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
- IBM files countersuit
- ICL shareholders file a class-action lawsuit against ICL
- ICL CEO steps down. Board terminates the project and contracts w/IBM
- IBM/ICL sign a change order and a SOW for the second wave
- ICL files suit in an Israeli district court against IBM
- Wave 1 (B) go-live (full functional scope) pushed to July 2017
- IBM’s Program Manager leaves the program
- Implementation plan is launched
- Wave 1 (A) go-live (limited scope) on October 5th
- ICL appoints new Program Manager. ICL pushes implementation go-live 6 months
- IBM replaces some of its consultants w/ SAP-provided resources
- ICL decides to conduct all European customer business through a single business entity
- IBM conducts a Phase 0, determines to take a Greenfield approach
- ICL appoints new CEO, Stefan Borgas
- ICL chooses SAP to be its software platform

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.

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