

IMPROVING AN ORGANIZATIONAL DECLINING PERFORMANCE CASE STUDY: PT NTP

Raden Akbar Anzalna and John Welly
School of Business and Management
Institut Teknologi Bandung, Indonesia
akbar.anzalna@sbm-itb.ac.id

Abstract - PT Nusantara Turbin dan Propulsi (NTP) is one of trusted excellence center leading in South East Asia in the field of engineering, maintenance, repair and overhaul of gas turbines and rotating equipment. PT NTP has two strategic business units, namely Aero Engine Services and Industrial Turbine Services. PT NTP facing a problem in achieving the target in terms of revenue and timeliness of project completion that led to customer dissatisfaction and also there is geopolitical issue that affects the company financial performance. Those problems are the overcome challenges of the company in the future. In accordance with those problems, this final project will discuss improvements an organization declining performance. Two methods were used to find out problem that occurred at NTP, first is quantitative; by distributed questionnaires among fulltime employees, and second is qualitative; by conduted interviews with managers and employees. Questionnaires spread to Managers, Supervisor, and Staffs were aims to analyze level of organization, groups, and individual. Organization criteria (by Mckinsey) are strategy, structure, system, skill, staff, style, and shared values. Group (by Thomas Cummings and Cristopher Worley) are task structure, group composition, team functioning, and group norms. Individual (by McShane and Von Glinow) motivation, ability, role of perception, and situational factors. To improve an organization declining performance, organization can be diagnosed at three different levels, namely individual level, group level, and organizational level. Those three levels are the main factor to improve an organization declining performance. Based on this analysis, it can be determined the level of organization that led to a declining performance of organization. The result of the analysis of the information obtained from PT NTP concluded that the level of organizational is the causes of the organization declining performance. The analysis that conducted is by improving the elements that derived from the Mckinsey 7-S framework, namely strategy, system, structure, skill, staff, style, and shared values. The implementation plan of those improvements is applied using the eight-step model of change from John P. Kotter.

Keywords: Organization declining performance, organizational level, Mckinsey 7-S framework

1. Introduction

PT Nusantara Turbin dan Propulsi (NTP) is a trusted excellence center leading in South East Asia in the field of engineering, maintenance, repair and overhaul of gas turbines and rotating equipment. PT NTP has two strategic business units, namely Aero Engine Services and Industrial Turbine Services. PT NTP has now facing a problem in achieving the target in terms of revenue and timeliness of project completion that led to customer dissatisfaction and moreover there is geopolitical issue that affects the company financial performance. To maintain PT NTP position, it takes an excellent organizational performance in order to achieve an organizational effectiveness. The objective of this research is providing recommendation for PT NTP about improving the performance. The improvement that conducted was to enhance organizational performance, therefore the research might use several tools in measuring three different level of organization, namely individual, group, and organizational level to figure it out the performance. This final paper is focus on improving an organization declining performance that might support PT NTP business.

2. Business Issue Exploration

Conceptual Framework

In the figure below, illustrates the organizational development framework. It was developed by Thomas G. Cummings and Christopher G. Worley which is based on the organization function at different levels such as individual, group, and organizational.

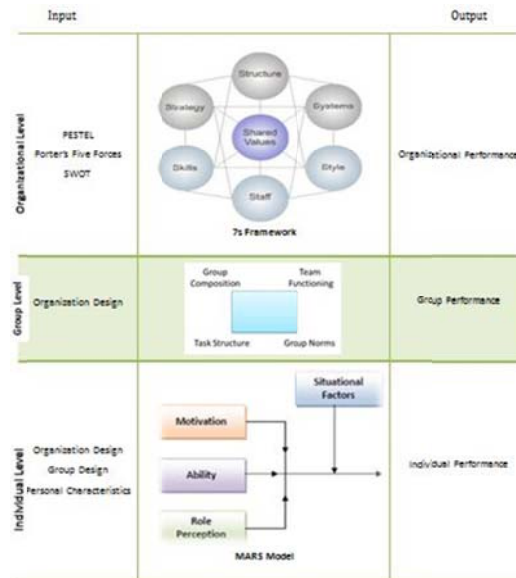


Figure 1 . Conceptual Framework

At the organizational level, the measurement method is using 7s Framework with input from the PESTEL analysis, Porter's Five Forces analysis, and with the addition of SWOT analysis. The 7s Framework characterizes the factor into seven categories: structure, strategy, systems, style, staff, skills, and shared values. From the measurement, we will get the organizational performance as a result. For the group level, the design components have four major components such as group composition, group norms, task structure, and team functioning. The input for group level is organization design, meanwhile the output is group performance. And for the individual level, the measurement is using MARS model with input from the variables of organization design, group design, and personal characteristics. The MARS model consists of motivation, ability, role of perception, and situational factors. From the MARS model, we will get the individual performance and behavior as the result.

Analysis of Organizational Level

The statistic method that used to analyze the 7-S elements is descriptive statistics. The sample of questionnaire is PT NTP fulltime employees that consisted of Managers, Supervisor, and Staff. In order to easier to interpret data from the respondents that have been collected, then performed the indicator of the score of respondents. The general formula to find the interval as follows:

$$i = \frac{H - L}{K} = \frac{4 - 1}{4} = 0.75$$

Where, i = The width of class interval

H = The highest observation value

L = The lowest observation value

K = Number of classes

Table 1 . Indicator Score of Respondent

Interval	Indicator
1,00 – 1.74	Very poor
1,75 – 2,49	Poor
2,50 – 3,24	Good
3,25 – 4,00	Very good

Source: Sudjana, (1992)

Strategy

The average score of strategy element was **2.67** out of **4** as the highest score. The lowest factor of strategy element is know the strategy with score **2.42** and it can be categorized as poor indicator. This is means the employees did not know the strategy of company.



Figure 2 : Strategy

Structure

The average score of structure element was **2.78** out of **4** as the highest score. The highest factor of structure element comes from open communication with score **2.96** while the lowest factor is bureaucracy effectiveness with score **2.57** but it still categorized as good indicator.

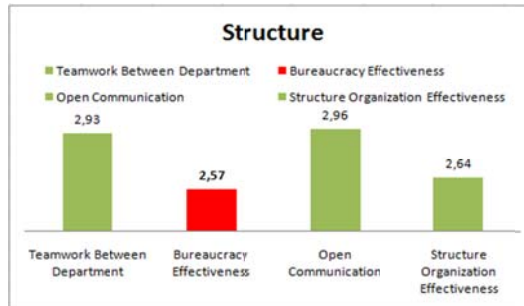


Figure 3 : Structure

System

The average score of systems element was **2.61** out of **4** as the highest score. The lowest factor of system element is excellent HR development system with score **2.20** and it can be categorized as poor indicator. This is means the existing system especially HR system does not running properly.

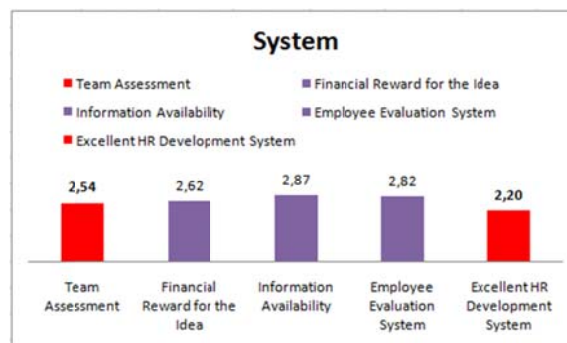


Figure 4 : System

Skill

The skill element was already covered in individual level of MARS model. NTP known as the company with the various aero engine skill and capabilities, while for the components of skill variety provide average score in **3.17** and categorized as good indicator.

Staff

The staff element was already covered in individual level which is measured with MARS model. For the employee development, NTP regularly provided a training twice a year for the employee, this was done to support the development of various engine that always evolving and to make positive contributions to the company. The components of training provide average score in **2.79** and this is categorized as good indicator.

Style

The average score of style element was **2.73** out of **4** as the highest score. The highest factor of style element comes from employee cooperation with score **2.95** while the lowest factor is consultative style effectiveness with score **2.51** but it still categorized as good indicator.



Figure 5 : Style

Shared Values

The average score of shared values element was **2.69** out of **4** as the highest score. The lowest factor of shared value element is understand the corporate value with score **2.61** but it still categorized as good indicator.

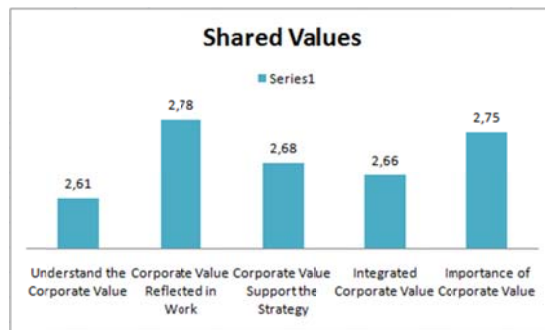


Figure 6 : Shared Values

Output of Organizational Level

The result of this survey that based on questionnaire and interview leads to poor factors of strategy and system elements. Here are several evidences due to the poor performance of those factors:

- The bad timeliness in project, therefore the project target punctuality is rarely achieved. Up to ten percent (10%) of projects completed on time, while rest of project is always late.

- The customers always complain due to poor timeliness and eventually there is no customer satisfaction even there is no customer loyalty.
- Decline in market share from 26% in 2011 to 20% in 2012.
- Poor financial performance. Revenue target in last three years was not achieved and the cash flow tends to negative.

Table 2 : Revenue Target

Year	Target	Achieve
2012	Rp. 287 billion	Rp. 220 billion
2011	Rp. 257 billion	Rp. 214 billion
2010	Rp. 232 billion	Rp. 219 billion

Source: NTP Financial Report

Analysis of Group Level

The input of group level is organization design that taken from the element of 7-S framework. This is covered in previous section such structure and systems.

Task Structure

NTP provided face to face interaction in weekly meeting every Tuesday for three hours. The NTP team task structure allow employees from different functional departments to come together to share information. It facilitates coordination of problem solving among departments in NTP. Here, to solve the problems employees are given the freedom to provide suggestions.

Group Composition

The team is composed of the director, managers of five functional departments and fifteen operational departments. The employees appear to have task relevant skills and experience, both in their respective functions and in their managerial roles. NTP seem to be interested in solving problems consultatively. Problem solving conducted after listening to the suggestions of employees. Therefore the communication among the employee goes well and there is easiness of communication with the manager.

Team Functioning

The communication and relationship that occurs among the NTP employees are already performing well. The average score of teamwork was **2.94** out of **4** as the highest score. This is categorized as good indicator.

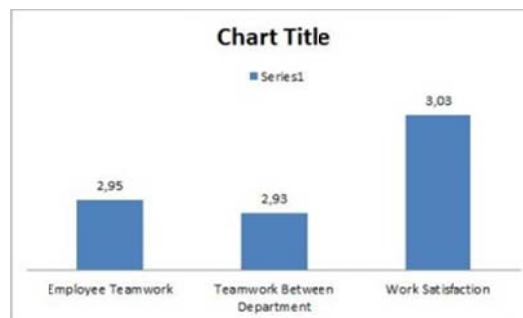


Figure 7 : Teamwork

Group Norms

Here in NTP, decision making are similar to problem solving that made after listening employee suggestions. NTP seem to be interested in making decision in consultatively approach.

Output of Group Level

There is teamwork that occurred in NTP not only among the employees but also between departments itself. This is included into good categorization. Meanwhile for the work satisfaction that based on questionnaire and interview the result is relatively in good categorization with the average score was **3.03**.

Analysis of Individual Level

The inputs of individual level consist of organization design, group design, and personal characteristics, however the organization and group design have been discussed in the previous section. Here, NTP employees consist of various personal characteristics with demographic variables such as age, education, experience, and skill and abilities. The table below shows the NTP composition.

Table 3 : Employees Composition

No	Areas of Expertise			Educational			Age		
	Function	Total	%	Classification	Total	%	Category	Total	%
1	Management	69	21.0%	S3	-	0.0%	< 25 Yrs	12	3.7%
2	Engineer	35	10.7%	S2	4	1.2%	26 – 35 Yrs	24	7.3%
3	Mechanic	80	24.4%	S1	68	20.7%	36 – 45 Yrs	72	22.0%
4	Production Support	37	11.3%	D3	30	9.1%	46 – 50 Yrs	118	36.0%
5	General Support	30	9.1%	SLA	224	68.3%	51 – 55 Yrs	89	27.1%
6	Inspector	56	17.1%	SLP	2	0.6%	> 55 Yrs	13	4.0%
7	Special Process Personnel	11	3.4%						
8	Certifying Staff	4	1.2%						
9	Internal Auditor	6	1.8%						
	Total	328	100%	Total	328	100%	Total	328	100%

The table above shows the employees composition for the quarterly II of 2012. It consist of 328 permanent employees with various areas of expertise, age, and educational background.

Motivation

The average score of motivation element was **3.03** out of **4** as the highest score. The lowest factor of motivation is compensation with score **2.47** and it can be categorized as poor indicator. This means the compensation system does not satisfy the employees.

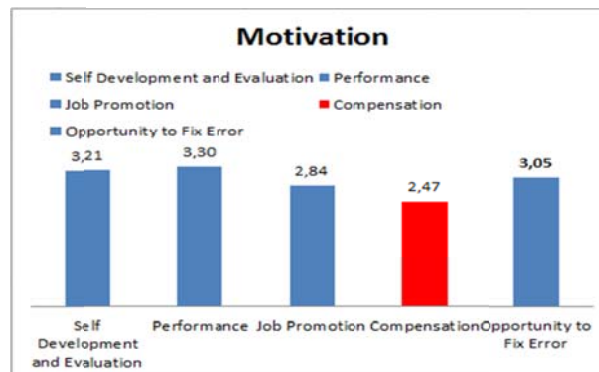


Figure 8 : Motivation

Ability

The average score of ability element was **3.04** out of **4** as the highest score. The lowest factor of ability is training opportunity with score **2.64** but it still categorized as good indicator.

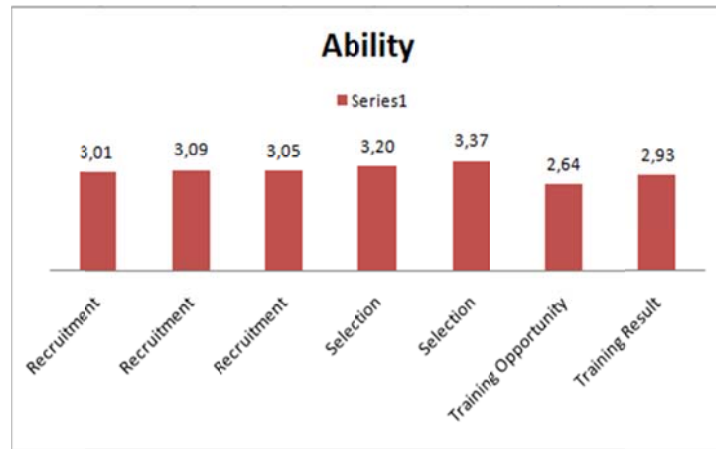


Figure 9 : Ability

Role of Perception

The average score of role of perception element was **2.86** out of **4** as the highest score. The lowest factor of role of perception is autonomy with score **2.07** and it can be categorized as poor indicator. This means employees given a less freedom to complete the job.

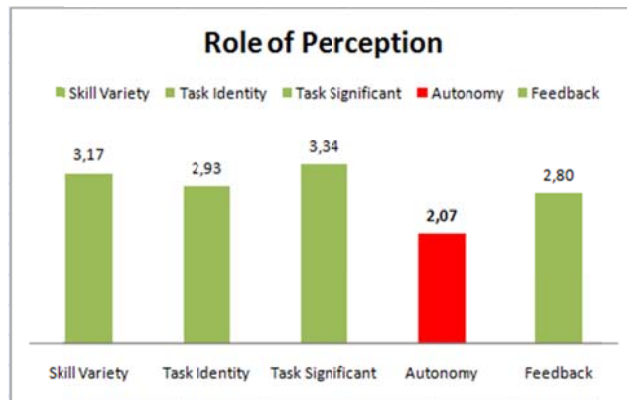


Figure 10 : Role of Perception

Situational Factors

The average score of situational factors element was **2.76** out of **4** as the highest score. The lowest factor of this element is budget with score **2.57** but it still categorized as good indicator.

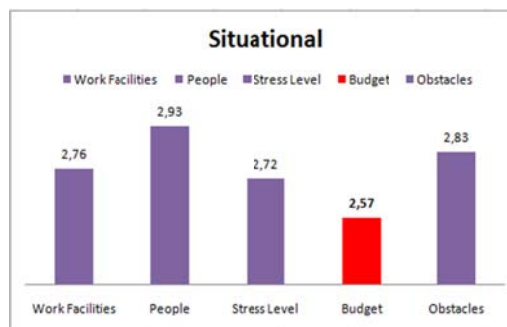


Figure 11 : Situational Factors

Output of Individual Level

The result of individual performance that based on questionnaire and interview is relatively in good categorization with the average score **3.16**. However, with the poor factors of compensation, low autonomy, and strengthened by performance of systems factor, this can leads to the poor of satisfaction and will affect to productivity and customer satisfaction.

Root Cause Analysis

From the analysis, the main problem it is due to factors of strategy and strengthened by its system. This is consistent with NTP condition, that the strategy of the company is not clearly defined. Without linking employees' activities with the strategy, NTP will find difficulties to achieve their goals. The system of organization should facilitate the employees' activities. From the analysis, the performance of system was poor especially HR system that lead to the poor of job satisfaction. These include dissatisfaction with pay and promotion. Those two elements lead to loss of market and customers and finally a declining in financial performance. With the presence of several pressures for change, NTP should not slow to respond, moreover resist the change. Transformational change is the answer to solve those problems so that NTP can cope with competitive business environment and enhanced organizational effectiveness.

Table 4 . Role of Transformational Change

Element	Weakest Point	Causes	Transformational Change Role
Strategy	Unclear strategy	NTP didn't have the strategy	Transformational change may involve NTP on how to rebuild company in order to operate more effectively and achieve their goals.
		Style of directors	
System	Poor HR development system	Unclear career path	Transformational change can help employee to improve their performance and satisfaction by aligning reward system with employee activities.
		Poor compensation	
Role of Perception	Autonomy	Style of directors	Transformational change can help employee engagement in decision making and provide greater involvement.
		Working environment	

The table above shows several points that have to be changed. The expected result in the future by implementing transformational change, is to build the competitive advantage of NTP so it will lead to revenue enhancement and sustainable profitable growth.

3. Business Solution

Based on the analysis and discussion, it can be identified that there are several solution that could be implemented by PT NTP to improve the performance of individual and organization. Transformational change provided solution for several elements from the 7-S Framework.

Strategy

Strategy is about making choices. After conduct an external and internal analysis, the strategy that suited with NTP at current situation is **focus** strategy. It can take many forms but the basic objective is to focus on a particular market segment. NTP should target aero engine customers and offer customers with high quality product, moreover with supported by sophisticated plant and equipment, empowered by highly skilled and knowledge, experienced, and certified employees it will be a competitive advantage to NTP. This will help NTP in build and develop brand image among the customers. With the competitive advantage owned by NTP and potential market of MRO industry especially in aero engine, NTP should capture this market with a focus strategy. This can be more effectively and efficiently served than by bigger competitors. Therefore, by adopting focus strategy, NTP should evaluate one of the SBU which is industrial turbine service either remain as SBU or becoming a subsidiary of NTP, so that it will more contribute to the company.

Structure

With lack of effective bureaucracy, low autonomy and leadership style, NTP should consider delegating its authority with greater autonomy to appropriate department so the decision making can made faster but its remains responsible and this is also requires greater coordination between departments.

System

After formulating the strategy, NTP should improve employee development program. Employee development programs make positive contributions to organizational performance. With the support of proper compensation system that include financial and non-financial, besides affect employee motivation it will attract prospective employees joined NTP that will lead to better regeneration of employees and also will retain talented employees to quit the job. Beside that NTP should applied Performance Management System to reduce timeliness in order to become competitive and by entering team variables into the performance assessment.

Skill

The skill and knowledge possessed by NTP is one of the competitive advantages that should be maintained by the company itself. In order to achieve sustainable competitive advantage, NTP must build, develop, and retain the strategic skills, capabilities, and expertise as their competencies. NTP should always update with nowadays engine so it will enrich the knowledge of employees.

Staff

In order to support the improvement of organization performance, the employees of NTP should have strong commitment and integrated with the vision itself. The NTP employees are an asset for the company so that their competencies must be built continuously in order to have competitive advantage. They also need to be well develop to improve the NTP performance, because not only the employees give the highest impact in company representation but also it will build a good reputation of NTP itself. Here, NTP should design an employee engagement so that they will value the loyalty for the company. With a high level of engagement it will increase employee productivity and will lead to profitability.

Style

Based on Quinn's model for the leadership style in the organizations, there are several types of leadership that suitable for NTP. Director and producer are the suitable leadership style for the President Director. The producer leadership style has key competencies such as working productively, fostering a productive work environment, and managing time and stress. The director leadership style has key competencies such as visioning, planning and goal setting, designing and organizing, and also delegating effectively. Both of leadership style are fit with the strategy of NTP which toward to maximization of output and competitive position of the market.

Meanwhile the monitor and coordinator are the suitable leadership style for the Director of Operation & Commerce. The monitor leadership style has key competencies such as monitoring personal performance, managing collective performance, and managing organizational performance. While the coordinator leadership has key competencies such as managing projects, designing work, and managing across function. Both of leadership style are fit with the internal perspective that toward to improve operational management process.

The Director of Finance and Administration is fit with the mentor and facilitator leadership style. This is because of both leadership style are toward to development of human resources. The mentor leadership style has key competencies such as understanding self and others, communicating effectively, and developing subordinates. While the facilitator leadership style has key competencies such as building teams, using participative decision making, and managing conflict.

Shared Values

NTP should consistent to their long term goals to become trusted excellence, therefore quality and on time delivery are critical. Therefore, the suitable shared values should be applied. The contents of the value should cover at least; competence, integrity, quality, and reliable. The NTP competencies reflecting the self-confidence and determination to improve knowledge, skill, expertise and attitude for sustainable performance. The integrity refer to the commitment of the employees that show a consistency between promised words and action to become trusted and punctual. Quality and reliable are refer to excellence output and to become problem solver for customer. The quality of product will lead to the customer trust and satisfaction.

4. Implementation Plan

Change is not something that could easily happen. The success of change requires good implementation with strong leadership and support from all stakeholders. This is the hardest part for a leader in implementing change. Change was conduct to continue the life of company. Changes need to be done conceptually so it will not to mislead or stop in the middle of change process. Kotter develop one of the best change management models that known John Kotter's eight step model to implementing the change. The figure below shows the eight step model of change.

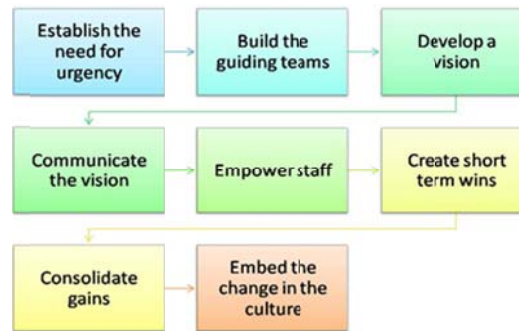


Figure 12. Kotter's Eight Step Model of Change

Establish the Need for Urgency

Change begins with awareness to the all stakeholders that the company is in an emergency. If not treated immediately, this can enter the emergency area. Leaders initiate the effort of change by discussing the crisis indicators, the things that have the potential crises and opportunities that lie behind the crisis. If not urgency, employees will feel comfortable and take refuge in this comfort zone. They generally do not care, and do not believe in what they do not see. So the first task of a leader was invited everyone saw what the leader saw. Therefore, as it says by kotter that successful change follows a "see-feel-change" pattern. So that the employees feel and willing to change. This pattern will more motivating for employees to engage in change.

Build the Guiding Teams

Change usually starts from one or two people, but it is not effective if it does not have the support of a large mass force. Large mass was generally latecomers which moves when people are moves. Therefore, the leader is necessary to form a coalition to participate drive change and also lead the change itself. These teams are referred as agents of change, whose duties is photographing, explaining, monitoring, and encouraging the people around them to support the change and finally evaluate the progress of change.

Develop a Vision

After the establishment of team, of course in the process requires a vision as guidance. An agent of change works to translate vision ahead. Without the vision the followers will lose direction. The

vision should develop which provides a focus for the change. The research that has been conducted is already at this step by developing the strategy. The strategy itself will be easier to execute if the vision is well integrated with the employees.

Communicate the Vision

A good vision should communicate with clear and focused. Communication may achieve in many ways, including with the behavior examples. Changing the behavior could generally conduct through a concrete example of the values that have been agreed.

Empower Staff

Leaders provide the resources that adequate so that the employees may take an action to achieve the vision. Not only provide resources that can be allocated to employees, but also constantly remove and minimization organizational policies and structures that inhibit achievement of the vision. This is including encourage risk taking through original ideas and do creative breakthroughs. If the employees are resistance to change, the thing to do is to strengthen the internalization of the vision and strategy to employees.

Create Short-term Wins

Changes generally cannot be achieved in a short time. Therefore, it is often found that the changes are not resolved because of the range of views were too far so the employees will fatigue and loss of direction. This could weaken the spirit of the team. Here, it is important for leaders to provide short term wins, so the employees not only know how far the progress of change process, but also by rewarding wins through compensation may help to provide motivation. Moreover by generating short-term wins, employees can immediately enjoy the success of achieving the changes. The success will further motivate an individual.

Consolidate Gains

By leveraging the existing momentum after generate short-term wins, the teams can communicate that the changes have not finished yet and it will constantly build a sense of urgency. Each success provides an opportunity for change agents to identify and evaluate what sectors that can still be improved whether the strategy, system, structure, or even the culture so it will suitable with the environmental needs and vision of the company. Evaluation is required in every short-term wins in order to improve the quality of the next target.

Embed the Change in the Culture

Make sure that the change embedded as a corporate culture so the changes are really rooted to the bottom of the organizational structure. This eight step must all executed every step in order to generate a perfect change. An action that could be done to embed the change into the culture is link the change to organizational performance. This refers that new behaviors and attitudes has relationships to help improve the life of the company. These behaviors should be applied in the employees' day to day activity, moreover by providing reward system it will motivated the employees.

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