



Carmel Olefins finds IBM and SAP a high-class production.

Carmel Olefins is a major supplier of polymers to the plastics industry, and one of Israel's leading companies. Formed in 1991 from a merger of facilities owned by Oil Refineries Ltd and Israel Petrochemical Enterprises Ltd, it supplies around two thirds of its products to the domestic market, with the rest being sold abroad. Carmel Olefins employs 600 people at its state-of-the-art production facility in Haifa and, in 1999, its revenues were 957 million NIS (230 million US\$). The company enjoys a reputation for quality which it has achieved by rigorously seeking to enhance both its production methods and output. With their SAP implementation Carmel Olefins has realized a successful project to further enhance their competitive advantage.

Rising to the challenge

At the end of the 1990s, Carmel Olefins was facing serious challenges from a market that has become increasingly competitive. Since an oil by-product is one of the company's key raw materials, the rise in oil prices at the end of the decade made it imperative for Carmel Olefins to reduce costs

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and improve efficiency more stringently than ever before. At the same time, the arrival of cheap imported polymers on the domestic market showed that the company's position in Israel was not unassailable. As an organisation, Carmel Olefins had always understood the value of leading-edge systems and technology. Faced with new challenges presented by a truly global industry, it decided to implement an enterprise resource planning (ERP) solution that would integrate processes and centralise information throughout the company.

IBM AS/400 as the ideal platform for SAP

After evaluating all the potentially suitable ERP solutions, Carmel Olefins chose SAP R/3. Ariel Stanietski, Chief Information

Industry	Petrochemicals
Application	SAP R/3 modules: FI, CO, MM, PM, PS
Software	OS/400 MQSeries Vision
Hardware	AS/400



Officer, explains why: "One of the main reasons we decided on SAP was the fact that SAP offered the best localisation for the Israeli economy of all the solutions we considered. Second, SAP is the preferred ERP platform in our industry worldwide so we could draw on many examples of best practice and felt certain that their industry solution would serve our needs. Third, it was possible to run SAP R/3 on the AS/400 platform, which was our platform of choice."

In fact, Carmel Olefins had been using IBM systems for around 20 years and was already using one AS/400 server to run all its legacy applications. Based on this experience, Ariel Stanietzki had no doubts that the AS/400 would provide a reliable and efficient platform for a full-scale SAP installation. He says: "The AS/400 is extremely resilient, with more than 99.9 per cent availability, and it's highly scalable which means that it grows with your business requirements. As SAP platform, it is an excellent solution. This was very important for us, both in terms of the initial SAP implementation and its ongoing management and support."

Benefits of integrated solution

In practical terms, this means that Carmel Olefins is able to use the standard AS/400 tools for regular backups and other essential functions on SAP. Indeed, the ability of the AS/400 system to integrate effectively with SAP R/3 has delivered a number of significant benefits to the company. In particular, it delivers ease of use and maintenance, greatly reducing inhouse support and training costs. Ariel Stanietzki comments: "When you implement SAP on the AS/400, you don't have the usual problems associated with a 'third party database' such as dealing with different suppliers and trying to synchronise the operation. It is much easier, much cheaper and much more comfortable."

The right tools for the job

The SAP system was implemented by Ariel Stanietzki's team together with a local partner, Contahal, who provided SAP knowledge and experience as well as liaison with IBM experts. The production system runs on an IBM AS/400 Model S30 2259 server. The main database is mirrored on another server – the AS/400 Model I70 – using IBM Vision software, a program that provides a hot backup to ensure high-availability in the event of unplanned

downtime. Carmel Olefins was the first organisation in Israel to introduce Vision for an R/3 system, and Ariel Stanietzki is very impressed with the software's performance.

Carmel Olefins has also pioneered the use of another IBM solution in Israel, the MQSeries messaging software. MQSeries has engines for both SAP and IBM AS/400 and acts as an information transfer platform between a wide range of databases, operating systems and applications. Ariel Stanietzki's team was able to use these capabilities in order to create links between its SAP databases and a vast archive stored on another, Oracle-based system. This has allowed Carmel Olefins to provide its engineers and managers with easy access to vital archive material without compromising the integrity of its current data. "This has proved to be a very efficient solution to our needs; it's working extremely well," Ariel Stanietzki confirms.

Smooth migration

The SAP applications are delivered to 131 users in the company via a TCP/IP network running over Ethernet. Carmel Olefins is currently using five SAP modules: FI, CO, MM, PM and PS. The latter is used for managing production facilities overhauls and new production facilities erection, while the other modules run the company's complex business.

To ensure continuity with its legacy Sales and Distribution application, Carmel Olefins generated a number of interfaces using the Data Transfer Control Center tool in SAP R/3. This also allowed the company to migrate a vast amount of data – in over 50 different formats – onto its new SAP platform. It was a critical capability, given that Carmel Olefins' database includes, among other data, over 100,000 catalogue numbers for 'live' spare parts and more than 10,000 equipment.

An excellent outcome

In general terms, Carmel Olefins' SAP implementation has allowed the company to integrate key functions fully for the first time. By replacing a fragmented and modular legacy system – described by one director as a 'Tower of Babel' – it has provided managers with a single overview of the business. This has led to vast improvements in the company's IT services. "We no longer have to waste our time on maintaining

interfaces between different elements of the system," says Ariel Stanietzki. Even more importantly, the business advantages of using this type of integrated system are becoming clear. Specific benefits have included closer financial control through more accurate and detailed budgetary information and the ability to reduce costs through more effective inventory management. In addition it enables a more efficient and effective maintenance on all levels: from a simple failure to the most complex overhauls, including all kinds of preventive maintenance.

Launch pad for future success

Carmel Olefins is already preparing to use its AS/400 SAP platform as a launch pad for planned Internet-based activities which include a business-to-business web site for e-commerce and Customer Relationship Management (CRM). There are also plans to replace the legacy Sales and Distribution software with its SAP counterpart.

All these, and other developments will take Carmel Olefins forward in its drive to remain at the leading edge of its industry. Meanwhile, the combination of SAP R/3 and the AS/400 system has transformed Carmel Olefins' approach to doing business in the 21st century. Says Ariel Stanietzki: "We know for sure that we now have a very reliable and high-performance system which gives our middle and senior managers the tools and the information they need to make better decisions."



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