

5.0 SUMMARY OF FINDINGS

In summary, the findings of this study could be listed as follows:

- a) The recent economy crisis in Malaysia has got little impact on the oil and gas industry in Malaysia as a whole, and on Sumatec specifically. It can be seen from its revenues that are even increasing during the crisis, mainly due to the increase demand for construction of petrochemical plants in Malaysia caused by increasing demand for various petrochemical products.
- b) The growth of demand for petroleum products is rapid and hence the demand for construction of various petrochemical facilities and plants is anticipated to be high too in the near future.
- c) The competition in the construction sector of oil and gas industry can be described as intense within Malaysia. Besides a few major contractors, the competition level is escalated by the penetration of many small contractors, which introduce cutthroat competition. Yet, Sumatec holds the competitive advantage of high reputation in the oil and gas industry in Malaysia.
- d) Sumatec possesses the competitive advantage of price in the global construction market of oil and gas industry.
- e) As the major contractor in the construction sector of oil, gas and petrochemical industry in Malaysia, Sumatec has got the resources and capabilities of implementing large oil and gas projects irrespective of its location.

In terms of internal resources, besides its financial stability and well-structured organization, Sumatec has built the strong and competent project

management teams that are supported by professionals and experienced employees in the oil and gas industry. One of its most valuable intangible resources is the high reputation earned over the years in the construction sector of oil and gas industry in Malaysia.

Sumatec's capabilities in handling the oil and gas projects are proved by its excellent track records and enhanced by obtaining its certification of ISO9002 in year 1994 that emphasize in documentation. It is now capable of handling total integrated multi-disciplinary construction packages involving all phases of construction works encompassing civil and building construction, heavy structural steel fabrication and erection, piping fabrication and installation, equipment erection, refractory, insulation, painting, electrical and instrumentation works.

f) Sumatec's strategies to gain competitive advantage over its rivals in the construction sector of oil and gas industry are implemented through the followings:

- Building of its experienced and well-trained employees,
- Proven track records coupled with high reputation earned in the oil and gas industry,
- Establishment of good rapport with clients,
- Possession of a fully equipped workshop by exercising backward integration strategy,
- Possession of wide range of modern construction equipment and methods,
- Establishment of quality management system ISO9002,
- Proven quality and safety records,
- Placing of competitive price, and,
- Ventures into international market.

g) Sumatec's competitive advantage in the construction sector of oil and gas industry is enhanced by the following opportunities:

- Joint ventures and strategic alliances with other established construction firms,
- Diversification in other business areas,
- Booming petrochemical industry, both domestically and internationally, and,
- Encouraging and pursuing strongly to have contracts with cash-rich clients.

h) Sumatec's weaknesses are discovered to be as follows:

- Financially restricted for any single huge project larger than RM 100 million,
- Middle management problem that causes delay in decision making process,
- High company overhead due to high numbers of middle management & wrong acquisition moves, and,
- Lack of Engineering Department.

i) Sumatec's is exposed to the following threats in the construction sector of oil and gas industry:

- Threats of small players in the industry within Malaysia,
- Competitors activities such as forward integration activity of Dialog Group Bhd. joint venture with Petronas in the Kerteh Land Reclamation and Jetty Operation Project in Malaysia,
- Risk of loss of major clients in Malaysia, such as Petronas, which may due to change of personnel in-charge, and,
- Risk of bad debts that could happen anywhere.

j) Small contractors impose threats to Sumatec in terms of its profitability; however, these small contractors are sidelined by their inability to implement

projects professionally due to lack of expertise and cope up with the high quality and safety standards as required for oil and gas projects.

- k) In Malaysia, bargaining power of suppliers in the oil and gas industry is low, but could increase if Sumatec does not have a strong cash flow. However, bargaining power of clients in the oil and gas industry is considered high as the market is full of capable contractors and it is concentrated and dominated by a few major players only, such as Shell, Esso etc. globally, and Petronas particularly in Malaysia.
- l) The value chain analysis concluded that the primary activities governed by its quality management system of ISO9002 and the support activities such as firm infrastructures, human resource management and procurement yield the essential values for Sumatec over its rivals. Undeniably, these essential values have provided Sumatec with the competitive advantage over its competitors.