

Three Critical Considerations to Achieve Strategic Midsize Enterprise IT

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Initiatives: Midsize Enterprise IT Leadership

Given the pervasiveness of technology in business, IT must operate at a strategic level to create differentiation. Midsize enterprise CIOs must use their inherent advantages to guide the discussion and enable businesses success in the technology age.

Overview

Key Findings

- Creation of IT strategy and business strategy are frequently separate exercises, causing disconnects between IT and the rest of the enterprise.
- IT staff often lack vision into the goals and objectives of the areas they serve.
- IT in midsize enterprises (MSEs) tends to be tactical and task-oriented, inhibiting more strategic contributions to the organization.

Recommendations

CIOs in midsize enterprises seeking a more strategic IT operation must:

- Align IT operations and business strategy by demonstrating and communicating to stakeholders what is possible.
- Level up IT staff business acumen by purposefully framing their work in terms of business objectives.
- Minimize task-oriented and nondifferentiating IT work by proactively managing and reducing technical debt.

Strategic Planning Assumption

By 2024, MSE IT organizations will quadruple the time (from 10% to 40%) spent on nonoperational tasks.

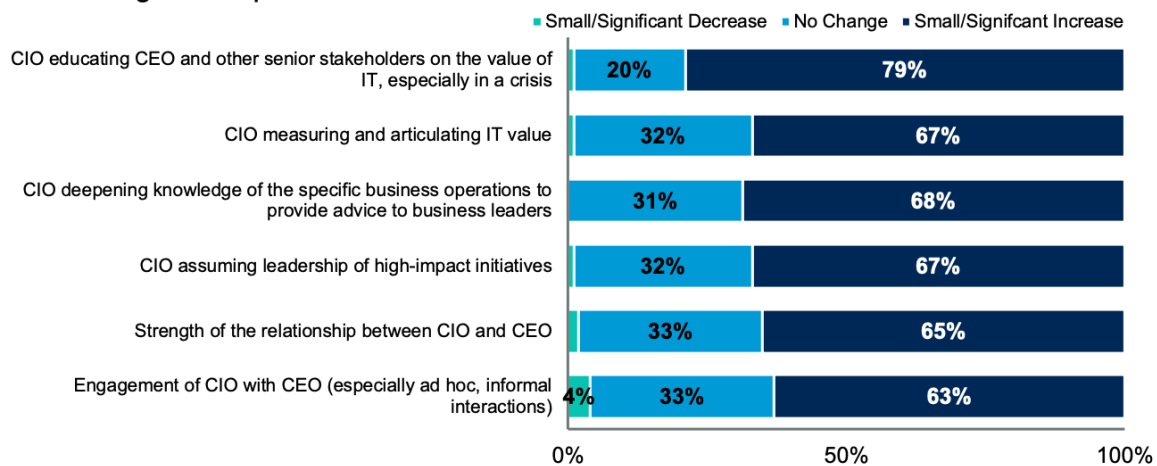
Introduction

MSE CIOs see increasing opportunity to offer their organizations new and different ways to leverage technology for true business advantage. However, spending inordinate amounts of time on operational tasks and not enough time engaging stakeholders will hinder efforts to develop and hone actual strategy and will relegate the perception of IT to that of a cost center.

Due to the success and increased visibility throughout the disruptions of the pandemic in 2020, many MSE CIOs are now being brought into higher-level strategic conversations (see Figure 1). CIOs must capitalize on this development to cement those relationships with fundamental improvements in the way IT operates.

Figure 1: CIO Relationships With Key Stakeholders¹

Changes in CIO-Business Relations Percentage of respondents



n = ~572, MSE CIOs, excludes "Not sure/Not applicable"

Q. How would you characterize the following changes related to your enterprise's IT leadership as a result of the COVID-19 pandemic?

Source: 2021 Gartner CIO Survey

Not showing data labels for percentages less than 3%

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MSE CIOs must take advantage of their smaller, flatter organizational structures and regularly engage with key stakeholders to identify opportunities to demonstrate how the technology they provide (or could provide) can advance the priorities of the organization. Meaningful and consistent communication with senior management is critical to ensuring that the needs of the enterprise dictate IT strategy.

Internally, MSE CIOs can leverage this dynamic within IT to regularly engage with their staff on business objectives. CIOs in MSE are often only one layer removed from operations staff, which not only increases visibility and engagement in tactical activities, but also serves to improve the frequency and quality of interactions.

These interactions can be used to level up the IT staff's understanding of business operations and business goals. They also allow for frequent and interactive course corrections, which are key to creating a more strategically valuable and agile operation.

A common impediment to becoming a more strategic partner is a maintenance-heavy technology portfolio. Technical debt detracts from IT's ability to engage in more high-value tasks. MSE CIOs must consider how to deliver commodity IT service while minimizing nondifferentiating activity for both them and their staff. This provides the necessary freedom to operate at a higher and more value-based level.

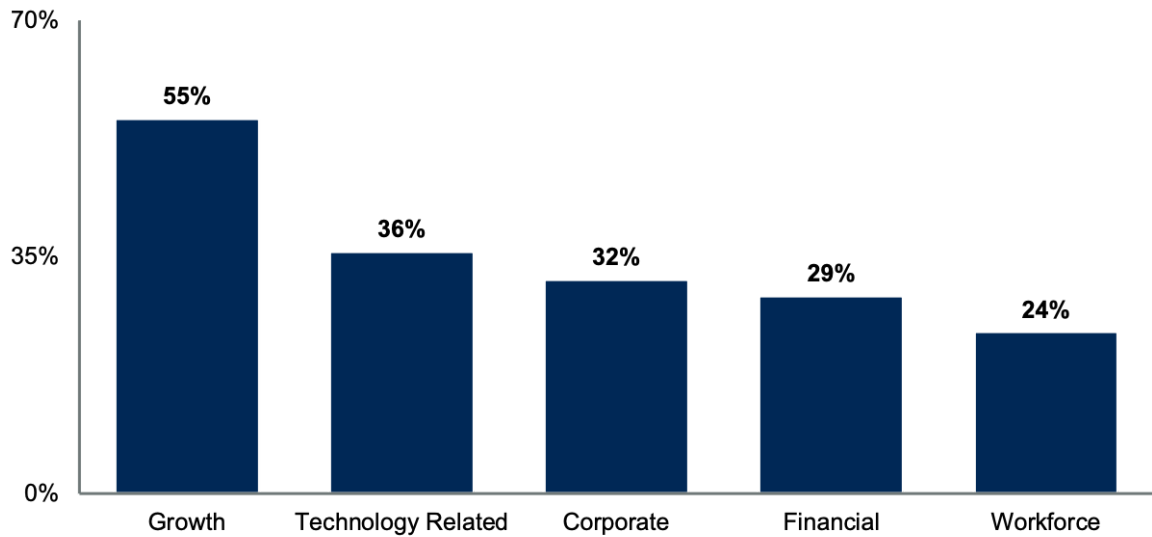
Analysis

Align Business and IT Strategy

MSE CIOs must be able to define their IT initiatives in terms of how they support the organization's mission, vision, goals and objectives. This is the genesis of IT strategy (see Toolkit: Sample IT Strategy for Midsize Organizations). The CIO must communicate to key stakeholders their understanding that technology is valuable insofar as it advances the goals of the enterprise. The ability to articulate this engenders credibility for the MSE CIO. Increasingly, organizations are relying on their technology to achieve CEO priorities of growth, as well as corporate and financial objectives (see Figure 2).

Figure 2: CEO Priorities²

CEO Business Priorities, 2021 and 2022 — Top 5
Summary Top Three Mentions



n = 168, All MSE Respondents

Q. To start, please tell us about your organization's top 5 strategic business priorities for the next 2 years (2021/2022).

Source: 2021 Gartner CEO and Senior Business Executive Survey

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Central to this is establishing proper communication with stakeholders. This communication should be consistent in cadence and centered around the stakeholder's operation and how it interfaces with other operations in the organization (see The Midsize Enterprise CIO's Guide to Presenting to Executive Leadership and the Board). CIOs must take advantage of smaller, flatter organizational structures that lend themselves to this type of dyadic communication common to MSEs.

Whether the business strategy is focused on improving its efficiency or client experience via digital optimization, or creating new revenue streams with new business models via digital transformation, IT's delivery of the technology plays a critical role. Hence, IT strategies and business strategies must align.

In the hectic pace of the MSE, there is a natural tendency for IT and the lines of business it supports to move independently of one another. However, the CIO must be part of the strategic business discussion. Getting a seat at the table is easier said than done. Being well-versed in the organization's operations and business strategy is a solid first step.

Improve IT Staff Business Acumen

In MSE IT, most or all of the IT staff interfaces with the rest of the business at some level (see [Leverage Every Touchpoint to Convey the Value of IT in a Midsize Organization](#)). Having an IT staff knowledgeable about business acumen better supports the organization at a more strategic level. A Gartner digital dexterity survey found that employees with high levels of business acumen were 21% more likely to deliver value from digital initiatives. However, the same survey found that only 18% of IT employees were so versed (see [Midsize IT Teams Need Business Acumen to Deliver Digital Outcomes](#)). To further this issue, there is generally little time or budget for IT staff education in formal business disciplines.

The advantage for MSE CIOs is that they typically operate closely with their staff at all levels. As such, they have frequent opportunities to educate staff on the nuances of the enterprise they serve. As opposed to the time and funding needed for formal training, the MSE CIO can operate at more of a mentor level to help staff understand how the business works and what that means to their particular discipline. This can be done with some measure of effectiveness at all levels of IT in MSEs. For example, an IT service desk employee who understands the mechanics and importance of business cycles in different departments will better prioritize their work.

Reduce the Need to Be Tactical

IT has long since begun to take advantage of advances in technology and managed services to reduce the infrastructure footprint and technical debt, but it still exists. MSEs face unique challenges here for a multitude of reasons, including:

- Limited staffing to properly evaluate and execute projects to rationalize and rightsize their portfolios to reduce technical debt
- Proliferation of technology solutions with no guiding strategy or governance
- Conservative spending practices due to limited budgets that inhibit more strategic IT investments

Technical debt is detrimental to strategic IT because the cost and time of daily support is taxing on small IT teams. Support tasks create urgencies that obscure the higher-level technology needs of the organization, and operational exceptions consume resources.

Specific to infrastructure, MSE CIOs must recognize when it becomes a commodity and focus on building a rightsized and fit-for-purpose infrastructure that minimizes the management effort (see Top 3 Midsize Enterprise I&O Cost Optimization Investments and Approaches for 2021). This will infuse a business focus into the infrastructure strategy. It changes the analysis from a tactical question to a long-term value question.

Application portfolios are another area where continual proliferation of disparate products causes (often significant) inefficiency in the spending of time, money and effort. Periodic application portfolio rationalization will help mitigate this. The portfolio should be reviewed for redundancies, inefficiencies and fitness for purpose (see How to Prioritize Application Inventory and Rationalization). Portfolio rationalization must be initiated as a joint project between IT and the business. An ancillary benefit to this initiative is that it provides another venue for the MSE CIO to operate at a strategic level with their stakeholders.

Evidence

¹ The 2021 Gartner CIO Survey was conducted online from 14 July 2020 through 14 August 2020 among Gartner Executive Programs members and other CIOs. Qualified respondents were each the most senior IT leader (CIO) for their overall organization or a part of their organization (for example, a business unit or region). The total sample was 1,877, with representation from all geographies and industry sectors (public and private), including 574 MSE respondents. The survey was developed collaboratively by a team of Gartner analysts, and was reviewed, tested and administered by Gartner's Research Data and Analytics team. Disclaimer: Results do not represent "global" findings or the market as a whole, but reflect the sentiment of the respondents and companies surveyed.

² 2021 Gartner CEO and Senior Business Executive Survey – MSE

Gartner conducted this research from July 2020 through December 2020, with questions about the period 2020 to 2023. One-quarter of the sample was collected in July and August, and three-quarters from October through December. In total, 465 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 390 online surveys and 75 telephone interviews. By enterprise revenue, the sample mix was:

- 46 \$50M to <\$250M
- 122 \$250M to <\$1B
- 226 \$1B to <\$10B

- 71 \$10B or more

The survey was developed collaboratively by a team of Gartner analysts that examine technology-related strategic business change, and was reviewed, tested and administered by Gartner's Research Data and Analytics team. The results of this study are representative of the respondent base and not necessarily business as a whole.

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