



Chapter XXVI

IT-Business Strategic Alignment Maturity: A Case Study

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EXECUTIVE SUMMARY

Both information technology (IT) and business leaders are continually looking for management practices to help them align their IT and business strategies. Alignment seems to grow in importance as companies strive to link IT and business in light of dynamic business strategies and continuously evolving technologies. Importance aside, what is not clear is how to achieve and sustain harmony among business and IT, how to assess the maturity of alignment, and what the impact of misalignment might be on the firm. This case study describes the use of a management process and assessment tool that can help to promote long-term IT-business strategic alignment. The Strategic Alignment Maturity (SAM) assessment (Luftman, 2000) is used as a framework to demonstrate the evolution of an international specialty chemicals manufacturer's IT-business alignment practices to enable the achievement of their corporate goals. Major insights from their experience and SAM best practices are highlighted.

ORGANIZATIONAL BACKGROUND

The organization discussed in this case study is an international specialty chemicals developer and manufacturer. From here on, this organization is referred to as the 'Company'. Except where noted, the content is adapted from documents and interviews internal to the organization.

Specialty chemicals are chemicals that are added during the blending process of finished products which enhance the products' performance, appearance, or some other quality. At the initial time of this case (May 2001), the global specialty chemicals market was valued at around \$76 billion and consisted of approximately 40 market segments.

The specialty chemical industry and the company have several notable external influences and competitive threats:

- a weak global economy resulting in decreased demand for specialty chemicals;
- highly volatile currency exchange rates have an adverse effect on profitability margins; and
- high growth market potential in Asia but increased competition from Asian suppliers.

The company's customers range across many industries from automotive, electronics, plastics, coatings, petrochemicals, paper and mining, to textiles for fashions and the home, to wide-ranging products for hair and skin care. Specialty chemicals are frequently made-to-order for a customer's specific manufacturing requirements and often are patented; this may result in increased switching costs to the customer due to limited substitution of alternative products. This usually necessitates a close relationship between the specialty chemicals provider and their customer.

The company generated sales of around \$5.4 billion in 2001 and employed over 20,000 people worldwide, with sales in 117 countries, 58 production sites in 29 countries, and research centers in 10 countries. The company's merger and acquisition activity as well as their global expansion from their European headquarters into countries all over the world had resulted in multiple and duplicate IT infrastructures throughout the organization.

At the end of the case time frame (July 2003), after the implementation of the "Aligning for One" business program, the company was well positioned to launch the next phase of their business strategy, the "Aligning for Growth" program. The effect of the "Aligning for One" program resulted in headcount reductions down to about 18,500 people worldwide (Figure 1), with sales in 120 countries, 60 production sites in 23 countries, and research centers in 11 countries. The company's free cash flow increased by 50%, their cash and cash equivalents doubled, and their net debt was cut by more than half (Figure 2).

SETTING THE STAGE

A New Business Strategy Program: Aligning for One

On the heels of the company's collapsed merger plans and less than expected returns from a major acquisition of a chemical treatment business, Chairman of the Board Alvin Joseph (a pseudonym) took over as chief executive officer (CEO) in early 2001, with

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