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Align the Enterprise and IT Operating Models for Business Impact

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> Seamlessly integrating operating models has never been more crucial in a rapidly evolving business landscape. By harmonizing critical aspects of the IT and enterprise operating models to support strategic execution, CIOs can streamline their operations and boost overall enterprise performance.

Overview

Key Findings

- Democratization of digital delivery has distributed accountability for digital investment. Both CIOs and CxOs now manage the strategic execution of business capabilities and outcomes.

- As strategic objectives deliver new or modified products and services, distinct business capabilities and resources need to be proactively aligned, clarified and managed across the IT organization(s) and business.

- Technology-driven business transformation is expanding the role and responsibilities of CIOs.

Recommendations

To unlock strategy execution success and performance, CIOs should:

- Determine how shifting digital delivery and execution will impact the integration of the IT operating model (ITOM) with the enterprise operating model (EOM).

- Clarify IT's contribution to business capabilities through the lens of business architecture to attain successful strategic execution.

- Evolve the CIOs' engagement tactics to become a driver of the enterprise strategy and, with other CxOs, an orchestrator of strategic execution.

Introduction

Enterprise business operations are continually changing to support new or modified strategic objectives. An organization's ability to adapt enterprise business operations (or EOM) will impact the success of executing new objectives. However, 62% of strategy leaders identified that an overburdened legacy operating model cannot support current and future strategic objectives and plans (business models), making it challenging to develop capabilities at the required pace. [1]

CIOs can remove obstacles to strategy execution by understanding and, ultimately, managing the interdependencies between enterprise operations, business unit (BU)-specific operating models, and the operating model for information and technology across the enterprise (see Figure 1). An enterprise consists of many operating models designed either to optimize the work in a BU or to optimize a resource or asset that is shared across BUs or enterprisewide. The more strategies change, the more the models have to adapt. This is often the impetus for launching an enterprise or business architecture team, ensuring models stay aligned and cohesive from an enterprise perspective so that friction is minimized.

Figure 1: Enterprise Operating Model Incorporates Various Operating Models, Including IT

Enterprise Operating Model Incorporates Various Operating Models, Including IT
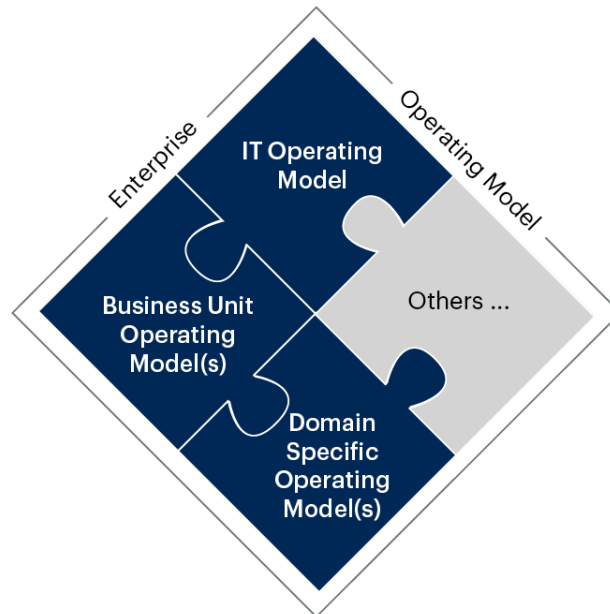
Source: Gartner
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While information and technology are critical resources of the EOM, CIOs alone cannot change the EOM to achieve the desired alignment with the enterprise ITOM. Hence, CIOs should engage across the C-suite to influence and orchestrate EOM changes (see Executive Essentials: Use Your Enterprise Operating Model to Optimize Business Operations). Also, to successfully achieve strategic outcome delivery, ITOM must align with EOM (since almost all business outcomes now depend on technology). Thus, CIOs must start by shaping their ITOM to support the overall executive expectations and value or outcomes of technology investments.

Most often, the alignment of ITOM to the EOM is influenced by the needs of the strategic planning horizon. This may include business requirements, technology architecture concerns, sourcing strategies, and talent gaps. CIOs must reassess the alignment of their existing ITOM by focusing on the desired capabilities expected by the business. Changes driven by business conditions result in reprioritizing what is important to (re)shape the EOM and, consequently, the ITOM. To cohesively achieve business goals and objectives, operating models must be aligned across an enterprise and should not appear isolated or stand-alone.
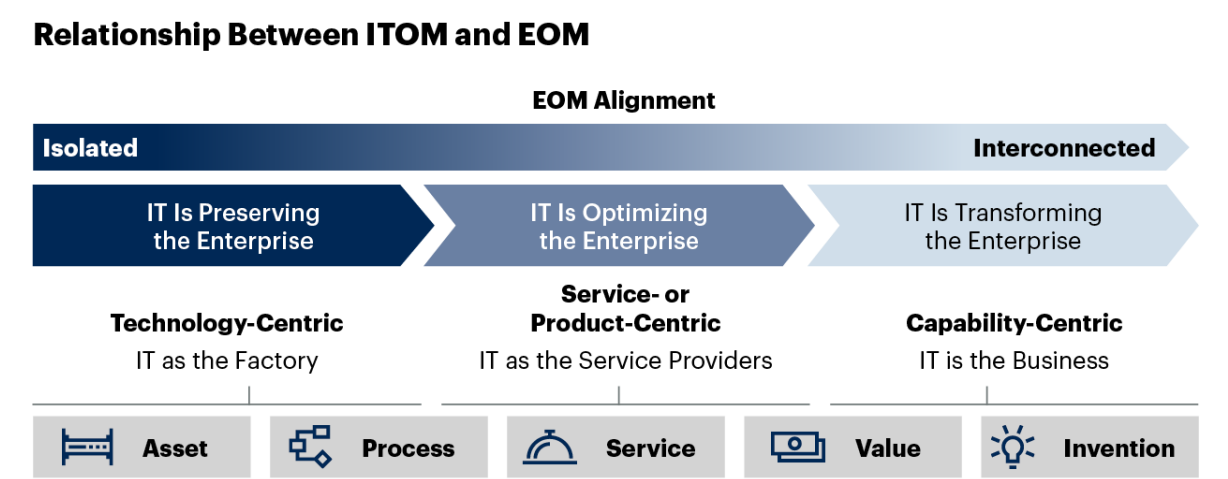
As the enterprise changes, CIOs strive to link ITOM and EOM, so both models work together to enable new value capture opportunities or optimize the current value efforts. The ITOM is how digital assets and channels and digitalized capabilities are integrated into enterprise business operations, cohesively with the EOM, to achieve the desired state as mandated by the strategy. CIOs are uniquely positioned to orchestrate the evolution of these digitalized assets, channels and capabilities across their organizations.

Analysis

Determine the Relationship Between ITOM and EOM

Keeping in mind that the enterprise operating model is how the enterprise executes the strategy, the level of integration and alignment between the ITOM and the EOM will be shaped by the strategic priorities they can achieve together. As digital technology delivery becomes distributed or led by the business (democratized), CIOs have an opportunity to align and improve the relationships for technology delivery across the enterprise. CIOs can start by understanding how the EOM relates to or impacts the ITOM and vice versa. The level of support, integration, alignment and opportunity IT provides to the EOM is influenced by the current maturity of the ITOM. Figure 2 outlines how an IT organization's role impacts the relationship between both operating models.

Figure 2: Relationship Between ITOM and EOM

Relationship Between ITOM and EOM

EOM Alignment

Isolated — Interconnected

IT Is Preserving the Enterprise → IT Is Optimizing the Enterprise → IT Is Transforming the Enterprise

Technology-Centric — IT as the Factory

Service- or Product-Centric — IT as the Service Providers

Capability-Centric — IT is the Business

Asset | Process | Service | Value | Invention

Source: Gartner
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The "business executive mindset" aligns the critical components of the ITOM around the following design principles.

Technology-Centric Operating Model Principles

Technology-centric operating model principles put technology delivery as the key focus of the ITOM. The ITOM introduces core technology architecture (infrastructure, applications and data) and planning activities to preserve the enterprise business model. Business executives perceive "IT as a factory" that provides technology assets for the organization. An example operating model principle would be "technology optimization first to drive efficiency." With this mindset, the internal IT function produces technology assets that look to optimize the specific assets or processes required to achieve the desired business outcomes.

Service- or Product-Centric Operating Model Principles

Service- or product-centric principles focus on delivering business change to optimize the EOM. IT services evolve into technology-enabled business capabilities that are managed using product management disciplines. These capabilities are optimized to contribute to business value or outcomes. Co-development requires both the IT and business teams to work collaboratively to achieve desired business outcomes or enable the achievement of a business objective. An example of an operating model principle would be: "Quality and impact are critical to the services and products we provide or offer." Delivery of products and services requires a service provider mindset and discipline rather than a factory discipline. Also, a more federated and distributed approach to teams and work is required.

Capability-Centric Operating Model Principles

Lastly, when the exploitation of strategic opportunities is the purpose of the EOM, the ITOM must focus on transforming the EOM to exploit new technology-enabled business capabilities. Using these capabilities requires a higher risk and funding appetite that may not have existed before. Integration of IT and business is required to govern such decisions of exploitation and their value to the enterprise. This merger of IT and business transforms the entire operating model to focus on the business rather than on individual agendas. Also, it enables a significantly distributed approach to delivery where capabilities are produced enterprisewide, not just in a single department. The operating models overlap to the extent that information and technology become an interconnected component of the EOM's resources, value streams, governance and business capabilities; technology is often distributed and democratized at this point.

To further understand how the ITOM supports the EOM, CIOs must:

- Determine the requirements for the future-state ITOM (technology-centric, service- or product-centric, and capability-centric) to help their organizations achieve the desired business outcomes.

- Identify the gaps in their ITOM to move to the future state.

- Develop an ITOM action plan to close the gaps (see Toolkit: Workshop for Creating an Action Plan to Reach Your Target I&T Operating Model).

Clarify IT's Contribution to the Enterprise's Business Capabilities

The enterprise's business capabilities are the fulcrum that connects the business model, reflected in the strategy, to the EOM, reflected in executing the strategic plans (see Figure 3 and Note 1). The momentum for business change is shared across each area by evolving the business capabilities. The business and IT work together to improve strategy execution substantially. The success of strategic plan execution depends on how well technology, data and business capabilities are leveraged. Working together, they provide a perspective on interdependencies across each other and, as a result, change business capabilities to achieve business outcomes and ambitions.

Figure 3: Business Capabilities Are the Fulcrum of the Business Architecture

Business Capabilities Are the Fulcrum of the Business Architecture
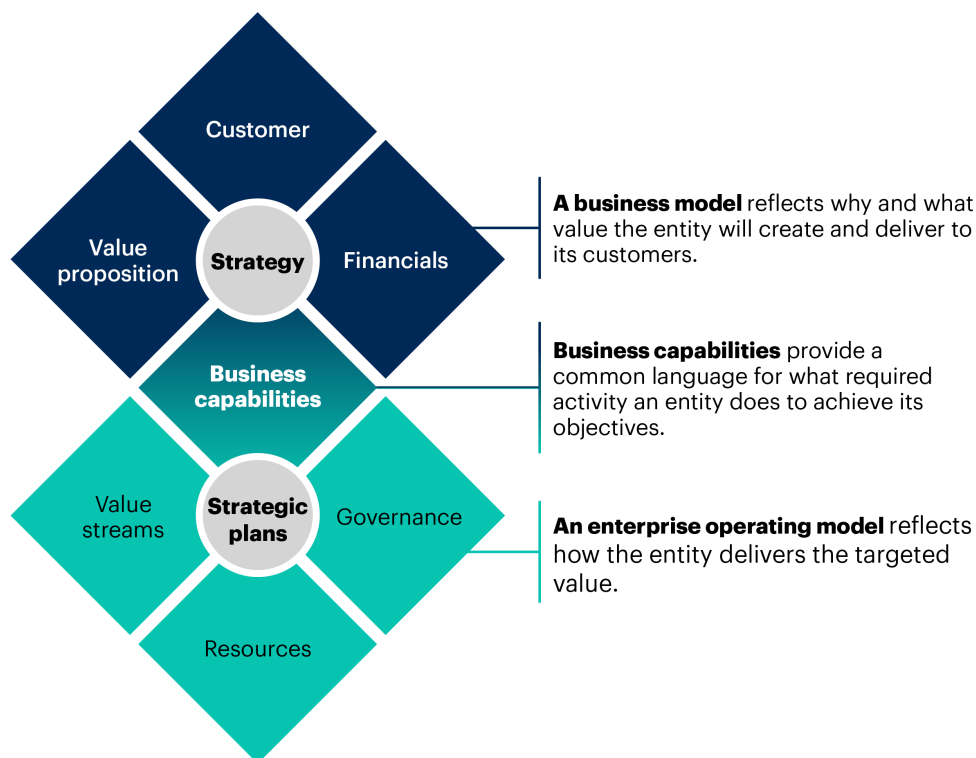
Source: Gartner
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No matter where the impetus for change originates — top down, bottom up, or middle out — business capabilities must evolve appropriately to meet the business requirement or value proposition. CIOs can accelerate strategic change and realize expected value by supporting the evolution of their organizations' business capabilities through the business architecture. This is the most significant contribution they can make to enable a more modular, composable business architecture, whereby they connect the dots between strategic goals and what it takes to achieve them. Whether their enterprise is adding to existing capabilities or creating new capabilities, CIOs have insight into how technology and business operations are linked (see Figure 4). Supporting and expanding the practices and capabilities of the enterprise architecture provide a holistic view into existing, modified or new business operations and outcomes that support the organization's overall direction.

Figure 4: Business Capabilities Link and Operationalize the Strategy

Business Capabilities Link and Operationalize the Strategy
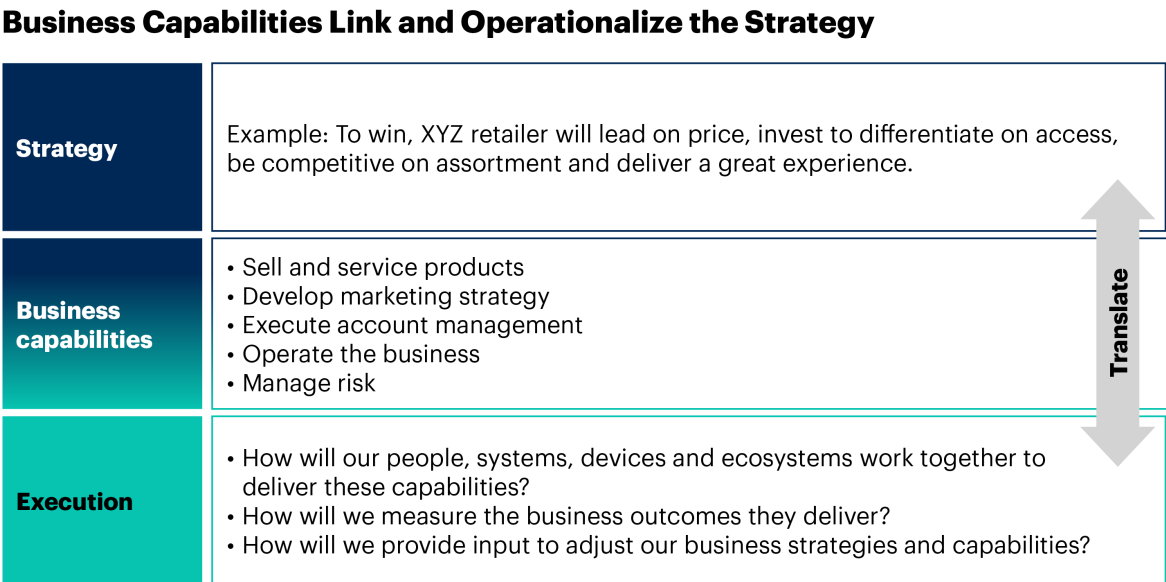
Source: Gartner
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To further understand how the ITOM supports the EOM, CIOs must:

■ Sponsor and elevate business architecture processes, activities and models to illustrate explicit linkages between the business model, the strategy and enterprise operations.

■ Engage with executive leaders and teams to build understanding in the roles that are managing and supporting the enterprise business architecture.

- Align technology solutions, data and business architecture as focal points for the ITOM that provide an integrated picture of the organization.

Evolve and Expand CIOs' Engagement Tactics in Strategic Execution Success

The optimization or transformation of the enterprise has created new opportunities for CIOs to lead beyond their traditional IT operational roles. With the digital ambitions of enterprises focused on driving operational excellence and growing the current business, and the increasing demand from CEOs for delivering "digital dividends," CIOs need to start focusing on developing their "outcome-driven" executive leadership (see 2023 CIO and Technology Executive Agenda: 4 Actions to Deliver 'Digital Dividends'). [2,3]

As information and technology are leveraged to deliver enterprise objectives and capabilities, new opportunities will arise for CIOs (see Executive Essentials: Expand Your CIO Role). They need to focus on reimagining how to deliver leadership value beyond improving the performance of the IT function. Transforming the CIO role begins with understanding how the CIO and IT best fit the enterprise objectives (see Figure 5). This transformation leads to a shift in mindset, intention and leadership actions required to enable successful execution, from preserving the enterprise to transforming the business. For example, as enterprises focus on evolving their business capabilities, CIOs don't just focus on business as usual. They can proactively lead IT value and digital business to impact enterprises' growth.

Figure 5: Four CIO Profiles by Leadership Value Delivery

Four CIO Profiles by Leadership Value Delivery
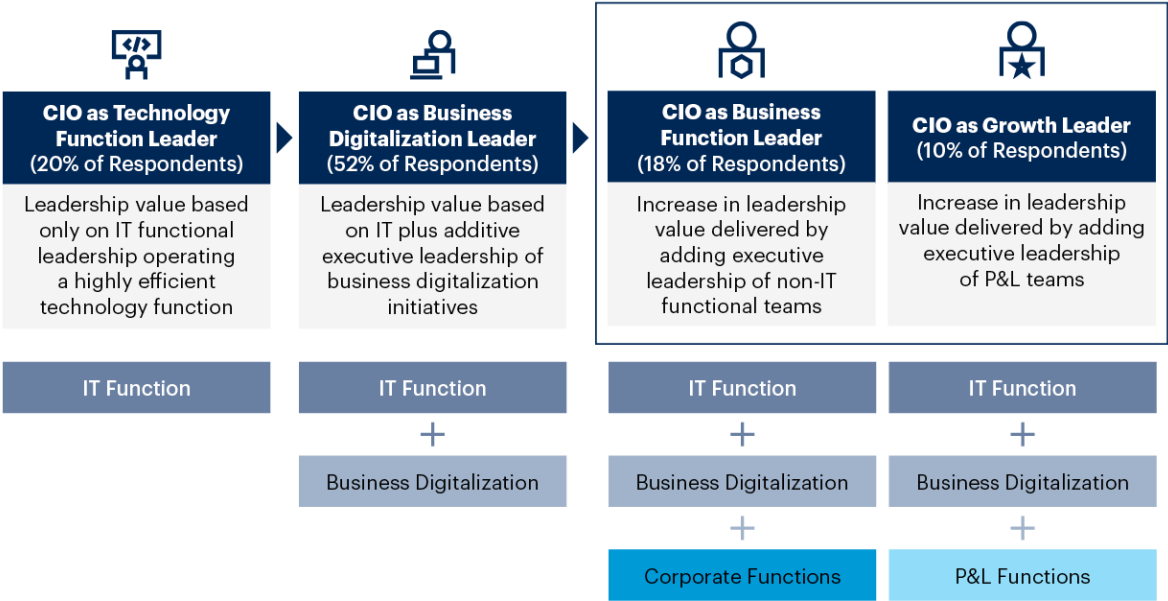
n = 2,317 CIOs responding

Q: Which of the following leadership profiles are part of your current role/part of the current role of this executive?
Source: 2024 Gartner CIO and Technology Executive Survey
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To further evolve or expand their influence across operating models, CIOs must:

- Identify and collaborate with key stakeholders to communicate and influence opportunities to digitalize business capabilities and carry out EOM changes that achieve strategic outcomes (see Great CIOs Build Core Alliances to Achieve Executive Success).

- Establish self-development plans to improve the CIO and IT leadership roles and skills that will further enable successful strategy execution.

  - Four of the six skills listed (influencing stakeholders, personal communication, business acumen, and negotiation skills) aim to influence an expanding constituency of stakeholders (see The Most Important Executive Leadership Skills for CIOs).

- Influence stakeholders by strategically determining how the CIO and IT are perceived (see Develop an Executive Presence by Building an Intentional Personal Brand).

Evidence

[1] The data presented is based on the 2021 Gartner Strategy Survey, conducted online in May 2021 among 201 strategy leaders, 103 senior capability development owners, and 303 initiative designers. The survey was developed collaboratively by a team of Gartner analysts. It was reviewed, tested, and administered by our quantitative analytics and data science team.

[2] 2023 Gartner CIO and Technology Executive Survey. This survey was conducted to help CIOs and technology executives overcome digital execution gaps by empowering and enabling an ecosystem of internal and external digital technology producers. It was conducted online from 2 May through 25 June 2022 among Gartner Executive Programs members and other CIOs. Qualified respondents are each the most senior IT leaders (e.g., CIO) for their overall organization or some part of their organization (for example, a business unit or region). The total sample is 2,203 respondents, representing all geographies and industry sectors (public and private). *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.*

[3] Additional external data points for CIO contributions and engagements:

- State of the CIO, 2022: Focus Turns to IT Fundamentals, CIO.

- State of the CIO Study 2022, Foundry.

- 2021 CIO Study: The CIO Revolution, IBM.

Note 1: Business Capability Definition

A single business capability is an action-oriented categorization of what an organization must do to deliver its business model's value propositions or mission to its organization's customers or citizens

(see Tool: Building a World Class Business Capability).

Document Revision History

A Key to Unlock Execution Success: Align IT and Enterprise Operating Models - 29 September 2022

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