CASE STUDY: ITT CORPORATION $92M ENTERPRISE SEPARATION

Zero-Downtime Migration of 57,000+ Employees Across 31 Countries

EXECUTIVE SUMMARY

Challenge: Separate integrated IT infrastructure supporting a Fortune 500 conglomerate into three independent publicly-traded companies (ITT Corporation, Exelis Inc., Xylem Inc.) without disrupting operations across 31 countries, 132 locations, and 57,000+ employees.

Solution: Led comprehensive IT infrastructure separation program, migrating 500+ servers and 50+ enterprise applications with zero downtime during October 31, 2011 distribution date.

Results:

- ✅ 100% uptime during live cutover (October 31, 2011)
- ✅ 500+ servers migrated with zero business disruption
- ✅ 3 independent IT platforms established (each $8B+ revenue)
- ✅ $1.25B debt elimination facilitated through clean separation
- ✅ $2.15B pension obligations successfully transferred
- ✅ 17% segment operating income growth post-transformation
- ✅ Full regulatory compliance maintained across all entities

BACKGROUND: THE ITT TRANSFORMATION

Company Context

ITT Corporation was a global diversified manufacturing and fluid management company founded in 1920, operating across three major segments:

1. **Fluid & Motion Control** (later ITT Corporation after spin-off)
2. **Exelis** (Defense, security, and aerospace technologies)
3. **Xylem** (Water and wastewater solutions)

By 2011, ITT operated across 31 countries with 132 locations and 57,000+ employees generating $8B+ in combined annual revenue.

The Strategic Decision

In December 2010, ITT's Board of Directors announced the company would separate into three independent publicly-traded companies, each focused on distinct markets:

- **ITT Corporation** - Fluid and motion control for industrial/municipal markets
- **Exelis Inc.** - Defense and security technologies
- **Xylem Inc.** - Water technology and solutions

Separation Date: October 31, 2011 (10 months to complete)

The Challenge

Unlike typical corporate spinoffs, this was one of the largest separations in manufacturing history:

- Completely **integrated financial, operational, and technological systems** required full separation
- Zero tolerance for operational disruption on cutover date
- 57,000+ employees across 31 countries needed uninterrupted access
- Regulatory compliance (Sarbanes-Oxley, financial reporting) had to be maintained immediately post-separation
- Multi-billion dollar debt and pension obligations needed clean handoff between entities

THE PROBLEM: INTEGRATED IT INFRASTRUCTURE

Pre-Separation IT Environment

Before separation, ITT operated as a single integrated entity:

Shared Infrastructure:

- Unified data centers (3 major: US East, US West, EMEA)
- Consolidated network backbone connecting all 132 locations
- Single ERP system (SAP) serving all three business segments
- Integrated email, authentication, file sharing (Exchange, Active Directory)
- Common CRM, supply chain, and HR/payroll systems
- Shared security infrastructure and compliance frameworks

Dependencies Between Divisions:

- Financial systems processed transactions across all three entities
- HR/payroll couldn't distinguish between employee records by segment
- Supply chain optimized for integrated procurement across all divisions
- Customer data and contracts entangled across business units

The Risk:
Any mistake during separation could paralyze operations across three Fortune 500 companies on Day 1 of independence.

THE SOLUTION: $92M INFRASTRUCTURE SEPARATION PROGRAM

Program Structure

Timeline: December 2010 - October 31, 2011 (10 months)
Budget: $92M
Team Size: 15+ senior engineers + cross-functional stakeholders
Governance: Executive steering committee + weekly status reviews

PHASE 1: ANALYSIS & PLANNING (Dec 2010 - Jan 2011)

Objective: Map all dependencies and create detailed separation blueprint

Key Activities:

1. **Infrastructure Mapping**

- Documented all 500+ servers across global operations
- Identified physical data center locations and capacity allocation
- Mapped network architecture across 31 countries
- Listed 50+ enterprise applications and their dependencies

2. **Data Dependency Analysis**
   - Analyzed shared database structures (SAP, CRM, HR systems)
   - Identified cross-segment transactions requiring segregation
   - Mapped regulatory compliance requirements for each entity
   - Documented security architecture and access controls

3. **Risk Assessment**
   - Identified 47 critical systems with dual-segment dependencies
   - Flagged 12 applications requiring custom development for separation
   - Documented compliance risks (SOX, data residency, industry-specific)

Deliverable: 200+ page separation blueprint with detailed runbooks for each system

TECHNICAL ARCHITECTURE

Post-Separation (3 Independent Companies)

ITT Corporation

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Data Centers: 2 (US East primary, backup in Mexico City)
Network: Global frame relay + MPLS (US/Mexico focused)
Servers: 150+ (manufacturing, ERP, CRM, financial)
Applications: SAP, Salesforce, Ariba (supply chain)
Users: 18,000+
Locations: 12 countries
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Exelis Inc.

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Data Centers: 2 (US West primary, US East backup for disaster recovery)
Network: Enhanced security backbone (DoD-compliant)
Servers: 180+ (defense contracts, secure systems, analytics)
Applications: SAP, defense-specific ERP, secure communications
Users: 16,000+
Locations: 18 countries
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Xylem Inc.

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Data Centers: 2 (EMEA primary, US backup)
Network: Global infrastructure (priority on emerging markets)
Servers: 170+ (water treatment operations, field service, SCADA)
Applications: SAP, mobile field service (40+ countries), SCADA integration
Users: 23,000+
Locations: 22 countries
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BUSINESS IMPACT

Financial Impact

- **Enabled Separation:** Allowed three companies to be independently valued and traded
- **Debt Elimination:** ITT Corporation able to eliminate $1.25B in debt post-separation
- **Pension Transfer:** Successfully transferred $2.15B in pension obligations to appropriate entities
- **Valuation:** Combined market cap of 3 companies post-separation: $25B+ (vs. pre-separation ITT valuation)

Stock Performance (5-year post-separation)

- Xylem: +185% (strong water infrastructure demand)
- ITT: +120% (industrial recovery)
- Exelis: Acquired by Harris Corporation (2015) for $4.75B premium

CHALLENGES & SOLUTIONS

Challenge 1: Data Entanglement

Problem: 8 years of financial transactions, customer records, and inventory records were completely intermingled in shared systems.

Solution:

- Built custom algorithms to assign transactions to correct legal entities
- Hired external auditors to verify data accuracy (99.97% confidence level)
- Created backup/restore procedures in case of data issues
- Tested full restoration 5 separate times

Result: Clean data separation with zero financial errors

Challenge 2: Network Complexity Across 31 Countries

Problem: Separating network traffic while maintaining connectivity to 132 locations across different telecom providers and compliance regimes.

Solution:

- Mapped BGP routing for each region independently
- Negotiated new carrier agreements for each entity's network backbone
- Created redundant connectivity (each company had backup providers in key regions)
- Tested network failover scenarios in each geographic region

Result: 100% network uptime, zero connectivity disruptions

Challenge 3: Regulatory Compliance Across Jurisdictions

Problem: Ensuring data residency, tax compliance, and regulatory requirements across 22 different countries with varying data protection laws.

Solution:

- Conducted compliance audit in each region (tax, data privacy, industry-specific)

- Positioned data centers to meet data residency requirements
- Created compliance monitoring dashboards for each entity
- Established regulatory reporting for each company (separate from Day 1)

Result: Zero compliance violations post-separation

PROJECT METRICS

Metric	Target	Actual	Status
Cutover Uptime	99.9%	100%	✅ Exceeded
Data Accuracy	99.9%	99.97%	✅ Exceeded
Server Migration	500+ servers	507 servers	✅ On Target
Application Testing	50+ applications	52 applications	✅ Exceeded
User Productivity	100% within 4 hours	100% within 2 hours	✅ Exceeded

CONCLUSION

The ITT Corporation separation successfully separated a global conglomerate with 57,000 employees across 31 countries into three independent Fortune 500 companies with **zero operational disruption**.

Key Achievement: Delivered 100% uptime during live cutover on October 31, 2011, enabling three companies to begin independent operations immediately.

Business Outcome: Post-separation, three companies achieved combined market cap of $25B+, with Xylem alone achieving 185% stock appreciation over 5 years through focused water technology strategy.

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