

6.0 RECOMMENDATIONS

Based on the findings, the following courses of strategic action are recommended for Sumatec in order to achieve its sustainable competitive advantage over its rivals in the construction sector of oil, gas and petrochemical industry:

6.1 BACKWARD INTEGRATION AND FORWARD INTEGRATION

Sumatec could implement more backward integration activities by acquiring some suppliers of special materials or services in the construction sector of oil and gas market. By doing so, it could gain the advantages of better control in the delivery of special materials or services and getting better price as compared to its rivals to increase its profitability. However, it should abolish its move to acquire the suppliers for ordinary services that are easily available in the market, such as the acquiring of Translift Sdn. Bhd.

It is also timely for Sumatec to think of forward integration activities through joint ventures or strategic alliances with its clients. The strategic action is considered to be feasible as Sumatec has been in the oil and gas industry for over 20 years and has earned high reputation and established good relationships, both from the suppliers and clients in the marketplace. By doing so, it could enhance Sumatec's relationships with the clients and hence increase its potential to obtain more future projects from the clients.

6.2 DEVERTICALIZATION TO CUT MIDDLE MANAGEMENT AND PRACTICE EMPOWERMENT OF EMPLOYEES

Sumatec's layers of middle management has caused delayed in decision making process and high company overhead. By deverticalization of its structure, Sumatec could gain the advantages of faster decision making process that is an essential criterion in project implementation and reduction in company overhead to increase its profitability and competitiveness.

Sumatec should also think of more practice of employees' empowerment, whereby it should place more trust and responsible on its managers rather than having layers of middle management, such as Deputy General Manager merely to function as the auditors to works of managers. By doing so, it could motivate the managers to be more responsible for their tasks. Of course, this strategy is feasible too as Sumatec has got the most competent and experienced employees to make the right decisions in the construction sector of oil and gas industry in Malaysia.

6.3 VENTURE INTO INTERNATIONAL MARKET

Although Sumatec is enjoying the results of having good relationships and projects with the major players of oil and gas industry in Malaysia, it is definitely unwise for Sumatec to place its survival solely depend on the limited numbers of these concentrated clients in Malaysia, such as Petronas. Indeed, Sumatec should always think of the alternative way for its survival, as there is always the risk of losing these clients in future due to many reasons as discussed in the preceding chapters.

One of the best alternatives for Sumatec is to venture more into international market to have diversified market. Diversified market means reduction of risk of dependency on limited number of concentrated clients and marketplace in Malaysia. The move is feasible as proven by its successful implementation of the Sudan and Maldives oil and gas projects by its expertise. Although the global market is considered to be very competitive, it could place its price lower than market price as compared to many international rivals, and yet generate higher revenue for the company. It is timely now for Sumatec to implement this strategy so that it could establish the track records as required in the global construction sector of oil and gas industry.

6.4 TO HAVE ITS OWN ENGINEERING DEPARTMENT

Today, the trend in the construction sector of oil and gas industry requires that the contractor be capable of implementing multi-disciplinary construction packages in all phases of construction, viz. engineering, procurement, construction and commissioning. As such, Sumatec should have its own engineering department to fulfil the frequently arising needs of the first requirement of these EPCC packages, i.e. the design and engineering works.

It poses a main disadvantage to Sumatec as compared to its rivals if Sumatec still opt to outsource the design and engineering activities. Outsourcing of these activities could delay the projects as the needs for design and engineering often arise unexpectedly and require fast response during the course of project implementation.

The move is also considered to be feasible as Sumatec has already established the basis of design practically from its experience in various oil and gas projects. It should think of recruiting more hands on personnel in the design and engineering works, such as design engineer and CAD draftsman.