

1.0 INTRODUCTION

1.1 THE CONSTRUCTION SECTOR OF OIL AND GAS INDUSTRY IN MALAYSIA AND WORLDWIDE

The construction sector of oil and gas industry worldwide is experiencing one of the most rapid growth rate for the decade recently, according to the statistics as published by the Institute of Petroleum, United Kingdom, in line with its rapid growth of demand for various petrochemical products (Petroleum Review, 2000). These demands for the petrochemical products has resulted in the race of construction of various petrochemical plants worldwide by major oil and gas players like Esso, Caltex, Mobil, British Petroleum (BP), Shell etc., and by Petroleum Nasional Bhd. (Petronas) in Malaysia particularly.

The construction of these petrochemical plants has always been demanding for high safety and quality standards to be performed by the contractors. This has formed the key foundation to ensure that the plant built would be 'safe to operate' upon its completion. Due to this nature of demands, the oil and gas contractors are usually being paid for premium price to execute and complete the construction works of petrochemical plants.

Due to the feasibility and high profitability in the construction sector of oil, gas and petrochemical industry, many companies are striving to be registered as the main contractors for established oil companies such as Shell, Esso etc, and Petronas in Malaysia particularly. Eyeing for the rapid growth of construction of petrochemical plants in future, these companies are keen in transforming and developing themselves as the most competent oil and gas contractors in order to jump into the train of this feasible and profitable industry.

1.2 EMERGENCE OF SUMATEC AS A MAJOR CONTRACTOR IN THE OIL AND GAS INDUSTRY IN MALAYSIA

For the last decade of 1990s, the petrochemical industry in Malaysia is dominated by Petronas, which is partially owned by the Malaysian government. And for the last ten years, Petronas has been actively involved in the oil and gas industry, from exploring, oil extraction, oil and gas processing, distribution, sales and marketing, retail services etc. It has also formed several joint ventures with international giants such as Shell in the MLNG II and MLNG III plants in Bintulu, Sarawak, in order to gain a better position for itself in the competitive environment of today's oil and gas industry.

In Malaysia, there are only a few major contractors, but coupled with numerous small contractors in the construction sector of petrochemical industry. Among these contractors, Sumatec is being regarded as one of the biggest and fastest growth oil and gas contractors in Malaysia. Evolving from a small construction firm with less than 10 employees in 1985, Sumatec is employing about 176 permanent employees as of December 2000 and has secured many huge projects with established and well-known clients, such as Esso, Petronas, etc. It has positioned itself and emerged as one of the major and most established contractors within 16 years in Malaysia.

Many are interested in and wondering why Sumatec could emerge as one of the major players in the construction sector of oil and gas industry within such a short period in Malaysia, while many are still struggling and striving very hard to become one of them. And yet, Sumatec is progressing well and steadily to achieve its mission to become one of the leading contractors for petrochemical plants in Malaysia.

1.3 OBJECTIVE OF THE STUDY

In view of the circumstances as stated, it was considered important to carry out the study onto the major and fast growing oil and gas contractor in Malaysia, i.e. Sumatec Corporation Sdn. Bhd. with the following objectives:

- (i) To identify and examine Sumatec's survival strategy in the construction sector of oil and gas industry.*
- (ii) To evaluate Sumatec's survival strategy in the construction sector of oil and gas industry.*

1.4 SCOPE AND LIMITATIONS OF THE STUDY

The scope of the study would be limited to business strategy in providing the services for civil and structural works, mechanical and piping works and electrical and instrumentation works of construction sector of oil, gas and petrochemical industry.

The study would not include the provision of services for oil exploration works, extraction works, logistics, manufacturing, processing and oil products distribution channels of oil, gas and petrochemical industry at any place.

1.5 ORGANISATION OF THE STUDY

This study was conducted by me while I am still one of the Project Managers (staff Category 'A') in Sumatec Corporation Sdn. Bhd. It has been divided into seven chapters. Chapter 1 introduces the significance of study on Sumatec's

survival strategy, states its objective, defines its scope and limitation and explains its organization of text of the study. Chapter 2 reviews the related literature, i.e. Sumatec's background, its success, products range, pricing strategy, market and competition.

Chapter 3 continues to introduce the analysis tools used to achieve the objective of the study whereas Chapter 4 illustrates in details the findings of the case study by using these proven analysis tools. The summary of findings and recommendations of the study are presented in Chapter 5 and Chapter 6. Finally, the conclusions of the study are previewed in Chapter 7.