



IT EFFECTIVENESS SURVEY OF  
HOT GROWTH COMPANIES

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## SURVEY PROFILE

IMS contacted the CFO's of the 100 "Hot Growth Companies" recently named in Business Week. The purpose of the survey was to gain their insights on how well the IT organization is supporting the growth of the business. The topics covered in the survey included IT Leadership, Best Practices, Investment Value Ratio, Service Satisfaction, Project Delivery and Systems Flexibility.

## SUMMARY OF RESULTS

### **IT Leadership**

The perception among the CFO community in these hot growth companies is that IT objectives are well defined, IT resources are properly leveraged to meet the business objectives, and there is appropriate involvement of senior management and the user community is setting IT priorities. The use of performance measurements to assess IT effectiveness is not a common practice among this CFO group.

Only one-third of the participants indicated that IT leadership is represented in the business planning process. This lack of participation could relate to the fact that only 38% of the CFO's rated IT as being a "significant" source of competitive advantage to their enterprise. IT not being involved in planning and setting business direction indicates that their role can only be reactionary, not visionary.

### **Best Practices**

Although 77% of the CFO's interviewed perceived their IT functions demonstrated best practices – it is rarely benchmarked against other IT organizations.

In addition to using benchmark data, the Capability Maturity Model (CMM) is another method to assess and improve IT effectiveness. None of the CFO's surveyed were familiar with CMM.

### **Investment Value Ratio**

In this group of hot growth companies, IT spending does not appear to be closely scrutinized. There is a low degree of understanding about the IT cost to business value ratio, and industry data is not used as a basis for comparison.

### **Overall Service Satisfaction**

Clearly established Service Level Agreements are a good practice to set user expectations and measure IT service. Only 23% of the companies surveyed indicated that Service Level Agreements were established, clearly written, and communicated with functional departments. This partially explains why 38% of the CFO's did not favorably rate the support they received from the IT organization.

### **Project Delivery**

The vast majority of CFO's indicated the users are "very much" involved in development projects and software evaluation efforts. However, 40% of the projects were not completed on time and within budget. Sound and consistently followed project management practices are key to project success.

### **System Flexibility**

61% of the CFO's indicated that IT responds quickly to business changes. The fact that most IT functions do not uncover new technologies that enhance competitive advantage hinders hot growth companies in the adoption of leading technologies.

## DETAILED FINDINGS AND CHALLENGES

### IT Leadership

Question	Detailed Finding
Is IT recognized as a current source of competitive, cost or services differentiation in your enterprise?	Only 38% of the CFO's interviewed rated IT as being a "significant" source of competitive advantage to their enterprise
Is IT involved in the business planning process?	Only 38% also indicated that IT is actively involved in the business planning process for the company
Does senior management play an active role establishing IT priorities?	In nearly 70% of the companies surveyed, senior management participates in setting IT priorities
Are end users involved in prioritizing IT activities?	62% of the users of IT services help prioritize the IT activities for their business groups
How well are IT objectives/deliverables clearly defined and communicated?	54% of the CFO's surveyed believe that IT objectives and deliverables are clearly defined and communicated
How well are IT resources properly leveraged to achieve business objectives?	77% of the respondents believe that IT resources are properly leveraged to achieve business objectives
How well do the skills and levels of IT meet the challenges of the business?	Nearly 70% of the participants responded that the skills and levels of IT staff are appropriate to meet business challenges
Do you use performance measurements to assess IT effectiveness?	Less than 20% of the respondents indicated that performance measurements are in place to routinely assess IT effectiveness

### Challenges

*How can IT become part of the business planning process and what role should they play?*

*What types of metrics should be established to routinely assess IT effectiveness?*

*How do you position IT to become a source of competitive advantage?*

### Best Practices

Question	Detailed Finding
Is IT benchmarked against other IT organizations?	54% of the CFO's stated that IT is never benchmarked against other IT organizations
How would you rate your IT shop for demonstrating best business practices?	However, most CFO's (77%) indicated that their IT shop demonstrates best business practices
Are you familiar with Capability Maturity Model (CMM)?	No one surveyed was familiar with the Capability Maturity Model, which is a method of continually assessing IT effectiveness

### Challenges

*How do you insure that your business is benefiting from the IT organization following best business practices?*

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### Investment Value Ratio

Question	Detailed Finding
How well is the IT cost/business value ratio understood?	92% of the CFO's interviewed believe that the IT cost to business value ratio is only "somewhat" or "not at all" understood
How frequently do you look at your IT costs and compare them to industry standards for your type of business?	Less than 20% of the respondents routinely compared their IT costs in industry standards
What percentage of your applications staff is absorbed into maintaining systems versus developing new ones?	Of the companies surveyed, only 35% of the Applications staff is working on new systems development projects

### Challenges

*What types of industry costs should you gather to measure and compare your investment to business value?*

*How do you determine what the mix should be between maintenance and new development activities?*

### Overall Service Satisfaction

Question	Detailed Finding
How would your IT clients rate the support they receive?	62% of the CFO's favorably rated the support they receive from the IT organization
How would you rate Service Level Agreements in regard to being established, clearly written and communicated to users to manage their expectations?	Only 23%, however, indicated that Service Level Agreements are established, clearly written, and communicated with users
Does the amount of systems downtime affect your productivity?	Systems downtime rarely impacts productivity
How would you rate the availability of relevant and timely business information to support management decisions?	46% of the CFO's positively rated the availability and timeliness of business information they receive to support decisions

### Challenges

*Would Service Level Agreements add value to your organization and how do you establish that type of contract?*

*Do you warehouse the right business information and have adequate access to that data?*

### Project Delivery

Question	Detailed Finding
How involved are end users in application development projects and/or the evaluation of software packages being considered to purchase?	85% of the participants indicated that users are "very much" involved in development projects and software evaluation efforts
What percentage of time are IT projects completed on time and within budget?	Of the companies surveyed, 60% of IT projects are completed on time and within budget
What percentage of time do unsuccessful IT projects cause business disruption?	Only a small percentage of unsuccessful projects (10%) cause business disruption

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### Challenges

*Are your project management practices “world class” and are they consistently followed?*

*Do the number of concurrent projects merit establishing a Program Office function?*

### System Flexibility

Question	Detailed Finding
Are you satisfied with how quickly IT responds to changing business requirements to allow you to remain competitive?	61% of the CFO's indicated that IT responds quickly to business changes
To what extent does IT surface new technologies that enhance your competitive edge?	Only 23% of respondents said that IT is instrumental in surfacing new technologies that provide a competitive edge

### Challenges

*Have you established an IT strategy that clearly aligns IT with the direction of your business?*

## MAXIMIZING THE VALUE OF YOUR INFORMATION TECHNOLOGY INVESTMENT *OR* THE IMS ADVANTAGE

You may not be getting the full business value from your investment in information technology. You may need a sound strategy for making the most of a merger or acquisition. You may be under pressure to streamline your business processes to meet rising customer expectations. You may want to capitalize quickly on the potential of the Internet and other market-changing technologies. And in the tight market for IT expertise, you may need to augment your internal resources to retain your competitive edge.

IMS can provide you with exactly the expertise you need to align your information services and technology with your business priorities and growth opportunities. We work side by side with your people to create the high-performing, service-focused information infrastructure you must have.

Our approach is flexible, our services include:

- **Value-Based Business Process Improvement** – to optimize your investment of money, time and people; to strategically align processes and critical objectives; and to improve the value contribution of business processes
- **IT Planning** – to make sure your organization has the resources and skills to generate the highest business value
- **Software and System Selection and Integration** – to give you the optimal combination of purchased and customized tools
- **Project Management** – to instill the standards, skills and best practices for streamlined project completion
- **Runaway Projects** – to gain control of projects the are over budget and significantly behind schedule

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- **Project Office Design** – to coordinate, support and upgrade project management in a multi-project environment, for improvement in meeting time, cost and quality targets
  - **IT Performance** – to optimize your investment in information given business requirements and objectives
  - **Best Practices** – to ensure that your IT function benefits from best IT practices
  - **Outsourcing the IS/IT Department** – to allow you to focus on your core business while IMS manages the information function, usually with no increase in the IS budget

## WHO WE ARE

Since 1988, IMS has specialized in fast growth companies and companies under new management. Our industry leading professionals works with businesses that need significant improvements in IT capabilities or a complete IT turnaround, domestically and/or worldwide. The IMS team has extensive executive level experience in Fortune 500 companies in diverse industries.

IMS' core capabilities focus on retail, direct sales, consumer goods, and business services industries. Additionally we work with the private equity community performing due diligence and assisting in complete IT turnarounds. We partner with companies at the executive level to insure processes, IT strategic and implemented solutions are business driven and aligned with critical business objectives. IMS is based out of California and the New York tri-state area.

We Understand Business.

Leverage Technology.

Get Results.

