CASE STUDY – Group Exercise 2

Part A. Read the information about Alltech on the next page and the answer the following questions:

Q1. What does Alltech do?

Q2. What are the core components of the Alltech business?

Q3. How does Alltech position itself in the market against competitors?

Q4. Why did Alltech MIS development ignore alignment with the business strategy? (Quote: alignment is not one of them).

Q5. In what ways did information system and information technology help improve Alltech performance?

Part B. For strategic planning answer the following generic analytical questions. The company below refers to Altech.

QSP-1. What business is the company in? What is it related but not in?

QSP-2. What value does the business provide to the customer?

QSP-3. What are the most important issues facing the business?

QSP-4. What are the apparent problems?

QSP-5. Are the apparent problems the real problems or only symptoms of the real problems?

QSP-6. Your recommendations. On first reading what do you think the company should do?

QSP-7. What are the possible problems you anticipate will arise with your suggested recommendations?

QSP-8. What are the characteristics of the environment that the company operates in?

QSP-9. What are the characteristics of the industry that the company is in?

QSP-10. How does the company compare with other similar companies?
Ignoring Alignment, and Making IT Work, Anyway

Sometimes the most successful technology implementations have nothing to do with alignment.

That's a difficult idea to swallow these days for CIOs who live by the credo that if you're not directly helping the company achieve its strategic aims—higher market share, revenue, profits or whatever—you're irrelevant. But Timothy Arthur, global director of MIS at Alltech Biotechnology, readily takes the opposite point of view, even as he spends more than $1 million a year on new technology.

"We're not aligned with the business," Arthur says. "We're complementing it."

That's worth a mint in itself to Alltech. The Lexington, Ky.-based company is the No. 1 manufacturer of naturally developed animal-feed additives, a distinction it owns, in part, because it is also one of the very few companies in the business. A more accurate way to gauge Alltech's performance would be to examine the combined natural and synthetic animal-health market—an $8 billion to $10 billion industry that also includes antibiotics manufacturers. In that business, Alltech, which competes against pharmaceutical giants such as Pfizer Inc., BASF AG and Bayer AG, is a distant 18th.

To compete against such large, deep-pocketed companies, Alltech, with $212 million in 2004 revenues, has to be agile. This means making dozens of sales calls a month to convince customers that, for instance, Alltech's natural selenium (which promotes growth in pigs, poultry and cattle) is a safer and better-working alternative to something cooked up in a chemical factory. And it means—if a country is going through a lengthy drought, for example—determining which minerals local animals are likely to be lacking, and then quickly pouring enough Alltech products into the market to fill the need.

"We're expected to turn in a heartbeat and decide where to go to market our products and which products belong in which markets," says Aidan Connolly, Alltech's vice president in Europe. "The more customers we get in front of, and the more time we spend measuring the markets for what's needed the most, in virtually real time, the more successful we'll be."

Until recently, these essential activities were hindered by the company's wayward technology strategy. Alltech has offices in 85 countries, with factories in 14 of them, and each outpost had been responsible for its own technology scheme—everything from e-mail to accounting to plant automation. For a company whose mantra could well be "Think Globally, Act Locally," this decentralized setup failed on both accounts.
Connolly recalls a trip he made to Russia some years back, when he couldn't plug in his computer because the hardware systems there weren't the same as in his home office in London. Essential data he needed wasn't available, and the trip was an expensive waste of time.

"We couldn't allow that situation to persist," Connolly says. "We were paying a high price. Technology should be the connective tissue at a company, not a disruptive force."

MIS Global Director Arthur's solution was to centralize—and quickly. In one audit, Arthur was astonished to find that Alltech had as many as 30 standalone accounting systems around the world, on five different hardware platforms. So he tackled that problem first. A little over two years ago, he installed an ERP system in the company's Lexington headquarters, and began connecting each office to it via the Internet. The entire project—involving 83 locations at the time—took less than 18 months, and since then, as the company opened new sites, Arthur linked each one into the network in as little as two weeks. Financial management was the first application, but new ones—CRM, business analytics, warehouse management and EDI—have followed.

The program has generated impressive returns for Alltech, but alignment is not one of them. The project was never designed to directly drive the performance of the company's strategic mandate, which is to increase worldwide sales to $1 billion by 2011. Instead, Arthur undertook the effort in order to fulfill a broader mission. He wanted to reset the corporate technology infrastructure to permit long-term organizational flexibility and deflect stagnation, whether the company is focused on sales, earnings, cost cuts, opening fresh markets or developing new products. In other words, no matter how the strategic currents change.

"ROI isn't all that important; that's not how we work," Arthur says. "And there's no one specific or discrete reason for the project, either, or a certain series of benchmarks that we expect to deliver. We try to avoid over analysis, because then you never accomplish anything. In this case, it was clear to me and the other managers that we had to remake the core of our technology system, or we would remain 80-plus different companies with no efficient way to interact. Intuitively, it was obvious that was the wrong way to be, and it was harming the company."

Technology gridlock was so pronounced at Alltech that breaking it brought immediate benefits, and that convinced Alltech's executives they had made the right decision. The cost savings and productivity gains were the most obvious payoffs. Producing quarterly reports used to take the company 45 days, during which time dozens of employees from each office typed in data that was then sent to corporate headquarters, where it would be compiled. Now, because financial data is entered once in Alltech's network, automatically refreshed as conditions change, and stored in the central database, this process can be accomplished in a third of the time.

Managing a centralized system has also allowed Arthur to maintain a lean IT staff of 25 employees who support more than 1,700 users worldwide—something Arthur knew would have been impossible if the company's revenues continued to grow almost 20 percent a year. And he has been able to cut in half the number of software contracts the company is paying for by switching users over to concurrent licenses, saving on the need to purchase additional licenses.
Although alignment was not a conscious decision, the technology has nonetheless begun to generate improvements in the company's strategic initiatives, and more are expected over the next few years. Tactical gains can still be enjoyed from a new system that produces more general, but universal, improvement.

In Alltech's case, with their data management responsibilities eliminated, local staffers are starting to spend more time on sales calls, the lifeblood of the company. European Vice President Connolly says that the increase in calls has been incremental thus far, but before long he hopes that salespeople will be visiting as many as 25 customers a week, up from 15 before the centralized network was installed. And he expects salespeople to use new applications currently being installed at corporate headquarters in Kentucky to continually communicate with customers even when they're not meeting them face to face.

"I want them to use WaveMail [voice-recognition e-mail] to dictate messages to customers as they're driving, and to send customers a constant electronic barrage of letters, research reports, scientific papers, data, blogs and anything else that can support our point of view," Connolly says. "Our customers want to make decisions about our natural products based on scientific evidence, and we need to use our technology to keep our point of view in front of them at all times, persuading them that we're better than the more established competition."

Alltech may downplay alignment, but, at the same time, technology analysts are increasingly willing to reframe what alignment means. "The word alignment is somewhat of a defensive term, which seems to indicate that IT departments are disconnected from the company's operations in the first place," says Laurie Orlov, a research director at Forrester Research Inc. "But IT projects should be looked at in a different light now. IT departments should always be focused on improving revenue, aiding innovation, helping marketing and sales, increasing efficiency. If they do that, then they will always be linked to the corporate strategy, even if they don't specifically intend to be."

Alltech may not be going against the grain after all.
ALLTECH BIOTECHNOLOGY – BRIEF

President Dr. Pearse Lyons

Global Director MIS Timothy Arthur

Revenues $212 million (fiscal 2004)

3-year revenue growth 17.4%

3-year net income growth n/a

IT Budget 8 million

Discretionary IT Spending $1 million

Total Employees 1,700

IT Staff 25

Growth Strategy Alltech hopes to meet its long-term revenue goal of $1 billion by 2011, by taking market share from established synthetic feed additive companies, by responding more quickly to fast-moving local market conditions—such as droughts and local mineral deficiencies—and by expanding its global penetration.

The Bottom Line Newly centralized technology operations allow salespeople at 80-plus offices worldwide to avoid being distracted by administrative tasks, and instead pursue revenue opportunities.