

International Flavors & Fragrances: Where Should Shared Capabilities Live?

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A portfolio in motion

On August 4, 2026, International Flavors & Fragrances Inc. (IFF) reported its second-quarter results and described a company with a changing portfolio. The company had sold its Pharma Solutions and Nitrocellulose businesses in May 2025. It had completed the sale of Soy Crush, Concentrates & Lecithin (SCL) in March 2026. A sale agreement for most of Food Ingredients to funds advised by CVC Capital Partners remained pending, and a separate agreement to sell selected botanical, vitamins-and-minerals, and food-enhancement activities had been announced in July.

These changes narrowed the company's continuing portfolio to three reportable segments: Taste, Health & Biosciences (H&B), and Scent. Yet IFF still described a broad set of innovation, consumer-insight, research, regulatory, and application-development capabilities. Which of those capabilities should be shared across the remaining businesses, and which should remain close to their segment customers and technical work?

For this teaching exercise, assume you have been asked to advise IFF's senior leadership on the operating model for those capabilities. This is a hypothetical assignment; IFF had not publicly announced such a review by the information cutoff. Your recommendation should address decision rights and coordination as well as the rationale for sharing or specialization. The case provides no estimate of potential savings, revenue gains, or transfer costs.

Three businesses, different work

IFF's Taste segment develops and produces flavor compounds and natural taste solutions for foods and beverages, including savory products, snacks, dairy, beverages, sweets, and seasonings. H&B produces enzymes, food cultures, probiotics, and specialty ingredients for food and non-food applications. Its uses include fermented foods, dietary supplements, detergents, animal feed, brewing, and grain processing. Scent makes fragrance compounds and ingredients for fine fragrances, household products, and personal care. IFF also sells some fragrance ingredients to third parties, including competitors, while using them internally in its own fragrance compounds.

There are evident points of adjacency. Taste, H&B, and Scent all serve manufacturers responding to consumer preferences; H&B and Taste both touch food and beverage products; and Scent and H&B have applications in home and personal care. But the products, science, formulation work, quality requirements, and customer applications differ. Public disclosures do not show how many customers buy from more than one IFF segment or whether combining

account teams or research programs would improve results.

IFF described consumer insight and R&D as important to differentiated products. Its teams monitor trends, study consumer preferences, and develop products in response to customer requests and internal initiatives. Scientists and creative or application teams work with customers to adapt formulations and bring solutions to market. At year-end 2025, IFF reported approximately 3,000 employees in global R&D activities, including innovation, creation, and design. It also described a global network of R&D, regulatory, creative-center, and application-laboratory capabilities.

The company organized research platforms around broad themes such as home and personal care, wellbeing and healthy lives, food systems, and climate solutions. Those themes may offer a basis for common insight or technical platforms. They may also be too broad to guide specific choices about scientist time, customer service, or technical ownership. IFF did not disclose how R&D employees, spending, or projects were distributed across the three continuing segments and any shared platforms.

The approximately 3,000-person count and most detailed capability descriptions are from the FY2025 report, when the portfolio included Food Ingredients and part-year Pharma Solutions. The Q2 2026 filing does not quantify how much capability or staffing remains with IFF after completed or pending transactions. Do not assume that the full FY2025 footprint belongs to the three continuing segments.

Portfolio decisions and reporting scope

During FY2025, IFF reported five segments for at least part of the year: Taste, Food Ingredients, H&B, Scent, and Pharma Solutions until the latter's sale in May 2025. Effective January 1, 2025, its former Nourish segment had been reorganized into Taste and Food Ingredients. That annual-report structure differs from the continuing portfolio reported in Q2 2026.

Business or portfolio action	Status known by August 4, 2026
Pharma Solutions and Nitrocellulose	Divested in May 2025.
SCL	Sale completed March 2, 2026.
Food Ingredients	Agreement to sell to CVC announced May 29, 2026. IFF expected the transaction to close by the end of Q2 2027, subject to customary conditions and regulatory approvals; IFF expected to retain about 10%. The business was classified as discontinued operations for Q2 reporting.
Botanical Extracts, Vitamins & Minerals, and Food Enhancement Products	Agreement to divest announced July 20, 2026; these activities were primarily in H&B and Taste. Closing was expected in Q4 2026.

At the cutoff, the Food Ingredients and botanical transactions were not completed. Their announced proceeds, expected losses, and future organizational effects were not realized facts. The Q2 filing also noted that some corporate costs formerly allocated to Food Ingredients but

not eligible for discontinued-operations treatment had been reassigned to the three continuing segments. A previous allocation of costs from Pharma Solutions had also been redistributed. Reported segment comparisons therefore require care.

Customer and competitor context

IFF served approximately 20,000 customers in FY2025, about 69% of which were small or mid-sized companies. Its 25 largest customers accounted for approximately 32% of FY2025 sales; no one customer accounted for 10% or more. IFF said some multinational and mid-sized customers use “core lists” that give selected suppliers priority for development and production of new or modified products. Maintaining those positions requires customer relationships, service, and tailored development. These figures cover the FY2025 business perimeter, which included businesses later sold or pending divestiture.

Two competitors illustrate that the category boundaries can be drawn in different ways. Givaudan reported Taste & Wellbeing and Fragrance & Beauty as its two activities, with an approximately even split of 2025 sales. Symrise reported Taste, Nutrition & Health and Scent & Care. Their reported structures provide examples of scope choices, not evidence that one structure performs better. Product portfolios, histories, accounting, and market mixes differ, and neither company’s disclosures establish the value of integrated IFF customer or R&D capabilities.

What does the scorecard say?

IFF’s Q2 2026 filing identified Taste, H&B, and Scent as its reportable segments. The company said its chief operating decision maker (CODM) uses the company-defined Adjusted Operating EBITDA metric to evaluate segments and decide whether to reinvest resources in a segment or elsewhere. The measure excludes, among other items, interest, depreciation and amortization, restructuring and certain items considered nonrecurring. The filing also says segment assets are not used to evaluate performance or allocate resources and therefore are not disclosed.

Q2 2026 continuing operations	Taste	H&B	Scent	Total
Net sales (\$m)	688	601	665	1,954
Segment Adjusted Operating EBITDA (\$m)	124	150	134	408
Segment R&D expense allocation (\$m)	48	58	64	170

IFF reported that Q2 continuing net sales were up 2% year over year, and up 6% on a comparable currency-neutral basis. The Q2 segment EBITDA figures above are from Note 7 of the Form 10-Q; the company’s MD&A also presents a comparable-currency-neutral table with adjusted figures. The Note 7 values are not GAAP operating income, cash flow, return on assets, or returns to shared capabilities. Nor do segment R&D allocations show project-level returns or reveal how much of the work is shared.

A research lens: relatedness and performance

Research on corporate diversification offers competing mechanisms, not a scorecard for IFF's proposed operating model. Schommer, Richter, and Karna (2019) use meta-analytical regression to synthesize 267 primary studies, 387 effect sizes, and more than 150,000 firm-level observations spanning over 60 years. In their random-effects analyses, the average performance association for unrelated diversification improves over time, while the association for related diversification remains comparatively stable. Their pooled mean correlations are small: overall diversification $r = -0.03$; related diversification $r = 0.02$ (95% CI -0.01 to 0.04); and unrelated diversification $r = -0.07$ (95% CI -0.10 to -0.05). The confidence interval for related diversification includes zero, and the authors report substantial heterogeneity across studies. These correlations combine different countries, periods, definitions, and performance measures; they are not causal effects of centralizing R&D or customer teams.

Adner and Zemsky (2016) develop a formal model rather than estimate an empirical effect. In the model, relatedness can lower the fixed cost of sharing resources and make a diversified firm more competitive. But firms' scope decisions also change market structure: as more firms diversify, added competition can erode performance. The result depends on relatedness, resource attributes, and competitive conditions. The model helps identify contingencies to examine; it does not quantify the benefit of sharing capabilities at IFF.

Taken together, this research does not resolve whether IFF should integrate, specialize, or use a hybrid. It suggests asking which particular resources are transferable, what coordination costs arise, and what evidence would reveal the net effect. IFF-specific customer overlap, platform reuse, and transition costs are not disclosed in the public sources available for this case.

The operating-model choice

Assume senior leadership wants a recommendation for the next planning cycle. Which design best balances capability reuse, specialist expertise, speed, customer fit, and accountability?

- **Companywide capability platforms:** bring selected consumer insight, data, research platforms, and customer planning under common leadership and standards. Segment teams would draw on a shared pool and coordinate opportunities across categories.
- **Segment-led capabilities:** keep insight, research priorities, technical service, and application teams inside Taste, H&B, and Scent. Corporate coordination would focus on infrastructure and policies, not day-to-day customer or project decisions.
- **Selective hybrid:** centralize only capabilities with demonstrable common use, while segments retain technical roadmaps and customer application ownership. Cross-segment teams would form around defined problems and be evaluated separately.

The alternatives need not imply the same boundary for every capability. A shared data platform may be easier to justify than a single technical-development agenda. A common global account plan may help a multinational customer but add little for smaller customers. Shared standards may be useful even if technical teams remain specialized. The task is to specify what is shared, who decides, and how IFF would learn whether the arrangement works.

Questions for discussion

1. What evidence indicates that capabilities could be shared across Taste, H&B, and Scent? What evidence indicates that specialization matters?

2. Which capabilities would you share, keep within the segment, or coordinate selectively? What decision rights follow from your proposal?
3. What short pilot could test your most important assumption without pretending that public data already demonstrate synergies?
4. Which customer, innovation, service, and accountability measures would you monitor? What results would lead you to expand, change, or stop the pilot?
5. What additional evidence would you request before making an irreversible organization-wide change?

Sources

- IFF, 2025 Form 10-K, filed Feb. 27, 2026, especially Item 1, printed pp. 3-5 and 10-11. [SEC filing](#).
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- Givaudan, 2025 Integrated Report, overview and segment discussion. [Official report](#).
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