2022 CIO Agenda: A Midsize Enterprise Perspective

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The Gartner CIO and Technology Executive Survey shows that the adoption of composable business practices is in its nascent days in the majority of organizations. For MSE CIOs, taking targeted steps in composable business practices can deliver significant business value.
Overview

Key Findings

• Organizations displaying high business composability deliver superior business performance, even in times of uncertainty and volatility.

• Highly composable organizations outpace peers and competitors in digital business execution and progress.

• Highly composable organizations have a two-year advantage in achieving digital business success.

• Only 6% of MSEs are categorized as highly composable — the same as for large enterprises and the survey as a whole.

• Composable attributes are well-aligned with MSE goals to migrate to a more strategic IT approach.

Recommendations

CIOs in midsize enterprise IT leadership should:

• Increase their contribution to business outcomes by selectively adopting composable attributes that are most relevant for their business.

• Better utilize scarce resources by allocating resources to business-impacting initiatives while reducing expenditures and time spent on commodity areas.
**Survey Objective**
The 2022 Gartner CIO and Technology Executive Survey was conducted to inform CIOs and other technology executives on how composability can improve business performance during times of volatility.

**Data Insights**
We are living through a time of great uncertainty and volatility. Forces such as COVID-19, civil unrest, climate change and the shifting economy have made it more difficult for enterprises to plan their next move. However, disruption often results in opportunity, and midsize enterprises (MSEs) must prepare to exploit this opportunity. Business composability is the combination of mindset, practices and tools that enables enterprises to sense and respond to changing business conditions. Its three components are composable thinking, composable business architecture and composable technologies, as illustrated in Figure 1.

Increasing investments in business architecture that further integrate business and IT planning and delivery and composable technology, allowing greater use of data and more impactful IT services, will prepare MSEs for positive business outcomes in the future.

One clear take-away from the past two years is that IT organizations must always strive to be more agile, flexible and prepared for the unexpected. Business composability provides the necessary capabilities to achieve this flexibility, resulting in improved business performance.
The premise behind business composability and the attributes that represent highly composable organizations are consistent with the goals of MSE CIOs. It is imperative to be selective in advancing strategies to enhance IT delivery and migrate toward a more strategic IT organization that is focused on enabling business outcomes. Composable behaviors can help advance these strategies and improve business performance — especially in times of disruption.

Business composability has not been on the radar of most MSEs, as the concept is still emerging. MSEs need to be inherently more flexible, agile and resilient. Business composability helps with these objectives while increasing the CIOs’ impact on business outcomes. However, most MSE CIOs need to be selective in how they embrace composability practices due to well-known staff and budget constraints.

MSE CIOs should make investments to transition to a more strategic role for IT and to shift the time spent within IT from operational tasks to business impacting strategies and influence (see Three Critical Considerations to Achieve Strategic Midsize Enterprise IT). Composable behaviors are strongly aligned with strategic aspects of IT, so transitioning from operational to strategic is required to accomplish composable goals. The key attributes of highly composable organizations identified in this study can help MSE CIOs identify priority activities to accelerate this migration.

Business composability can be distilled down to the idea of increasing preparedness for disruption and increasing the impact of IT on business outcomes. Across four key business metrics, highly composable organizations far outpaced the peers and competitors (see Figure 2). MSEs can learn from highly composable organizations to improve their competitive advantage.

![Figure 2. High Business Composability Delivers Superior Business Performance, Even in Times of Volatility](Image)
Another striking benefit revealed in the survey of highly composable organizations is their advantage in digital efforts. Highly composable organizations are two years ahead of their peers and competitors on using digital processes, while showing a significantly higher percentage of digital revenue (see Figure 3).

**Figure 3. Highly Composable Enterprises Lead in Digital Efforts**

*Average (Mean) Percentage of Revenue From Digital Sales vs. Average (Mean) Percentage of Digitized Processes*

- **Digital Processes** (Internally Facing, Average Percentage)
- **Digital Business** (Externally Facing, Average Percentage)

n = 126 (high composability), ~ 614 (large enterprises), ~353 (midsize enterprises) CIOs and technology executives answering, excluding “don’t know”

x-axis: Q. What percentage of your enterprise’s processes have been optimized (made more efficient) through digital means?
y-axis: Q. What percentage of your organization’s total revenue would you attribute (or expect) as digital sales revenue?

Source: 2022 Gartner CIO and Technology Executive Survey
Composability has a strong influence on business performance and digital transformation efforts due to the expanded role and influence of IT on business outcomes. However, it is not easy for MSEs to adopt the practices to become more composable. Attaining a high level of composability requires investments in many different behaviors, business practices and technology approaches. On the positive side, our survey indicates that there is no difference in the proportion of organizations able to achieve high composability between MSEs and large enterprises (LEs). In both segments, 6% of organizations surveyed have achieved highly composability (see Figure 4).
Figure 4. The Emergent High-Composability Cohort

Distribution of Survey Respondents Into Business Composability Groups

Percentage of Respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>Total (n = 2,387)</th>
<th>Large Enterprise (n = 685)</th>
<th>Midsize Enterprise (n = 395)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Business Composability</td>
<td>13%</td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td>Moderate Business Composability</td>
<td>81%</td>
<td>82%</td>
<td>77%</td>
</tr>
<tr>
<td>High Business Composability</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

High-composability enterprises utilize the principles of composable thinking, business architecture and technologies “widely” or “extensively throughout the enterprise”

n varies by segment. CIOs and technology executives answering Q. To what extent does your enterprise utilize these principles? Source: 2022 Gartner CIO and Technology Executive Survey
With only 6% of our entire survey (and 6% of MSEs) achieving high
composability, clearly the adoption of highly composable attributes and
practices is still in its infancy, and MSEs are not behind the curve in using
composable practices and tools. However, MSEs are also bound by resource
constraints and should take a more pragmatic approach to achieving greater
composability. As high composability comes at a significant cost, MSE must
consider the extent of what they need.

Recommendation

MSE CIOs should increase their contribution to business
outcomes by selectively adopting composable attributes
that are most relevant for their business.

The first areas to apply composability attributes are those areas of the
organization's business and technology architecture where preparedness to
change is most urgent and will have immediate business benefits. Adopting
business composability practices can lead to being more aware of business
opportunities and threats or providing easy access to data insights to drive
business outcomes. The survey asked respondents to indicate the extent
to which respondents utilize these 30 different practices on a 1-7 scale to
determine which practices had the highest impact on business performance:

- Composable thinking: Our culture encourages the continuous exploration
  and creation of game-changing business capabilities.
- Composable business architecture: Business elements (e.g., capabilities,
  products, teams, processes, services, etc.) dynamically evolve to create
  new value.
- Composable technologies: Technology assets and capabilities consist of
  modular components where assembly and reassembly are automated.
Figure 5. Composable Enterprises Utilize Three Principles

**Extent of Composability**
Average Scores on a Scale of 1 (Not at All) to 7 (Extensively Throughout the Enterprise)

- **Composable Thinking:**
  Our culture encourages the continuous exploration and creation of game-changing business capabilities
  - High Composability: 6.4 (n = 150)
  - Large Enterprises: 4.2 (n = 685)
  - Midsize Enterprises: 3.9 (n = 395)

- **Composable Business Architecture:**
  Business elements (e.g., capabilities, products, teams, processes, services, etc.) dynamically evolve to create new value
  - High Composability: 6.4 (n = 150)
  - Large Enterprises: 4.7 (n = 685)
  - Midsize Enterprises: 4.5 (n = 395)

- **Composable Technologies:**
  Technology assets and capabilities consist of modular components where assembly and reassembly are automated
  - High Composability: 6.2 (n = 150)
  - Large Enterprises: 3.7 (n = 685)
  - Midsize Enterprises: 3.6 (n = 395)

n varies by segment, CIOs and technology executives answering Q. To what extent does your enterprise utilize these principles?
Source: 2022 Gartner CIO and Technology Executive Survey
The key for most MSEs is to target those elements of composability that will have the most direct impact on business performance. MSE CIOs must bring this concept to the attention of their C-suite colleagues as a sustained effort to influence business architectures and the role IT can play to increase relevance to business outcomes. To obtain a highly composable status, our research identified that organizations should adopt three key practices in each of the three categories of composability (see Figure 6). While the most impactful practices will differ between organizations, start with the following three, selected for their direct correlation to better business performance and an increased focus for MSE CIOs on business outcomes:

- “Spot threats and opportunities” within composable thinking
- “Share accountability among IT and the business” in composable business architectures
- “Create dynamic and easily deployable application and data integration” in composable technologies

More detail about the key practices can be found in 2022 CIO and Technology Leader Agenda: Master Business Composability to Succeed in Uncertain Times.
For many MSEs, achieving a high level of composability could be a three- to five-year endeavor. However, further analysis of the survey data demonstrates the real value of getting started with any of the key composable attributes. Organizations that are able to adopt a single composable practice in each of the three categories will outperform their competition and accrue clear business benefits.

**Recommendation**

**MSE CIOs should increase the business relevance of IT by allocating resources to business impacting investments while reducing expenditures and time spent on commodity areas.**

The survey also examined intended technology investments, and asked CIOs and technology executives what technology areas they were spending the largest amount of new or increased funding and what technology areas they were planning to decrease the most (see Figure 7).

MSE CIOs have a clear intention to focus resources on cyber and information security, data analytics/business intelligence, cloud platforms and integration technologies/APIs/API architecture. Each of these are critical to the business in key areas. Information security protects valuable and mission-critical digital assets, while data analytics/business intelligence helps monetize those same assets or lead to quicker, more-informed decision making. Cloud platforms and as-a-service offerings can increase agility and preparedness while providing the business with tools and capabilities to enhance digital efforts and integration and API technologies give the required flexibility in their application landscape. However, for MSEs to execute on these necessary investments, time and budget must be freed up in commodity areas.
Figure 7. MSEs Plan to Rebalance Their Technology Portfolios

Changes in Technology Investments
Percentage of Higher Education Respondents

- Cyber/Information Security: 65%
- Cloud Platforms: 55%
- Business Intelligence/Data Analytics: 44%
- Digital Workplace: 40%
- Integration Technologies/APIs/API Architecture: 37%
- Digital Business Transformation Initiatives (Including Digital Marketing): 31%
- Total Experience Solutions: 30%
- Legacy Application Modernization: 29%
- Business Continuity Management: 25%
- Legacy Infrastructure and Data Center Technologies: 24%
- Connectivity: 23%
- Enterprise Resource Planning: 19%
- Artificial Intelligence/Machine Learning: 16%
- Hyperautomation: 16%
- Containerization and Orchestration of Application Workloads: 14%
- Human Augmentation: 13%
- Digital Media: 10%
- Internet of Things: 8%
- Product Portfolio Management Tools: 3%
- Next-Generation Compute Technology: 1%
- None: 0%

Source: 2022 Gartner CIO and Technology Executive Survey

Q. What are the technology areas where your enterprise will be spending the largest amount of new or additional funding in 2022 compared with 2021?
Q. What are the technology areas where your enterprise will be reducing funding by the highest amount in 2022 compared with 2021?
We also find highly composable organizations lead in deploying emerging technologies that directly:

- Improve business capabilities to enhance customer-facing services.
- Enhance the efficiency of internal operations.

Highly composable organizations are deploying artificial intelligence/machine learning at twice the rate of MSEs, while current and planned deployments of SASE and edge computing far outpace the adoption in MSEs (see Figure 8). Not every MSE must invest in every one of these areas, and priorities will be different based on specific needs, but a better understanding of how emerging technologies can be applied for various use cases would clearly benefit many MSEs. The biggest business/customer impact will vary depending on industry and use case. However, composable thinking — specifically, our recommended practice to “Spot threats and opportunities” — will help narrow down the options.

Figure 8. Planned Adoption of Emerging Technologies in 2022

<table>
<thead>
<tr>
<th>State of Deployment for Emerging Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Respondents Who Will Deploy Within Next 12 Months or Have Already Deployed</td>
</tr>
<tr>
<td>Artificial Intelligence/Machine Learning</td>
</tr>
<tr>
<td>Distributed Cloud</td>
</tr>
<tr>
<td>Responsible AI</td>
</tr>
<tr>
<td>Secure Access Service Edge (SASE)</td>
</tr>
<tr>
<td>Edge Computing</td>
</tr>
<tr>
<td>Composable Enterprise</td>
</tr>
<tr>
<td>Multiexperience Development Platform</td>
</tr>
<tr>
<td>MLOps</td>
</tr>
<tr>
<td>5G</td>
</tr>
<tr>
<td>Digital Twin</td>
</tr>
</tbody>
</table>

n varies by segment, CIOs and technology executives answering, “excluding not sure”
Q. What are your enterprise’s plans for the following digital technologies and trends?
Source: 2022 Gartner CIO and Technology Executive Survey
MSE CIOs indicate a need to rebalance their technology portfolio and migrate away from operationally heavy technologies that tax IT resources and do not offer business differentiation. For many MSEs, this is required in order to free up resources (people and money) to achieve increased levels of composability and positively impact business outcomes.

This year’s survey continues a multiyear trend to reduce the operational complexity of the IT environment. However, the reality is that this intention has been largely aspirational. Most MSEs continue to increase spending in these areas and have not yet embraced the advantages of simpler and smaller scale IT, nor properly rationalized their software portfolio to enable better use of data as an asset. Lagging behind in rebalancing technology investments stresses constrained resources — especially the time spent on nondifferentiated, basic operational tasks and support of legacy systems.

**Recommendation**

MSE CIOs must provide the leadership required to actually act on their rebalancing plans and reduction of technical debt. Accomplishing this will free up operational resources to better focus on enabling business value (see Midsize Enterprises Must Simplify Operations to Deliver Business Value).

Highly composable organizations have demonstrated a strong correlation to business performance. MSEs that can rebalance their IT portfolio on their way to increased composability to free up needed resources can follow this same path to success.
Actionable, objective insight

Explore these additional complimentary resources and tools for CIOs and other senior technology executives:

- **Roadmap**
  Emerging Technology Roadmap for midsize enterprises
  Benchmark your plans and make confident investment decisions.
  - Download Now

- **eBook**
  Top Strategic Technology Trends for 2022
  Explore the 12 trends shaping the future of digital business.
  - Explore Trends

- **eBook**
  3 Must-Haves in Your Midsize Enterprise Cybersecurity Incident Response Plan
  Plan your midsize enterprise cybersecurity incident response.
  - Start Planning

- **Webinar**
  API-First Strategy for Midsize Enterprise Business Model Transformation
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