Rejuvenating the Aging Organization:
Improving an Indonesian Oil Company Performance

Fathul Himam[1] and Achmad Sobirin[2]

[1]Faculty of Psychology, Universitas Gadjah Mada,
Bulaksumur, Yogyakarta Indonesia. Tel (62) 274 550 435
fathulhimam@yahoo.com

[2]Faculty of Economics, Universitas Islam Indonesia
Ring Road Utara, Condong Catur Yogyakarta Indonesia. Tel (62) 274 881546
asobirin@fe.uii.ac.id

Abstract

This study was directed to discuss the process of rejuvenating old, mature Papua Oil Plant (POP) – an oil exploration plant located in West Papua, using action research approach, within the context of Indonesian Oil Company (IOC). Since the onset of acquiring this plant, IOC should deal with two major problems. Externally, IOC is constrained by natural condition related to the depleting oil and gas reserves. Consequently, within the recent year POP can only produce 6000 bpd crude oil product (5% of the highest production rate). Internally, IOC has to deal with typical old plant: inefficient business process; disintegrated organization structure; aging, low- competence workforce; old facilities and obsolete technology. To transform the POP organization to be more effective, efficient and productive and at the same time to minimize workers' resistance, this research came to a major theme called "creative rejuvenation". This theme was focused on the improvement of four dimensions of organizational architecture: business process reengineering, organization restructuring, people and competencies reevaluation and facilities / technology advancement. The final result indicated that for this program to work effectively, POP has to redefine its organization from production based orientation to maintenance based, with an emphasis on Health, Safety, and Environment (HSE) issues.

Key words: creative rejuvenation, organizational architecture, maintenance-based orientation

Introduction

In 2005 we were invited by and to collaborate with the management of Indonesian Oil Company (IOC) – a foreign oil company operating in Indonesia to assess the performance of its "Papua Oil Plant" (POP) – an oil exploration plant located in West Papua. This plant was established in 1972 and had been operated by three different companies before finally was taken over by IOC in 2002. As the last operator, IOC should deal with two major problems: natural condition related to the depleting oil and gas reserves and internal-organizational challenges. Since oil and gas reserves are not renewable, and POP has been operating for more than 30 years, it is undoubtedly that the reserves have been declining significantly. Recently POP can

only produces 6000 bbl per day (bpd). It is only 5% of the highest production rate that happened in 1977. Secondly, within this production rate, these facilities are not producing significant volume of oil (only 0.7% of lifted oil). It implies that the cost to maintain these facilities is considerably high compared to its low productivity. Thirdly, POP is also inherited the workforce employed since the first operator era, which requires high expenses in compensating their work experiences. These situations indicated that POP is in the progress of "decaying" (1) and experiencing the process of declining (2) that will finally contribute to the low-efficiency performance of the Plant. It dues to the increasing cost, especially fixed costs, for maintaining and running the Plant and the low productivity of this Plant.

To remedy the abovementioned problems, we, as Organization Development (OD) consultant, did field research under action research approach to propose a rightsizing program called "creative rejuvenation" for the whole POP operation focusing on four dimensions of organizational architecture: business process reengineering, organization restructuring, people and competencies reevaluation and facilities / technology advancement. This program was intended to transform the POP organization to be more effective, efficient and productive and at the same time to minimize workers' resistance. The final result indicated that for this program to work effectively, POP has to redefine its organization from production based orientation to maintenance based, with an emphasis on Health, Safety, and Environment (HSE) issues.

Literature Review

Aging Organizational and Environmental Decline

The theme of organization decline (3) or even organization death (4) has become a relatively new and intriguing research phenomenon within the pas few years. It is developed as a balancing perspective in understanding organization development and change as many experts are more interested on growth as it is the expected and natural phenomenon (4). Organization decline is perceived more as least expected and unnatural phenomenon. But there are still problems in developing research in organizational decline. Lamberg and Pajunen (2) saw it as not easily observable and there was not direct access to the underlying structure. Other researches argue that the challenges in understanding organizational decline came from its natural characteristics of declining: consistently evolving through various stages of organization configurations (5), needed a longitudinal study as it involved strategic managerial operations (6), was misperceived and responded erratically as the situations were considered stressful (7), and often led to unwanted loss of core competencies (8).

Within the context of aging and/or environmental decline conditions, business organizations, whether they are still young or already old, are subject to many forces which create the need for change. Two negative forces either separately or interactively will doom an organization if they are unrecognized. These are internal aging (9) (10), and external decline and turbulence (11). Internal aging which is often referred to as "r-extinction" (12) can be explained through organizational life cycle (OLC) concept. This concept suggests that organizations, akin to living organism (13), do not exist in a steady state but amid consistent change. These developing entities by themselves are able to regulate the process of change and move these entities from a given point of departure toward a subsequent end (14). They evolve according to a predictable pattern that can be characterized by developmental stages (15) (16) (9) (17). These stages are sequential in nature, occur as a hierarchical progression that is not easily reversed, and involve a broad range of organizational activities and structures (18). In addition, each evolving

stage has its own characteristics and problems that management must resolve before organizational development can proceed to the next stage (19).

Adizes (9) perceives the life of organization as a bell curve. The left side of the curve represents a growing organization which, if unchanged, will be in a plateau situation and begin the downward curve of an aging organization. Other authors, such as Flamholtz (20) and Miller and Freisen (21) rather use "S curve" instead of bell curve to figure out the life of organization within which decline stage is positioned as the end of the curve. Whatever the form of the curve, the point is that when organizations are getting older and remain unchanged, they have life cycle leading to decline and ultimately die. This situation is sometimes called *liability of aging* (10) (22). There are two general forms of aging: *senescence* and *obsolescence* (10). In senescence, various processes cause internal decay that increases failure rates independent of environment. This is a causal effect of aging. On the other hand, in obsolescence internal processes do not directly increase failure rates and thus are not causal effects of age. Instead, age serves as a proxy for the gap between relatively inert organizations and changing environments. Unlike senescence, obsolescence should not penalize organizations unless they are stressed by changing or turbulent conditions. In this situation, the greater the scarcity, the greater will be the fight to obtain these resources; that is, there will be more competition within the population (23).

The second view argues that the survival and death of organizations is determined by forces operating outside the organization that is external environment. The importance of the environment to organizations was acknowledged by the introduction of open-system concepts and models in organization theory (24). Under this concept, organizations are open to their environment and must achieve an appropriate relation with that environment if they are to survive. Developed at the theoretical level, open system approach has generated many new concepts and theories particularly those that explain the role of environment toward organizations, such as: contingency theory, population ecology theory and resource dependence theory.

One particular theory that is resource dependence theory (25) suggests that resources needed by organizations are controlled by environment thereby organizational owners and managers are externally constrained in their ability to implement any organizational activities, and any "one best way" to organize depends on the environment in which the organization operates. This implies that changing environment will change the life of organization. When resources in a niche are abundant, organizations have no difficulty in obtaining the quantities of these resources that they need to survive. Organizational vulnerability arises when the niche does not guarantee the supply of resources needed to continue running (25).

Cameron and Zammuto (11) classify changing environment that cause organizational decline into two types: decrease resource availability that reduces the size of niche, and changes in preference for the outcomes of organizational performance that result in decreasing demand. In addition, another factor closely related to decline is the predictability with which decline occurs. That is resources decline continuously or discontinuously. In the first condition, the decline of resource availability is in fact predictable and gradual in nature. While in the second condition, environment is disrupted so that resources decline suddenly with little or no early warning. Based on these factors, Cameron and Zammuto (11) identify four situation encountered by organizations. (a) Erosion. This situation occurs when organizations encounter continuous decline in their niche size. Oil industry is the best example describing this situation realizing that its resource inputs are un-renewable natural resource and therefore are increasingly depleted (b) Contraction that is organizations that encounter discontinuous decline in their niche's size. This

situation occurs when resource outputs (demand) are unexpectedly dropped. (c) Dissolution is the type of decline when change result in gradual shift from one niche to another. (d) Collapse is the situation when change is rapid and dramatic.

Organizational Rejuvenation

It was identified the cause of organizational decline originated either from internal forces (aging organization) or external forces (environment decline and turbulence). Both forces can also interactively affect the life of organizations. To deal with these two negative forces, organization leaders need to take some necessary measures if their organizations are to survive, recover and flourish. Two options are usually taken into consideration (8) – to transform their organizations (26) or to downsize it (27). Leaders that follow a transformation grow their organization so it is better positioned to meet the challenges (28). To realize a transformation, organizational leaders must create a positive and supportive culture filled with a cadre of empowered independent thinkers that can mobilize effort and uncover resources needed to support the anticipated changes (8).

The other path is followed when organizations have depleted resources that limits, or may even prohibit new investments. Oil companies are perhaps the best example characterizing such situation realizing the survival of these organizations is heavily dependent on the availability of un-renewable natural resources. These organizations escape turbulence by downsizing (29). It is believed that downsizing program will reduce cost simply by reducing the workforces, eliminating functions, or redesigning system and policy. However, there is mounting evidence that downsizing fails to achieve its goals and brings with it unintended chaos, crisis, and strong tension as well as destruction of morale and sizeable losses in organizational commitment for survivors (30). All of these will make affected people tend to resist to this changing situation. In many cases, this type of changes will only have short-term impact on organization's performance followed by another stage of crisis. This situation is popularly called as BOHICA syndrome: Bend Over, Here It Comes Again (31).

To minimize unintended consequences of downsizing program, a refined program called rightsizing could serve as another alternative. Rightsizing is a proactive approach to downsizing and restructuring organization on a continual basis (32). It provides a framework to restructure organization on an ongoing basis that minimizes the negative impact on employees. Within this framework, unlike downsizing, rightsizing will involve changes by excluding fatal pain, 'change without pain' (33). This program is also called "dynamic stability" or "creative rejuvenation" (34).

OD-Oriented Action Research

To rejuvenate the whole operation of POP, we worked as action researchers participating in major program of organizational change at POP – an oil exploration plant located at West Papua. We involved with POP during a particularly turbulent time, during which IOC was being pushed by Government Regulatory Body. The push came from a situation of deteriorating performance as indicated by a high operating cost (USD 34.41 per barrel oil product). Our initial role was to conduct an in-depth investigation of the organization and sketch out possible direction of change. As the project unfolded, we began interviewing more people directly in the change process, becoming observers, mediators, facilitators as well as advisors. This kind is research model is called as organization development-oriented action research (35). Figure 1 shows the research model. As shown in this figure, the circular flow did not always happen in

sequence since action research is an iterative and emergent process as Burke (36) defines it – "action research is an exploratory, opportunistic, and emergent process of "learning and changing" and seldom unfolds in strict sequence". For simplification, in this paper we will discuss only two elements of OD-oriented action research; that is diagnosis and action or system intervention in our term

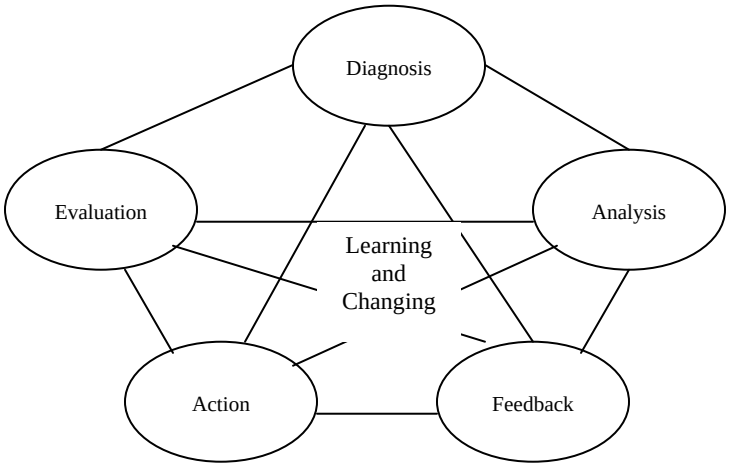

Figure 1. OD-Oriented Action Research

Diagnosis

Understanding the Existing Conditions

Initially getting new oil and gas at whatever cost was the overall strategy of Indonesian Oil Company (IOC). After two years of operation in Indonesia, however, IOC changed its direction into "cost consciousness" strategy. This new strategy leads to the decision to evaluate the operation of Papua Oil Plant (POP), which was suspected to be operating inefficiently. Figure 2 shows the development of POP's performance in terms of oil production. The figure shows that peak performance occurred in 1977 when this plant was under the management of International Oil. It could produce, in average, 80,000 bbl per day crude oil product. After ward however the production rate is declining continuously even though the lifted liquid was almost the same; that is between 850,000 to 1,200,000 bbl per day. Recently, under the management of IOC, POP can only operate 240 out of 440 wells available. The other 200 wells have been closed either due to lack of oil reserve or too costly to operate. From these 240 wells, POP produce around 6630 bbl crude oil per day. This volume is about 8.125% of its previous peak performance. To produce this volume, an average of 850,000 bbl liquid is lifted. This means that the ratio between lifted oil and water is 0.70% to 99.30%.

It is a fact that current production rate is declining, but financially POP is still profitable. For example, based on 2006 average ICP of USD 61.35, POP generated USD 160 M, and USD 7.176 M for total revenue and net profit respectively. It seems so far that POP (IOC) does not face any problem with financial performance. However it is too early to claim that POP is financially healthy. This is because the performance is generated from extraordinarily high ICP so that POP looks healthy. Should ICP decline, let say, to normal price of USD 30 per barrel, the figure will be totally different. It is not impossible that IOC incurs losses. The probable loss is mainly due to high operating expenses incurred by this company – USD 34.41 (see IOC's financial report). The report shows that the USD 34.41 per barrel operating expense consists of

USD 15.69 production cost, USD 15.33 intangibles well cost and USD 3.12 Jakarta and G.A. Administrative cost. Compared to targeted cost, which is only USD 24.27 per barrel, the variance (over budget) is therefore USD 10.14 per barrel or about 40%.

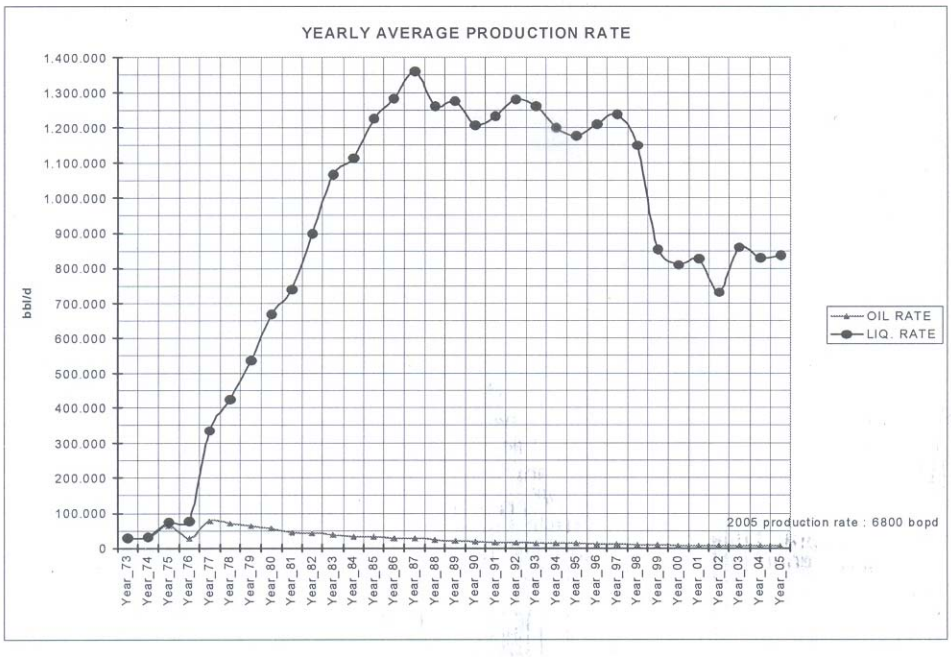

Figure 2. Yearly Lifted Liquid and Production Rate

The abovementioned figure leads to the conclusion that POP is operating inefficiently and in fact susceptible to financial loss. Unless the operation of IOC and POP in particular is to be managed properly, the loss will come into reality. This inefficiency, therefore, should be analyzed thoroughly to identify which factor(s) contribute to this inefficiency and the solution of the problems for the future of IOC. However, since the scope of this study is limited to the operation of POP, analysis will be highlighted to POP related problems. For this purpose POP's cost of production will be used as a starting point. As mention earlier, POP's actual cost of production is USD 15.69. Four production cost components alone contribute to 77.57% of total production cost. The highest contributor is personnel, accounted for 30.30% followed by power generator (20.70%), marine support service (16.57%) and materials/warehouse (10%). When this actual cost is compared to targeted cost (USD 11.44), the variance is 35% (over budget), which indicates inefficiency in production activities.

Based on the analysis of the existing condition of POP (see Figure 3), which was done through document analysis, field study, in-depth interview, and focused group discussion, it was found that there are eleven factors that affect the cost of oil and gas production. These factors are: (a) planning function; (b) organization structure; (c) old facilities; (d) potential HSE risk; (e) cost of artificial lift; (f) reactive procurement; (g) reactive maintenance; (h) unreliable power supply; (i) improper usage of IT; (j) underutilized labor; and (k) human resources management dysfunction. These eleven factors can be further classified into four categories: Business process redundancy, Old facilities, Tall and complex organizational structure, and ineffective Human Resources System.

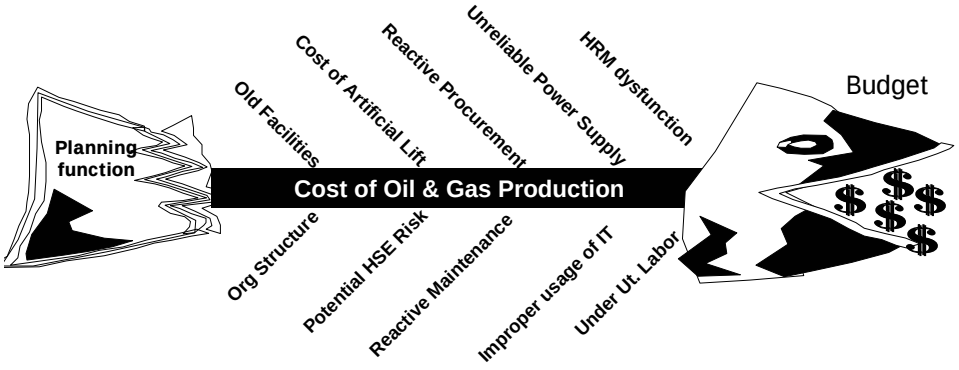

Figure 3. Factors that contribute to the cost of oil and gas production

The Formula

Having analyzed the external and internal factors, the key variables in rightsizing program are identified as: production stability, organizing arrangement, technology, and people. Production stability is perceived as an indicator of efficiency parameters. Organizing arrangement includes organization structure, planning function, maintenance and procurement, power supply management, and human resources management. Technology might include artificial lift, facilities, Health, Safety and Environment (HSE), and Information and Computer Technology (ICT). People factors consist of the utilization of labor and quality as well as quantity of the employees. These understandings can be summarized into a formula as follow:

$$\text{Cost Efficiency} \approx \text{Production Stability} = f\ (\text{Organizing Arrangement, People, Technology})$$

System Intervention

Despite its internal havoc and continuously depleting resource, POP survival is fortunately supported by the current high price of crude oil. Another factor is the existence of experienced employees with specific expertise who have grown from the beginning of POP operations. Their expertise is compatible with the existing-unchanged technology. However, these situations are critical in term of their sustainability as the price could fluctuate dramatically and many employees will be retired within the short coming years. It means that the foundation of POP is at risk, unless POP adopts new strategies in dealing with current operations. Rightsizing is one option to rejuvenate the organization of POP operations.

Based on the current condition analysis, there are some important issues that need to be clarified further. They include inefficiency in terms of maintenance and facility management, duplication and redundancy of positions across functions, and fragmented functions among the POP departments. Therefore the rightsizing design is directed to ensure that the policy taken will be in a cost effective manner. Within this context, the design will build strong foundations for rightsizing decisions, which employ a methodology that provide a systematic process for the implementation.

Rightsizing Option

Using the abovementioned formula, this rightsizing programs are designed to achieve a cost-efficient POP operation. The programs cover three interrelated areas of improvements, that is: organizing and arranging new structure and functions, centralizing computerized data based management system, developing the quality of people in term of their Knowledge, Skills, Attitude, and Other characteristics (KSAO), and reestablishing the standard for outsourcing strategy. It is assumed that by improving these functions POP plant will be operated under a cost-efficient and effective manners within which the stability of oil and gas productions processes are nurtured. In general, organizing and arranging new structure are directed to transform the old structure into new-lean-and-efficient one. This structure focuses on: (1) integrating the similar and related functions; (2) centralizing the decision making process to guarantee the high quality-high achiever behavior; and (3) simplifying the current structure by minimizing or de-layering its hierarchy. The new structure serves as an operating scheme that coordinates the whole operations. Within this context, centralized data based management system by utilizing computer network functions as a technological tool that makes the coordination processes become easier, more reliable, and supported with quick access to the relevant information. These two rightsizing designs must be supported by right, qualified, and well-trained human resources. It means that people must be trained and developed to align and to adjust their K-S-A-Os to new challenges and conditions emerged as consequences of the applications of structural arrangements and centralized computer data-based system. Finally, improving the outsourcing strategy will have significant impact upon efficient and cost effective management system since the plant operation will put its focus on its core business.

A. Organization Arrangement

Based on the rightsizing theme, the first element to be right-sized is Organizing Arrangement. Figure 4 describes the map of the activity's elements. At the center of the map is oil production, which is considered as the core business of POP. Moving from the center to the peripheral is supporting activities that function to assure the efficiency and effectiveness of production activities. Meanwhile at the outmost of the map is HSE. Even though HSE does not directly influence the efficiency and effectiveness of production activities, in the long term HSE will have significant influence to the survival of POP. Therefore the rightsizing program in general and the organizing arrangement in particular should be directed to achieve the efficiency and the effectiveness of oil production on the basis of HSE as the paradigm. In other word, all supporting activities appeared in the map should be rearranged to achieve this purpose.

To achieve these purposes, first, the organizational structure of POP needs to be redesigned. Of course restructuring the organization of POP will have consequences both intended and unintended. The intended consequences are expected while the unintended one is to be minimized to avoid the disruptive operation of POP.

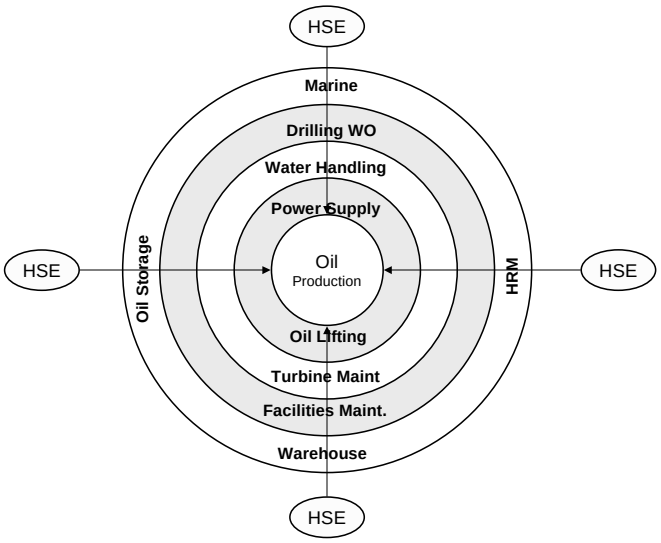

Figure 4. Layers of POP Plant's Functions

There are two options to redesign the organizational structure of POP. The first option described in Figure 5; while Figure 6 shows the second option. Both propose functional structures. Resident Manager is the highest position in this organization that is responsible for the entire operations of POP. The position of HSE as a staff of Resident Manager in both structure indicates that the function of HSE is not operational rather it is a policy in nature. It implies that the policy of HSE is in the hand of Resident Manager. The operating managers, such as operations and maintenance superintendent are the ones who operate the HSE policy.

The differences lie on simplifying the operating functions. The first structure shows three operating managers i.e. Operations, Maintenance and GSP Superintendent, while the second structure only employs two operating managers – Operations and Maintenance Superintendent.

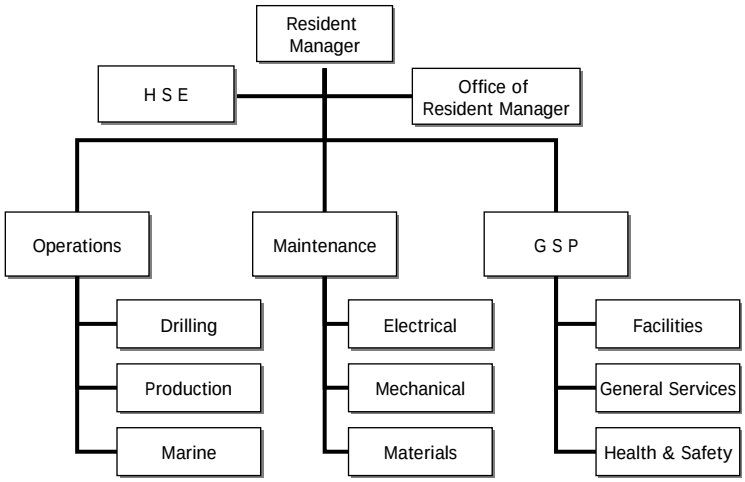

Figure 5. Proposed Structure (1)

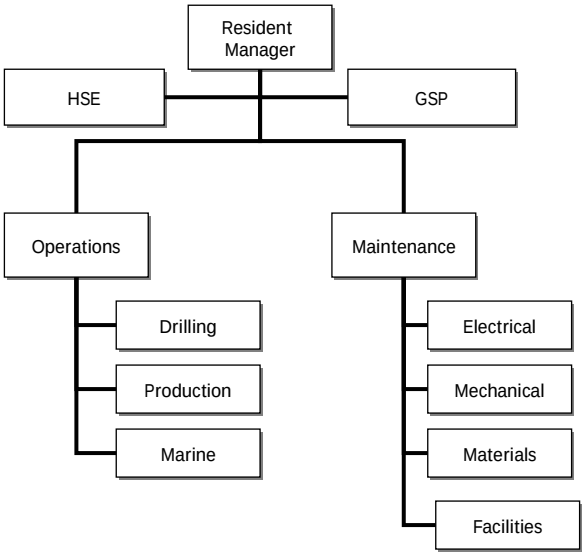

Figure 6. Proposed Structure (2)

These proposed structures differ from the existing-current structure in terms of its simplicity. The proposed structures, especially the second structure is very simple, occupied only by two superintendents who execute every activity in POP. Meanwhile GSP functions as administrative staff. In addition, these proposed structures are different in term of the way the activities are executed. The existing-current structure is fragmented functional in nature. The characteristic of the proposed structure is that every unit of activity is interdependent from one to another so that coordination is done not only in the top level but also in the lower levels (see Figure 7).

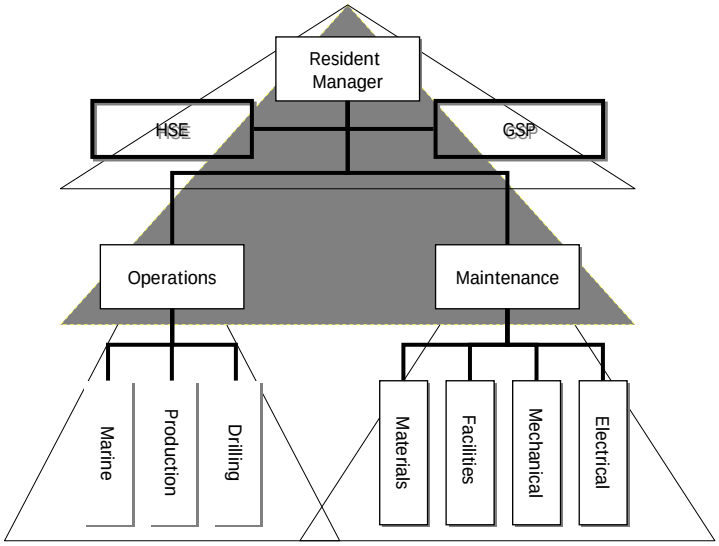

Figure 7. Functional Interdependence

The new proposed structure is process-based structure. Under this new design, even though it looks similar with the previous one, the new structure operates differently. In the new

structure every activity is done by the involvement of several different units. Figure 8 shows this new design in term of decision making process. This figure explains the new character of how decisions are made and executed. There is a paradigm shift in decision making process: from individual to team based decision making. In this case, Senior Management Team functions as the chair for the whole decision making and he has a full responsibility in coordinating the functional processes.

1. Resident Manager, supported by Head of HSE and GSP decide the internal policy of POP in term of daily operation, maintaining the HSE code of conduct across processes and function
2. Resident Manager as chair of POP main activities, with the support of Operation and Maintenance Superintendent, coordinate and decide operating policies and activities
3. Operation Superintendent functions as a process owner whose responsibilities are coordinating the operation activities
4. Maintenance Superintendent functions as a process owner whose responsibilities are coordinating the maintenance activities

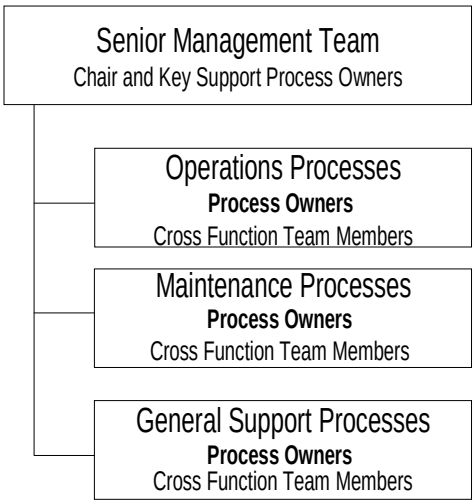

Figure 8. Process-based Structure

B. Technology Advancement

Technology is the next variable from the rightsizing formula that needs to be addressed. It can include all equipments that support POP operations, from oil lifting, power generators, information and communication technology etc. Since POP's strategy is not to expand the business but rather to maintain the current operations as long as possible, the technology focus of the rightsizing program should be addressed accordingly. The technology that is relevant to this strategy is Information and Communication Technology (ICT). ICT is the technology that can integrate the coordination and monitoring system of POP operations. By doing so the control process will be more accurate and timely, which eventually increase the efficiency of the operations. ICT is also a necessary technology that should be established to support the process-based structure. Process-based structure involves teams with members from different specialties that have similar information of issues. With accurate and timely information about the issue, the team will be able to synergize their expertise to solve problems.

The core information system should cover two areas of business process, i.e. maintenance process, and materials management. Currently POP already installed the materials information system, but from the study it is found the indication that the system is not functioning as expected. The information system to be developed has to satisfy the needs for accurate and timely information for the management to take action whenever needed. The followings are what the system has to be capable of:

a. Notify the relevant parties when a problem occurs, which include the information of what happen, where does it happen, who is needed to intervene.
b. Record the events of problems and actions taken, which include the information of what the problem is, who took action, what materials is needed, what action was taken, and the results of the action.
c. Notify and record the movement of materials from ordering, approval, purchasing, shipment, unloading, and installing/usage. The information should covers what materials, for what purpose, who orders, who gives approval, which vendor supply the materials, who deliver, the expected time of delivery, and the current status.

C. People Development

There are three aspects of human resource management that need to be right-sized (Figure 9); they are training and development, career management system, and reward management. Establishing new technical, human, and conceptual skills that are relevant to the new structure and ICT based system are the main objectives in developing the curriculum of training and development programs. The POP people must systematically enhance their capabilities and attitude in dealing with new challenges. For example, in term of dealing with computerized system the employees must be ICT literate and their mental set must be aligned to the way of doing the job (i.e. they need to be comfortable enough in interacting with the system). In addition to this, the training programs should be developed to enhance multi skills capabilities. Multi skills employees are needed especially to support process-based structure. In process-based mechanism employees are expected to interact with other employees from different specialties. Therefore, they should understand different perspective of each functional works in order to reach high job performance.

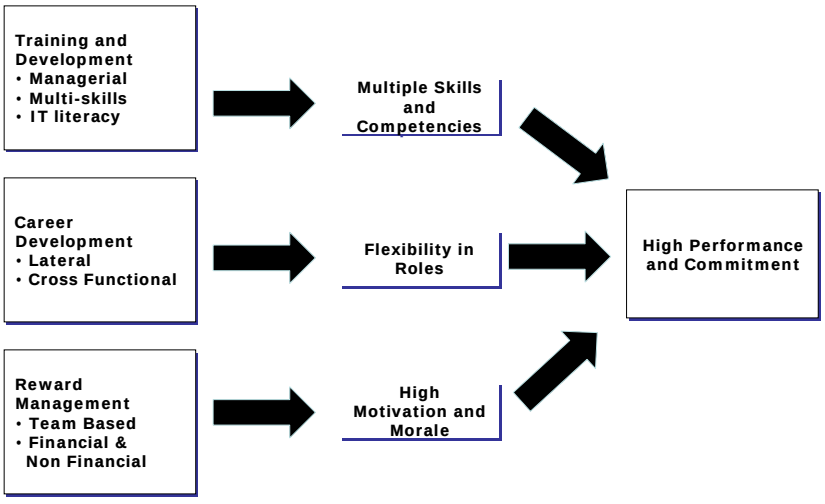

Figure 9. People Development Model

From the career development perspectives, the employees are expected to experience a multi skills career development program. In this system the career movement is not only vertical, but rather it should also give the opportunity to move laterally. For example, drilling engineer might be transferred to handle maintenance function for a certain period of time so that they can see the problems from different perspective. The next career path requires the employees to succeed in performing these multi-task assignments. In the higher position their responsibilities will include managing a team with multi-expertise.

The sustainability of training and development or career management strategy mentioned earlier will be in jeopardy unless it is supported by an appropriate reward system. POP management must develop a team based reward system to support the process-based structure. In team-based reward system every participating unit that achieves the successful endeavor will be appreciated accordingly. Rewards that encourage a team spirit should be instituted. These rewards do not always have to be financial, but it could be in forms of company attributes, e.g. company hat, Safety T-shirt, company pen etc.

Table 1 describes three stages of people development processes that must be followed in order to optimize the effect of management on creating high performance and commitment. They include: (1) planning (i.e. to set up performance target and key indicator of performance); (2) managing (to establish the desired behavior that needs to be reinforced, redirected the undesired ones), and (3) appraising (developing formal appraisal meeting that focuses on future employee development and setting up the appropriate reinforcement).

Table 1. Elements in People Development

Planning	Managing	Appraising
Establish performance target	Establish behavioral expectation	Focus on future employees development
Identify key behavior	Reinforce desired behavior	Provide new direction, new objective
Translate performance indicators	Redirect inappropriate behavior	Reinforce reward

D. Outsourcing Strategy

The scope of the strategy includes the criteria of jobs to be outsourced and the redefinition of the relationship with labor supplier companies.

1. Criteria for jobs to be outsourced
   a. Too expensive to be done by POP itself (i.e. needs substantial resources investment in term of people, finance, technology, time)
   b. POP does not have appropriate and relevant capabilities to do the job.
   c. Non-core jobs or the jobs that are not directly related to oil production.
   d. In order to comply with the corporate social responsibility.
2. The outsourcing company must provide high quality of their labor by (1) developing clear standard of labor skills quality relevant to POP standard (e.g. skills that comply

with HSE standard); (2) developing performance evaluation of their labors in order to maintain the high quality of the labor supply to POP.

3. POP should re-define the company-to-company relationship with daily hired labor supplier, especially for the purpose of minimizing informal-labor direct interaction. It should be no more direct contact between the daily hired labors with PC personnel admin.

Discussion and Conclusion

Based on the aforementioned analysis it can be said provocatively that the old, mature Papua Oil Plant (POP) is decaying (1) leading to dying (37). This is a typical of permanently failing organization (38) that many other organizations may have similar experiences. In the case of POP, two factors contribute to this condition that is low-efficiency performance of the Plant. First, the survival of POP is heavily dependent on the availability of oil and gas reserves that are granted only by environment. Unfortunately these reserves are continuously depleting beyond the control of management. For example, within the recent year POP can only explore 200 oil wells out of 440 oil wells with the cutting rate 0.7% of liquid lifted. This is the reason why POP's production rate is considerably low. Under this situation, POP is in fact in the state of erosion (11). The second factor, POP is also encountering internal problems i.e. aging and less educated workforces; old facilities; disorganized maintenance units; tall inefficient organization structure and out of date technology. These internal factors contribute to the increasing cost, especially fixed costs, for maintaining and running the Plant and the low productivity of this Plant.

Two options are available in facing with the abovementioned situations – simply close the plant or try to maintain the plant for one and other reasons. Unlike others who may simply close the plant for economic reason, IOC decisively tried to maintain the survival of POP not merely for economic reason or to maximize profit, but rather at least to prolong its life for other reasons. This decision is supported by Meyer & Zucker (38) who argue that high persistent organization with low performance should not necessarily be closed down. For one and other reasons, maintaining this kind of organization is suggested. First, diverse interests may arise in and around organizations, particularly when external events cause performance to decline. Second, conflict from this division of interests may block organization from changing established patterns of conduct. Third, sustained low performance organization is resulted from which escape is neither easy nor automatic. For maintaining the low performance organization or improving it, Nutt (8) offers two options – transform the organization if this organization still has enough resources to do it, or downsize it with some consequences. This study basically follows the second path. To minimize the negative impacts of downsizing, organizational rejuvenation is considered as the best alternative solution.

The major issue within this context is to rightsize the organization into a more effective, efficient and productive organization. This rightsizing program include: redesigning business process (workflow), organization structure, people and competencies (human resource management), and facilities/technology management. Organization culture and reward system need also to be redesigned to anticipate the unintended consequences. Adding to these issues, implementing rightsizing program in oil industry should also consider the environmental and safety (HSE) issues as well as community development (i.e. corporate social responsibility). It means that economic reasons cannot sufficiently satisfy the demand of the organization

environment. HSE could be enhanced as a strategic frame of operation. Underlining the importance of HSE, every step of POP operation will guarantee the continuity of the company within global environment awareness frame of thinking. Many companies that disregard HSE should face many difficulties that consume time, money, and energy to deal with.

Our proposed rightsizing program as a way to rejuvenate POP has resulted a model called as "production stability model". Under this model, production stability is a function of organization arrangement, people and technology. It is realized that this model is not without limitations. This model probably fit only for this case (POP) therefore deductive research is needed to test this model. Based on this model, we also concluded that for organization to survive, POP has to redefine its organization from production based orientation to maintenance based. This conclusion basically suggests that within the condition of aging organization and declining environment, the efficient organization is determined by the effectiveness of function of maintenance activities. This is the function that will reduce unnecessary cost.

Reference

Warmington, A. (1974). Obsolescence as Organizational Phenomenon. *Journal of Management Studies*, May, 96–114.

Lamberg, J.A. & Pajunen, K. (2005). Beyond the Metaphor: The Morphology of Organizational Decline and Turnaround. *Human Relations,* 58(8), 947-980.

Whetten, D.A. (1980). Organizational Decline: A Neglected Topic in Organizational Science.*Academy of Management Review*, 5(4), 577-588.

Sutton, R.I. (1983). Managing Organizational Death. *Human Resources Management*, 22(4), 391-412.

Hanks, S.H., Watson, C.J., Jansen, E. & Chandler, G.N. (1993). Tightening the Life-Cycle Construct: A Taxonomic Study of Growth Stage Configurations in High-Technology Organizations, *Entrepreneurship Theory and Practice,* Winter, 5-30

D'Aveni, R. (1989). The Aftermath of Organizational Decline: A Longitudinal Study of Strategic and Managerial Characteristics of Declining Firms. *Academy of Management Journal,* 32(3), 577-605

Hambrick, D.C. & D'Aveni, R.A. (1992). Top Team Deterioration as Part of the Downward Spiral of Large Corporate Bankruptcies. *Management Science,* 38(10), 1445-1466.

Nutt, P.C. (2004). Organizational De-development. *Journal of Management Studies,* 41(7), 1083-1103.

Adizes, I. (1999).*Managing Corporate Life Cycles*. Paramus, N.J.: Prentice Hall Press.

Ranger-More, J. (1997). Bigger may be Better, But is Older Wiser? Organizational Age and Size in the New York Life Insurance Industry. *American Sociological Review*, 62(1), 903 – 920.

Cameron, K. S. & Zammuto, R.F. (1983). Matching Managerial Strategies to Condition of Decline. *Human Resource Management*, 22(4), 359 – 375.

Chowdhury, S.D., (2002). Turnarounds: A Stage Theory Perspective. *Canadian Journal of Administrative Science*, 19 (3), 249 – 266

Morgan, G. (1997). *Images of Organization*. London: Sage Publications

Van de Ven, A. H. & Poole, M.S. (1995). Explaining Development and Change in Organizations. *Academy of Management Review,* 20(3), 510 - 540

Smith, K.G., Mitchell T.R. & Summer, C.E. (1985). Top Level Priorities in Different Stage of the Organizational Life Cycle. *Academy of Management Journal,* 28, 799 – 820

Gupta, Y.P. & D.C.W. Chin (1994). Organizational Life Cycle: A Review and Proposed Direction for Research. *The Mid-Atlantic Journal of Business,* 30(3), 269-294.

Beatty, R.W. & D.O. Ulrich (2000). Re-Energizing the Mature Organization, in French, W.L., C.H. Bell, Jr. and R.A. Zawacki (eds.) *Organization Development and Transformation: Managing Effective Change*. Boston: McGraw-Hill.

Quinn, R.E. & Cameron, K. (1983). Organizational Life Cycle and Shifting Criteria of Effectiveness: Some Preliminary Evidence. *Management Science*, 29(1), 33 – 51.

Greiner, L. E. (1972). Evolution and Revolution as Organizations Grow. *Harvard Business Review*, July-Aug., 37-46

Flamholtz, E.G. (1990). Toward a Holistic Model of Organizational Effectiveness and Organizational Development at Different Stages of Growth. *Human Resource Development Quarterly,* 1 (2), 109-127

Miller, D. & Friesen, F. H. (1984). A Longitudinal Study of Corporate Life Cycle. *Management Science*, 30(10), 1161 – 1183.

Ranger-More, J., Breckenridge, R.S & Jones, D.L. (1995). Pattern of Growth and Size Localized Competition in the New York Life Insurance Industry, 1860-1985. *Social Force*, 73, 1027-1050.

Hannan, M.T & Freeman, J. (1977). The Population Ecology of Organizations. *American Journal of Sociology*, 82, 929-964

Bertalanffy, L. von (1972). The History and Status of General System Theory. *Academy of Management Journal*, December, 407 – 426.

Pfeffer, J & Salancik, R. (1978). *The External Control of Organization: A Resource Dependence Perspective*. New York: Harper and Row

Newman, K. (2000). Organizational Transformation during Institutional Upheaval. *Academy of Management Journal*, **25**, 3, 602–19.

Freeman, S. & Cameron, K. (1993). 'Organizational Downsizing: A Convergence and Reorientation Framework'. *Organizational Science*, 4, 10–29.

Tichy, N. & Devanna, M. (1986). *The Transformational Leaders*. New York: Wiley

Budros, A. (1999). A Conceptual framework for Analyzing why Organizations Downsize. *Organization Science*, 10(1), 69-82

McKinley,W., Sanchez, C. & Schick, A. (1995). Organizational Downsizing: Constraining, Cloning, and Learning. *Academy of Management Executive*, 9(3), 32–42.

Connell, J., & Waring, P. (2002). The BOHICA Syndrome: A Symptom of Cynicism towards Change Initiatives? *Strategic Change,* 11, 347-356

Morrall, Jr., A. (1998). A Human Rightsizing Model for the Twenty-First century, *Human Resource Development Quarterly*, 9(1), 81-88

Abrahamson, E. (2000). Change without Pain. *Harvard Business Review,* July-August, 75- 79.

Stopford, J.M., & Baden-Fuller, C. (1990). Corporate Rejuvenation. *Journal of Management Studies*, 27(4), 399-415.

Bate, P., Khan, R. & Pyle, A.N. (2000). Culturally Sensitive Restructuring: Am Action Research-Based Approach to Organization Development and Design, *Public Administration Quarterly,* Winter, 445-470

Burke, W. W. (1998). *Organization Development: A Process of Learning and Change.* Reading, MA: Addison Wesley

Sutton, R.I. (1987). The Process of Organizational Death: Disbanding and Reconnecting. *Administrative Science Quarterly*, 32(4), 542-569

Meyer, M.W. & Zucker, L.G. (1989). *Permanently Failing Organizations*. London: Sage Publications.