ABSTRACT

SABIC is a global company in the field of the production of various chemicals. Located in more than 50 countries and headquartered in Riyadh, Saudi Arabia. Divided into 4 different units; petrochemicals, specialties, agricultural nutrients and minerals. SABIC seeks to be the most innovative petrochemical company in the world, as it does its best to turn ideas into reality, and strives to improve manufacturing processes and innovate new technologies for competitive advantage to improve their quality. The purpose of this paper is to explain and understand how SABIC grew and expanded, how it became a global company with presence in more than 50 countries. What are the strategies for the expansion and the importance of innovation in its success?

Introduction of the company

Saudi Basic Industries Corporation (SABIC) is a worldwide company that focuses on the production of fertilizers, plastic, chemicals and metals. Usually they customize the product according to the client’s needs, focusing on the competitive advantages that their products will provide to the clients on the long run. Sustainability and innovation are the key to their success. They know their products might be harmful and contaminate the environment, that is why they worry about the sustainability of their products.

Their division for innovative plastics is a worldwide leader, they produce high quality thermoplastics that are durable and can be recycled. These thermoplastic products can be found for example in cell phones, cars, airplanes, tractors, tapes, shoes, helmets, glasses, infrastructure and many more.

Mission

To provide products and services with quality and responsibility, through innovation, education and excellence.

Vision

‘To become world’s leading and preferred chemical company by committing to the implementation of its 2025 strategy to diversify its sources from traditional and non-traditional sources and from several geographical regions around the world, including the project of using coal to produce chemicals. With the company «Shenhua Ningxia Coal Industry Co., Ltd. (SNCG)» In China, the project to convert crude oil to chemicals with (Saudi Aramco) in the Kingdom’

In 2025 They wants to achieve geographic expansion by increasing its global presence in different markets, having more partnerships, new techniques, and compliance records

Distinct in transparency, sustainable development, environmental protection, security and safety, and social responsibility.

SABIC expansion plan
SABIC is considering plans to build a petrochemical complex in the Chinese province of Fujian as part of wider efforts to diversify its business internationally. The petrochemical producer has signed an initial agreement with the Fujian provincial government which sets out a framework of cooperation for the “world scale” project, according to a statement posted on the Tadawul stock exchange in Saudi Arabia. SABIC said the MoU was part of a strategy to “diversify its operations, seek new investment opportunities and strengthen its position in the Chinese market.” A core strategy underlying SABIC’s expansion plans has been to organically enhance its international footprint, both in terms of its ongoing diversification of its product range, as well as in terms of global customer reach, by strengthening its position in strategic markets,” said Ehsan Khoman, the Dubai-based head of Mena research and strategy at MUFG Bank. The expansion of the petrochemicals giant in China is also part of efforts to secure future demand for the Kingdom’s crude oil supply, he added. “SABIC acts as a central conduit of Saudi Arabia’s international diversification efforts in the petrochemicals sector, and by organically expanding into Asian markets – where the bulk of the Kingdom’s crude oil is shipped. SABIC has already established a foothold in China through its existing 50:50 joint venture with the Chinese state-owned oil company Sinopec in an ethylene plant in the Tianjin Province. The Saudi company is far from the only global company eyeing opportunities in Asia, with the US oil and gas firm ExxonMobil also securing a preliminary deal with China this month. ExxonMobil signed a cooperation framework with the Guangdong provincial government to discuss a possible new chemical complex in the province. The project would include a 1.2 million-tons-per-year ethylene flexible feed steam cracker. If the development goes ahead, operations could begin in 2023. The US company said in a statement it was considering other potential chemical manufacturing projects in Asia in order to capitalize on the expected rise in demand for chemical products across the region. It aims to increase its chemical manufacturing capacity in Asia Pacific and North America by 40 percent, according to the company release. Earlier this year, Germany’s BASF also announced it was considering building a chemical production facility in Guangdong. The company signed a non-binding MoU with the provincial government in July, with the potential investment in the project estimated to reach up to $10 billion. The project is anticipated to be completed by 2030 and will include a steam cracker with a capacity of 1 million metric tons of ethylene per year. The plant would become the company’s third-largest site globally after the Ludwigshafen plant in Germany and the Antwerp site in Belgium. BASF currently has another site in Nanjing in China, which is a joint-venture with Sinopec.

Justification idea

Generally, this study is on the ground in SABIC because it is currently one of the largest companies in the Arab world and is known internationally. We have explained in advance how the company reached this spread, which is our main subject in this report.

Idea application mix

Of course, there is a great risk to the company in case it decides to expand to the global, because it will have to increase its costs in order to achieve its goal.

The increase in costs in itself is a great risk to the company because of a high probability of bankruptcy and dispersion and lack of concentration is a key factor in putting the company at risk.

The first step is to assess whether the company is ready to expand, to assess whether the company is prepared to meet the challenges of exporting products abroad, and whether it can increase production to meet growing demand. And then assess the preparations, it is important to think carefully about whether the resources the company has from financial and human resources are sufficient to implement the expansion successfully. It is also necessary for entrepreneurs to have many skills for successful expansion such as patience and good communication skills to build confidence and deal with foreign partners, and adapt to the cultures of other companies. Then planning for market access, ie, once targeted markets are identified, deep research needs to be undertaken to develop an appropriate plan for entry, legal requirements, cultural differences, local competition and distribution options. They then think about financial needs. Companies often reduce the costs of expanding into foreign markets, so
it is important to discuss financial needs with banks early to see available financing options. The last step is implementation, after the previous steps the company is supposed to be ready to sell its product, and it is important at this stage to focus on building long-term relationships in the new markets. It is necessary to be patient because this process often takes at least 6 to 8 quarters of a year to successfully expand internationally.

Conclusion

In conclusion, there are a number of steps we must take to ensure a successful expansion of the company and are evaluating the preparations, planning how to enter the markets, thinking about financial needs and then implementation. SABIC has expanded its operations on these and other strategies that have contributed to SABIC’s global reach.

References

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