IT Challenges in M&A Transactions: The IT Carve-Out View on Divestments

Carve-outs belong to the most disruptive events companies are subject to. Yet the impact of these events on the IT alignment of the involved business units is largely unknown. This paper utilizes an alignment model to analyze specific IT-related challenges of divesting a strategic business unit (SBU). Hereby it focuses on the functional alignment between business strategy and IT at SBU level as well as on the organizational alignment between corporate and SBU. Based on five in-depth case studies of carve-outs taken place between 2004 and 2008, IT related challenges could be identified due to interdependent SBU information systems, a lack of IT governance, changing strategic scopes and the inability to preserve competencies. Dynamic capabilities were discovered as possible determinants for carve-out success. Carve-out management teams can utilize the analytical framework to make a SBU carveout ready, to guide IT due diligence and to prioritize IT issues.

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