

Continuous Improvement Program (CIP) in Pertamina: The Discipline of Innovation

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Abstract

This study focuses on Pertamina, a giant oil and gas company in Indonesia, pursuing growth and revenues through innovation programs for its employees. As innovation is the specific function of entrepreneurship and successful entrepreneurs are not a kind of personality, but a commitment to the systematic practice of innovation (Drucker 2013), we investigate the performance of Pertamina with its innovation program. The scope of the study, first, is to understand how the company nurture small projects, or “little i” innovations, which are essential for continuous improvements but less contributing to its profitability. Second, how the company unlock the risky “big I” projects, new to the company or new to the world, that push it into adjacent markets or novel technologies and can generate the profits needed to close the gap between revenue forecasts and growth goals (Day 2013). To address the study objectives, we investigate the Continuous Improvement Program (CIP) program in Pertamina Hulu Rokan, an upstream business subsidiary. We include in our analysis how the innovation programs and culture create a company’s value creations, improve the company’s revenues, generate more profits, and unlock the employee’s competencies and performances. Considering most companies fuel growth by creating new products and services, yet too many firms repeat the same growth-sapping mistakes in their efforts to innovate (Kanter 2013), we also include the company’s mechanism to avoid the such trap. The approaches of the company consist of “Project Collaboration Improvement” (PC Prove), Functional Team Improvement (FT Prove), “Individual Improvement” (I Prove) and “Replication Team Improvement” (RT Prove). Our finding indicates that the solution to nurturing an innovation program and culture in an established company like Pertamina is to pursue a disciplined, systematic process that will distribute innovations of “little i” and “big I” projects more evenly across the spectrum of risk.

Keywords: discipline, innovations, oil & gas, growth, revenues