

Organizational Life Cycle in PT Petrogas Jatim Utama Cendana : An Exploratory Study

R. Sunni Nugraha¹ ; Gery Lusiano Firmansah² ; Alexandra Sinta Wahjudewanti³ ; Hadi Ismoyo⁴
PT Petrogas Jatim Utama Cendana^{1,2,3,4}

* Corresponding Author: sunninugraha@gmail.com

Abstract. This paper aims to analysis the organizational life cycle in PT Petrogas Jatim Utama Cendana strating from founding, growth and maturity phase. The research method used is an exploratory qualitative method with in-depth interview with the founder of PT Petrogas Jatim Utama Cendana. The source of data consists of primary data from observation and interview. The secondary data is gathered from document and report. To validate the data, this research used source triangulation. The data analysis used is data display and conclusion. The result shows that open and professional management style in founding phase plays critical role in founding phase of transferring Participating Interest from oil and gas contractor. The growth phase indicates by the establishment of Central Processing Facility (CPF) in Banyu Urip Field and Floating Storage Off Loading (FSO) Gagak Rimang to increase oil production to 200.000 barell oil per day. The plateau in maturity phase describes the contribution to regional revenue as of December 2021 with total USD 26.621.000. The existence of Participating Interest (PI) through Government Regulation 35/2004 contributed to transfer of knowledge of oil production and especially accelerate regional revenue's growth.

Keyword(s): *Government Regulation 35/2004; Cepu Blok; Organizational Life Cycle; PT Petrogas Jatim Utama Cendana*

©2022 IATMI. All rights reserved.

1 Introduction

Cepu Block is an oil and gas area covering Bojonegoro and Tuban Regencies in East Java Province and Blora Regency in Central Java Province. In 2001, there was a discovery of 450 million barrels of oil reserves in the Banyu Urip oil field, Cepu Block¹. Following Government Regulation (PP. 35/2004), regional government has the opportunity to participate in managing upstream oil and gas business in form of Participating Interest (PI) shares.

Based on Production Sharing Contract, Cepu Block started in 2005-2035 and triggered local government to build Regional-Owned Enterprise (BUMD). PT Petrogas Jawa Timur Utama Cendana (PJUC) as one of BUMD participated in Cepu Block since 2007 with share 2.2423% from contractor share (Exxon Mobil Cepu Limited). The lag of time to join, around 2 years, is caused by regulation restriction that prohibit regional revenue to fund project with high risk and capital intensive such as upstream oil and gas.

Cepu Block has been running for 13 years since the Banyu Urip field started producing in 2009. According to Hadi Ismoyo (2018)², the execution of PI share as a critical phase in establishment. However, there is need of elaboration to describe PJUC with life cycle view from execution participating interest until operation nowadays. Through this paper, the authors have willingness to describe PJUC comprehensively using organizational life cycle theory.

2 Literature Review

This paper conducted organizational life cycle which can be described with classical five stages: (i) founding, (ii) growth, (iii) maturity, (iv) decline, and (v) revival (Bilek and Jirasek, 2018)³. Some models rely on growth part and end up with maturity phase (Downs 1967⁴; Lippitt and Schmidt, 1967⁵; or Scott, 1971⁶). It is important to highlight that the life cycle models are dependent in each other because of the change in their strategies, leadership, structure, innovativeness and any organization changes. In this paper, the authors modified life cycle only in first third phases: (i) founding, (ii) growth, and (iii) maturity due to adjust with the practical condition in PT PJUC. The founding phase indicated with struggle for existence (Lippitt and Schmidt, 1967⁵; Churchill and Lewis, 1983⁶) and acquisition of critical resources (Jawahar and McLaughlin, 2001)⁷. The growth phase characterized by growth in sales and market share follows (Kazanjian, 1988)⁸. The stable growth to keep it direction and continue exploration is maturity phase (Dufour, Steane and Corriveau, 2018)⁹.

This study uses exploratory study which is one of the characteristics of empirical studies in qualitative methods (Hilman, 1995) because this research deals with the questions of "how" and "why", and is used to observe the phenomenon of PI in Cepu Block with object PT PJUC. This paper used interview method with the founder PT PJUC and observation as primary data. The secondary data come from annual report of PT Petrogas Jatim Utama Cendana.

3 Result and Discussion

3.1 Founding Phase

Based on our interview with the founder of PT Petrogas Jatim Utama Cendana, Ir. Hadi Ismoyo, stated that: *"The key to success is the combination of professionals, investors who have idle cash and bureaucrats (policy makers at the regional or national level). professionals who calculate the reserves, investors transfer capital to carry out PI."*

This result is consistent with (Kimberly, 1979)¹⁰ that in first stage indicate with acquisition of resources, creation of ideology. In the case of PJUC, the resources come from three components: professionals, investor, and bureaucrats with their own resources. This also supported by strategy in establish PT PJUC through Public-Private Partnerships (PPP) scheme (figure 1). With this scheme, PT PJUC have access to fund capital intensive projects.

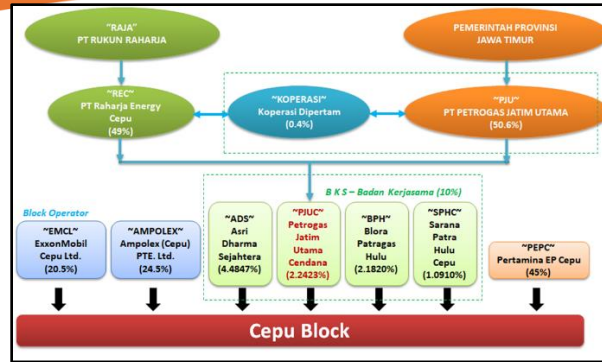


Figure 1: Public-Private Partnership

3.2 Growth Phase

In upstream oil and gas, the revenue dependent on production capacity of wells. In 2009, Banyu Urip field production was still around 13 MBOPD. In 2015, after adding wells and building a Central Processing Facility (CPF), Banyu Urip production continued to increase until it reached its peak production in August 2019 of 236.64 MBOPD¹. Central Processing Facility has function to split oil, gas, and water component. It possible to process oil in further with large capacity as maximum 300.000 BOPD in one site location.

The Cepu Block also build Floating Storage Off-Loading (FSO) Gagak Rimang in 2015, to store the increase of oil production. Capacity. This storage plays critical role to distribute oil into vessel. The enlarge of production facility in line with the founding in previous research by (Kazanjian, 1988). The consequence of increase production capacity, bring the growth in sale.

3.3 Maturity Phase

As mentioned before, the founder PJUC, Ir. Hadi Ismoyo stated as follows :

“Sufficient access and knowledge, incoming information flow that can be documented by the region as a foundation for BUMD to develop further, create business opportunities, employment opportunities with a sustainable contribution to the region. This PI is just a starting point.”

A portion of the funds was obtained from the 10% PI, then managed by a holding PT Petrogas Jatim Utama to develop various business fields. With good management, in 2020, PJUC has made a profit of IDR 49.5 billion and has successfully paid off its debts, and become one of the BUMDs with a large contribution of Regional Original Income (PAD) in East Java Province. Estimate Revenue in 2021 will reach around IDR 184 billion because PJUC's debt burden has been completed. This condition related with maturity phase in previous study by (Dufour, Steane and Corriveau, 2018) with indication of continuous exploration.

The revenue contribution provided by PT Petrogas Jatim Utama Cendana is included in the Regional Revenue and Expenditure Budget (APBD) of the East Java government, dividing it into several budget allocations. First, for the Education Office, it covers the needs of BPOPP (Fund of Operational Support for

Education Administration), especially school construction, BOS (School Operational assistance), and improvement of school infrastructure. The second budget is for health and handling Covid-19.

The third, budget is also allocated for public works and spatial planning, especially repairing road facilities, bridges, and flood management. Then the other budget is assigned to the Micro, Small and Medium Enterprise (UMKM) cooperative.

The existence of BUMD in the management of Cepu Block oil and gas working area through the 10% PI not only provides an increase in East Java regional income, but also involved in all strategic decision making, starting from weekly Technical Committee meetings in discussing technical field issues (open tenders, workovers, infill drilling, etc.), and also actively participates in weekly Ship Coordination meetings with SKK Migas to create lifting transparency in Cepu Block. Furthermore, the active participation of BUMDs has succeeded in making BUMDs gain increased knowledge about how to manage oil and gas fields.

4 Conclusion

Open and professional management style in founding phase plays critical role in founding phase of transferring Participating Interest from oil and gas contractor. The growth phase indicates by the establishment of Central Processing Facility (CPF) in Banyu Urip Field and Floating Storage Off Loading (FSO) Gagak Rimang to increase oil production until 200.000 barell oil per day. The plateau in maturity phase describes the contribution to regional revenue as of December 2021 with total USD 26.621.000. The existence of PI through Government Regulation 35/2004 contributed to transfer knowledge of oil production and especially accelerate regional revenue growth.

Appendices

The author would like to thank PT Petrogas Jatim Utama Cendana (PJUC) and BKS Cepu Block have provided information on managing the 10% PI of the Cepu Block and permission to publish this paper.

References

- [1] PT. Petrogas Jatim Utama Cendana. 2020. "2020 Annual Report". Surabaya.
- [2] Ismoyo, Hadi. 2018. "The Process of Execution and Management PI 10% BUMD". Presented at the 2018 IATMI Symposium in Padang.
- [3] Jirásek, M., & Bílek, J. (2018). The Organizational Life Cycle: Review and Future Agenda. *Quality Innovation Prosperity*, 22(3), 01–18.
- [4] Downs, A., 1967. *Inside Bureaucracy: A RAND Corporation Research Study*. Long Grove: Waveland Press.
- [5] Lippitt, G.L. and Schmidt, W.H., 1967. Crises in a developing organization. *Harvard Business Review*, 45(6), pp.102-112.



- [6] Scott, B.R., 1971. Stages of Corporate Development. Cambridge: Harvard Business School.
- [7] Jawahar, I.M. and McLaughlin, G.L., 2001. Toward a descriptive stakeholder theory: An organizational life cycle approach. *Academy of Management Review*, 26(3), pp.397-414.
- [8] Kazanjian, R.K., 1988. Relation of dominant problems to stages of growth in technology-based new ventures. *Academy of Management Journal*, 31(2), pp.257-279
- [9] Dufour, Y., Steane, P. and Corriveau, A.M., 2018. From the organizational life-cycle to "ecocycle": a configurational approach to strategic thinking. *Asia-Pacific Journal of Business Administration*, 10(2-3)
- [10] Kimberly, J.R., 1979. Issues in the creation of organizations: Initiation, innovation, and institutionalization. *Academy of Management Journal*, 22(3), pp.437-457.