As organizations look to improve their readiness on this front, they should think of investing in solutions and technologies that are scalable so they can handle current and future computational demands. This will ensure agility and help them scale AI initiatives as needed.

Additionally, organizations should ensure that security is foundational to their AI initiatives. This includes building capability to protect data used in AI workloads both during transit and at rest. They also need to be fully equipped to be able to detect and prevent unauthorized access and tampering of data. Finally, as generative AI tools become more accessible, companies should have technology and policies in place to ensure they safeguard themselves from unauthorized data sharing and loss, and are able to defend against prompt injection, data and model poisoning, and other AI-specific attacks.

Enhance Data Management, Integration, and Governance

Data is widely seen as a critical driver of success of any AI initiative. There are two key aspects that organizations need to look at. First is the quality of data. Implement robust data frameworks to ensure data quality, consistency, and accessibility. This includes setting up data stewardship roles and responsibilities.

The second is data governance. Organizations should implement comprehensive governance frameworks to ensure that data flows across the organization, as needed, are in compliance with relevant regulations. Additionally,

organization should ensure that internal policies and protocols are regularly reviewed and updated to keep pace with the rapidly evolving AI landscape.

Focus on Talent Development and Retention

The hype around AI is having a knock-on effect on the race to hire the best talent in the sector. This is already creating a shortage of talent with the right skill sets, and increasing the cost to hire. To address this, organizations can invest in their existing talent pool to meet the growing demand. This includes creating continuous learning opportunities for staff, encouraging cross-functional teams to collaborate and share knowledge on AI projects, and most importantly, looking for skills that can be transferred from an existing role to one focused on AI, to expand the available talent pool.

Foster a Pro-AI Organizational Culture

Organizations should cultivate a pro-AI culture to ensure they can fully harness its potential. To achieve this, organizations should ensure that as they adopt and deploy AI across areas of their business, they not only highlight its potential benefits, but also acknowledge any concerns employees might have on the impact on their jobs and roles. Additionally, organizations should proactively provide necessary support and resources to help employees upskill and reskill, so they are not only able to use and leverage these technologies, but also remain optimistic about its impact as well as their own jobs.

Another approach organizations can consider is to establish incentive programs that encourage responsible experimentation with AI. By doing so, organizations can motivate employees to explore creative solutions and new

applications of AI technologies. These incentives can take various forms, such as financial rewards or opportunities for professional development. By valuing and celebrating achievements in AI, organizations create an environment where employees feel encouraged to push boundaries and contribute to the company's AI-driven goals, ensuring sustained growth and competitive advantage.

Reinforce Long-term Vision and Strategic Alignment

To ensure the successful integration of AI into the organizational framework, it is crucial to reinforce a long-term vision and strategic alignment. This begins with periodically revisiting and reassessing the AI strategy to ensure it aligns with the company's overarching business goals. By setting clear and achievable objectives, businesses can maintain a focused approach while remaining flexible to adapt to the rapid changes in the AI landscape. This adaptability is essential for seizing new opportunities and overcoming challenges as they arise, ensuring that AI initiatives contribute meaningfully to the company's sustained growth and success.

Equally important is the role of executive leadership on the AI journey. Executive leaders looking to increase AI readiness should demonstrate a strong commitment to AI initiatives by actively engaging in the steering and support of AI projects. Their involvement is vital for providing direction, resources, and fostering an organizational culture that embraces AI. By championing AI efforts, leaders can inspire confidence and drive momentum across all levels of the organization. Their commitment ensures that AI projects are not only aligned with strategic objectives but also receive the necessary support to thrive, ultimately reinforcing the company's competitive edge in a rapidly evolving technological landscape.

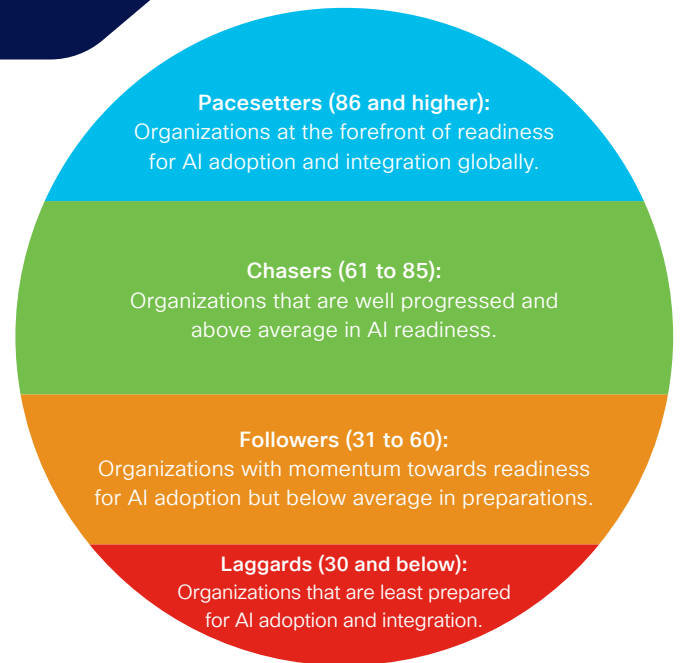


About the Research

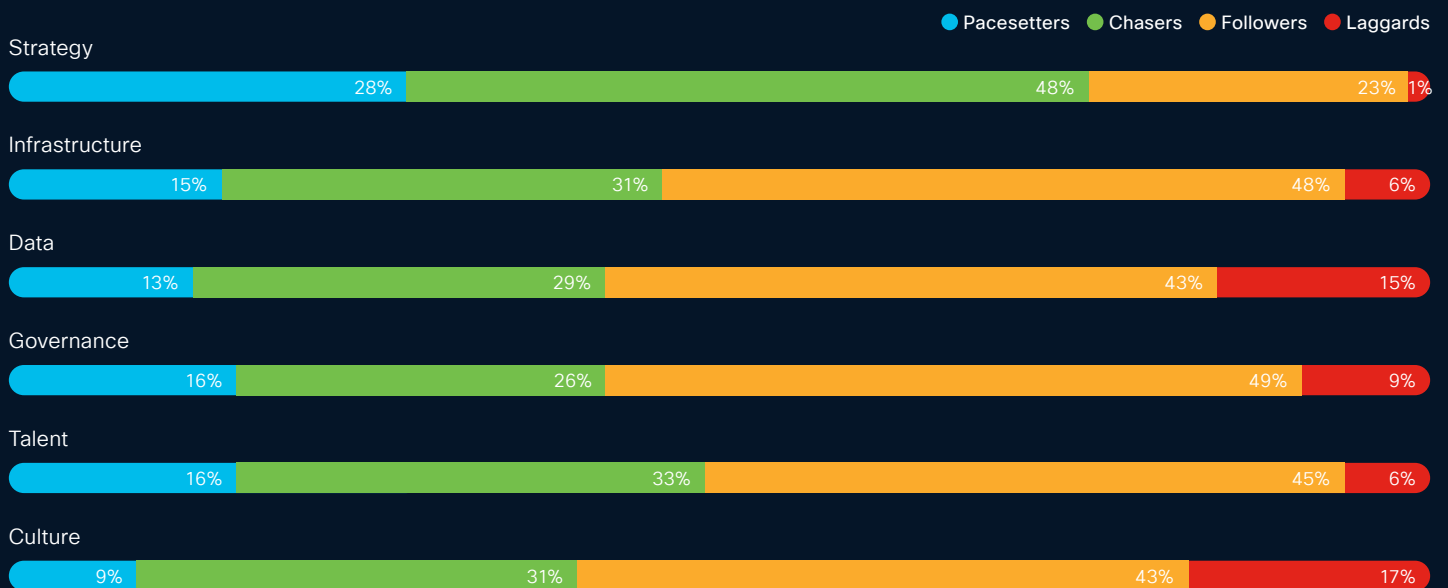
Consistent with last year's Index, the Cisco 2024 AI Readiness Index uses six pillars, each with an individual weightage, to benchmark AI readiness – **Strategy** (15%), **Infrastructure** (25%), **Data** (20%), **Governance** (15%), **Talent** (15%), and **Culture** (10%). Within these pillars, levels 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 right in descending order.

Based on this scoring system, in 2024 13% of respondents met the criteria for Pacesetters, with Chasers at 33%. Followers are the largest group at 51%, and Laggards the smallest group at 3%. Highlighting the vast divergence in levels of readiness, the average scores recorded for each group are: Pacesetters – 93, Chasers – 72, Followers – 48, and Laggards – 25.

As the survey measures AI readiness, we may also have expected that the groups representing those organizations



that are better prepared (Pacesetters and Chasers) might grow each year as the opportunities and challenges associated with AI become better known. For 2024, that does not often seem to have been the case, and in this context, stagnant or even marginally declining readiness levels may reflect the speed at which AI adoption and deployment are evolving, making it more difficult for organizations to keep up even as they become more aware of the gaps that need to be closed to leverage AI for success.



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