

# Applying Learning Organization Approach for Translating Strategic Goals to Business Performance

(The Case Study of an Oil & Gas Company)

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**Abstract** - *Indonesia is in a very serious situation today; oil production is going down, exploration success rate is not as expected and cost recovery is rising up. New technology application is urgently applied to increase oil discovery and exploration success rate and keep the cost recovery low. Unfortunately, young petroleum engineers are not ready yet to catch up these technologies because of the gap of competences when compared to the retired engineers. The aim of this study is to close the gap competences between the young engineers and retired engineers in how to apply new technology. Workshop and Focus Group Discussion were performed with the executive level and selected employees, and also Competences Assessment was the method that we used. Results showed that the young engineers understand their current competences and level of competences expected and how to catch up their competences for applying new technology. On the other hand, human capital department is more effective and confident to manage human resources programs that are aligned to business performance expected.*

**Keywords:** *Gap of competences; close the gap, new technology application; human resources; aligned to the goals.*

## I. INTRODUCTION

Back in 2004, when the oil price began to rise and looked promising [1], the oil & gas companies that are operating in the Middle East region began to pump their oil resource aggressively. The consequence of the increasing activities is that they need a reliable petroleum and technical engineers who have high competence and experience in this field.

In 1990s Indonesia produced 1.5 million barrel oil per day (bopd) [2] and Indonesia was the leading Oil & Gas producer in Southeast Asia region [3] for decades; of course there are many potential engineers to be hired and no need to wait too long. Beginning in 2005 the “wave” of Indonesia’s professional petroleum and technical engineers went to Middle East region for one reason: to reach a double even triple salary and benefits in US Dollars income. Talent War happened since that day and a lot of first class young engineers went to the Middle East, and Indonesia was apparently not ready yet to face this serious situation, and the worst is we try to look confident to face it.

In 2005 when the oil price was rising up significantly, major Oil & Gas companies operating in Indonesia raced to pump the oil as much as they can to earn maximum profits. The new and sophisticated

technology applications need to apply; however, the human resources who are able to run this technology were mostly expatriates and local senior engineers that will retire in the near time. So, the consequence; the cost recovery was rising up and Indonesia started facing Talent Crisis and unfortunately most of oil and gas companies in Indonesia and the government were too late to anticipate these challenge. To cope with the challenge, generally the organization launches **Graduate Acceleration Programs (GAPs)** for a speedy program closing the gap of competences and achieving business performance. The program looks good to solve the problem for a while. Why? Because in many cases the GAPs are not closely aligned with the business performance of the company itself. Learning Organization is challenged to provide an approach that is able to translate strategic goals to business performance through employees’ competences and performance.

## II. METHODS

### A. Workshop

The workshop was conducted together with the executive team and selected employees. The aim of the workshop is to set the business performance expected and to define the **Key Success Factors (KSFs)** required to ensure the business performance that has been set to be able to achieve. Once the business performance and Key Success Factors have been well defined, the next step is to determine the **Key Performance Indicators (KPIs)** that are aligned to KSFs and believed if done, will produce the business performance. The KPIs consists of measurement, target and weight as a tool to measure and determine priorities of KSFs.

When the Business Performance, KSFs and KPIs for organization have been set, the next step is to deploy those things to all departments within the organization. The idea of deployment is to synergize all departments and individuals within the departments have “a common language” how to achieve the Business Performance as a team. On the deployment process, the specific KPIs for departments are defined based on their **Unique Routine Roles** of each department.

Fig. 1. Goals, KSFs and KPIs of the Oil & Gas Organization.

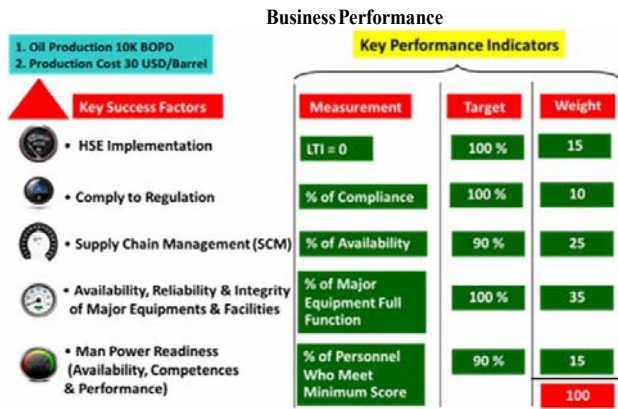
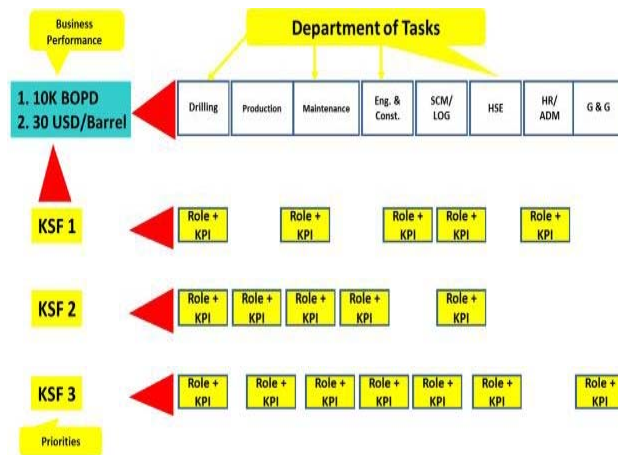


Fig. 2. Deployment Model.



The **Unique Routine Roles** have Measurement, Target, Actual, Individual Performance Plan (IPP) and Points Earned to make easier when we need to prioritize what most important KSFs and KPIs should be monitored day by day.

Once each department has the Key Performance Indicators (KPIs), the next step is to deploy those KPIs to Competences required to ensure the employees who perform with his or her job. The method required is to do Focus Group Discussion (FGD) with selected people of each department and human capital department; they should hand on directly to deploy and define competences required.

**B. Focus group discussion (FGD)**

The Focus Group Discussion (FGD) WAS conducted together to select each department and the aim of the FGD is to get the competences required that is aligned to Key Performance Indicators, Key Success Factors and the Goals of organization. **That meant the**

**competences required that would be produced will be aligned to the Goals of the organization!** This is the unique Learning Organization approach that is able to align between Competences required to the organization's Goals. As I mentioned above, in many cases the Graduate Acceleration Programs (GAP) or other Development Programs are not closely aligned with the business performance of the company itself.

Fig. 3. Department of Tasks

**Department of Tasks**

1. 10K BOPD  
2. 30 USD/Barrel

OPERATIONAL DASHBOARD		PRODUCTION DEPARTMENT				MAINTENANCE DEPARTMENT										
NO	KSF	Measurement	Target	Routine Role	Measurement	Target	Actual	IPP	Points Earned	Routine Role	Measurement	Target	Actual	IPP	Points Earned	
1	Oil Production	BOPD	10K		100%	100%	5.00	5.00		100%	100%	5.00	5.00			
2	Operation Cost	USD/Barrel	30		100%	100%	5.00	5.00		100%	100%	5.00	5.00			
<b>KEY SUCCESS FACTORS</b>																
4	Availability, Reliability & Integrity of Major Equipment & Facilities	% Major Equipment Full Function	100%	Availability, Reliability & Integrity of Major Equipment & Facilities	% Major Equipment Full Function	100%	100%	4.21	4.21	Availability, Reliability & Integrity of Major Equipment & Facilities	% Major Equipment Full Function	100%	100%	3.91	3.91	
				<b>Clear Measure of Success</b>	Monitoring Equipments Performance	% of Daily Report	100%	100%	7.58	7.58	Ensure PM & CM Program Implemented per SOP	% of Close Out Work Order	100%	100%	10.06	10.06
				<b>Clear Target</b>	Monitoring Work Over Performance	% of Program Compliance	100%	100%	7.58	7.58	Ensure PM & CM Timely	% of Completion as Per SOP	100%	100%	10.06	10.06

**C. Competences assessment**

When we have defined the competences required, we continue with **Competences Assessment** and the aim of the competence assessment is to understand competences level of employees and what kind of interventions are required to increase their competences. The results of competences assessment can be used also to identify Talent Pool and potential Succession Plan in the future.

Fig. 4. FGD Competences Required

**Focus Group Discussion**

List of Competences Required					Competences Assessment					
No	KSF	Routine Role	KPI IDENTIFIED		Competences Required	COMPETENCES ASSESSMENT				
			Measurement	Target		Very Good	Good	Fair	Not Good	Not Very Good
3	Availability, Reliability & Integrity of Major Equipment & Facilities		% Major Equipment Full Function	100%		5	4	3	2	1
		Well Site	% Generating Check List Report Hourly	100%	Ability to Analyze Process Flow Diagram (PFD) on Well and Surface Facilities					
		Field Facilities (FF)	% Generating Check List Report Hourly	100%	Ability to Analyze Process & Instrument Diagram (P&ID) on Well and Surface Facilities					
		Main Production Facilities(MPF)	% Generating Check List Report Hourly	100%	Ability to Identify and Analyze Process on Separator, Pigging System, Pump & Utility Equipments					
					Ability to Analyze Process Flow Diagram (PFD) on Well and Surface Facilities					
					Ability to Monitor & Operate Process on Turbine Generator					
					Ability to Identify and Analyze Process on Fiscal Metering					

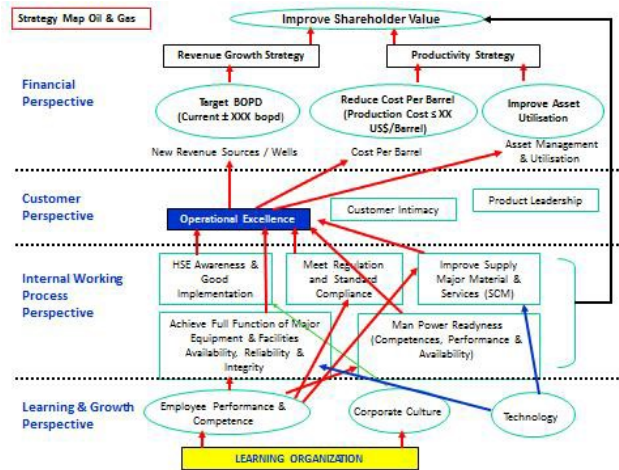
**We found more than 150 competences required for Production Dept. and 300 for Maintenance Dept.**

### III. RESULTS AND DISCUSSIONS

#### A. Good performance appraisal

This approach helped the executive team of organization to monitor achievement of Key Performance Indicators (KPIs) that should be managed and achieved by departments and individuals within the organization. The executive team will focus on the “big rock” as a Dashboard of organization and individual performance. Another side human capital department will easily help the department’s head to do Performance Appraisal effectively. A good performance appraisal showed what the superior and the subordinate agreed about performance indicators to be measured, how to measure, when to measure and the style of communication or coaching between superior and subordinate. Clear key performance indicators (KPIs) will help determine performance appraisal as a good place to discuss how to improve performance in the future.

Fig. 5. Strategy Map of Oil & Gas Company



#### B. Strategy map of oil & gas company

On the strategy map [4] of oil & gas business below, it is very clear how important the role of

Learning Organization is to help an Organization to achieve Business Performance that is generally represented by Financial Achievement. So there is no doubt that Learning Organization is not just only as a “back office” who does not make an important contribution to the organization.

Understanding of strategy map is important for the human capital professionals/leaders, because they must have the ability to “read” business strategy accordance to their business and also to develop themselves as well as having a greater influence to management team.

### IV. CONCLUSION

This paper studied the roles of Learning Organization that has the capability to deliver significant contributions of business performance to the organization. The young engineers were happy because they have a guide line how to catch up their competences as expected, the human capital department team has clear and confidence what kind of effective Learning Organization programs should be delivered and the executive team member were happy because they have a Dashboard that should be led, managed and monitored on day today business activities to ensure that business performance happens. We have to believe the performance of an organization starts from the performance of its employees and finally there is no reason for the company to struggle to invest strategically in the Learning Organization

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