

# What IT and Business Leaders Need to Know About Digital Foundations

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IT and business leaders aspire to achieve business outcomes through digital transformations. Meaningful transformation requires bold, cross-enterprise investment in modern business-enabling technology capabilities, principles and governance — in other words, in digital foundations.

## Analysis

IT and business leaders aspire to achieve business outcomes through digital transformations. As a result, they continue to invest heavily in enterprise digital transformations. Eighty-four percent of the CEOs we surveyed in 2022 said they would increase investment in digital technology over the next two years, either to generate revenue or to improve operating margins. <sup>1</sup>

Meaningful transformation requires bold, cross-enterprise investments — in other words, big bets on modern business-enabling technology capabilities, built on strategic principles with effective governance. As such, meaningful transformation requires digital foundations.

As enterprises continue to invest heavily in digital technologies, IT and business leaders should work with C-suite, strategy, line-of-business and transformation leaders to look beyond the traditional technology stack. They need to make big bets to seize larger opportunities. IT leaders are well positioned to support their enterprise's journey toward larger digital outcomes by focusing investments in business and technology capabilities in an increasingly dynamic and uncertain business environment. Doing so will enable a stronger focus on investments in digital foundations — the broad set of technologies and services that an enterprise can use to build, assemble, deliver and manage digital solutions, services and experiences that will help achieve its business objectives.

Regards,

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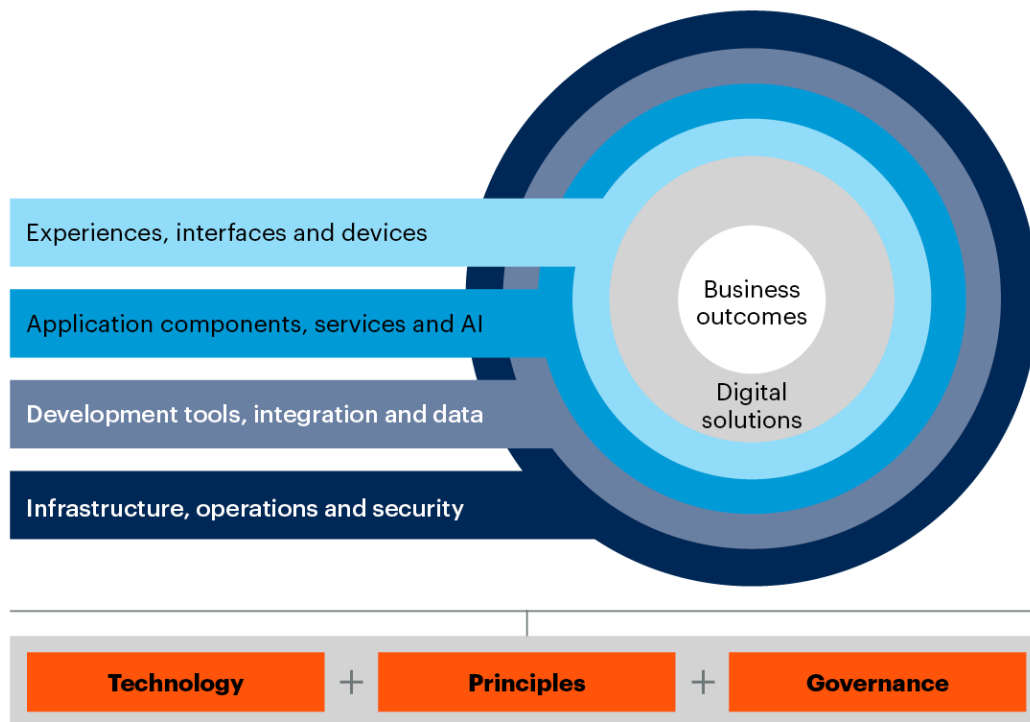
## Research Highlights

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### Digital Foundations and Why You Need Them

Digital foundations are a broad set of technologies and services that can be used to build, assemble, deliver and manage digital solutions, services and experiences. Along with cohesive principles, processes and governance, they are the means that enable a business to deliver value to its customers. Figure 1 illustrates these components.

Figure 1: Digital Foundations

**Digital Foundations**

Source: Gartner  
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Establishing digital foundations requires a new approach to architecting, acquiring, implementing, integrating and managing foundational technologies. You cannot simply buy a product. Rather you must pursue a vision that reflects the interconnectivity and interdependency of necessary technologies, principles and governance.

Creating digital foundations with a series of flexible and interconnected platforms improves business resiliency and adaptability. Sixty percent of the respondents to the 2023 Gartner Building the Strategy and Realizing Digital Foundations Survey reported that governance of product management, multidisciplinary teams and operating model has increased both the resilience and the agility of the technologies used to create digital products and/or services.<sup>2</sup> It can also reduce the cost and risk of change and enable a business to pivot rapidly in a volatile environment. Additionally, a digital foundation approach can shift mindsets in IT teams and beyond. How you think about infrastructure and everything else changes as you place more emphasis on the core principles behind digital foundations, such as the requirements to use platforms and to be driven by business outcomes.

Strong digital foundations provide the means to deliver value faster, more flexibly and reliably to all users of the foundation.

The following Gartner documents address this topic:

- [Infographic: The Evolving Digital Foundation](#): IT leaders should focus on building their digital foundations with broad sets of technologies and services that can create and manage digital solutions, services and experiences. These foundations, supported by principles, processes and governance, enable the business to deliver value to customers.
- [Harness the Power of the Digital Foundation](#): IT leaders should download this presentation deck to understand the digital foundation concept and take a high-level approach to adopting the digital foundation.
- [Infographic: AI-Powered Foundations Fuel Next-Generation Digital Solutions](#): AI-powered digital foundations will drive improvements in choice, experience, productivity and efficiency across their technologies, services and products, principles, processes and governance. IT leaders should harness the AI marketplace to deliver next-generation digital solutions and outcomes.

## Put Business Outcomes at the Center

Digital foundations can also be seen as enabling a business-outcome-driven approach to implementing (building, assembling and delivering), managing, and using a dynamic, flexible and secure set of foundational technologies to deliver digital solutions. Nearly three-quarters of the respondents to the 2023 Gartner Building the Strategy and Realizing Digital Foundations Survey reported that principles were defined to support both enterprise business strategy and IT technology decisions. Well-designed digital foundations enable a focus on business outcomes, instead of only technology decisions, which should be the goal in all cases.

We recommend two main approaches to take full advantage of digital foundations:

1. **Design from the center out.** At the center of your digital foundations should be your desired business outcomes. These should be the drivers of efforts to interconnect everything for greater investment cohesion and coordination.

2. **Think outside the existing technology stack.** Evolve the technical and information architecture and capabilities needed to support the evolution of your business toward the desired outcomes. Thinking and designing beyond silos helps with this approach.

We recommend adhering to the following principles:

- Business-outcome-driven
- One size does not fit all
- Everything is a distributed platform
- Composable, programmable, adaptable
- Scalable, manageable, secure
- Cloud-native
- Cloud-first
- Reuse before you buy, buy before you build
- Consumer-grade is good enough

The following Gartner documents address this topic:

- [Top Trends for Strategic Portfolio Leaders for 2023](#): New trends such as economic headwinds and GenAI alongside trends like shifting functional mandates and changing workforce expectations will deeply impact PMOs and EPMOs. Strategic portfolio leaders must embrace technological, organizational and societal trends to turn uncertainty into opportunity.
- [Use Collaborative Decision Making to Drive Mixed Portfolios' Digital Outcomes](#): Enterprises find that legacy mindsets and outdated approaches to strategy, planning and execution often impede decision making in mixed portfolios. Strategic portfolio leaders should work with stakeholders enterprisewide to develop mature, value-driven decision making that drives digital outcomes.

- [Engage New Stakeholder Types to Drive Better IT Sourcing Outcomes](#): As organizations continue to accelerate their digital transformation goals, IT sourcing, procurement and vendor management leaders must evolve their engagement techniques to support emerging business stakeholder archetypes (e.g., business technologists), drive early involvement and increase agility.
- [Ensure Your Digital Strategy Results in Larger Business Outcomes](#): Organizations often face underwhelming small-scale digital investments while larger opportunities struggle to be funded. Diversifying incremental change with larger investments is an enterprise challenge. Strategic portfolio leaders must increase the likelihood for larger opportunities and benefits.

## Examples of Digital Foundations

There are many precursors to and examples of digital foundations. Most are subsets or special-purpose technology stacks, often without proper governance or not built on clear principles. Utilizing the principles and governance helps create a more cohesive approach. Digital foundations enable an organization to:

- Deal with uncertainties
- Rapidly adjust to business changes
- Respond to disruption

The following Gartner documents address this topic:

- [How to Improve CRM by Architecting Your Customer Technology Platform](#): Application leaders responsible for CRM strategy and customer experience face the challenge of managing a complex set of CRM applications. This presentation can help them understand what a customer technology platform is and does, and why enterprise architectural approaches are needed to create one.
- [Use Gartner's DEX Blueprint to Mature your Digital Workplace Strategy](#): Gartner's digital workplace maturity assessment data shows that 60% of digital workplaces are still modernizing their workplace infrastructure, and few have achieved great digital employee experience. Application leaders can use our DEX blueprint to transform work for greater business outcomes.

## Best Practices

Best practices consist of examples of how best to leverage and manage digital foundations. They include governance approaches, as well as others.

Governance models for digital foundations should involve:

- **Multidisciplinary teams:** Teams composed of members from all disciplines needed to deliver one or more phases of a product or service.
- **Talent management:** All activities involved with assessing, identifying, planning and organizing for all skills required to deliver on the business strategy.
- **Operating model:** The operating model reflects the enterprise's blueprint for how value will be delivered to target customers in a profitable way using business capabilities.
- **Product management discipline:** Product management describes all roles and responsibilities and all physical and digital assets related to the continuous design, build, operation, support, and termination of products and services.
- **Sourcing:** All activities related to identifying, acquiring, and managing the internal and/or external resources required to design, build, or operate the products and/or services.

Organizations should invest continuously in increasing their maturity in each of the governance domains, as well as in the culture required to optimize and evolve their digital foundations.

The following Gartner documents address this topic:

- [Modernizing Infrastructure Platforms and Operating Models in Support of Digital Foundations](#): Adopting infrastructure platforms will have a significant transformational impact on I&O operating models. I&O leaders must institute fundamental changes that will enable platform teams to improve I&O's agility and customer focus.

- **Improve Digital Business Outcomes by Investing in I&O Automation:** An organization's digital transformation success depends on a solid digital foundation. This research describes how several enterprises leveraged investments in I&O automation to strengthen their digital foundation and deliver successful digital business outcomes.
- **4 Platform Practices to Increase Fusion Team Performance:** Fusion teams are becoming the core units of digital delivery. This research will help CIOs engineer shared business and technology platforms to help fusion teams build digital capabilities securely and efficiently with minimum friction.
- **Case Study: IT Platform Strategy for Democratized Digital Delivery:** Cepsa's CIO adopted a platform approach to provide IT and business-led fusion teams with reusable application building blocks, development tools, and architectural and security support to help them develop their own digital solutions faster while also fulfilling nonfunctional requirements.
- **Drive Your Digital Foundations Strategy With Technology Reference Models:** Organizations without a digital foundations strategy struggle to realize the value of modern digital solutions and tools. Enterprise architecture leaders should use technology reference models to help define, assess and plan their digital foundations strategy to achieve the promise of these tools.

## Acronym Key and Glossary Terms

Business outcomes	The tangible changes in business performance created by improving existing business capabilities or creating new capabilities.
Digital foundations	A broad set of technologies and services that can be used to build, assemble, deliver and manage digital solutions, services and experiences. These, along with cohesive principles, processes and governance, are the means to enable a business to deliver value to its customers.
Digital solutions	Building on the digital foundations, business solutions deliver value, in the form of products, services, ecosystems and applications, to employees, partners or customers.



## Evidence

<sup>1</sup> **2023 Gartner CEO and Senior Business Executive Survey:** This survey was conducted to examine the views of CEOs and senior business executives on current business issues, as well as some areas of technology agenda impact. The survey ran from July 2022 through December 2022, with questions about the period from 2022 through 2024. One-quarter of the survey sample was collected in July and August 2022, and three-quarters from October through December 2022. In total, 422 actively employed CEOs and other senior business executives qualified and participated. The research was collected via 382 online surveys and 40 telephone interviews. The sample mix by role was CEOs (n = 277); CFOs (n = 95); COOs or other C-level executives (n = 19); and chairs, presidents or board directors (n = 31). The sample mix by location was North America (n = 169), Europe (n = 105), Asia/Pacific (n = 102), Latin America (n = 29), the Middle East (n = 11) and South Africa (n = 6). The sample mix by size was \$10 million in revenue to less than \$50 million (n = 3), \$50 million to less than \$250 million (n = 51), \$250 million to less than \$1 billion (n = 102), \$1 billion to less than \$10 billion (n = 190), and \$10 billion or more (n = 76).

*Disclaimer: The results of this survey do not represent global findings or the market as a whole. They reflect the sentiments of the respondents and companies surveyed.*

<sup>2</sup> **2023 Gartner Building the Strategy and Realizing Digital Foundations Survey:** This survey was conducted to determine the necessary technologies, principles and governance components that make up digital foundations. It was conducted online from June through July 2023 among 200 respondents across all industries in North America (n = 86), Europe (n = 79) and Asia/Pacific (n = 35). Qualifying organizations had annual revenue of at least \$100 million or equivalent for fiscal-year 2022, with more than 75% of them having annual revenue of \$1 billion or more. Qualifying organizations had digital product or service teams involved in the creation of digital products or services, and 60% of the organizations were in mature stages of their digital business strategies or initiatives. Respondents were screened to be managers or above in IT business units. Fifty-five percent of the respondents belonged to the job categories of senior director or director and senior manager or manager; the remaining participants were C-level executives or equivalent, heads of the IT function, senior VPs, executive VPs or VPs. More than 60% of the respondents were experts with five years or more of experience in the types of technologies used to create digital products or services, principles supporting the creation of digital products or services, and governance of capabilities required to deliver digital products or services. Respondents belonged to the functional areas of executive IT leadership, application management (including software engineering and development), infrastructure and operations, and enterprise architecture and technology innovation.

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