

The 4 Critical Components to Accelerate Your Digital Transformation

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Becoming a more digital enterprise is a top priority for many midsize enterprises. This research explores the four critical components that midsize enterprise CIOs must address to accelerate their organization's digital business initiatives.

Overview

Key Findings

- Many midsize organizations have the strong intention of accelerating their digital business initiatives, but lack a complete vision of the key elements of success.

Recommendations

To accelerate a midsize enterprise's IT business initiatives, address four critical components:

- Create a digital business strategy that details the digital ambition and journey to define how the company will leverage digital technologies to develop its digital business.
- Design an information and technology (I&T) operating model to match the digital ambitions by focusing on talent, organization structure, decision rights, and sourcing and alliances.
- Evolve the organization's culture by defining the key attributes and creating an action plan to attain the desired mindset and behaviors needed to achieve the business strategy.
- Establish the technology foundations by providing shared technology platforms that enable teams to work together to build the digital capabilities themselves.

Introduction

The world has increased its pace toward a digital economy, especially after the pandemic started in 2020. Midsize enterprises (MSE) are no exception: Nearly 60% of the midsize enterprise respondents

in the 2021 Gartner Digital Business Acceleration Survey stated that they increased their pace of digital business in 2020 and 2021. ¹ However, many times we find that executive leadership, including the CIO, is unaware of the different elements that are required to be successful.

To succeed in becoming a more digital enterprise, midsize organizations must develop the following four critical components (see Figure 1):

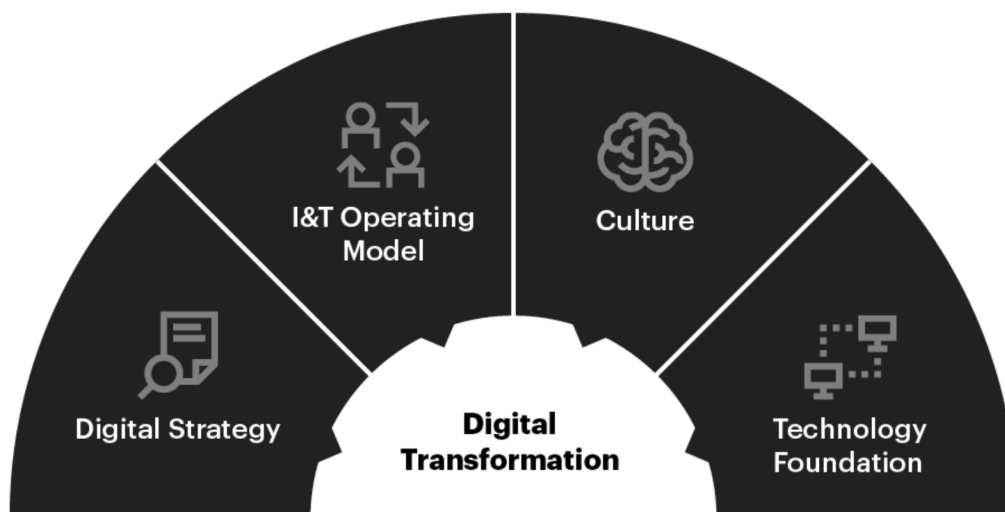
- **Digital business strategy:** Create a digital business strategy that sets the direction of your initiatives.
- **I&T operating model:** Design an I&T operating model to deliver technology initiatives with speed and agility, and effectively connect IT and the business.
- **Culture:** Evolve the organization’s culture to be more collaborative and customer-centric and to empower employees to make more decisions by themselves.
- **Technology foundations:** Lay out technology foundations in the form of digital platforms.

This research will explore each component and provide the resources to successfully address them.

Figure 1: The Four Critical Components to Accelerate Digital Transformation



The Four Critical Components to Accelerate Digital Transformation



Source: Gartner
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Gartner.

Analysis

Create a Digital Business Strategy That Defines Digital Ambitions

Many MSEs begin their digital journey with considerable will and passion, but in an uncoordinated manner. They soon realize that they are deploying their scarce resources to a set of disconnected digital initiatives serving individual needs. And worse, many cannot tell if they achieved the desired results for the organization, because there is not a consensus view of the goal of their digital journey. What's needed is a strategy that provides agreement in direction that enables organizations to align efforts, accelerate their pace and achieve desired outcomes.

A list of unconnected digital initiatives is not a digital business strategy.

The digital business strategy defines how the company will leverage digital technologies to develop its digital business. It is an integral part of the overall business strategy that requires its own approach.

It starts with defining the **digital ambition**: how far an enterprise intends to leverage digital technologies and approaches to improve its results. The ambition is described in terms of tangible business outcomes from improving the enterprise's current business model (optimization) and perhaps going beyond it by developing new digital business models and revenue streams (transformation).

As part of the digital business strategy, the enterprise must choose their **digital journey** by considering the timing of disruption in the industry and the organization's competitive stance:

- When an industry is in a more stable growth period, a strategy weighted primarily toward optimization makes sense.
- When an industry is at a point where a new technology and business model may disrupt it, a higher weighting toward transformation makes more sense.

During this planning phase, MSE CIOs should, in collaboration with key stakeholders, set goals and agree on metrics that lay out their digital business journey and sharpen expected business outcomes. These metrics are not project-level metrics, but a set of **digital business KPIs** that should act as *leading* indicators of enterprise performance to drive executive decisions and explain the benefits of digital investment.

Recommended Resources

Digital Business Ambition for Midsize Enterprises: Transform or Optimize?

Defining and Measuring Success for Digital KPIs

Design an I&T Operating Model That Matches Digital Ambitions

A digital business initiative puts technology at the forefront of business value creation. In this new context, IT needs to have a clear focus on customer value and constantly adapt to fast-changing business demands.

An I&T operating model depicts how an enterprise orchestrates information and technology capabilities to achieve strategic objectives. Simply put, an operating model is a representation of “how stuff gets done” in an organization.

MSE CIOs must 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.

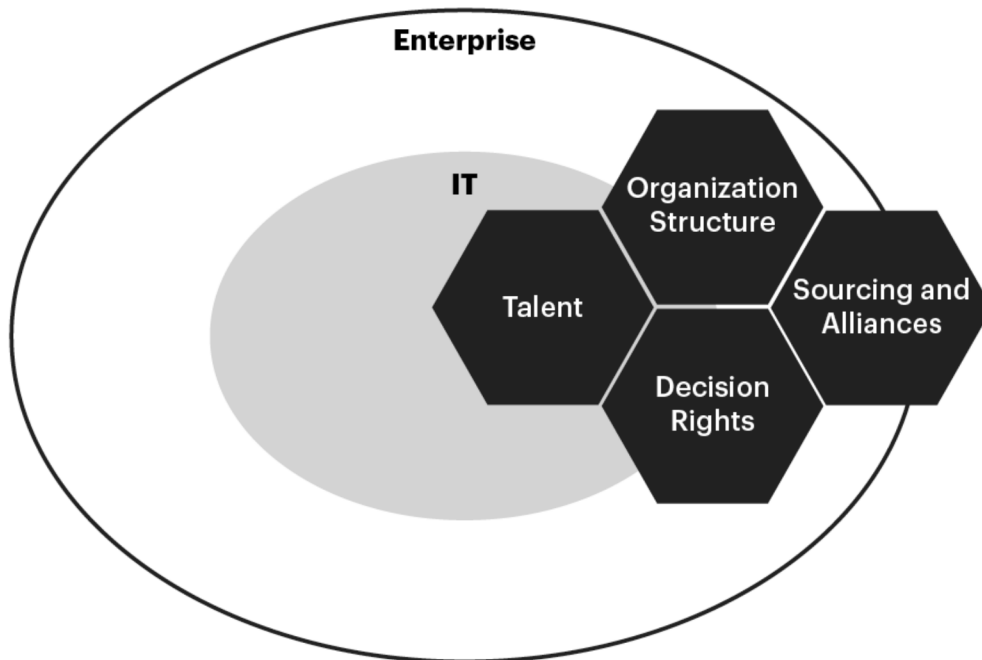
CIOs also reexamine organizational structures to align IT closer to business teams and, in some cases, blend IT and business employees into the same team. To manage an operating model that successfully engages partners outside of IT, MSE CIOs also must invest in building and developing teams that are flexible and versatile.

There are four areas MSE CIOs need to focus on to evolve their operating model and enable digital business (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.

Talent

Digital business requires an agile IT workforce with a growth mindset that can rapidly “shift gears” and become a deep expert in a new area as business needs change. A crucial part of this is versatilists, who combine broad experience, business acumen and diverse technical skills.

MSE CIOs can take advantage of the fact that employees naturally will take on several roles, and provide their teams with different learning opportunities to build their value as versatilists. They can also enhance IT employee training to include more opportunities to develop business acumen.

Additionally, CIOs in midsize organizations must focus on retaining and attracting top-notch talent, as they don't have the resources to compete with larger firms on salary and benefits. They must develop other aspects of the employee value proposition (EVP), like development opportunities or work-life balance, to attract and retain their most valuable staff.

Organization Structure

MSEs must tailor organizational structures to reach the level of IT business engagement that the organization requires. The goal is to 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. This means developing the IT front-office capabilities to engage with the business, usually requiring the creation of new roles. Resource-constrained midsize organizations should start by identifying one or two positions as “levers of growth” to move the IT organization’s capabilities toward that next level of digital excellence.

Where possible, CIOs must establish product teams to support essential capabilities. 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. 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).

Decision Rights

Business teams outside of IT and closely aligned with customers are likely to eventually play prominent roles in making technology decisions. This requires building enterprise IT maturity so employees enterprisewide will acclimate quickly to shifting responsibilities.

MSE CIOs must coach and support business leaders to feel more comfortable making technology decisions and taking on greater ownership of digital initiative results. When leveraging technology-savvy business teams, it is important to transfer them ownership for the outcomes of the initiative. CIOs must proactively collaborate with business leaders to map out responsibilities for different technology activities, plan how those activities and responsibilities could change over the next few years and work toward the goal of joint accountability for results.

Sourcing and Alliances

Becoming a digital business is a significant effort, and midsize IT organizations will rarely be able to achieve success on their own. They need to leverage vendors in two ways: engaging providers to free up internal IT capacity for transformational work, and finding partners capable of supporting innovation and transformation.

A digital transformation is a good opportunity to assess and phase out underperforming vendors and redefine the vendor’s portfolio. It is a best practice for MSEs to simplify the vendor portfolio by choosing one cloud ecosystem to focus on, rather than engaging with vendors across several ecosystems.

However, the greater reliance on external vendors in strategic business initiatives can increase the risk when terminating the agreements. Mitigate the risk 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.

Recommended Resources

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

Midsize Enterprise IT Organizational Design: 3 Structural Archetypes to Meet Discrete Enterprise Needs

How to Apply Product Management in a Midsize Organization to Drive Digital Transformation

Tool: Digital Product Management Structures for Midsize Enterprise

Evolve the Organization's Culture by Focusing on Three Key Attributes

When we ask CIOs what is the biggest obstacle to change in their organization, in one form or another, "culture" always rises to the top. Becoming a more digital enterprise is a huge change in the way that work gets done, for example, how teams interact, employee flexibility and the level of risk taken. MSE CIOs must make a deliberate effort to transform how their teams behave to accelerate business efforts.

An effective way to talk about culture is to talk about the **attributes** of a culture. These attributes are the characteristics of your organization that are embedded in how work gets done in the organization. The first step to change the culture is to define what attributes of culture need to shift in the organization to achieve the business strategy.

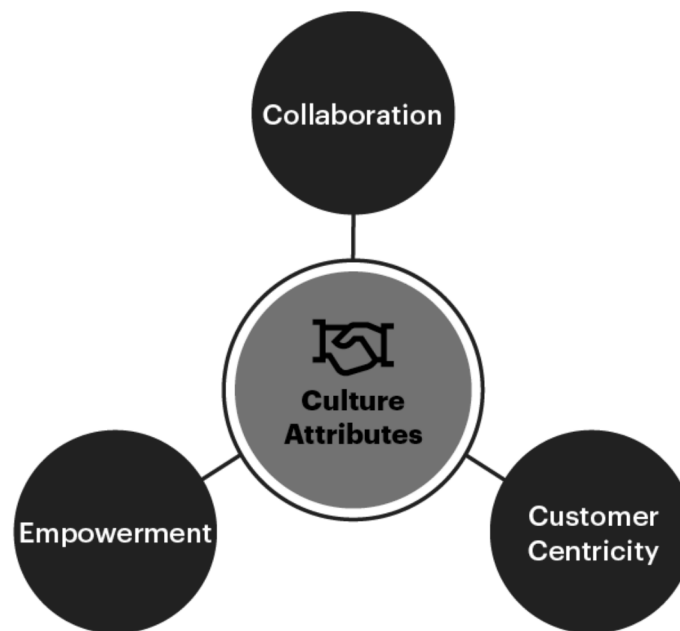
Gartner's 2018 Culture in Digital Business Survey interviewed business and IT leaders to discover what attributes of culture they believe are most relevant in the age of digital business. The interviewees' open-ended answers identify 19 different attributes of culture related to digital business.² The attributes that require the most focus will vary from organization to organization, depending on their current state and their digital aspirations. Nevertheless, we observe that MSEs will find great value in working on the following three attributes (see Figure 3):

- **Collaboration:** The mutual exchange of work and resources between team members and different teams in the organization.
- **Empowerment:** Whether employees feel involved in decision making at their level that is appropriate to the work needing to be done.
- **Customer centricity:** How much solving customer problems is central to the purpose and mission of the company and the individual.

Figure 3: Focus on Shifting Three Culture Attributes for Digital Business Acceleration



Focus on Shifting Three Culture Attributes for Digital Business Acceleration



Source: Gartner
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Gartner.

In a digital business, lines between departments blur, especially the ones between IT and the business functions. **Collaboration** is key to get the work done with the speed necessary to deliver great customer value. Consider the customer experience in an online shopping transaction: It depends on how marketing crafted the promotional email, based on the data that the customer analytics team provided. And what the customer sees when landing on the online store depends on items provided by the e-commerce and digital experience team, as well as the stock availability that the supply chain team manages. Collaboration also impacts how the product is physically delivered, as managed by the logistics team, and finally how the customer care team supports the client having all the previous information at hand as provided by the CRM platform team.

Digital work should be distributed across the organization, not just in IT, to self-directed teams combining business and IT employees. These teams need to make near-real-time decisions and be innovative to better serve their internal and external customers. Teams need to feel **empowered** to make their own decisions and to explore and try new ideas. This is even more beneficial for MSEs, as self-directed empowered teams can help them overcome the limitations of a small IT workforce. ³

Finally, if business value is to be delivered consistently through digital means, the teams need to understand the customer and its needs and put customer value at the center of their activity.

Adopting **customer-centric** practices and mindsets is one of the top drivers of product teams' performance. ⁴

Once culture attributes are properly defined, the objective is to create an action plan to achieve the desired changes in mindset and behaviors. You may find the techniques to create the plan in the following recommended resources.

Recommended Resources

Using Gartner's Culture PRISM to Change Culture

Accelerate Culture Change Using the From/To/Because Model

The Art of Culture Hacking

Lay Out the Technology Foundations Using Digital Platforms

In a digital business, much of the work of the business functions will be performed in a digital environment, through digital means. Some examples are obtaining insights on customer behavior, building online promotional campaigns and landing pages, or automating business processes. There will be different teams working in these activities, mixing IT and non-IT staff, inside and outside of IT.

MSE CIOs must equip and empower these teams to use and build digital capabilities in an autonomous way to enable the required speed and agility. At the same time, they must ensure the work is done following architecturally sound and secure practices. They can do that by providing shared technology platforms that function as such: *platforms that enable teams to work on top of them, using and building digital capabilities themselves.*

Platforms include a variety of digital capabilities, some new, but also others we have been building for decades, that can be grouped in the following areas:

- **Core IT systems**, like ERP, to run the back office, or digital workplace systems.
- **Customer engagement** systems that manage customer interactions, including CRM and a web or mobile presence.
- **Data and analytics**, which is at the heart of virtually any digital business initiative. It is important to establish an analytics and business intelligence capability to extract value out of the data generated. Artificial intelligence (AI) capabilities will be part of this foundation.
- **Ecosystems that go beyond** the traditional supplier communication. These systems enable more-sophisticated ecosystems of partners to service customers in a more dynamic and immediate way through APIs and other automated communications.

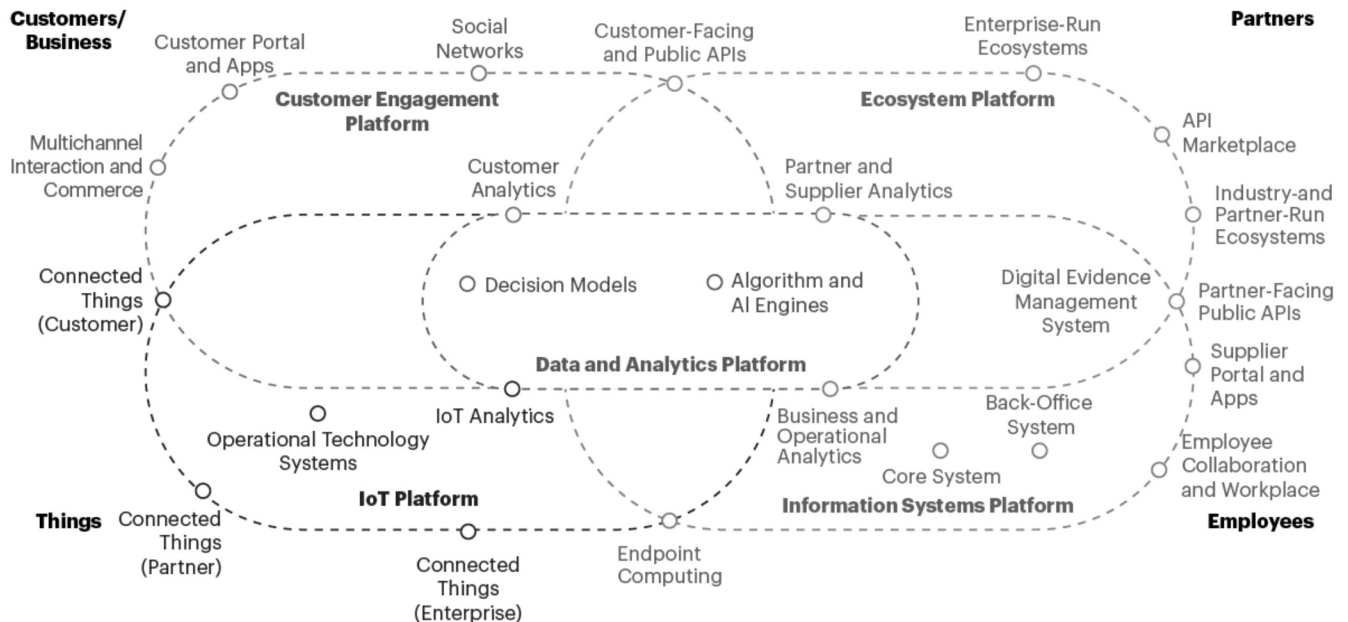
- Internet of Things (IoT) to add value by communicating with machines, infrastructure or devices to create new value for customers.

Figure 4 provides a generic view of the five areas and the digital capabilities or subplatforms. Each enterprise will have its own version, specific to their digital business needs and ambitions.

Figure 4: Digital Business Technology Platforms



Digital Business Technology Platforms



Source: Gartner
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Gartner.

Evidence

¹ **2021 Gartner Digital Business Acceleration Survey:** This survey was conducted to learn about organization-specific digital business acceleration actions and link to results. The research was conducted online from 1 April through 2 May 2021 among 615 respondents from North America, EMEA and APAC. Respondents were screened for function, job category (directors and higher), and involvement in their enterprises' digital initiatives. Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

² **2018 Gartner Culture in Digital Business Survey:** This survey was conducted online from 27 June through 12 July 2018, among Gartner Research Circle Members – a Gartner-managed panel composed of IT or IT-business professionals – and an external sample source. In total, 249 members

participated (149 Research Circle and 100 external sample). Qualified participants included business end users with either an IT or IT-business focus as a primary role.

³ How Midsize Enterprise CIOs Can Empower Small Teams to Do Big Things

⁴ 4 Imperatives to Make Digital Product Teams More Effective

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