Data View: Reinventing I&T Governance for the Digital Era

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By Analyst(s): Remi Gulzar, Joanne Kopcho

Initiatives: CIO Leadership of Strategy, Governance and Operating Models

In 2021, Gartner conducted a survey to determine what new governance practices enterprises have adopted and what challenges they face in the digital era. This research gives CIOs data and insights on how I&T governance practices can help or hinder enterprises’ digital acceleration.

Overview

Key Findings

■ Over half of organizations favor a just-enough (or minimalist) approach to information and technology (I&T) governance.

■ Applying I&T governance to optimize scarce resources and achieve their digital ambitions is a challenge for organizations.

■ Cultural resistance to new I&T governance practices, such as adaptive and collaborative governance, is inhibiting digital acceleration.

Recommendations

CIOs responsible for leading strategy, governance and operating models should:

■ Adopt adaptive I&T governance to successfully execute enterprise priorities, objectives and goals at speed.

■ Retool enterprise I&T governance capabilities to overcome resource allocation issues and achieve a better balance between stability and agility.

■ Assess and diagnose their governance culture to minimize cultural differences and resistance. Where appropriate, implement new decision-making practices consistent with adaptive principles.
Survey Objective
Gartner surveyed information technology executives involved in enterprise I&T governance at organizations (from midsize to global enterprises) that are digitally transforming. The objective was to identify which I&T governance challenges they face and which tactics they use to digitally accelerate their enterprise.

Data Insights
The COVID-19 pandemic demanded that many enterprises accelerate the delivery of their digital business ambitions. To be successful at digital acceleration, enterprises need an I&T governance capability that is collaborative, enables distributed decision making and negotiates decision-making constraints early on for digital delivery.

As a reinvented enterprise capability specifically designed to balance between stability and agility, I&T governance should be context-specific, outcome-adjusted, and take an adaptive and distributed approach to decision making. The approach should focus on a culture of shared accountability for actively rebalancing or redeploying resources to deliver the enterprise’s accelerated digital agenda.

In June 2021, Gartner conducted a targeted study to identify:

- New I&T governance practices enterprises have adopted and the challenges they face in leveraging I&T governance to digitally accelerate
- Tactics they have used to reinvent I&T governance to overcome these challenges

The study showed that adaptive I&T governance is the emerging approach to strengthen collaboration and distributed decision making. Adaptive I&T governance differentiates decision-making capabilities across required governance outcomes, focusing on effective execution and value delivery.

While the downloadable presentation included in this research covers multiple data points from the study, we are highlighting the two most compelling findings here:

- More than half of surveyed organizations feel that their I&T governance is “just enough” or minimal.
- Resource allocation and cultural resistance are top barriers to digital acceleration.
A Just-Enough (or Minimal) Approach to I&T Governance

We gave survey participants a list of nine approaches to I&T governance and asked them to select their top three. More than half (58%) said they had adopted a “just enough (or minimal)” strategy. A slightly lesser percentage (54%) said their governance approach allowed them to stay in control to protect the enterprise from risk, and 52% said they focused on optimizing business value rather than control. In fourth place, 46% of organizations viewed their I&T governance as a way to enable them to balance between stability and agility (see Figure 1).

Figure 1: A Just-Enough (or Minimal) Approach to I&T Governance

<table>
<thead>
<tr>
<th>Approaches to I&amp;T Governance</th>
<th>Sum of Top 3 Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our governance is “just enough” (or minimal)</td>
<td>58%</td>
</tr>
<tr>
<td>Our governance allows us to stay in control to protect the enterprise from risk</td>
<td>54%</td>
</tr>
<tr>
<td>Our governance focuses on optimizing business value rather than control</td>
<td>52%</td>
</tr>
<tr>
<td>Our governance enables us to balance between stability and agility</td>
<td>46%</td>
</tr>
<tr>
<td>Our governance boosts employee morale through empowerment</td>
<td>23%</td>
</tr>
<tr>
<td>Our governance is based on trust and expressed through our behaviors</td>
<td>15%</td>
</tr>
<tr>
<td>Our governance ensures we invest and allocate our resources wisely</td>
<td>10%</td>
</tr>
<tr>
<td>Our governance is optimized to gain advantage in a rapidly changing business environment</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

n = 52 all respondents

Q: Which of these are the top three approaches to I&T governance adopted by your enterprise?
Source: Gartner’s 2021 Reinventing Governance for the Digital Era; Gartner’s CIO Research Circle members 756992_C

Enterprises tend to adopt a just-enough (or minimal) approach to speed up decision making. This, however, is not without risk. Some decisions, by their very nature, require rigor. Minimalism is not a “one size fits all” approach. There is a degree of maturity and sophistication required to know where it should be applied and where it should not.
For example, areas that provide stability (such as risk management and compliance) must maintain an appropriate level of rigor to underpin the enterprise’s treatment of — and appetite for — risk.

Areas that could benefit from a just-enough (or minimal) governance approach are investment prioritization, value creation, resource optimization, execution and delivery. However, they must be grounded in strong foundational practices before they can transition to a minimalistic approach, as these approaches often entail higher levels of distributed empowerment and decision making.

Great-West Life achieves a balance between stability and agility through organizational learning, enabling digital business teams to challenge standards and policies (validate stability), co-creating new agility-based governance approaches in existing and uncharted terrains. (See Co-Created Governance for Digital Business (Great-West Life).)

CIOs who want to balance between stability and agility at speed must:

- Influence the enterprise governance system design to balance effectively between protecting the enterprise and (accelerated) delivery of business value.
- Adjust their I&T operating model to accommodate the ongoing technology democratization trend across the enterprise, as well as the concomitant distributed decision making.
- Reinvent I&T governance mechanisms to be fit for use by making them more collaborative, adaptive and iterative to meet the needs of digital business.

**Resource Allocation and Cultural Resistance Are Top Barriers**

The survey also shows that managing and allocating resources and addressing cultural resistance to new decision-making processes are the two most important factors that interfere with or limit organizations’ digital acceleration efforts (see Figure 2).
Figure 2: Resource Allocation and Cultural Resistance Are Top Barriers to Digital Acceleration

**Governance Barriers Preventing Digital Acceleration**
Sum of Top 3 Ranks

- Our governance is unable to allocate the resources to deliver on our digital ambitions: 53%
- Cultural resistance to new decision-making practices to change our ways of working: 51%
- Our governance is challenged in capturing the value/benefits from our digital initiatives: 36%
- Our governance is unable to balance between stability (control) and agility (speed): 32%
- The low maturity of our governance capability to empower those closest to realizing value: 32%
- Our governance is strictly control-based and avoids all risks: 26%
- Prioritization practices lack the required fluidity to balance our investment portfolios at speed: 13%
- Lack of governance board’s support to enable digital across enterprise and ecosystem: 9%

n = 47 all respondents; excluding “Not Sure/None” responses

Q: What are the three biggest governance barriers that prevent your enterprise from accelerating its digital journey?
Source: Gartner’s 2021 Reinventing Governance for the Digital Era; Gartner’s CIO Research Circle members 756892_C

**Challenged Resource Allocation**

Resource optimization tactics, such as business unit-led I&T, democratized technology delivery and (product) fusion teams, create tension with traditional I&T governance approaches. They can cloud resource and funding models. In particular, organizations that are transitioning to product-centric delivery are struggling to match capacity with actual utilization and to update their resourcing strategies and models to accommodate this new approach.
As a result, organizations that remain focused on a traditional resource allocation approach are failing to manage both supply and demand effectively. Long-term forecasting of the role types/skill sets required to support work efforts can decrease bottlenecks without the administrative overhead of work allocation at the individual (person name) level. In our survey, more than half of participating organizations say they are looking to apply a digital optimization approach to increase productivity, including automating governance. Governance optimization is achieved by automating decision-flow-based authority schedules linked to governance areas. Automated rules invoke the right decision maker for each decision to be made at the tactical and operational level, such as project gate decisions, investment decisions and so forth.

Bank of the West is a good example of prioritizing projects so that functional teams do not have to struggle to support an increasing number of equally urgent requests from business partners (see Utility Score Project Prioritization (Bank of The West)).

CIOs challenged to optimize resources must:

- Retool enterprise I&T governance capabilities to overcome resource allocation issues and achieve better balance between stability and agility at speed.
- Prepare an adaptive resource model to accommodate both dedicated and nondedicated resources to manage spikes and cyclic demands.
- Focus on managing utilization rather than capacity.
- Provide visibility of utilization by recording the progress of scheduled work and consumed resources, and analyzing it against what is forecast.

**Overcoming Cultural Resistance**

While focusing on governance is essential, organizations often overlook employee impacts. To overcome this, enterprises must make significant cultural shifts. CIOs must take an organizational change approach to introduce new ways of working and address resistance to decision making changes, starting with assessing the types of decisions that need to be made. Doing this clarifies potential decision makers and stakeholders and their roles to determine the scope of their decision making.
The majority of organizations in our survey have adopted new decision-making practices to achieve more agile and/or iterative work methods. They have also empowered cross-functional business and technology teams with decision rights that enable them to accelerate digital business. More than half of respondents report that guilds, and fusion and product teams, significantly contribute to digital acceleration, and that their I&T governance has become more collaborative in the last 12 months.

To address cultural resistance challenges, strategy leaders at communications and electrical product company Panduit preempt stakeholder resistance by conducting an early assessment of stakeholders’ perceptions and concerns before they undermine the success of a new investment (see Stakeholder Disagreement Maps (Panduit)).

CIOs facing resistance to change decision-making practices must:

- Diagnose systemic relationships to identify potential pockets of resistance by investigating decision-maker readiness, permissions and willingness to change.
- Ask critical stakeholders within the governance system powerful questions to understand potential resistance around how goals are achieved, reality is perceived and options are weighed.
- Sequence intended decision-making changes by taking into account both “harder” and “softer” elements of the governance system, such as facts versus faith.
- Emphasize the holistic value and demonstrate the positive impacts of decision-making changes by connecting corporate purpose and outcomes with social, environmental, team and individual purposes.

CxOs are expected to create new value for customers or constituents, and accelerate the organization’s realization of value from its digital investments. The ongoing trend of democratization of technology means that CIOs now share responsibilities with other CxOs for technology leadership. Organizations should adopt new governance approaches (adaptive or collaborative) that reduce tension (execution, value, risk and resourcing) at an enterprise, product and team level, and enable them to balance between stability and agility at speed.

Digital acceleration needs broader change and emphasis than the individual digital initiatives. This requires I&T governance to scale, replacing one-size-fits-all governance with adaptive governance that contextualizes decision rights on a product and enterprise level against achieving speed and/or maintaining stability.
Downloadable Survey Presentation

The downloadable presentation included in this research contains selected slides from the 2021 Gartner Reinventing Governance for Digital Era Study. Use the data insights and recommendations to learn what other tactics enterprises are employing to revamp their I&T governance for digital acceleration and to shape the narrative for revisiting I&T governance in your own enterprise.

Reinventing I&T Governance for the Digital Era

Additional Research Contribution

Kritika Nijhawan

Evidence

¹ 2021 Gartner CEO Survey: The Year of Rebuilding. Gartner conducted this research from July 2020 through December 2020, with questions about the period 2020 to 2023. One-quarter of the sample was collected in July and August, and three-quarters from October through December. In total, 465 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 390 online surveys and 75 telephone interviews. By job role, the sample mix was:

- 287 CEOs
- 115 CFOs
- 29 COOs or other C-level officers
- 34 chairpersons, presidents and board directors

By geographic region, the sample mix was:

- 183 North America
- 109 Europe
- 97 China, Japan, Australia and other Asia/Pacific
- 56 Brazil, Mexico and other Latin America
- 13 Middle East
By enterprise revenue, the sample mix was:

- 46 $50 million to <$250 million
- 122 $250 million to <$1 billion
- 226 $1 billion to <$10 billion
- 71 $10 billion or more

The survey was developed collaboratively by a team of Gartner analysts that examines technology-related strategic business change, and was reviewed, tested and administered by Gartner's Research Data and Analytics (RDA) team. The results of this study are representative of the respondent base and not necessarily business as a whole.

² The 2021 Gartner Reinventing Governance for the Digital Era survey was conducted online from 8 June to 17 June 2021 to determine what new governance practices have been adopted and the challenges faced by enterprises in the digital era. In total, 52 CIO Research Circle members* participated. Members from North America (48%), EMEA (40%) Asia/Pacific (4%) and Latin America (8%) responded to the survey.

The survey was developed collaboratively by a team of Gartner analysts and was reviewed, tested and administered by Gartner's RDA team.

*Gartner's CIO Research Circle members include enterprise-level CIO/CTO, divisional CIO/CTO, head of the office of the CIO representing a mix of industries and organization sizes, with the majority in North America and Western Europe. Note: the results of this study are representative of the respondent base and not necessarily the market as a whole.

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