

## The Business Value of IT

Audrey L. Apfel

Understanding the value created from IT requires the introduction of business-relevant measurement approaches, unravelling the chaos around intangible assets and the development of a global economic context for IT.

## ANALYSIS

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So many questions are swirling around the world of IT today relating to the “real value of IT.” To have a complete view of value creation as related to IT, three overarching questions must be addressed — how do you determine the real value of IT?, what’s all the fuss about intangible assets and intellectual capital, and what’s that got to do with valuing IT?, and what effect does IT really have on the global economy? This Special Report presents our latest research findings, decision frameworks and methodologies in each area.

### **What is the business value of IT and why has it been so elusive?**

Our clients are saying, “I know what I paid, but what did I get?”, “I see what I am being asked to pay, but how do I know I will get the value projected in the business case?”, and “I thought the business case I built was complete and credible, but the business executives didn’t see the value.” The first section of this Special Report dives into the “Elusive Business Value of IT,” and shows you how to go after the right opportunities, and capture and measure the value in the ways that are important to the business. This section includes an overview of “The Total Value of Opportunity Approach,” Gartner’s methodology that uses the traditional language of business — standard metrics, total cost, risk and time — to create “language alignment” between the business and IT.

### **How does IT help leverage intellectual capital?**

In the Western world’s post-industrial economy, it has become difficult to evaluate companies without taking into account intangible assets. Intellectual capital, in particular, is an important consideration in valuing companies, and one greatly affected by IT. “How IT Helps Leverage Intellectual Capital” is the guide to this evolving and important area. Included in this section is “A Taxonomy of Intellectual Capital,” in which we discern the underlying elements of intellectual capital. Other features discuss IT’s role in further detail, and how it impacts the business value through its affects on the people and the processes IT enables.

### **What effect does IT really have on the economy?**

Just a few years ago, IT was hailed as a vital component of the “new economy” and the “information revolution,” transforming the way we live and work. The dominant theory was that IT was a major factor in economic growth and rising productivity. However, now the contribution of IT to economic growth is being questioned. The lead report in this section, “IT and the Economy Are Experiencing Growing Pains,” confronts this issue. Additional reports in this section include compelling arguments on the proper role of IT in the global economy (“IT Provides A Toolkit for Economic Growth, Not the Engine”), and effects on productivity (“Productivity and the Noneconomic Dimensions of Output”).

Our team of analysts, led by Paolo Magrassi, has succeeded in bringing fresh insights and practical approaches to an increasingly important area of business-technology interaction. Let us know what you think.

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Special Report

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