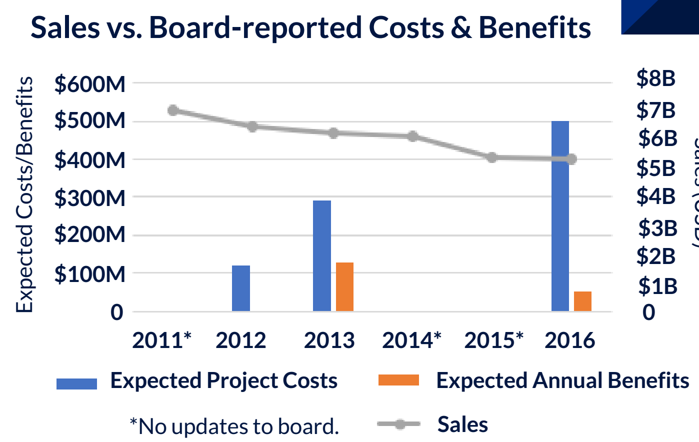
Israel Chemicals Ltd. (ICL) Failed Implementation

Summary

ICL is an Israel-based chemical company with global operations. The company grew by leaps and bounds through acquisitions and embarked on an ambitious program to deploy a common **SAP-based** operating template across its three operating units.

The initial program definition indicated a project cost of approximately **$120M USD**, but ultimately the expected costs of the program ballooned to **$500M** and the program was stopped before any major implementation began. What followed was a write-off of **$290M** in project costs, the resignation of the CEO, and a freshly minted lawsuit against IBM filed in an Israeli district court.



Key Decisions

1. Not executing a full RFP process
2. Single instance of global processes
3. Selection of ICL Program Manager
4. Restructuring operations in flight
5. Shortcutting testing and program gates
6. Terminating the project

Project Timeline

2012
- ICL appoints new CEO, Stefan Borgas
- ICL chooses SAP to be its software platform

2013
- IBM conducts a Phase 0, determines to take a Greenfield approach
- ICL decides to conduct all European customer business through a single business entity

2014
- Implementation plan is launched
- IBM's Program Manager leaves the program
- IBM replaces some of its consultants w/ SAP-provided resources

2015
- Wave 1 (A) go-live (limited scope) on October 5th
- Wave 1 (B) go-live (full functional scope) pushed to July 2017

2016
- ICL appoints new Program Manager. ICL pushes implementation go-live 6 months
- IBM/ICL sign a change order and a SOW for the second wave
- EY's project audit concludes the program isn't ready for January go-live
- ICL CEO steps down. Board terminates the project and contracts w/IBM

2017
- IBM/ICL enter into a formal mediation

2018
- ICL files suit in an Israeli district court against IBM
- ICL shareholders file a class-action lawsuit against ICL

2019
- IBM files countersuit

Company Background

- Founded in 1968
- Israel-based
- Consists of 200 companies
- 13,000 employees
- Operations in over 14 countries
- Serves 3 primary markets:
    - Agriculture
    - Engineered Materials
    - Food

Key Takeaways

1. New IT systems are enablers, not the solution.
2. Client project teams must own the design.
3. Every large business has complexities associated with a local operations and markets.
4. Vendor accountability requires accurate and transparent status reporting.
5. Data readiness is a foundation for success.
6. Readiness criteria must be established across all aspects and phases of the program.
7. Contractual vendor performance standards matter.

What Went Wrong?

1. Project launch prior to CEO vision alignment
2. Inexperienced/organizationally weak talent
3. Early prioritization of budget/schedule
4. Lack of strong Business Project Ownership
5. Sales declined over the course of the project
6. Harvesting benefits prior to implementation
7. Shortcuts on methods

This chronology was assembled from publicly available documents and confirmed by interviews with principals of the program.
Version 3: July 22nd, 2019

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