

IT GOVERNANCE DOMAIN PRACTICES AND COMPETENCIES

**EXCERPT**

# Measuring and Demonstrating the Value of IT



**The IT Governance Institute\***

The IT Governance Institute (ITGI) ([www.itgi.org](http://www.itgi.org)) was established in 1998 to advance international thinking and standards in directing and controlling an enterprise's information technology. Effective IT governance helps ensure that IT supports business goals, optimises business investment in IT, and appropriately manages IT-related risks and opportunities. The IT Governance Institute offers original research, electronic resources and case studies to assist enterprise leaders and boards of directors in their IT governance responsibilities.

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Note: This publication is part of the IT Governance Domain Practices and Competencies Series from the IT Governance Institute. The titles include:  
*Information Risks: Whose Business Are They?*  
*Optimising Value Creation from IT Investments*  
*Measuring and Demonstrating the Value of IT*  
*Governance of Outsourcing*  
*IT Alignment—IT Strategy Committees*

*This excerpt, provided exclusively for free download, includes the executive summary and the succeeding chapter. The full table of contents is included so that readers can see the other topics covered in the book.*

# 1. Executive Summary

Measuring IT performance should be a key concern of business and IT executives as it demonstrates the effectiveness and added business value of IT. Many methods, tools and best practices exist to support these executives with the performance management responsibilities. Traditional performance methods such as return on investment (ROI) capture the financial worth of IT projects and systems, but reflect only a limited (tangible) part of the value that can be delivered by IT. The more sophisticated IT balanced scorecard (BSC) is an evaluation method that incorporates tangible and intangible values. It can be leveraged as a management system to enable fusion between IT and the business, and can also be an effective means for IT management to communicate with and report to the board and executive management about the business value of IT. Combining these practices with good IT portfolio management, which helps in achieving an optimal mix of projects, creates a solid foundation for a balanced IT governance approach in the organisation.

This briefing addresses the governance importance of IT performance management, discusses some methods, tools and best practices to support this, and provides benchmark data and insights into future trends.

**Measuring IT performance should be a key concern of business and IT executives as it demonstrates the effectiveness and added business value of IT.**

## 2. Governance Importance of IT Performance Management

**Getting business value from IT and measuring that value are, therefore, important governance domains.**

Investments in IT are growing extensively, and business managers often worry that the benefits of IT investments might not be as high as expected. The same worry applies to the perceived ever-increasing total cost of the IT department, without clear evidence of the value derived from it. This phenomenon is called the ‘IT black hole’: large sums go in, but no returns (seem to) come out.

Getting business value from IT and measuring that value are, therefore, important governance domains.

They are responsibilities of the business and IT and should take both tangible and intangible costs and benefits into account. In this way, good IT performance management should enable the business and IT to fully understand how IT is contributing to the achievement of business goals, in the past and in the future. Or, in other words, measuring and managing IT performance should provide answers to questions such as:

- If I spend extra funds on IT, what do I get back?
- How does my IT benchmark against competitors?
- Do I get back from IT what was promised?
- How do I learn from past performance to optimise my organisation?
- Is my IT implementing its strategy in line with the business strategy?

This concludes this excerpt. If you wish to read the entire volume, please return to the IT Governance Institute web site, [www.itgi.org](http://www.itgi.org), and click the links provided for the book. The sale of hard copy and e-books is handled through the ISACA Bookstore, [www.isaca.org/bookstore](http://www.isaca.org/bookstore). ISACA members may download the book for free; nonmembers may purchase an e-book or hard copy book for a minimal price. Thank you for your interest in IT Governance Institute’s research. We hope you have enjoyed this excerpt, and we encourage you to review the excerpts of the other publications in this five-volume series as they are released. And, if you have not already, we invite you to view ITGI’s many (complete) research publications available for free download from the site. A list, with links, is available on the About ITGI—Recent Publications page.