

# Midsize Enterprise Application Delivery, Part 1 — Business Strategy

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Initiatives: [Midsize Enterprise CIO Leadership](#); [Enterprise Applications Strategy](#); [ERP](#); [Midsize Enterprise Technology Leadership](#)

Midsize enterprises often do not have a business strategy to which IT can align its application strategy. MSE CIOs must leverage their rapport with business executives to emphasize the importance of a clear business strategy and — ideally — contribute to it.

## Overview

### Key Findings

- Many midsize enterprises (MSEs) either do not have a documented business strategy or what they have is not sufficient to inform the application strategy, yet MSE CIOs are expected to be responsible for digitalization.
- MSE CIOs often operate tactically and approach the enterprise application strategy in the same manner.
- Despite greater proximity of CIOs and business leaders in MSEs, CIOs are often not consulted for their information and technology input on the business strategy.

### Recommendations

MSE CIOs developing an application strategy must:

- Become well-versed in the organization's business strategy by leveraging the inherently collaborative nature of MSEs.
- Actively support the process of creating or refining the business strategy by collaborating with C-suite members, business unit leaders and other stakeholders in the organization.

- Develop powerful narratives that inspire executive engagement by identifying where technology can enhance business operations and deliver business outcomes.

## Introduction

This is the first of a three-part series designed to help MSE CIOs oversee or develop solid application plans that align business strategy, business capabilities and application strategies. It focuses on how MSE CIOs must work with the business and other stakeholders to ensure the business strategy is clearly defined and accepted by all relevant parties. CIOs should ideally contribute to this strategy.

To ensure context, CIOs should read the notes in sequence, as each is a prerequisite for the next. The other two notes are:

- [Midsize Enterprise Application Delivery, Part 2 – Business Capability Model](#)
- [Midsize Enterprise Application Delivery, Part 3 – Application Strategy](#)

MSEs often struggle to develop an application strategy that is fully aligned with the business strategy. Major application initiatives, such as an ERP initiative are sometimes planned, essentially, in isolation. However, applications must be seen as part of the big picture. Which business capabilities will be supported by what application? What does that mean for integration? Applications that are selected and implemented today, in particular large applications, like ERP or CRM, must support not only today's requirements, but also future requirements. Those can only be derived from the business strategy.

**Applications that are selected and implemented today must support today's requirements, as well as future requirements.**

An application strategy can be seen as a step-by-step plan for developing the application portfolio, processes and operating model to meet the strategic needs of the business, while optimizing the cost of building and maintaining the portfolio. As part of the broader IT strategy, the application strategy must document aspects of the enterprise context (business strategies, capabilities and processes) that affect it. It must also outline technical and methodological approaches used to deliver applications that meet the business needs, as well as provide the necessary flexibility and agility as the business strategy evolves.

The 2023 Gartner Board of Directors Survey on Business Strategy in an Uncertain World <sup>1</sup> showed that 88% of nonexecutive MSE boards of directors no longer see digital as a separate strategy. Rather, they see it as an implicit part of all business growth strategies, i.e., we are in a “postdigital” world. Successful MSE CIOs support the C-suite in identifying fit-for-purpose applications (often called “applications/technologies”). Hence, application strategy and business strategy rely on each other.

MSE CIOs and technology leaders who want to be considered as strategic partners must first align their application strategy with business outcomes and the overall business goals — in short, the business strategy (see Figure 1). MSE CIOs who develop their application strategy in harmony with a well-documented business strategy can better demonstrate IT’s value to the CEO and the board.

**Figure 1: Business Strategy and Business Capabilities Are Foundational for a Successful Application Strategy**

### Business Strategy and Business Capabilities Are Foundational for a Successful Application Strategy



Source: Gartner  
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This first document in this CIO series focuses on how to develop an understanding of the business strategy, how to support its creation or refinement, and how to develop narratives that inspire executive engagement.

## Analysis

### Develop an In-Depth Understanding of the Business Strategy

The first step to building your application strategy is to identify the business strategy. Where is your organization headed? What are the digital ambitions of the organization? How do we interact with clients or citizens in the future? What new business models are already visible on the horizon? How does the organization grow? By how much in what time? The answers to all these questions have a profound influence on your application portfolio and your application strategy.

In MSEs, we see one of three major scenarios:

- There is no formal business strategy.
- There is a rudimentary business strategy in the form of some slides or statements made by the board or the CEO.
- There is a well-documented business strategy.

MSE CIOs must fully understand the business strategy (in whatever form it exists) and the intentions behind it. They must also be a trusted ally in the boardroom by bringing insight from an IT perspective in order to influence the business strategy.

### Develop Your Own Understanding

No matter which scenario you face, prepare before engaging with your C-level peers. As an MSE CIO, you — and your team — must build and leverage business acumen to stay ahead of the discussion (see [Increase CIO Leadership Effectiveness by Building Business Acumen](#)). Here are three steps you can start with:

- Invest in learning your enterprise's business models by using Gartner's simplified business model components: customer, value proposition, financial model and business capabilities.
- Apply this knowledge to real-world IT organization challenges by focusing on a small number of critical issues at any given time.

- Avoid common pitfalls, such as thinking of internal teams as customers instead of partners, or starting with highly complex problems.

It is often not easy to set aside the time necessary. In the Eisenhower Matrix for Prioritization,<sup>2</sup> IT teams and leaders too often get lost in constant firefighting for things that are important and urgent, but struggle to work on the strategic things that are important but not urgent (see Figure 2).

Figure 2: Eisenhower Matrix for Prioritization

Eisenhower Matrix for Prioritization

	Urgent	Not Urgent
Important	Do Now (Firefighting)	Schedule (Strategic Work)
Not Important	Delegate	Drop

Source: Gartner  
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C-suite members need to understand why a holistic understanding of the business strategy is so important to the application strategy. Be ready to give examples of how business outcomes can be supported with technology (see [Successful Innovation Begins With the Business Strategy: Use Business Objectives and Goals to Start Your Innovation Journey](#)). Your C-suite colleagues may not be aware of applications or technologies that can aid them in reaching faster and better business outcomes.

Strengthen Your Position in the Boardroom

If business strategy discussions are not yet part of your regular interactions with others in the C-suite, you must spark the discussion. You have an opportunity to influence how the C-suite discusses strategy and the triggers that drive those interactions. This is especially true if there is no business strategy available or the business strategy is not fully disclosed. MSE CIOs who are successful at starting the discussion on business value rather than technology will be perceived as a partner for the business. In modern organizations, business and IT should be measured jointly in terms of shared business outcomes and metrics.

Two examples on how to lead a discussion on the business strategy:

- What are business capabilities we haven't yet considered that will be necessary in the future, such as interacting with clients or citizens using digital technology?
- What will be the consequences if we do not align our IT strategy with the business strategy?

## **Raise Awareness in Discussions With Your Peers in the C-Suite**

Socialize the way business strategy is enhanced by discussing technology that has not yet been leveraged. Prepare a few easily explained examples that clearly make this point. For example, improving the customer or citizen experience is critical for all enterprises and organizations, so highlight technologies your peers are unaware of. How can these applications improve overall business outcomes? Don't get discouraged if your efforts are not successful initially; be persistent in engaging in these discussions and refine the narratives as needed.

## **Support the Business Strategy Creation and Refinement Process**

As C-suite leaders navigate major disruptions, staying competitive requires embracing innovation, fully exploiting opportunities presented by real-time analytical decision making and preparing to leverage emerging trends. Business strategy plays a critical role here. CIOs who have developed strong relationships with their C-suite colleagues will be valuable partners in contributing to the creation or refinement of the business strategy that is the necessary prerequisite to the application strategy.

## **Become a Business Strategy "Detective"**

If there is no written business strategy or there are only fragments of one, you may become a business strategy detective. Listen for business outcomes, such as the CEO's growth expectations or the COO's plans for operational efficiency or current/ongoing industry disruptions. Here are three simple steps:

1. Collect these statements and build your version of the business strategy.
2. Discuss your perception with executive peers whom you trust. Is it in line with what they think?
3. Then approach the CEO (or whom you report to) and present your findings.

This way, you not only provide an initial take on a written business strategy, but also help the entire C-suite move ahead from here. It is extremely important to state why this is necessary: “How can we identify future requirements if we don’t know what the future may look like?” Often simple questions can help: “How do we interact with customers or citizens in the future? Do we plan to introduce new offerings, or are we moving into new markets? What technology might be necessary?”

## **Determine the CIO’s Role in Business Strategy**

Creating a strategy need not be complicated, particularly in the smaller, flatter organizational structure of MSEs. Gartner has developed guidance that helps organizations with this (see [The Art of Creating a One-Page Strategy](#)).

This is not about writing the business strategy and presenting it to the C-suite. Instead, initiate the discussion. Provide tangible examples of how the application strategy will support the business strategy. For instance: The business strategy includes a goal to reduce inventory costs by 20% within the next 18 months. How can I&T support this business goal? One solution could be implementing a new warehouse management system. What does that mean to your integration strategy? Point out that a misaligned application strategy, due to a missing business strategy, can hamper the enterprise’s long-term ability to meet its goals.

When discussing the business strategy with other executives, use business language only and avoid tech-talk and acronyms since this is about the business only and not about technology (see [Midsize Enterprise CIOs: Create Leadership Parity Using 3 Top Practices](#)).

## **Develop Powerful Narratives That Inspire Executive Engagement**

While some organizations may have a business strategy, they may not take the latest digital technologies into consideration. MSE CIOs must demonstrate technology thought leadership by contributing meaningful, relevant technology insights. Show how technology can contribute to new or changed business models. Executive team members may not be able to see that digital technology can actually support business models because they don’t have the necessary depth of knowledge. Identify future business capabilities and discuss the results with the business.

## **Behave Like the Executive in Charge of Technology, Not Just the Technology Expert**

CIOs are expected to be well-versed in the latest applications/technologies, including artificial intelligence (AI), large language models (LLMs), digital business technology platforms, Internet of Things (IoT), machine learning (ML), hybrid integrated platforms (HIPs), data and analytics (D&A), and APIs. As a technology thought leader, you will immediately see how technology can (or cannot) add value to the business strategy.

*Remember:* This is ultimately about the business outcomes, not about technology.

Technology is there to support the business. Focus on how the identified applications or technologies can support the business.

Gartner's [Hype Cycle for Midsize Enterprises, 2023](#) is a great source to identify which technologies are becoming relevant, which are hitting their peak and which are reaching their plateau. The Hype Cycle also shows when each technology is expected to achieve mainstream adoption.

### Be a Business Value Storyteller

CIOs who can tell a story that focuses on what business value IT can deliver, support and enable will be viewed as relevant thought leaders.

**Business leaders do not want to hear about the intricacies of technology; they want to know what it allows them (and their customers) to do and how it can support business outcomes.**

CIOs in MSEs who focus on mere operational metrics in an attempt to demonstrate the value IT provides commonly fail to tell a value story that is relevant to their business leadership.<sup>3</sup> Instead, they must develop storytelling skills to explain their application strategy and technology recommendations to the business. Framing the narrative using business-relevant, business-value language will ensure clarity and best refine an application strategy (see [Map IT Value Stories to Business Outcomes That Matter](#)).



## Evidence

### <sup>1</sup> 2023 Gartner Board Of Directors Survey on Business Strategy in an Uncertain World:

This survey was conducted to understand the new approaches adopted by nonexecutive boards of directors (BoDs) to drive growth in a rapidly changing business environment. The survey also sought to understand the BoDs' focus on investments in digital acceleration; sustainability; and diversity, equity and inclusion. The survey was conducted online from June through July 2022 among 281 respondents from North America, Latin America, Europe and Asia/Pacific. Respondents came from all industries, except governments, nonprofits, charities and NGOs, and from organizations with \$50 million or more in annual revenue. Respondents were required to be a board director or a member of a corporate board of directors. If respondents served on multiple boards, they answered for the largest company, defined by its annual revenue, for which they are a board member. *Disclaimer: The 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.*

We asked: "To what extent do you agree with the following statement? 'Our nonexecutive board is focused on driving digital technologies into our organization's growth initiatives such that 'digital' is no longer seen as a separate strategy but is an implicit part of all business growth strategies. i.e., we are in a 'post-digital' world.'"

### <sup>2</sup> [The Eisenhower Matrix: Introduction and 3-Minute Video Tutorial](#)

### <sup>3</sup> [The 9 Rules for Demonstrating the Business Value of IT](#)

## Document Revision History

[Midsize Enterprise Application Strategies, Part 1 — Identify the Business Strategy - 13 April 2021](#)

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## Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

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Infographic: The Basics of IT Strategy for Midsize Enterprises

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