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Executive Essentials: Demonstrate the Business Value of IT

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Demonstrating business value is vital for CIOs who want to communicate IT's relevance and impact on wider business outcomes. Thus, CIOs can elevate conversations about what IT does, from technical inputs and outputs, to how IT delivers real value to stakeholders' business priorities.

Analysis

Demonstrating IT's Business Value Is Key to Organizational Performance

Technology is increasingly intertwined with organizational performance, making it more important than ever to demonstrate IT's value. CIOs must be able to define and describe IT's activities in terms of business outcomes: How does IT enable the strategic agenda, helping the organization achieve its goals? Put simply, demonstrating IT's value is about making IT relevant to, and understood by, the wider organization.

Common issues facing CIOs include mandatory budget cuts, difficulty in securing funding or elevating IT's standing in the wider organization. They often have the same root cause: a failure to adequately measure and communicate value. While many C-suite executives can see the total (often considerable) amount being spent on IT, they struggle to understand exactly what they are getting for that money. In these circumstances, they will default to treating IT like a cost center: IT is effectively a cost to be managed down.

To succeed in this area, CIOs must be able to answer the three questions shown in Figure 1.

Figure 1: Three Questions to Help Demonstrate IT's Value

Three Questions to Help Demonstrate IT's Value

Source: Gartner
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Question 1: What Do My Stakeholders Value?

There is no one-size-fits-all definition of “value” for every organization. Different organizations and functional leaders will find value in different things or, at the very least, prioritize those things differently. But one thing remains constant: Value is always determined by the IT stakeholder or consumer, not by the provider or producer. CIOs must always bear in mind that value doesn't lie in the technology itself, but what the technology enables the business to do. Value comes from delivering business outcomes, which ultimately impact cost, risk or revenue (or mission value for nonprofit or government organizations).

The best way to understand what “value” means to stakeholders, is to ask them. CIOs should:

- Identify their specific stakeholder audiences.
- Understand and document the business outcomes that those stakeholders care most about.
- Document how success against those business outcomes is currently measured.
- Create a process for regular validation and revalidation of stakeholder value.
- Be prepared to change value messaging in line with changing business needs.

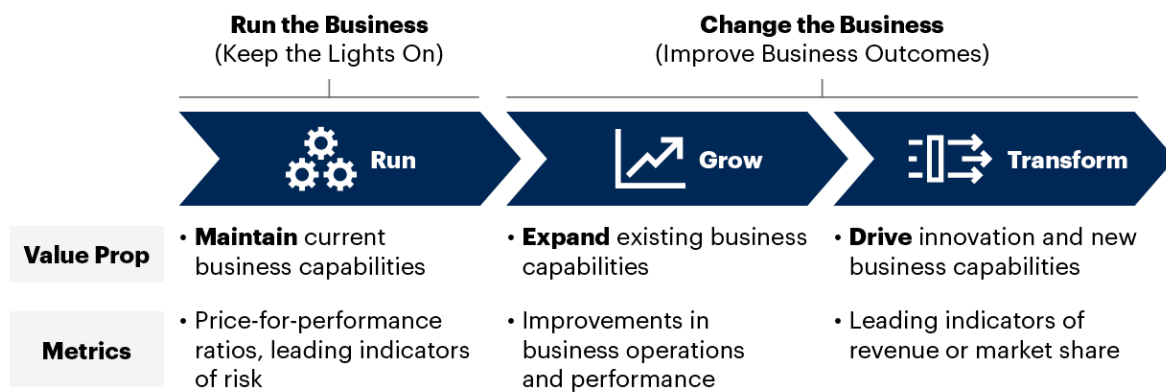
By doing this, CIOs can communicate how IT impacts those business outcomes and moves the needle on the metrics that stakeholders use to measure their own success.

Question 2: How Do I Build an IT Value Story?

To demonstrate value, CIOs must build a coherent narrative around IT spend. CIOs should start by differentiating their value stories into “Run” and “Change,” as shown in Figure 2.

Figure 2: Tell Run Value and Change Value Stories

Tell a Run Value and a Change Value Story



Source: Gartner
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The Run value story is largely one of value expected. Stakeholders “expect” their business processes or critical applications to be available 24/7. The value narrative here is about how maintaining high performance levels and sustaining the operational business facilitate business performance. IT adds value by removing friction between activities, making it easier for the business to operate faster, smoother and more efficiently.

The Change value story speaks to the value added through expanding existing capabilities and delivering new ones. In an increasingly digital world, technology’s importance to organizational success continues to grow. CIOs must be able to build a value story around how they go beyond simply “keeping the lights on.” They must demonstrate how they have prioritized and evaluated business demand to identify investments that will deliver the greatest value and enable business growth.

Question 3: How Can I Effectively Communicate Value?

CIOs often showcase value through monthly or quarterly dashboards shared with senior stakeholders. They must ensure that they tailor their communication to the audience and seize this opportunity. CIOs should use their dashboards to tell a concise, curated story that enables stakeholders to make actionable business decisions.

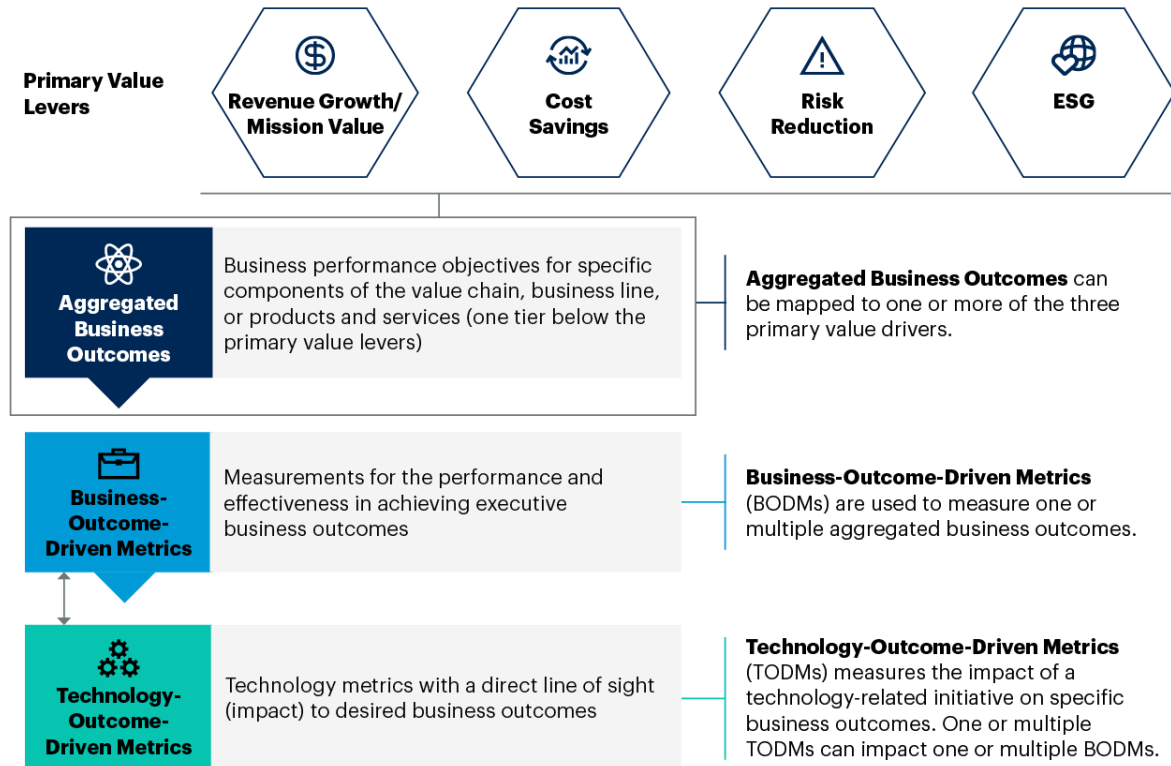
Metrics, used to back up the value story narrative, form a key part of effective business value communications. Many CIOs fail to communicate value, because they select and develop metrics that talk about technology, rather than business outcomes. These metrics talk to the *quantity* of technology delivered (for example, number of tickets resolved) or *how* technology is delivered (for example, number of bugs found in testing). To effectively communicate value, CIOs need to explain how resolving those tickets, or maintaining those systems, helped stakeholders achieve their goals and improved business outcomes.

Sixty-seven percent of all organizations say they work with key stakeholders to determine, define and validate value for the organization at least annually. But only 22% can turn that into a standardized process for mapping IT spend to business outcomes and KPIs. ¹

CIOs can create a metrics value hierarchy to ensure the metrics used align to the key performance indicators (KPIs) and metrics that their stakeholders care about (see Figure 3).

Figure 3: Metrics Value Hierarchy

Metrics Value Hierarchy



Source: Gartner
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The highest aggregated level of value is the almost universal primary value levers of revenue; cost; risk; and environmental, social and governance (ESG) commitments. CIOs have worked with their stakeholders to understand the organization-specific business outcomes that have the greatest impact on these primary value levers (see Question 1 above – “what do my stakeholders value?”) and must use these to effectively identify how IT impacts those outcomes.

Success in these critical business outcomes is measured by business-outcome-driven metrics (BODMs). CIOs should either document which BODMs their stakeholders currently use to measure their own progress, or work with them to define relevant BODMs if they do not exist. Finally, CIOs can then show how existing technology-outcome-driven metrics link into and, ultimately, impact, BODMs. Creating a metrics value hierarchy provides CIOs with a pathway from talking about technology performance, to how that technology impacted the business in a real, meaningful way.

Next Steps

CIOs can take these next steps:

- Identify the business metrics that matter to your stakeholders (see [Kick-Start Your IT Value Story With Business Metrics That Matter](#)).
- Tell the right value story (see [Divide Business Value of IT Conversations Into a Run Story and a Change Story](#)).
- Build a link between technology-outcome-driven metrics and business-outcome-driven metrics (see [Ignition Guide to Building Consensus on Business- and Technology-Outcome-Driven Metrics](#)).
- Create compelling and actionable dashboards that effectively communicate IT's value (see [Tool: IT Dashboard for Non-IT Executives and Hack Your Metric and KPI Dashboards by Answering 3 Simple Questions](#)).

Evidence

¹ IT Score for Strategic Cost Optimization, with 193 respondents.

Recommended by the Authors

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[Prioritize Digital Investments That Maximize Business Value](#)

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