7 Rules for Demonstrating the Business Value of IT

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

More on This Topic

This is part of an in-depth collection of research. See the collection:

- Rethink Your Elusive Quest for Business Value

Overview

Key Findings

- CIOs commonly struggle to tell a value story that resonates with their business leadership, supports decision making or aligns to their primary objectives or concerns.

- A summary of IT operational metrics shared with business leaders does not communicate the value IT provides.

- Effective business value of IT (BVIT) communications must articulate IT's impact on the outcomes and goals that matter to a specific audience.

Recommendations

CIOs seeking to effectively communicate the business value of IT should:

- Maximize the impact of business value messaging by leveraging these seven rules when defining, measuring and communicating the value of IT.

- Articulate a value story with supporting metrics that resonate with your audience by adapting the seven rules to your organization's and leadership's unique objectives and priorities.

Strategic Planning Assumption

Through 2027, CIOs that implement these seven rules will be 75% more successful in elevating their strategic contribution to their organizations' missions and increase approval rates for funding requests by 30% over current levels.
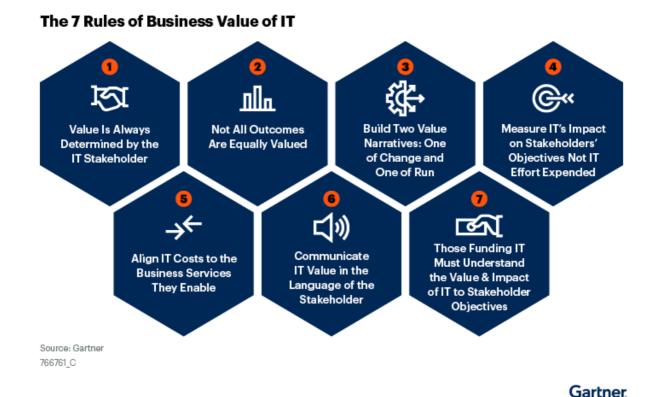
Introduction

Communicating the business value of IT requires a focus on business outcomes delivered, not IT systems managed or work done. Efforts to tell an IT value story using measurements of work performed, tasks accomplished or resources deployed will fail to have the intended effect. CIOs must communicate outcomes delivered to tell a compelling business value of IT story.

Analysis

Use the following seven rules to more effectively articulate the business value of IT. Adapt the rules for your organization to make value communications more relevant, clear and impact focused. Consider these seven rules as a starting point for framing and guiding your value of IT narratives (see Figure 1).

Figure 1: The 7 Rules of Business Value of IT

The 7 Rules of Business Value of IT

1. Value Is Always Determined by the IT Stakeholder
2. Not All Outcomes Are Equally Valued
3. Build Two Value Narratives: One of Change and One of Run
4. Measure IT's Impact on Stakeholders' Objectives Not IT Effort Expended
5. Align IT Costs to the Business Services They Enable
6. Communicate IT Value in the Language of the Stakeholder
7. Those Funding IT Must Understand the Value & Impact of IT to Stakeholder Objectives

Source: Gartner
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Gartner

For each of these rules ask:

- Does this rule apply to our organization?

- How should we customize this rule for our organization?

- Can we emphasize this rule in our business value of IT communications? When and how?

- What else should we do differently to communicate a more clear and impactful value message?

For greater insights into each rule, read the related research for more about implementation opportunities and challenges (see Table 1).

Table 1: The 7 Rules of Business Value of IT

(Enlarged table in Appendix)

Source: Gartner (April 2023)

Evidence

Conclusions are based on Gartner inquiry data and IT Score data collected over the trailing 22 months.

Document Revision History

The 9 Rules for Demonstrating the Business Value of IT - 22 May 2020

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

Recommended by the Authors

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

Tell an IT Value Story That Matters to Business Leadership

Kick-Start Your IT Value Story With Business Metrics That Matter

Executive Essentials: Demonstrate the Business Value of IT

Infographic: 7 Value Stories to Communicate the Business Value of IT

Toolkit: Use Net Business Value and Risk to Drive Portfolio Selection

Hack Your Metric and KPI Dashboards by Answering 3 Simple Questions

Table 1: The 7 Rules of Business Value of IT

↓	Rule ↓	Implication / Consideration ↓	Recommendations ↓	Related Research ↓
1	Value is always determined by the IT stakeholder or consumer, not the provider/producer.	■ IT's stakeholders, not IT, determine what is of value. ■ Teaming with the business is required to identify what is valued. ■ Without a clear line of sight to the business priorities, IT is likely to remain focused on the delivery of technologies and platforms, rather than business objectives, benefits or outcomes.	■ Identify your key stakeholders and/or consumers. ■ Start with business leaders as primary stakeholders. ■ Capture and validate stakeholder needs. ■ Regularly reassess stakeholders' needs.	■ Tell an IT Value Story That Matters to Business Leadership ■ The CIO's Essential Guide: Digital Product Management ■ How to Communicate Value in the Languages of IT, Finance and Business Outcomes ■ Strategic Benefits Realization: IT as an Engine for Coherent Execution of Strategy

	Rule ↓	Implication / Consideration ↓	Recommendations ↓	Related Research ↓
2	Not all outcomes are equally valued.	▪ Impact to mission and/or revenue growth are typically considered more valuable to the business than spend avoided and cost reductions. ▪ These in turn are considered more valuable (and easier to measure) than efficiencies gained through process improvements.	▪ Team with business leaders to identify and rank their business priorities (for example: value/revenue increase, cash savings then efficiency gains). ▪ Align IT resources to deliver the prioritized outcomes. ▪ Capture and validate quantified benefits with key stakeholders and leadership.	▪ 3 Ways CFOs Must Rethink Digital Technology Investments to Meet Board Priorities for 2022 ▪ Strategic Pillar Investment Targets (Brocade) ▪ A Pragmatic Engagement Approach to Quantify Strategic Business Value of IT Contribution ▪ 10 Rules for Rapid IT Spend Reduction

	Rule ↓	Implication / Consideration ↓	Recommendations ↓	Related Research ↓
3	Build two value narratives: one of Change and one of Run.	▪ The value of IT Run (operate) and Change (grow/transform) is perceived differently by stakeholders. ▪ Value measures for Run and Change should therefore differ. ▪ One initiative may cover impacts to both Run and Change — communications should highlight both the differences and the interdependencies.	▪ Measure Change spend with metrics such as ROI. ▪ Delivery of returns (benefits) should be owned by those receiving the benefit. ▪ Measure the value of Run spend through price for performance — strive for more performance at a better price.	▪ Divide Business Value of IT Conversations Into a Run Story and a Change Story ▪ How to Structure IT Like a Service Provider

	Rule ↓	Implication / Consideration ↓	Recommendations ↓	Related Research ↓
4	Measure IT's impact on stakeholders' objectives, not IT effort expended or resources consumed.	▪ Measure business outcomes, not IT work. ▪ The performance of systems, platforms and infrastructure are elements of IT production and do not represent quantifiable value to the business stakeholder.	▪ Document the desired/intended business outcome, as agreed to with your stakeholders. ▪ Measure IT's impact on mission or contribution to business outcomes. ▪ Avoid metrics that communicate effort, work or technical output.	▪ Use Digital-Outcome-Driven Metrics to Quantify the Business Value of Technology Investments ▪ Expert Insight Video: Building Metrics That Influence Business Decision Making ▪ Kick-Start Your IT Value Story With Metrics That Matter ▪ The CIO's Guide to Powerful Strategic Contribution

↓	Rule ↓	Implication / Consideration ↓	Recommendations ↓	Related Research ↓
5	Align IT costs to the business services they enable.	▪ Stakeholders will better understand IT's value when IT costs are linked to the business services and capabilities IT delivers. ▪ Costing parts or technologies does not support a value conversation. ▪ Value conversations must include both cost and benefit.	▪ Cost the value delivered at the business outcome level (e.g., cost per seat of an application or cost per transaction of critical business services). ▪ Include both cost and benefit in all project proposals to determine net value.	CIOs Must Master Multiple Views of Spend to Manage IT Finances ▪ Include Cost and Risk to Complete Business Value of IT Conversations ▪ Define Your Objectives Before Selecting Chargeback, Showback or Building an ITFM Cost Model ▪ Why, What and How Organizations Charge Back IT Cost ▪ Simplify and Depoliticize IT Chargeback Through Collaborative Governance

	Rule ↓	Implication / Consideration ↓	Recommendations ↓	Related Research ↓
6	IT value must be communicated in the language of the stakeholder.	▪ Use business language, not technical terminology and acronyms, when communicating IT's value. ▪ Value communication for business leaders should be clear, relevant, quickly understood and designed to enable decisions.	▪ Capture and respond to the stakeholder's need or pain in their language. ▪ Avoid deep dives into technology and platform capabilities. ▪ Translate value messaging into actionable insights that support critical business decision making.	▪ How to Communicate Value in the Languages of IT, Finance and Business Outcomes ▪ Value Stories to Tell About Your Digital Initiatives ▪ A CIO's Guide to Better Storytelling and Presentations ▪ How to Identify Metrics and KPIs to Measure IT's Business Value Contribution ▪

	Rule ↓	Implication / Consideration ↓	Recommendations ↓	Related Research ↓
7	Those funding IT (the economic buyer) must also understand the value and impact of IT to stakeholder objectives.	■ Finance and business leaders who fund IT must understand IT's value and impact on business outcomes, even when they are not the direct recipients of the value.	■ Engage economic buyers early in the value definition process. ■ Make spend justification and value definition a collective effort between IT and key stakeholders.	Use Digital Value Stories, Not Dull IT Dashboards ■ The Gartner Cost Value Matrix: Optimize IT to Fund Digital Business Acceleration ■ Case Study: CIO-CFO Partnership on IT Cost Optimization (Net4Gas)

Source: Gartner (April 2022)