



ITT reaches higher with restructuring

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There is nothing new about companies reorganizing. Structures seem to be cyclical. You're customer-facing for a few years, and then you're structured around lines of business, or technologies or solutions.

One of the latest organizational trends is the matrix, where you have vertical lines of business built around customers and then horizontal organizations built around technologies or other offerings that stretch across the vertical structure.

But what ITT Corp. announced this week is something different. Its restructuring is about moving the company in a new direction by having its services and solutions business take center stage.

That doesn't mean the company is de-emphasizing its substantial product business. Instead, part of making services and solutions the focal point involves integrating its products and making them smarter by getting them to work together, said David Melcher, president of the new ITT Defense and Information Solutions.

Consolidating seven business units into three units will make ITT more efficient and will allow it to pursue larger and more complex systems integration and engineering contracts.

Not that the company wasn't already chasing big contracts, but there were unneeded hurdles under the old structure, according to Melcher.

For example, for ITT to win the \$1.8 billion FAA Automatic Dependent Surveillance – Broadcast contract in late 2007, it had to cobble together capabilities from across the company, he said.

To pursue and win more of these large systems integration and engineering project, ITT needed a new structure. A patchwork approach wouldn't work. Too many related capabilities were scattered around the company. For example, electronic jamming work was being done in three different units. The same held true for intelligence fusion work, Melcher said. Now related work is consolidated in the same unit.



ITT What I find interesting is that ITT has recognized that despite its size and success, the company has to provide more than point solutions. It has to be in a position to bring its customers a more holistic solution to their problems.

First, this is what government customers increasingly want, and second, and perhaps more important, is that if ITT wants to control its destiny and “own” its customers, it has to move upstream and be a solutions-first company. It can’t lead with products.

ITT isn't the first company to recognize this. It is part of an ongoing wave, particularly as the technology industry matures.

Lockheed Martin and Northrop Grumman have made similar moves in recent years by consolidating major divisions. Lockheed Martin created its Information Systems and Global Services sector in 2007 by combining several divisions. Northrop Grumman merged its Mission Systems and Information Technology sectors into a single organization in early 2009.

I’d argue, too, that Hewlett-Packard’s acquisition of EDS, as well as Dell’s purchase of Perot Systems, was driven by the recognition that the value customers are looking for from their contractors doesn’t come in a box. It comes from the contractor understanding the mission and the problems the customer faces in meeting that mission.