The 9 Rules for Demonstrating the Business Value of IT

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Initiatives: IT Cost Optimization, Finance, Risk and Value

Defining, measuring and communicating the business value of IT is challenging for many CIOs. There are nine rules that all CIOs should follow as they craft and articulate their business value stories.

Additional Perspectives

- Summary Translation: The 9 Rules for Demonstrating the Business Value of IT
  (12 August 2020)

Overview

Key Findings

- Most CIOs send a summary of operational metrics to business leaders in an attempt to demonstrate the value IT provides.

- Some components of IT’s real contribution to business/organizational mission are often complex, difficult to measure and harder to communicate.

- CIOs commonly fail to tell a value story that is relevant to their business leadership decision making or concerns.

Recommendations

CIOs focused on IT cost optimization, finance, risk and value should:

- Target initial business value messaging to the executive leadership audiences and their primary needs or concerns.

- Focus on “above the line” metrics that matter to executives — not “below the line” operational performance metrics — by telling a story that really matters to business outcomes.

- Ensure that the value story and metrics resonate with the business by evaluating technology investments in terms of risk, cost and value/revenue.

- Maximize the impact of business value massaging by leveraging these nine rules when defining, measuring and communicating the value of IT.
Strategic Planning Assumption

Through 2025, CIOs that implement these nine rules will be 75% more successful in elevating their strategic contribution to their organizations’ mission and increase funding approval rates by 30% over current levels.

Analysis

Measuring and communicating the business value enabled by IT represents a unique and often uncomfortable challenge for many CIOs. For most, efforts to tell a value story with measurements of work performed, tasks accomplished or resources deployed will fail to have the intended effect. These data points do not communicate value and outcomes delivered, but rather they speak to effort expended. And, when outcomes are the focus of the communication, they are too often technical deliverables, not business impacting outcomes.

For CIOs attempting to build a value story for their business leadership, the following nine rules are critical to a successful initiative. CIOs should use these rules as a starting point for framing and guiding the execution of their communication strategies. For each of these rules ask:

- How does this rule apply to my organization?
- Where and how should we customize this rule for our organization?
- Are we actioning this rule in our efforts to communicate the value of IT to the business? If so, how?
- What should we do differently to effect a more clear and impactful value message?
- When can we put this rule into action in our business value messaging?

Each rule is supported with a summary of the implications of the rule, a brief list of recommendations and links to additional reading that will provide greater detail in support of the defined rule. We suggest that you read the related research to gain a deeper understanding of these recommendations, and reach out to the appropriate analysts to discuss the specific implementation opportunities and challenges (see Table 1).

### Table 1: 9 Rules for Delivering the Business Value of IT

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<th>Rule</th>
<th>Implication</th>
<th>Recommendations</th>
<th>Related Research</th>
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| 1    | Value is always determined by the consumer, not the producer/provider. | Without an effective partnership with the business, IT will continue to focus on the delivery of technologies and platforms, with limited focus on business objectives, benefits or outcomes. | ▪ Identify your consumers.  
▪ Prioritize and validate their needs.  
▪ Capture and quantify proposed benefits in a formal business case.  
▪ Regularly reassess needs. | “Tell an IT Value Story That Matters to Business Leadership”  
“Strategic Benefits Realization: IT as an Engine for Coherent Execution of Strategy” |
| 2    | Value is measured by business outcomes and impact to the mission or consumer. | IT deliverables must be of quantifiable value to the stakeholder. High-value outcomes are things that the consumer is willing to pay for. | ▪ Document the desired/intended outcome and the corresponding impact of the proposed deliverable in a formal business case.  
▪ Measure impact to mission or contribution to business outcomes.  
▪ Avoid metrics that communicate effort, work or technical output. | “How to Structure IT Like a Service Provider”  
“CIOs Must Leverage Both Business Models and Strategy”  
“The CIO’s Guide to Powerful Strategic Contribution”  
“Kick-Start Your IT Value Story With Metrics That Matter” |
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<td>3</td>
<td>For value to be measured, a transaction is required.</td>
<td>Something must be delivered and consumed (a transaction) in order for business value to be created and measured. Technology deliverables not understood or knowingly consumed do not result in value transferred.</td>
<td>- Identify and validate the unit of transaction.&lt;br&gt;- Communicate value in the consumer-focused unit of transaction of every deliverable.&lt;br&gt;- Track and trend over time.</td>
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<td>4</td>
<td>The language of value must be that of the consumer (outcome/product) not the producer (parts/process).</td>
<td>IT must adapt to the consumer language of the problem and desired solution, and not use technical, inward-focused language.</td>
<td>- Capture the need or pain statement in the voice of the consumer.&lt;br&gt;- Avoid deep dives into technology and platform conversations.</td>
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<td>5</td>
<td>Cash savings is generally better than efficiency gains.</td>
<td>Funding saved, costs reduced, and profitability increased are always more valuable (and easier to measure) to the executive leadership than process improvements.</td>
<td>- Prioritize cash savings over efficiency gains.&lt;br&gt;- Always measure and communicate tangible — versus intangible — savings.</td>
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| 6    | Prioritization of projects and IT spend must be a function of relative value to the organization. | Stakeholder estimates of business value must drive prioritization of conflicting projects. Estimates should quantify return on investment or price for performance. | Apply a consistent and repeatable prioritization approach.  
- Engage stakeholders in the calculation of ROI or price for performance expectations.  
- Prioritize deliverables based on relative impact to stakeholder mission or enterprise strategy. | “CIOs Must Demonstrate the Business Value of IT to Broaden IT’s Role in the Business”  
“Depoliticize IT Investments With a CIO Decision Framework” |
| 7    | Value reporting or communication needs to be easily and quickly understood. | More data is not better for most executives. Clear and relevant information that communicates impact to something they care about does communicate value. | Keep reporting simple and relevant to the audience.  
- Start with higher-level summarized data.  
- Drill down into the details as needed.  
- Ensure the data/metrics are clear and relevant.  
- Stay focused on things you own and control that have a material impact on the organization’s mission. | “Kick-Start Your IT Value Story With Metrics That Matter” |
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| 8    | If the people with the money do not understand the value, they will never become advocates of IT, and may not approve funding (even when there is user value). | The people with the funding must understand the value, even when the people with the funding may not be the direct recipients of the value (e.g., finance buys the ERP system, but procurement and AP value the solution differently). | ■ Engage financial buyers early in the value definition process.  
■ Consumers must collaborate to define aggregate value.  
■ Make spend justification a collective effort. |
| 9    | All IT funding requirements must be grouped into one of two categories: operate or change. | Funding proposals, justifications and value measures should be unique for run (operate) versus grow/transform (change) spending. | ■ Change (new) spend is best measured by ROI.  
■ Operational (run) spend is best measured by price for performance. |

Source: Gartner

Document Revision History

10 Absolute Truths for Measuring the Business Value of IT - 13 January 2015

Recommended by the Authors

Tell an IT Value Story That Matters to Business Leadership
Kick-Start Your IT Value Story With Metrics That Matter
Use Digital Value Stories, Not Dull IT Dashboards
CIOs Must Demonstrate the Business Value of IT to Broaden IT’s Role in the Business
Strategic Benefits Realization: IT as an Engine for Coherent Execution of Strategy

Recommended For You

Summary Translation: The 9 Rules for Demonstrating the Business Value of IT
Tell an IT Value Story That Matters to Business Leadership
Value Stories to Tell About Your Digital Initiatives: Definitions
Your 'Business Value of IT' Narrative in the Ongoing COVID-19 Crisis
How to Identify Metrics and KPIs to Measure IT’s Business Value Contribution

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