

Adapt the Midsize Enterprise I&T Operating Model to Achieve Your Digital Ambitions

By Matthew Charlet

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Published 6 December 2021 - ID G00756149 - 19 min read

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Initiatives: Midsize Enterprise IT Leadership

As midsize enterprises pursue new digital business models, CIOs must ensure their organizations' I&T operating models evolve to match enterprise ambitions. However, MSEs face constraints that large organizations don't as they pursue their digital ambitions to attain organizational transformation.

Overview

Midsize enterprises (MSEs) have digital ambitions similar to those of large enterprises, as both seek to optimize and transform their businesses by calibrating their I&T operating models to deliver on these initiatives. Yet, MSEs face constraints that limit their ability to make the same types of operating model changes that larger firms make to execute on their digital ambitions. MSEs have:

- Smaller budgets and teams
- Less ability to scale and task-specialize efforts
- Limited expertise to fully support the organization's digital transformation

How do CIOs at MSEs respond to these challenges and develop an operating model that supports their digital ambitions?

They design an operating model that effectively connects IT to business leaders, sourcing partners and technology-savvy employees outside of IT to leverage these partners' full potential. CIOs also reexamine organizational structures to align IT closer to business teams and, in some cases, blend IT and business employees onto the same team. To manage an operating model that successfully engages partners outside of IT, CIOs also invest in building and developing teams that are flexible and versatile.

An I&T operating model depicts how an enterprise orchestrates information and technology (I&T) capabilities to achieve strategic objectives (see *What Is an I&T Operating Model, and How Do You Accelerate Its Design Process?*). Simply put, an operating model is a representation of “how stuff gets done” in an organization.

Gartner’s I&T operating model framework shows nine areas that compose the I&T operating model (see Figure 1).

Figure 1: Gartner I&T Operating Model Components

Gartner I&T Operating Model



Source: Gartner
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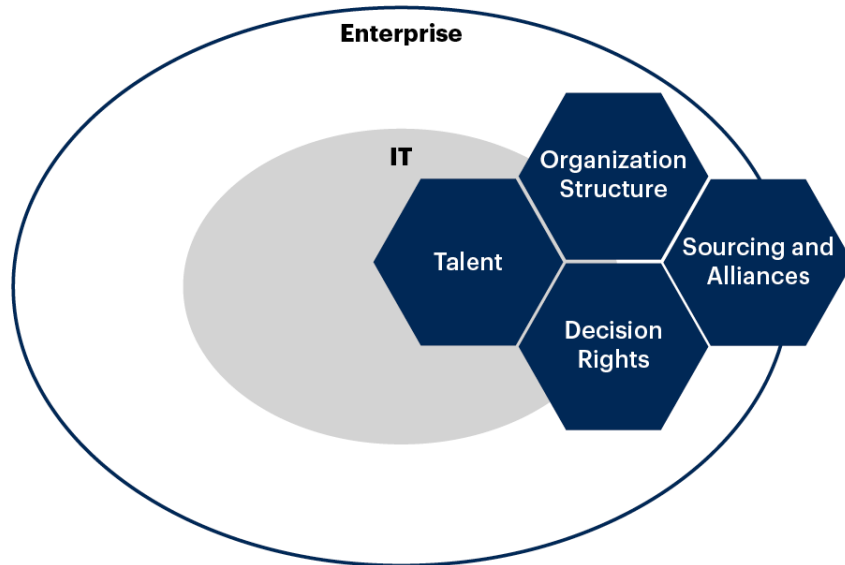
MSE CIOs can focus on four areas to design an operating model that more effectively connects IT to partners outside the team:

- Talent
- Organization structure
- Decision rights

- Sourcing and alliances (see Figure 2)

Figure 2: Design an Operating Model That Reaches Outside of IT

Design an Operating Model That Reaches Outside of IT



Source: Gartner
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Gartner.

Each hexagon in Figure 2 represents an area where midsize firms have dynamics different from large enterprises. Sometimes, those dynamics make it easier for CIOs to change how IT operates. In most cases, however, MSE CIOs have fewer resources and less flexibility than larger firms, requiring additional design considerations.

MSE CIOs have fewer opportunities to develop staff into highly specialized roles that can build deep expertise in emerging areas. As a result, using organizational design to solve problems by specializing staff is less likely to be as effective a lever for an MSE CIO than it would be for a large enterprise IT leader. MSEs also have less scale and leverage when establishing relationships with vendors, requiring them to think differently about how they match their needs to service providers.

At the same time, however, MSEs do have advantages they can leverage. IT teams are closer to the business than their larger firm counterparts. Communication and decision making between teams can be simpler and easier for IT employees to see the direct impact of their work.

This research offers MSE CIOs actionable advice to refine their operating models to address challenges and leverage their advantages through increased engagement beyond their departments.

Cultivate Talent to Grow Your Team

MSE CIOs must develop their teams' business acumen and engagement skills, but be flexible as to how they hire, retain and attract talent as they struggle to compete with larger firms.

Emphasize Unique Benefits of Working in a Midsize Firm

Finding and retaining top-notch talent remains a key challenge for most MSEs (see Digital Workplace Talent and Skilling Essentials for Midsize Enterprise CIOs). Midsize firms don't have the resources to compete with larger firms on salary and benefits. It is often harder to build a brand when the company may not have the reputational advantages of a larger firm. CIOs in midsize firms often turn to other aspects of their employee value propositions (EVPs) to attract and retain employees (see Ignition Guide to Creating and Communicating an Employment Value Proposition for Talent in IT).

However, the share of IT employees at midsize firms who are satisfied with their employers is lower across every single dimension of the EVP than in larger firms (see Table 1). MSE CIOs must honestly assess their own value propositions and deliberately focus on improving one or two of the most important attributes, or create their own attributes.

Table 1: IT Employees' Satisfaction With Top Attraction Drivers – MSE Employees vs. Large Enterprise Employees

(Enlarged table in Appendix)

Employment Characteristics ↓	Importance Rank as an Attraction Driver for All IT Employees ↓	Satisfaction Level for IT Employees	
		Midsize Enterprises	Large Enterprises
Compensation	1	42%	52%
Work-Life Balance	2	52%	57%
Stability	3	50%	62%
Location	4	55%	62%
Technology Level	5	53%	62%
Respect	6	53%	62%
Health Benefits	7	41%	53%
Development Opportunity	8	41%	51%
Future Career Opportunity	9	41%	50%
Vacation	10	48%	58%

Sample size = 18,001 employees, including 1,905 IT employees (909 at midsize enterprises and 996 at large enterprises)

Source: 3Q21 Gartner Global Labor Market Survey¹

Create EVPs to Retain and Recruit Top Talent

Many progressive CIOs create EVPs customized for attracting and retaining technology talent with the skills and competencies needed to support engagement outside of IT (see Ignition Guide to Creating and Communicating an Employment Value Proposition for Talent in IT).

Building an EVP requires that CIOs:

- Identify attributes (such as work-life balance or development opportunities) that will compose the organization’s EVP for technology talent.
- Define and communicate a compelling EVP to attract and retain top talent.
- Ensure that managers’ day-to-day decisions effectively deliver on the EVP’s promise.

CIOs can take our litmus test to assess the need for creating a new EVP or assessing a current one (see Table 2).

Table 2: EVP Initiative Litmus Test

(Enlarged table in Appendix)

Questions for MSE CIOs ↓	Yes ↓	No ↓
Is the employment value we offer based on an outdated knowledge of the preferences and satisfaction of our technology employees?		
Does less than 30% of our new technology talent come through employee referrals?		
Do we struggle to name at least two EVP attributes that we excel in that our competitors for technology talent do not also excel in?		
Are we experiencing longer than desired recruitment cycle times for key technology roles?		
Are our offer-to-acceptance ratios for technology talent lower than desired?		
Is new-hire turnover of technological talent higher than desired?		
Do we frequently pay technology candidates more than 10% of their current salary to hire them?		
Are we experiencing higher attrition rates than expected for key technology roles?		

Source: Gartner (December 2021)

MSE CIOs can't improve or even expand on every aspect of their EVPs, but they should prioritize one or two focus areas to improve.

Deliberately Cultivate Versatilists in IT

While attracting new talent is important, most MSE CIOs believe they should grow internal talent and that they cannot hire their way out of skills gaps. According to the 2021 Gartner CIO Talent Planning Survey, 49% of CIOs polled say they should develop and upskill existing IT employees as their primary tactic to solve talent shortfalls (see An Update on CIO Talent Plans for 2021).²

One approach useful to MSE CIOs is that IT staff in midsize firms have many learning opportunities that they can use to build their value as versatilists. Gartner projects that, by 2024, enterprises will form teams with 40% of staff as versatilists (see [How CIOs Can Develop Versatile Talent for Digital Acceleration](#)). CIOs at midsize firms can take advantage of the fact that employees naturally will take on several roles. MSE CIOs can work with their HR partners to help them more clearly communicate the case for working in a midsize environment that offers more access to the business and opportunities to flex roles.

Versatilists apply a growth mindset to switch gears and become experts or specialists in a new area as business needs expand.

Ellucian, a midsize education technology company, realized that it would struggle to attract and retain IT employees if it did not provide concrete opportunities to learn and practice new skills. In particular, employees were concerned that they did not have the business skills needed to engage effectively with partners outside of IT. The company created a menu of high-impact opportunities that would help IT staff build their business acumen (see [Business-Acumen-Focused IT Employee Development \(Ellucian\)](#) and Figure 3). IT managers were expected to actively seek out opportunities for their employees.

Figure 3: Experiences Build Business Acumen

Experiences Build Business Acumen

Types of Experiences



- Lead change initiatives across the organization
- Propose business use cases for an emerging technology
- Develop a customer journey map to identify new pain points
- Develop a change management plan
- Advise business leaders on process and people change
- Organize an event on digital transformation
- Participate in peer groups to discuss change
- Interact with customers in social media



- Create a curriculum to onboard new business partners
- Interact with external customers (e.g., send IT employees to a branch)
- Shadow an IT business relationship manager
- Attend a speaker series on business models/processes
- Attend training

Source: Adapted From Ellucian
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Emphasizing commitment to developing versatilists also helps MSE CIOs to address IT employees’ concerns about development and career paths in smaller firms.

Actions for MSE CIOs

- Reexamine your EVP and use our litmus test to focus on areas for improvement, or create your own EVPs and value propositions with HR.
- Enhance IT employee training to include more opportunities to develop business acumen.
- Articulate the value of versatility on future employment opportunities and career growth.

Rethink Your Organizational Structure to Engage Business Teams

As part of their digital transformation process, MSE CIOs adopt novel approaches to organize their IT teams. But, many MSE leaders do not have the scale to create teams that fully reflect their digital ambition.

Engage and Connect IT Teams With Business Leaders

MSE CIOs rarely benefit from the same economies of scale as their large enterprise counterparts. IT departments in most MSEs do not have the capacity to create large, functionally aligned organizational structures.

While MSEs tend to be less bureaucratic than their large enterprise counterparts, CIOs must still build a robust and clear organizational structure for their IT teams. That need becomes amplified in a smaller organization and is a key reason why MSE CIOs must design organizational structures that support flexible teams and shared responsibilities.

For most MSEs, CIOs must shift away from an organizational design focused on responding to demand from business partners toward organizational designs that enable their teams to drive demand for transformation (see Midsize Enterprise IT Organizational Design: 3 Models to Meet Discrete Enterprise Needs and Table 3).

Table 3: Organizational Models for MSE IT Organizations

(Enlarged table in Appendix)

Midmarket IT Organizational Model ↓	Business Context ↓	IT Services Provided ↓	Purpose ↓
The Responsive Midsize IT Organization	The enterprise needs IT to provide technology support for a business-defined operating model.	Infrastructure and operations (I&O) are supplied, in addition to maintaining back-office business support (IT services).	Deliver consistent IT solutions on demand, responding to explicit enterprise needs.
The Engaging Midsize IT Organization	The enterprise expects IT to go beyond being an order taker and, instead, become an active participant in the technology life cycle.	In addition to providing IT services, it supplies business services and business transformation.	Collaborate with the enterprise to define, develop, deliver and operate IT solutions to shape enterprise demand.
The Driving Midsize IT Organization	As the enterprise becomes a digital enterprise, I&T solutions are core to the enterprise's success. As such, I&T is expected to proactively inspire the rest of the enterprise.	This supplies IT services, business services and business transformation.	Proactively drive the organization and external stakeholders, directly transforming the enterprise, while driving enterprise demand.

Source: Gartner (December 2021)

While MSE CIOs may not have the need to move wholesale from one model to another, they should look to the next-level organization (responsive to engaging, or potentially engaging to driving) for opportunities. They should identify one or two positions as “levers of growth” to move the IT organization’s capabilities toward that next level.

In addition to building a structure that engages and drives effectively, MSE CIOs must carefully distinguish between roles and positions to increase flexibility within small teams. Many positions will incorporate multiple roles, but these roles should be formally assigned to provide clarity.

One example comes from the Children and Family Court Advisory and Support Service (Cafcass), a nondepartmental public body in the U.K. Cafcass, with a small IT team of 20 full-time equivalents (FTEs), created a dedicated product team for its mission-critical case management capability. ³ It is built around a “minimum-viable team” of four roles with carefully overlapping responsibilities that could manage technologies that supported this critical capability used by the entire organization (see Tool: Digital Product Management Structures for Midsize Enterprise).

Actions for MSE CIOs

- Assess the level of IT-business engagement that the organization requires. Tailor organizational structures to that engagement level.
- Distinguish roles from functions or jobs. Gain the organization’s comfort and buy-in that individuals will own more than one role.
- Establish minimum-viable teams where possible, and design those teams with strong incentives to learn from and teach one another skills from their roles.

Shift Decision Rights Across the Organization

Business teams outside of IT and closely aligned with customers are likely to eventually play prominent roles in making technology decisions, especially as the enterprise becomes more digital. CIOs should prepare the organization to support this shift so that employees enterprisewide will acclimate quickly to shifting responsibilities. This requires building enterprise IT maturity.

Business Teams Offer Untapped Capacity

In some ways, decision rights are easier to resolve in a midsize firm, because organizational structures are flatter with more visibility and direct access to business teams. Senior leaders can make decisions quickly and easily. However, there are risks due to a potential lack of clarity about who makes different types of technology decisions.

Because of maturing technologies, MSE business teams have a growing range of capabilities when it comes to technology in some specific areas, such as:

- Data and analytics
- Business process automation (particularly finance and HR)
- Customer experience

Some business teams are in a better position than in the past to take on more technology decision making, though some teams may not be ready at all. MSE CIOs should actively discuss with business leaders opportunities to move technology capabilities further out into other parts of the organization. Failing to discuss how responsibilities for technology decision making may change over time risks leaving potential capacity for digital initiatives untapped (see Case Study: Enabling Distributed Digital Decision Making (Glenmede)).

CIOs in midsize firms can take several actions to build business teams' readiness to take on more responsibility for technology decision making. The CIO at BAYADA, a home healthcare company, gave business leaders one-on-one training and conversation guides to improve their ability to assess technology vendors (see Preparing Business Leaders to Take Ownership of IT Sourcing Decisions).

In another example, the CIO at Washington State Employees Credit Union (WSECU) provided a combination of training, hands-on learning opportunities and decision-making frameworks to help business employees understand how (and when to) think about using robotic process automation (see Case Study: Business-Led RPA for Reduced User Effort (Washington State Employees Credit Union)).

Decision-making discussions among CIOs and business leaders depend on two major factors:

- The extent to which IT has built foundations that enable distributing technology capabilities

- Business teams' ability and willingness to assume more responsibility

MSE CIOs shouldn't broadly devolve responsibility for technology decision making to business teams, but should instead make careful choices that enable ready teams to play a greater role. Without increased business team participation, MSEs will struggle to find the capacity to execute on their digital ambitions.

Actions for MSE CIOs

- Ensure that IT adopts a variety of engagement postures. Each business team will be at different stages of readiness and willingness to assume more responsibility for technology decision making.
- Build enterprise IT maturity in the business so business leaders feel more comfortable making technology decisions and taking on greater ownership of IT initiative results.
- Leverage the potential capacity of technology-savvy business teams to achieve digital transformation and optimization objectives by transferring ownership for outcomes to business teams.
- Collaborate directly with business leaders to map out responsibilities for different technology activities and how that could change over the next several years, and to work toward the goal of joint accountability for outcomes.

Be Flexible When Sourcing Providers and Engaging Partner Alliances

Some MSEs remain somewhat reluctant to engage with managed service providers, as they often feel they have little leverage over service providers or external partners. CIOs can reexamine where managed service providers have strong comparative advantage over IT and engage those providers aggressively to free up IT capacity for transformational work or find partners capable of supporting innovation and transformation.

Simplify Technology Platforms

While larger organizations can engage with vendors that span multiple ecosystems, this level of complexity can be difficult for midsize organizations. For many MSE CIOs, simplification and complexity reduction should be major objectives even if that means forgoing access to some features and capabilities.

As a starting point, MSE organizations should assess their portfolios with the goal of modernizing and reducing the operational complexity of their legacy portfolios. One strategy is to migrate toward platforms (ideally, IaaS, PaaS and SaaS) that support easier development and delivery of new features and functionality for the organization.

In addition, complexity and cost often confuse the cloud infrastructure as a service (IaaS) provider strategy for MSEs. MSE CIOs and their teams can find substantive benefits working within the confines of a single vendor ecosystem (see [Using a Single IaaS Provider Ecosystem Is Sound Infrastructure Strategy for Midsize Enterprises](#)).

Public cloud migrations can be lengthy and complex, resulting in continuous fixed costs allocated across both applications and infrastructure. Transitioning to the cloud requires sizable investment in:

- Training
- New processes
- Additional tools to optimize, manage and secure the environment

MSE CIOs who lead public cloud IaaS initiatives should develop strategies focused exclusively on a single IaaS provider. Those MSE CIOs leading public cloud IaaS initiatives should:

- Minimize the impact on the IT staff by upskilling investment and mastery of tools and processes, and avoid the complexity associated with working with multiple IaaS vendor ecosystems.
- Reduce the complexity of managing costs, while maximizing their purchase power.

It is important for MSE CIOs to communicate to stakeholders that the economies of scale driving cloud deployments in large enterprises rarely translate to the same cost-efficiencies for MSEs.

MSEs can also map existing applications to the company's business capabilities. This approach will help CIOs analyze and communicate where there may be unnecessary duplication in the firm's technology portfolio (see [How Midsize Enterprises Optimize by Simplifying Their Application Landscape](#)).

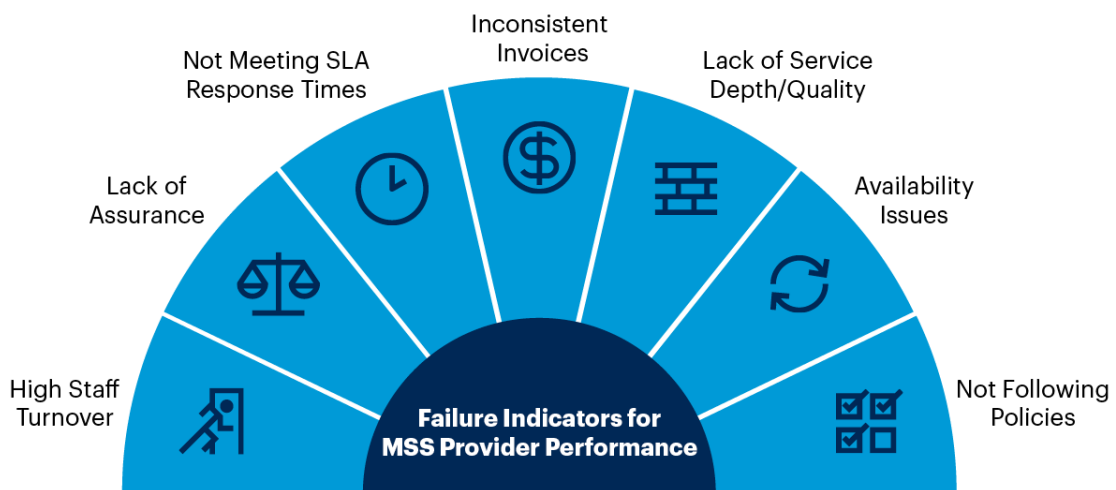
Assess and Phase Out Underperforming Vendors

Resource constraints often lead MSEs to be reluctant to change vendors, even when there are performance issues (see How and When to Change Your Managed Security Service Provider).

Contracting a third party for a managed service is simple enough, but phasing out the third party is not always simple. Regardless, it should not prevent MSE CIOs from leaving a provider that no longer meets their requirements (see Figure 4).

Figure 4: Failure Indicators for MSS Provider Performance

Failure Indicators for MSS Provider Performance



Source: Gartner
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When creating new agreements, MSE CIOs should invest time in preparing exit strategies that allow for future transition between vendors.

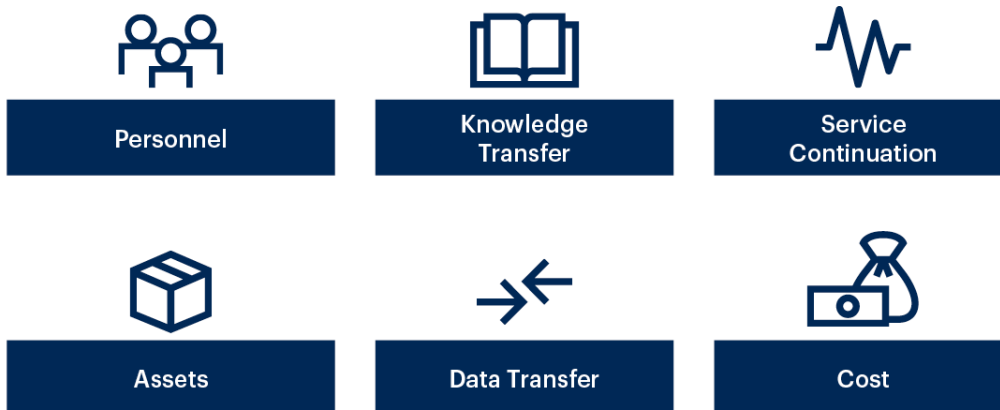
Mitigate Contract Risks by Defining Termination Articles

MSE CIOs should define at the beginning of a vendor relationship how resources, knowledge and responsibilities will be managed when a contract ends.

MSE CIOs can build a checklist of key items to define at the beginning of a vendor relationship, allowing contracts to fail more gracefully when they end (see Figure 5 and How Midsize Enterprises Can Enter and Exit Outsourcing Deals Successfully).

Figure 5: Areas to Consider in Mitigating Contract Risk

Areas to Consider in Mitigating Contract Risk



Source: Gartner
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Gartner

Actions for MSE CIOs

- Use business leaders' digital initiatives as an opportunity to rationalize the existing software portfolio.
- Simplify your organization's vendor portfolio by choosing one cloud ecosystem to focus on, rather than engaging with vendors across several ecosystems.
- Be aggressive in evaluating vendor performance and terminating contracts with underperforming providers.
- Mitigate the risk of ending vendor agreements by clearly defining in advance how resources, knowledge and responsibilities will be transferred back to your organization or to another provider when a contract ends.

Conclusion

Midsized enterprises have similar digital ambitions as larger firms. Yet they have fewer resources and less scale available to execute on those ambitions. MSEs must design their operating models differently to account for their constraints.

MSE CIOs can focus on the four detailed components outlined in this report. They represent the areas of critical leverage and those that differ from how large enterprises work. These operating model components are critical to connecting IT to partners outside the function and prepare the firm to better pursue its digital ambitions.

MSE CIOs can use our framework, and details provided in the research linked throughout this report, to design an operating model that fits business needs and ensures the broader enterprise will have the capacity to execute on its digital initiatives.

Further Reading

Relevant Gartner research on this topic, which may include tools, case studies and presentations, can be found here:

[Adapt the Midsize Enterprise I&T Operating Model to Achieve Your Digital Ambitions Report, Related Research and Tools](#)

Gartner CIO Initiative Accelerator

[Use the Right Product-Centric I&T Operating Model for Your Digital Ambition](#)

Product management disciplines are indispensable to any digital ambition. However, it is not sufficient to transform to digital business – a product-centric I&T operating model is needed. Three steps help CIOs choose the right operating model pattern for the enterprise's digital ambition.

Core Research

[What Is an I&T Operating Model, and How Do You Accelerate Its Design Process?](#)

This research introduces Gartner's I&T operating model framework and a set of operating model patterns. CIOs can use this framework to accelerate the design process and provide a narrative for communicating the change.

[Is Your Current I&T Operating Model Right for Your Digital Ambition?](#)

We show CIOs how to uncover their existing information and technology operating model and determine whether it is configured for the enterprise's digital ambition. Then, we offer a framework to assist with gap analysis to plan the transformation.

[4 Imperatives to Make Digital Product Teams More Effective](#)

As more firms adopt digital product management practices, CIOs worry that many of their product teams struggle to deliver the expected business benefits. This research provides leaders with an analysis of which activities and practices have the biggest impact on product team effectiveness.

Ignition Guide to Creating and Communicating an Employment Value Proposition for Talent in IT

CIOs are creating EVPs tailored for attracting, recruiting and retaining technology talent with the skills and competencies needed to support their digital transformation initiatives. A compelling EVP not only cuts compensation premium, but also attracts passive candidates.

Product Management Team Composition in Midsize Enterprises

Adoption of the product management model requires new roles and team structures. This is a challenge in resource-constrained organizations. This research provides benchmarking data and advice to help midsize enterprise CIOs structure their product management teams.

Midsize Enterprise CIOs Carefully Embrace Business Technologists

This summary of a survey of CIOs provides insights on IT leaders in midsize organizations. It shows how they perceive both benefits and risks from the growing prevalence of business technologists, and how CIOs' postures toward these employees change CIOs' staffing plans for 2021.

Presentation: Democratized Technology Delivery: The CIO's New Opportunity to Boost the Value of IT

In the organizations that are thriving today, technology delivery is distributed across the enterprise. This presentation shows how leading CIOs embrace the benefits of business-led hyperautomation initiatives by establishing a new technology delivery model for the enterprise, not just for IT.

Evidence

¹ 3Q21 Gartner Global Labor Market Survey. The 3Q21 survey was based on responses from 18,001 employees globally, including 1,905 employees in IT functions. Responses were collected monthly across 40 different countries in 15 languages and were then aggregated to generate quarterly findings. There were no statistically significant differences in the sample composition across the three months.

² 2021 Gartner CIO Talent Planning Survey. This survey was administered between November 2020 and December 2020 among 184 CIOs in North America, EMEA and APAC across industries, functions and company sizes.

³ Cafcass example in Tool: Digital Product Management Structures for Midsize Enterprise.

Note 1: Renaming to CIO Initiative Accelerator

The Executive Programs Report (ExP Report) has been renamed to CIO Initiative Accelerator.

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