

Digital Business Requires a New Normal in IT Finance

Published 24 August 2021 - ID G00755297 - 7 min read

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Initiatives: [IT Cost Optimization](#), [Finance](#), [Risk and Value](#)

The new normal in IT is enabling digital business acceleration and successful outcomes, but the implications on IT financial management are far-reaching. New operating and delivery models require CIOs to make changes to funding, budgeting and value measurement to enable success in digital business.

Overview

Key Findings

- The new IT operating and delivery models, including the use of public cloud delivery, the adoption of agile development practices and the use of IT products, are fundamental to the success of digital business. Failure to adopt new IT operating and delivery models has the potential to significantly jeopardize the success of digital business initiatives.
- The shift to the cloud continues to accelerate as a key enabler of digital business, but its impact on capital expenditure/operating expenditure (capex/opex) and spend management must be addressed.
- Value realization is still the key to successful outcomes, but the fundamentals of approving investment, and measuring and reporting value, need to change.
- The business, not IT, is increasingly funding successful digital business outcomes and is responsible for the delivery of digital business value.

Recommendations

CIOs seeking to mature their IT financial management and ensure the success of digital business and innovation should:

- Continue to accelerate your adoption of the new operating models, including the use of agile development and products by assessing your progress to date on these enablers, and address/remove any roadblocks on the path to adoption.
- Proactively manage the ongoing shift from capex to opex by effectively communicating both the financial implications and the real business benefits achieved from adopting public cloud delivery models.
- Monitor and manage both the increasing usage and cost of public cloud services by assessing and adopting the governance, policies and tools that are needed to control and optimize your spend.
- Ensure successful business value outcomes by adapting your budgeting and business case processes to be more agile and flexible, and ensure that value tracking and benefits realization processes and mechanisms are front and center.
- Recognize and embrace the existence and the growth of business-unit digital business ownership and adapt existing IT governance to realize its full potential for the organization.

Survey Objective

Gartner's 2021 Trends in ITFM — The New Normal survey was conducted to understand the current state of the IT finance management activities. The survey sought to understand which IT finance management activities and practices have changed, why and how they changed, and what impact they have had on business transformation.

Data Insights

As digital business continues to accelerate, there are a number of fundamental operating and delivery model changes that need to be made for success. These changes to delivery models, such as adoption of cloud delivery, agile development methods, IT products or value-based decision making, are all critical.

The implications on IT financial management of these changes are complex and far-reaching. They encompass changes to funding, budgeting and value measurement, and need to be adopted to enable success in digital business transformation.

The New Normal of the Public Cloud and New Operating and Delivery Models Are Key to Digital Business Success

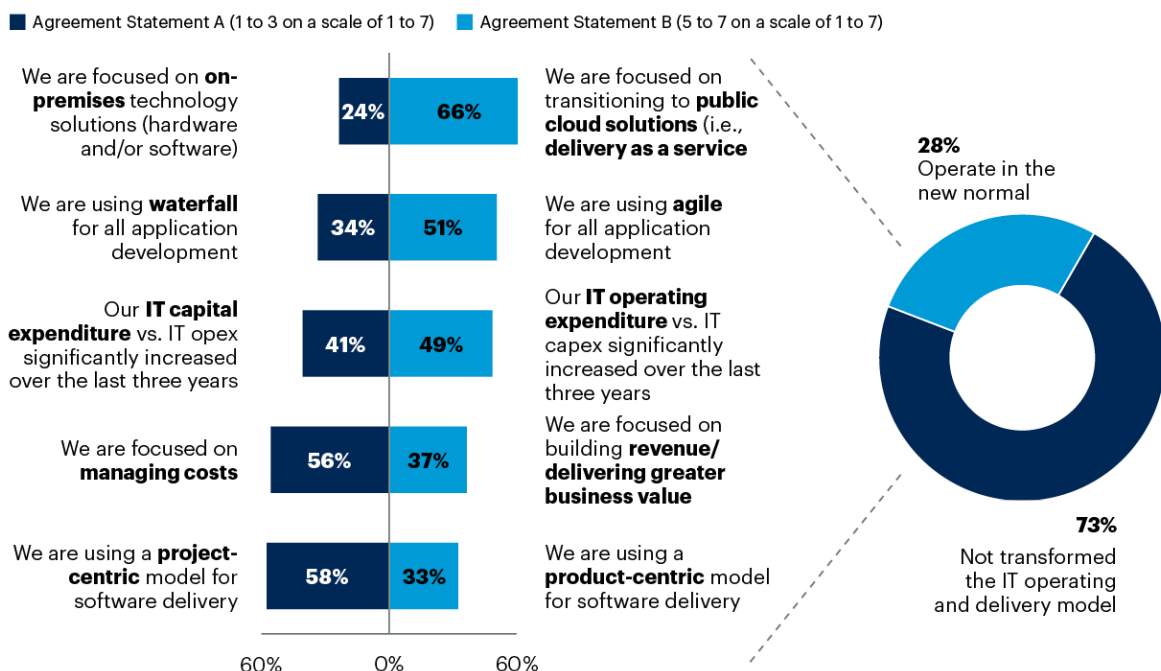
Most organizations are focused on the shift to cloud and/or using new delivery methods, while one-third of organizations have also made the shift to product and/or value delivery models.

Altogether, 28% of organizations have already made the shift to the new normal in IT (see Figure 1).

Figure 1: Trends in ITFM – The Shift to the New Normal

Trends in IT Finance Management

Percentage of Respondents



n = 120 total answering

Q: Please select the point on the continuum that best reflects your organization between the two opposing statements.

Source: 2021 Gartner Trends in IT Financial Management

Note: Operate in the New Normal = Made shifts in at least three areas (strongly/moderately agrees with three B statements and no strong/moderate agreements with A statements); Total may not equal 100% due to rounding.

capex = capital expenditure; opex = operating expenditure

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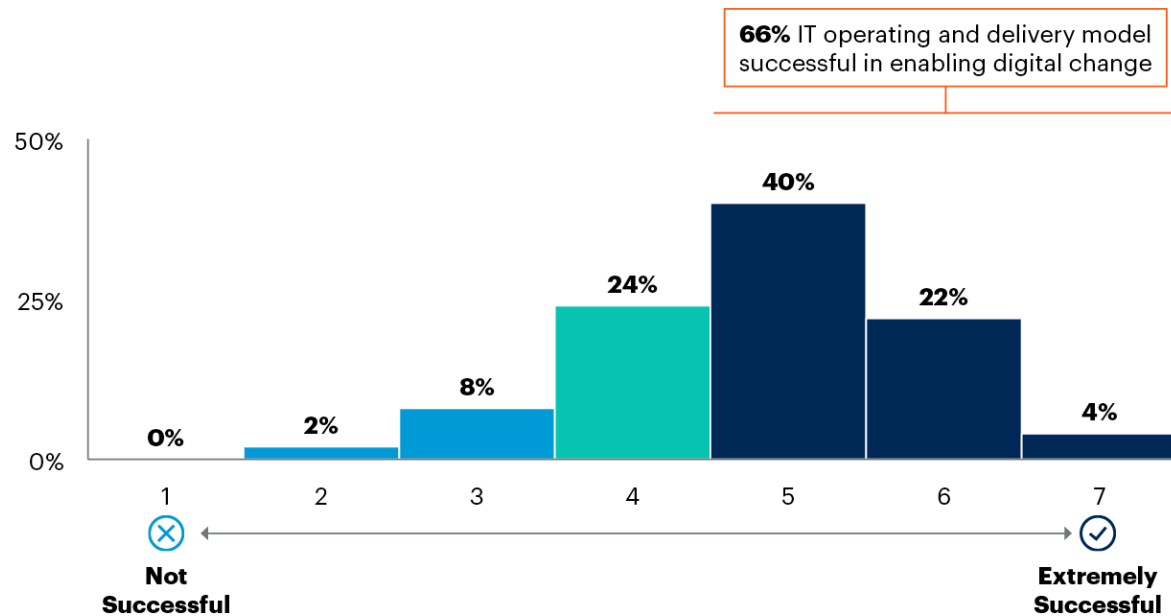
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We also asked respondents to rate how successful they consider their organization's IT operating and delivery model in enabling digital change. Sixty-six percent (66%) of surveyed organizations said it is at least somewhat successful in enabling digital change, while 26% stated it was very or extremely successful (see Figure 2).

Figure 2: The Success of IT Operating and Delivery Model Transformation to Enable Digital Change

Success of IT Operating and Delivery Model Transformation to Enable Digital Change

Percentage of Respondents



n = 120 total answering

Q: On a scale of 1 to 7, how successful do you consider your organization's IT operating and delivery model transformation to enable digital change?

Source: 2021 Gartner Trends in IT Financial Management

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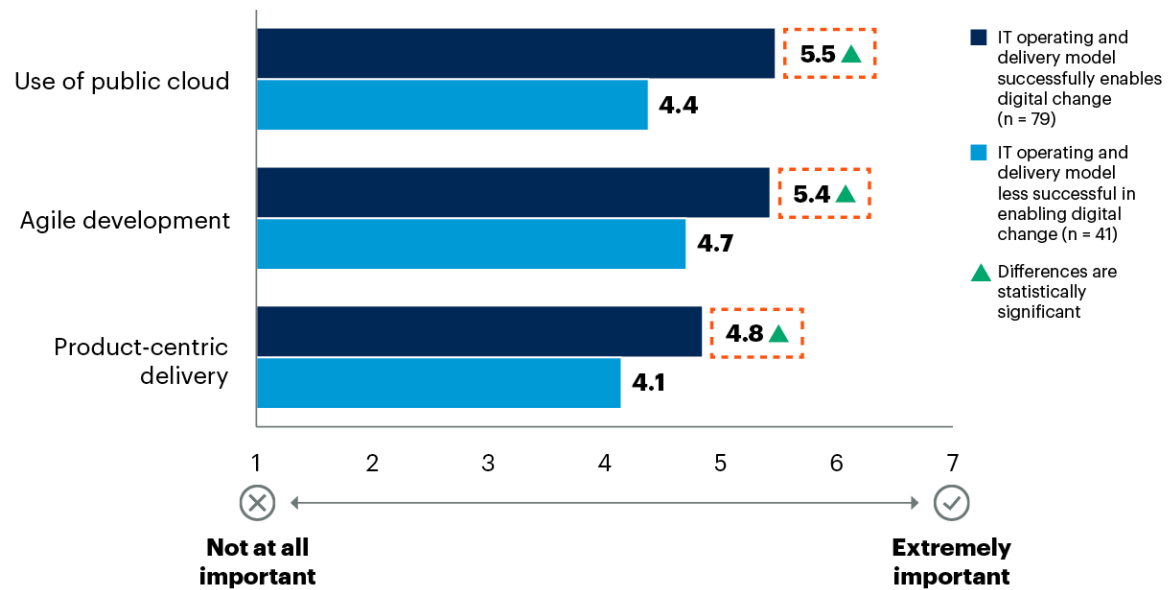
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Those organizations that are successful in enabling digital business rate the public cloud, agile development and product-centric delivery as more important to digital business outcomes than organizations that are not successful (see Figure 3). The new IT operating and delivery models are core to the success of digital business, and failure to adopt these methods and approaches will leave CIOs and their organizations exposed.

Figure 3: The Importance of the Cloud, Agile and Products in Digital Business Outcomes

Importance of Each Capability/Approaches to Digital Business

Mean Scores



n varies total answering; excluding "don't know/not applicable"

Q: How important have each of these approaches been in supporting your organization's digital business initiatives?

Source: 2021 Gartner Trends in IT Financial Management

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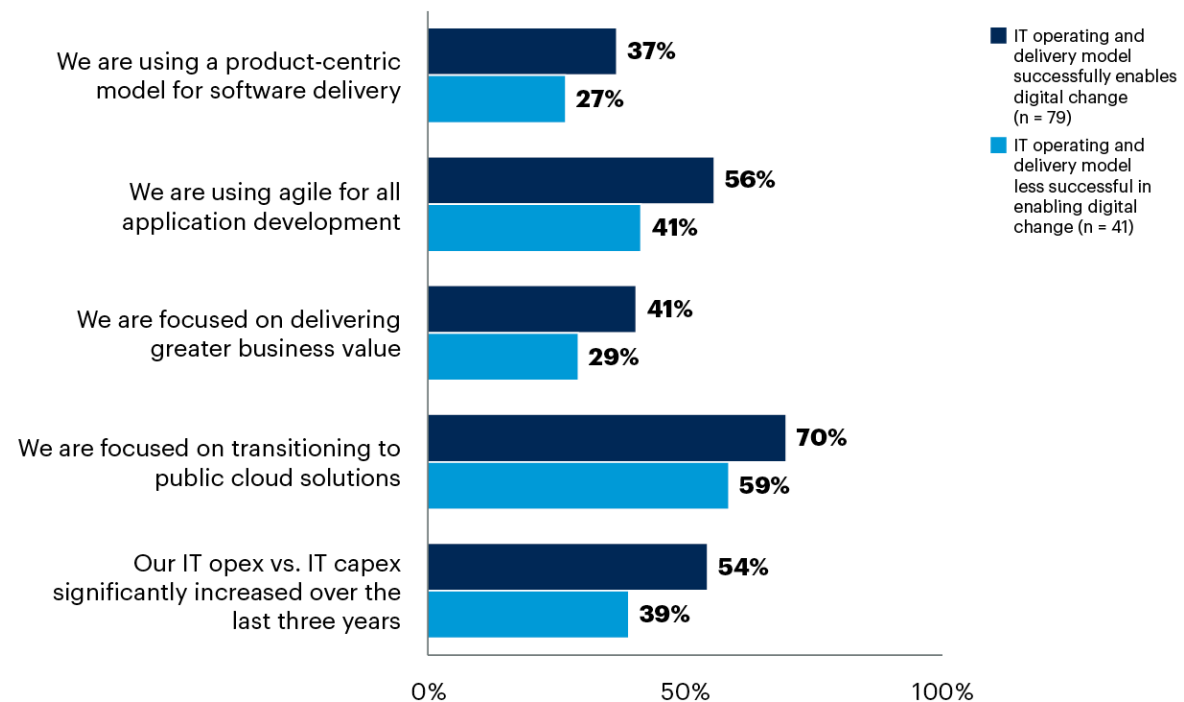
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Figure 4 shows that those that consider themselves successful in enabling digital change have made more progress in each of the five elements of the new normal.

Figure 4: The Importance of the New Normal in Enabling Digital Change

Trends in IT Finance Management

Agreement (5 to 7 on a scale of 1 to 7)



n varies total answering

Q: Please select the point on the continuum that best reflects your organization between the two opposing statements.

capex = capital expenditure; opex = operating expenditure

Source: 2021 Gartner Trends in IT Financial Management

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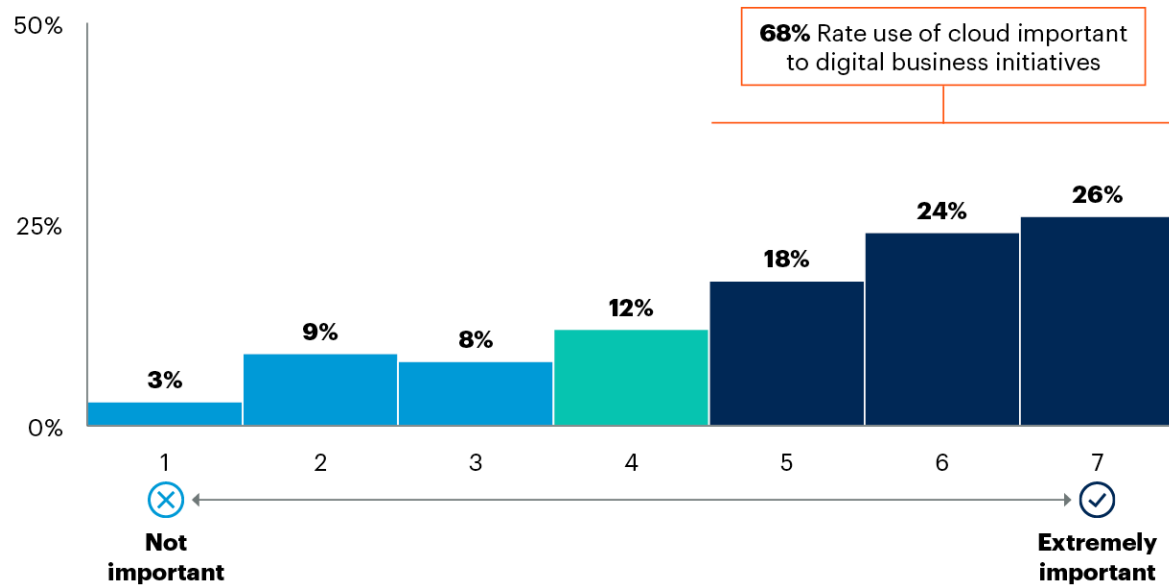
The Cloud Is the Core Enabler of Digital Business and It's Not All About Cost

The use of the public cloud is seen as an important enabler in supporting digital business by 68% of organizations surveyed (see Figure 5). Of organizations that operate in the new normal, 66% saw it as being extremely important, as opposed to only 45% of organizations that have not transformed (see Figure 6).

Figure 5: The Importance of Public Cloud in Supporting Digital Business Initiatives

Importance of Public Cloud in Supporting Digital Business Initiatives

Percentage of Respondents



n = 115 total answering; excluding "don't know"

Q: How important has the use of public cloud been in supporting your organization's digital business initiatives?

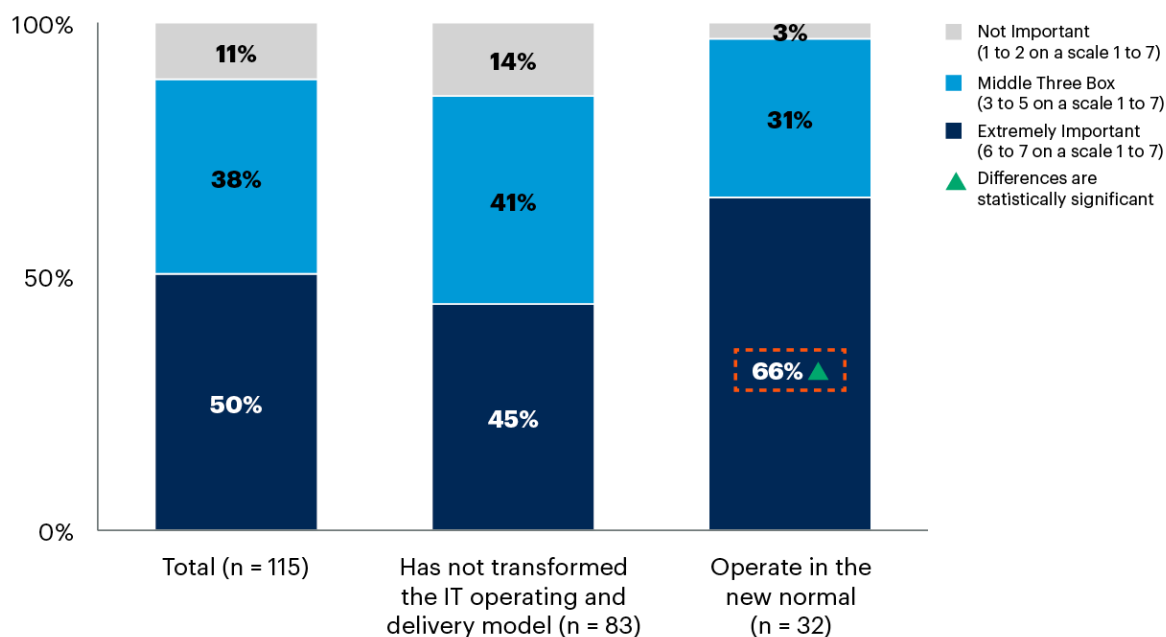
Source: 2021 Gartner Trends in IT Financial Management

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Figure 6: Importance of Public Cloud in Supporting Digital Business Initiatives

Importance of Public Cloud in Supporting Digital Business Initiatives

Percentage of Respondents



n varies total answering; excluding "don't know"

Q: How important has the use of public cloud been in supporting your organization's digital business initiatives?

Source: 2021 Gartner Trends in IT Financial Management

Note: Totals may not equal 100% due to rounding.

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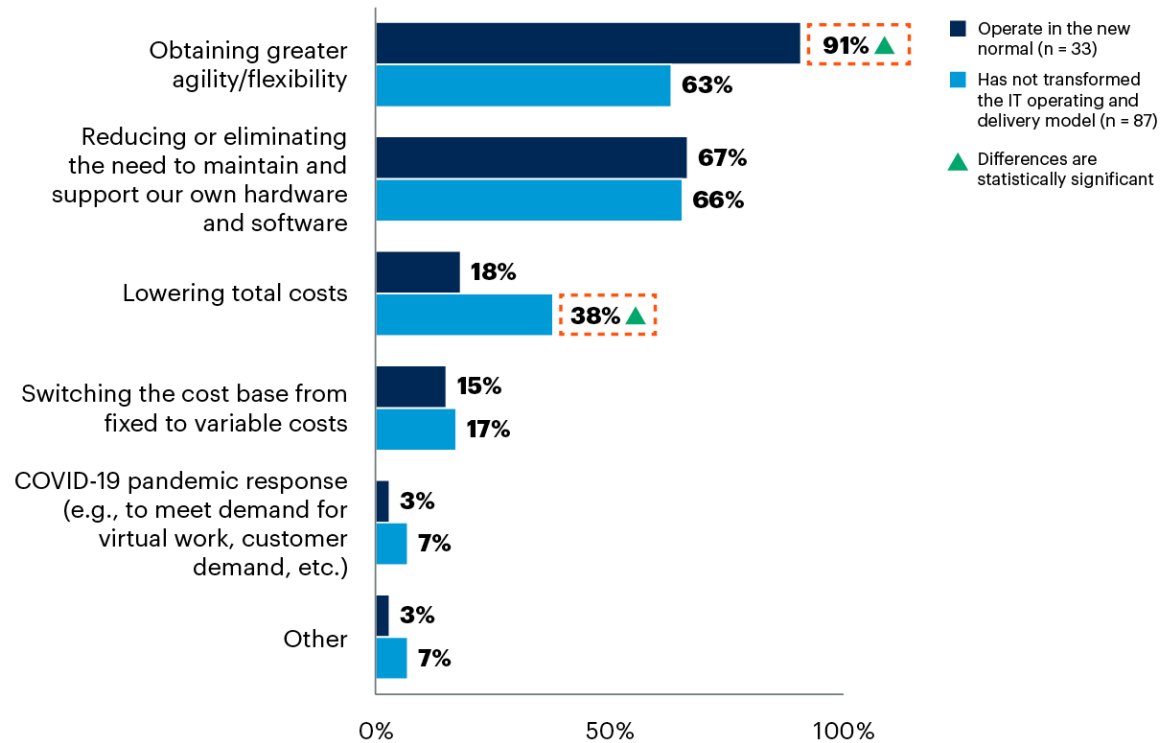
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The main reasons for the adoption of public cloud delivery are not lowering cost, which only rates third. The use of cloud is far more about flexibility and agility, and reducing or eliminating the need to maintain and support hardware and software. Obtaining flexibility and agility was particularly a key driver for those operating successfully in the new normal (see Figure 7). In line with this, 54% indicate that the public cloud increased their IT spend in the past three years, while only 29% reported a decrease (see Figure 8). The associated movement from capex to opex is also expected to continue in the next two years (see Figure 9).

Figure 7: Top Reason for Transitioning to the Public Cloud

Top Reason for Transitioning to the Public Cloud

Sum of Top Two Outcomes



n varies total answering

Q: What are the top two reasons for transitioning to the public cloud?

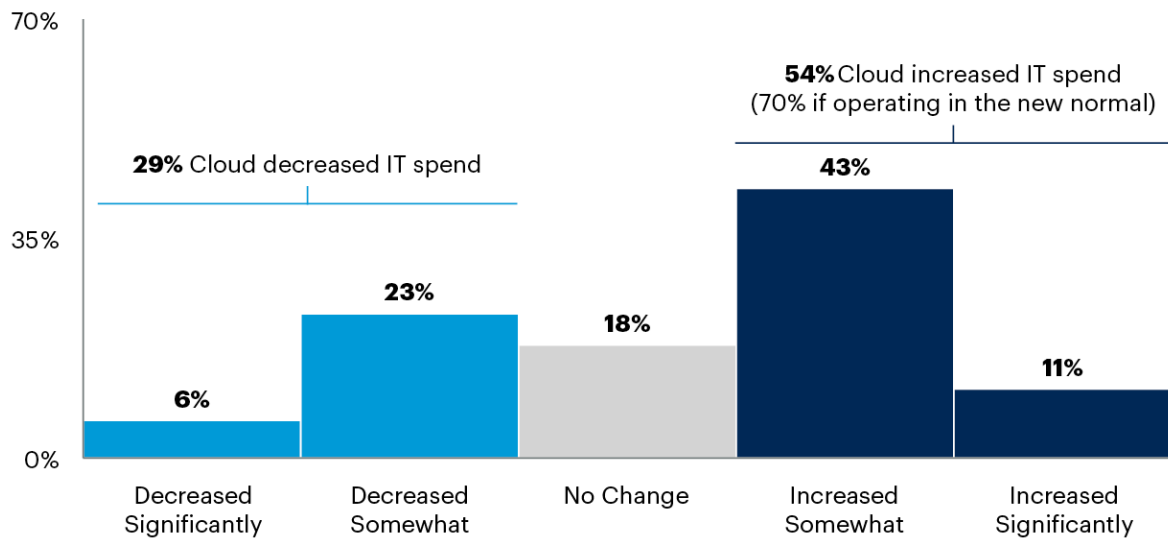
Source: 2021 Gartner Trends in IT Financial Management

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Figure 8: Impact of Public Cloud on Total IT Spend Over Last 3 Years

Impact of Public Cloud on Total IT Spend Over Last Three Years

Percentage of Respondents



n = 120 total answering

Q: What impact has the use of public cloud had on your organization's total IT spend over the last three years (2018-2021)?

Source: 2021 Gartner Trends in IT Financial Management

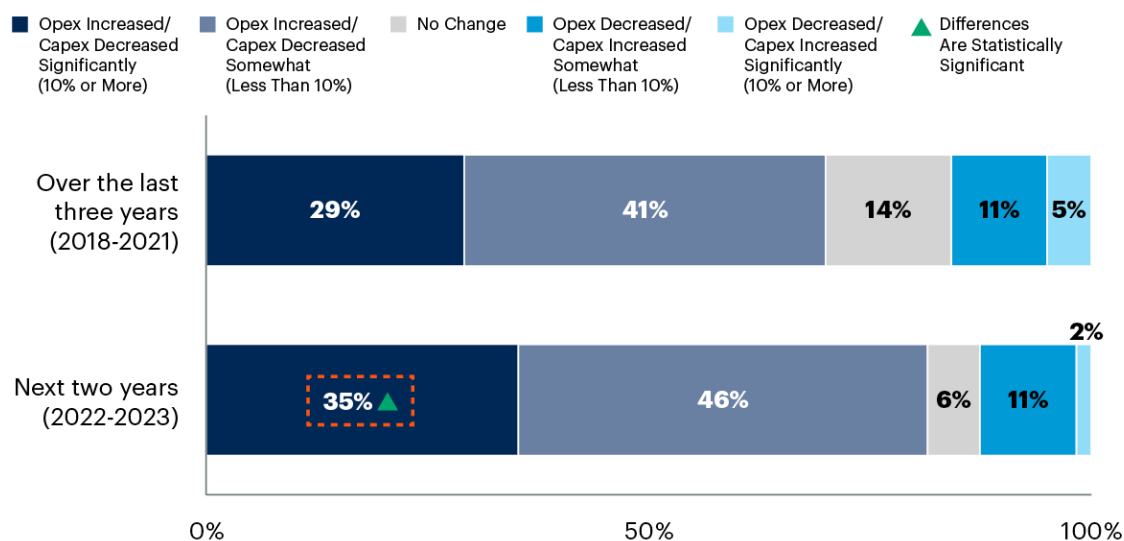
Note: Totals may not equal 100% due to rounding.

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Figure 9: Movement From Capex to Opex Expected to Continue in the Next Two Years

Change in Opex Versus Capex Ratio

Percentage of Respondents



n = 120 total answering; excluding "don't know"

Q: What impact, if any, has the use of public cloud had on the ratio of IT operating expenditure (opex) vs. IT capital expenditure (capex) over the last three years (2018-2021)?

Source: 2021 Gartner Trends in IT Financial Management

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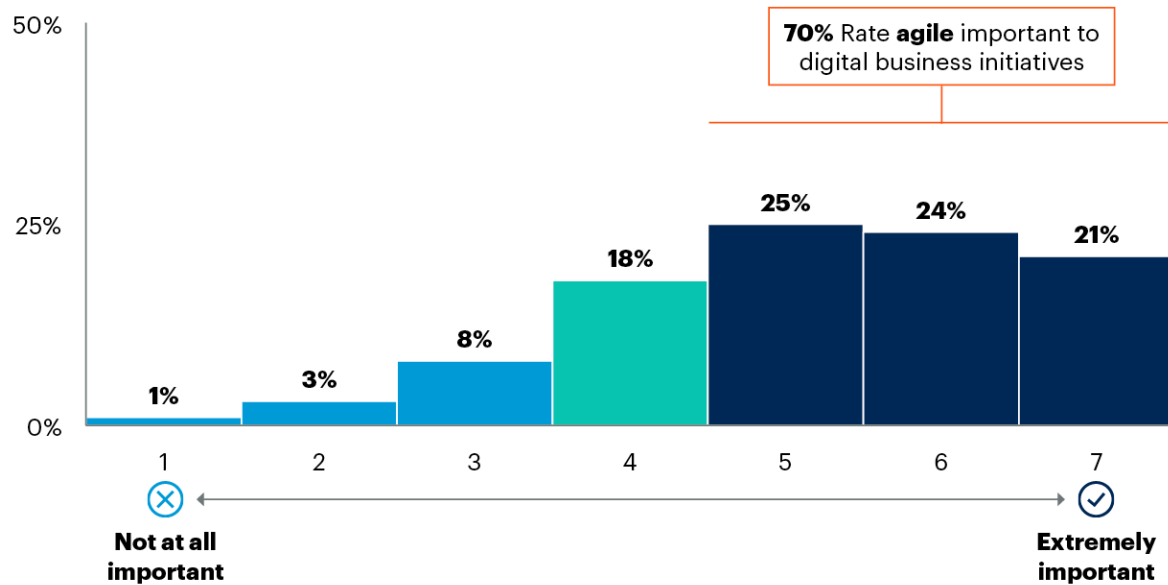
Agile Development and the Adoption of IT Products Is Also an Enabler of Digital Business

The adoption of agile is rated as an important enabler of digital business by 70% of organizations, and 57% rate product-centric delivery as important. Further, product-centric delivery is perceived as being more important to digital outcomes for organizations that have transformed the IT operating and delivery models. Despite this, only 33% of organizations report moving from project to product-centric delivery (see Figures 10, 11 and 12).

Figure 10: The Importance of Agile Development for Digital Business

Importance Agile Development for Digital Business

Percentage of Respondents



n = 120 total answering; excluding "don't know/not applicable"

Q: How important have each of these approaches been in supporting your organization's digital business initiatives? Agile development.

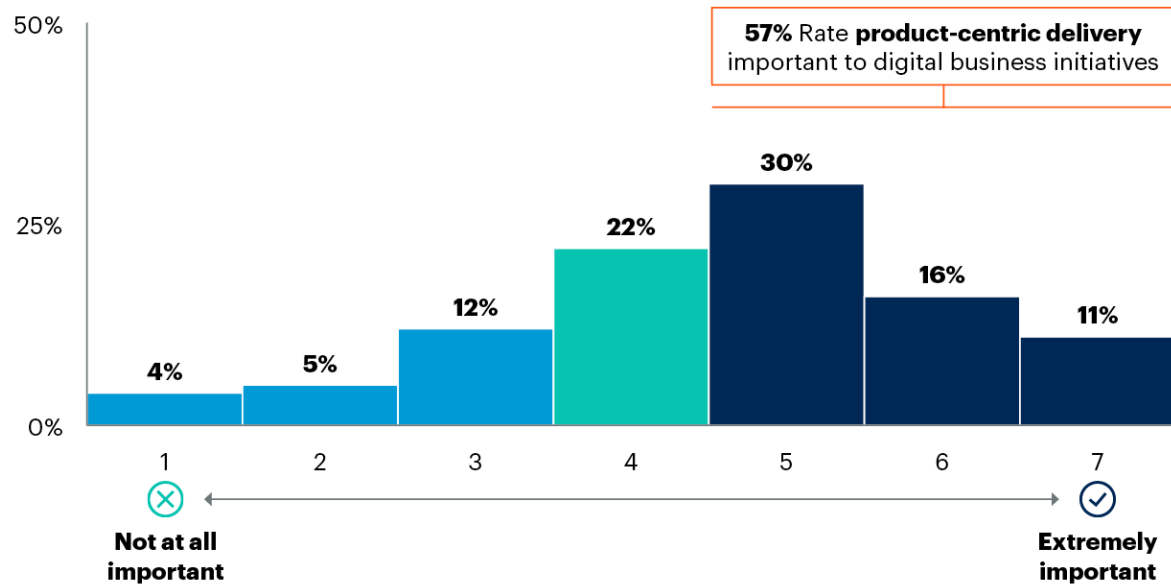
Source: 2021 Gartner Trends in IT Financial Management

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Figure 11: The Importance of Product-Centric Delivery for Digital Business

Importance of Product-Centric Delivery for Digital Business

Percentage of Respondents



n = 119 total answering; excluding "don't know/not applicable"

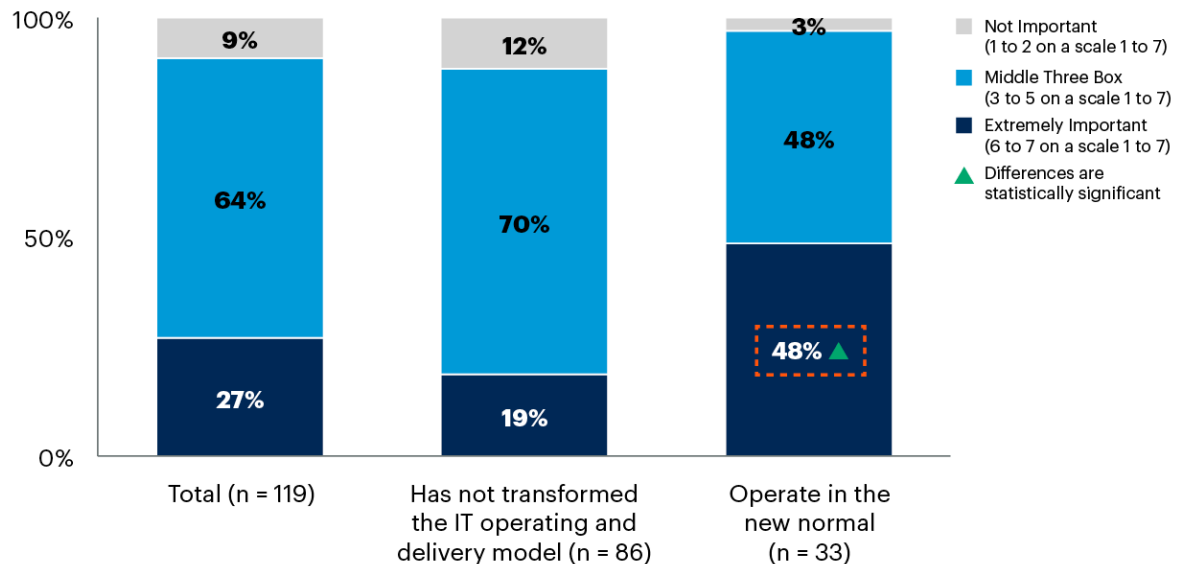
Q: How important have each of these approaches been in supporting your organization's digital business initiatives? Product-centric model for software delivery.

Source: 2021 Gartner Trends in IT Financial Management

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Figure 12: Product-Centric Delivery Perceived as More Important to Digital for Organizations That Transformed the IT Operating and Delivery Model

Importance of Product-Centric Delivery for Digital Business Percentage of Respondents



n varies total answering; excluding "don't know/not applicable"

Q: How important have each of these approaches been in supporting your organization's digital business initiatives? Product-centric model for software delivery.

Source: 2021 Gartner Trends in IT Financial Management

Note: Totals may not equal 100% due to rounding.

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IT Financial Management Practices Haven't Kept Pace With the New Normal With Only Limited Changes in Governance and Budgeting

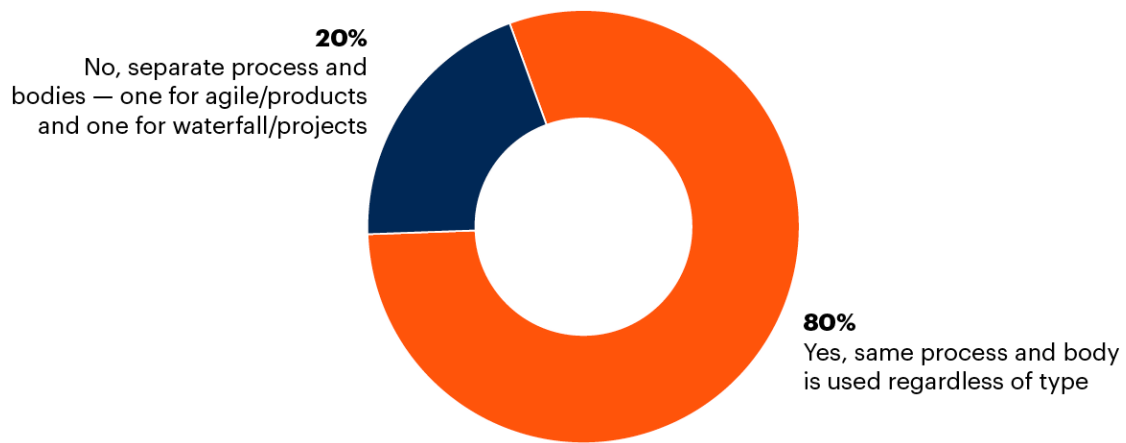
Most (80%) use the same approval process and governing body for agile/products and waterfall/projects investments (see Figures 13), and just 25% report more frequent or a shorter budget cycle due to agile or product-centric delivery (see Figure 14).

While most organizations (62%) haven't made changes to the budgeting process frequency (see Figure 15), organizations that are successful in enabling digital business are more likely to report use of more frequent or shorter budget cycles. And business value realization is the most important decision factor for approving and monitoring digital business initiatives (see Figure 16).

Figure 13: Approval Process and Governance Body for Agile/Product Investments

Approval Process and Governing Body for Agile/Products Investments

Percentage of Respondents



n = 119 total answering; excluding "not applicable"

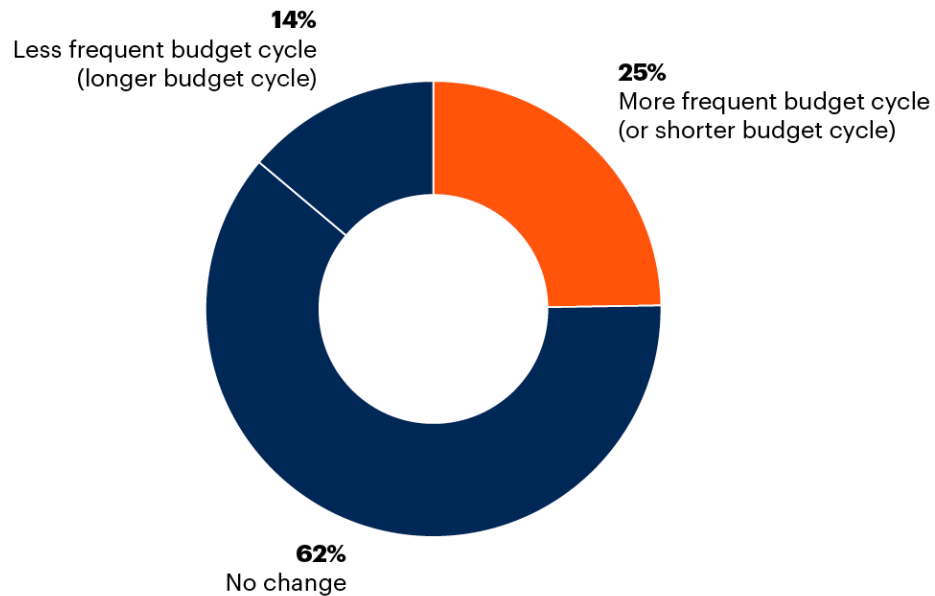
Q: Does your organization use the same approval process and governing body for agile/products investments and waterfall/projects investments?

Source: 2021 Gartner Trends in IT Financial Management

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Figure 14: Impact of Agile Development or Product-Centric Delivery on the Budgeting Cycle

Impact of Agile Development or Product-Centric Delivery on Budgeting Cycle
Percentage of Respondents



n = 118 total answering; excluding "don't know/not applicable"

Q: What impact has the adoption of agile development or product-centric delivery had on your organization's budgeting cycle?

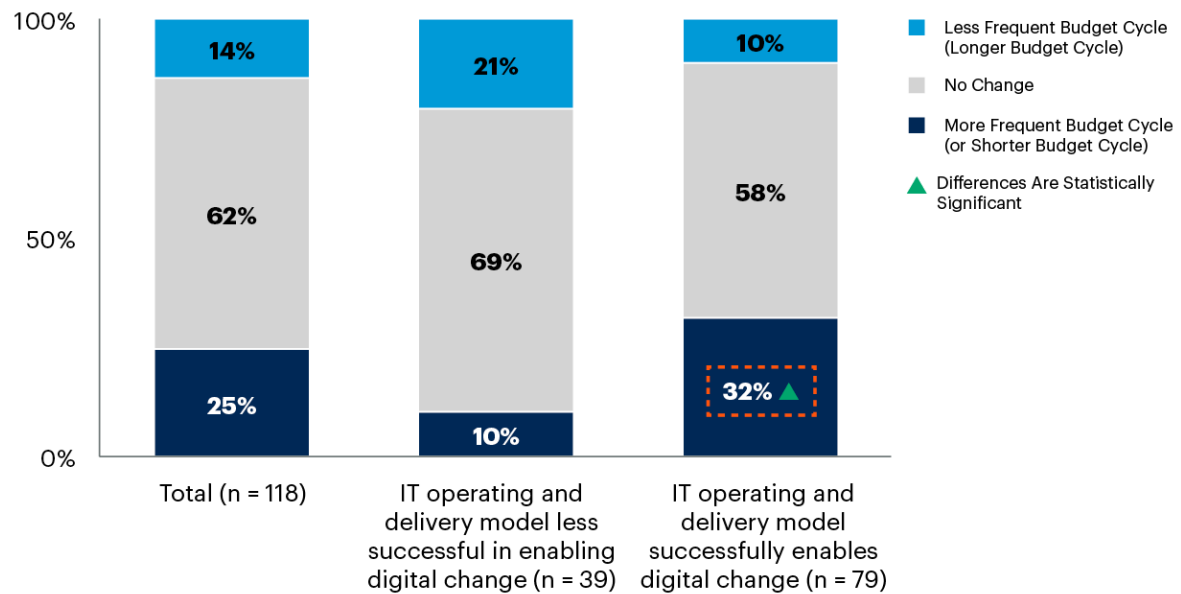
Source: 2021 Gartner Trends in IT Financial Management

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Figure 15: Impact of Agile Development of Product-Centric Delivery on the Budget Cycle

Impact of Agile Development or Product-Centric Delivery on Budgeting Cycle

Percentage of Respondents



n varies total answering; excluding "don't know/not applicable"

Q: What impact has the adoption of agile development or product-centric delivery had on your organization's budgeting cycle?

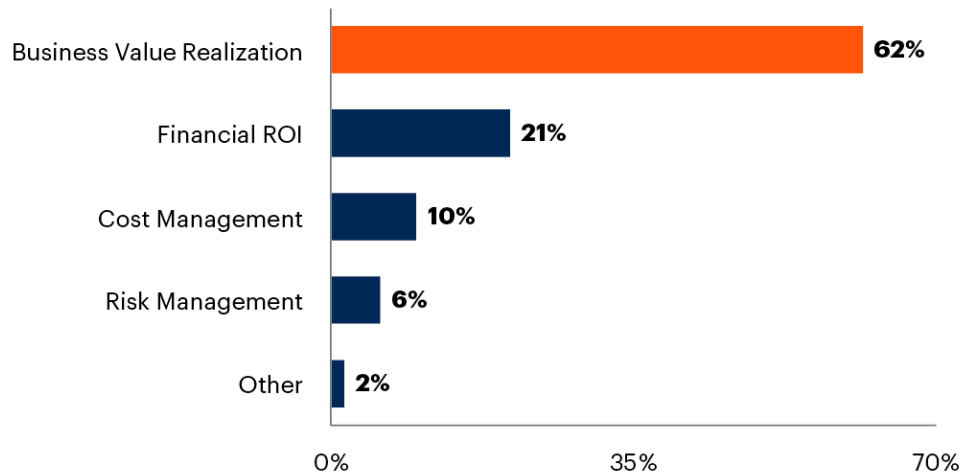
Source: 2021 Gartner Trends in IT Financial Management

Note: Totals may not equal 100% due to rounding.

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Figure 16: Key Decision Factors for Approving and Monitoring Digital Business Initiatives

Key Decision Factors for Approving and Monitoring Digital Business Initiatives
Percentage of Respondents; Top Rank



n = 120 total answering; excluding "don't know or refused"

Q: Thinking about the decision-making processes for digital business initiatives, what are the key decision factors in approving and monitoring?

Source: 2021 Gartner Trends in IT Financial Management

Note: Total may not equal 100% due to rounding.

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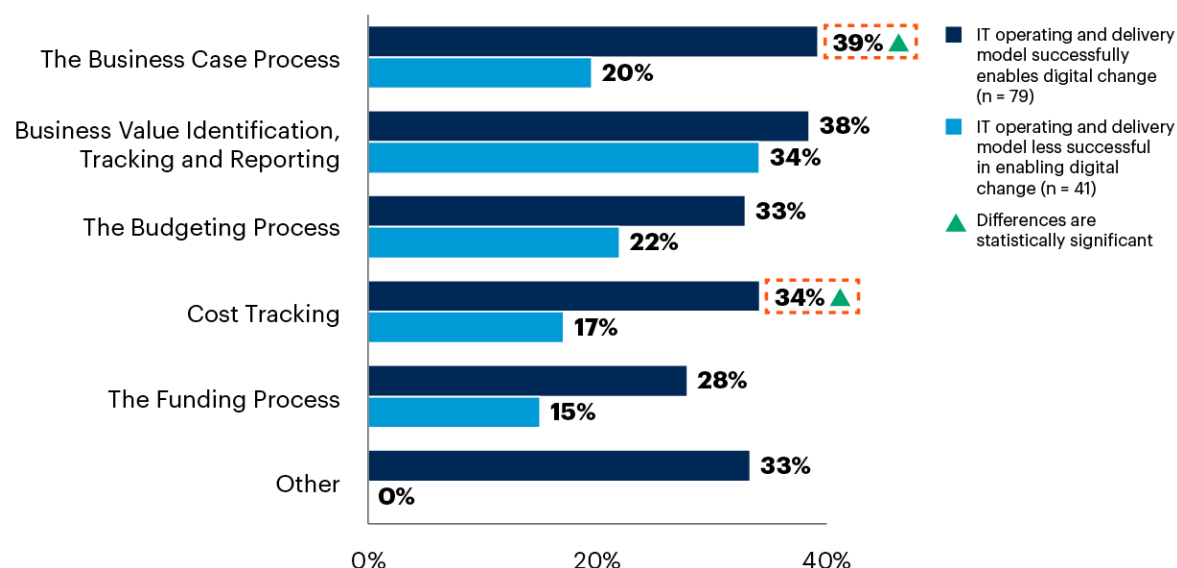
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Organizations that are successful in enabling digital business are more likely to say they have made significant changes to their financial governance processes (see Figure 17).

Figure 17: Changes to Financial Governance Processes Enable Digital Business

Financial Governance Processes

Percentage of Respondents Rating Significant Change (Rating 6 or 7 on 1-to-7 Scale)



n varies; excluding "don't know"

Q: Thinking about your organization's financial governance processes, to what extent has your organization changed each of these to support digital change?

Source: 2021 Gartner Trends in IT Financial Management

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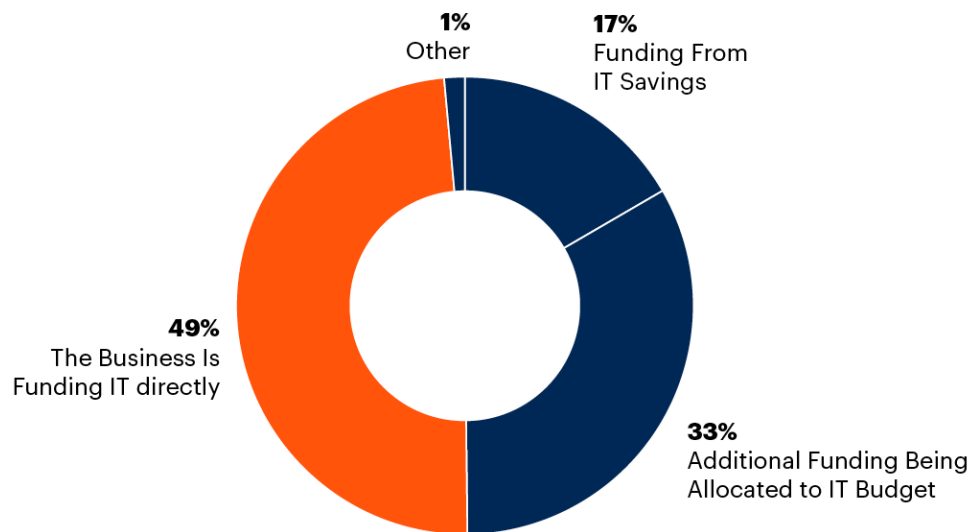
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Funding of Digital Business Is No Longer Just an IT Responsibility

On average, almost half (49%) of digital initiatives in 2020 were funded by the business directly, with the other half from IT budget savings or increased IT budgets (see Figure 18). Organizations that are successful in enabling digital report a higher proportion of funding from the business directly. Further, the business, more often than IT, is responsible for ensuring that the benefits of digital business initiatives are realized, and business value realization is the most important decision factor for approving and monitoring digital business initiatives (see Figure 19).

Figure 18: Sources of Funding for Digital Business Initiatives**Funding Digital Business Initiatives**

Mean Scores



n = 117 total answering; excluding "don't know"

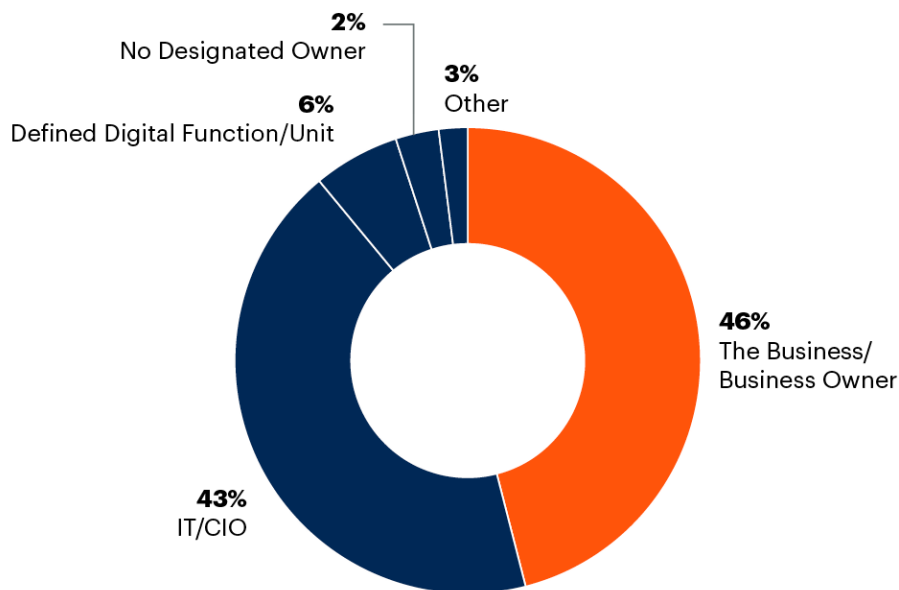
Q: How did your organization fund its digital business initiatives in 2020?

Source: 2021 Gartner Trends in IT Financial Management

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Figure 19: Responsibility for Digital Business Benefits**Responsibility for Digital Business Benefits**

Percentage of Respondents



n = 120 total answering; excluding "don't know or refused"

Q: Who is primarily responsible for ensuring that the benefits of digital business initiatives are realized?

Source: 2021 Gartner Trends in IT Financial Management

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Additional Research Contribution

Angela Kreiter

Evidence

2021 Gartner Trends in ITFM — The New Normal survey was conducted to understand the current state of the IT finance management activities.

The research was conducted online during May 2021 among 120 respondents from North America, Europe and Asia/Pacific, across all industries in companies with at least \$250 million in annual revenue. Respondents were screened for responsibility for IT finance management.

The study was developed collaboratively by Gartner analysts who research IT financial management, incorporating reporting and transparency, the business value of IT, cost optimization, business cases and benefits realization. It was reviewed, tested and administered by Gartner's Research Data and Analytics team.

Disclaimer: The results of this study do not represent global findings or the market as a whole, but reflect the sentiment of the respondents and companies surveyed.

Recommended by the Authors

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

[Proactively Manage the Impact of SaaS on Opex and Capex Budgets](#)

[The Impact of Public Cloud on Operating Budgets](#)

[Managing IT Spend Using IT Product Lines](#)

[Ready Your Organization for Agility's Impacts on IT Spending](#)

[Survey Analysis: Change Funding and Improve Value Tracking to Enhance IT Product Model Success](#)

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