

## **Tecpetrol: Forging long term relationships with its suppliers**

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Tecpetrol faced the challenge to relate to its SMEs suppliers because both parties pertained to different realities and spoke different languages. In specific, suppliers - family businesses- lacked the capacity strategic planning as for instance involving inefficient administrative, financial or human resources processes.

First, Tecpetrol suppliers were family businesses facing the generalized “in-family hand picking” of its Human Resources. Therefore, SMEs staff lacked an official /legitimized procedure for the management of its human capital. Instead of emphasizing/investing in building a relationship of trust with its clients, SMEs were often occupied with internal intrigue resolution.

Second, it was difficult to recruit trustworthy and professional supplier’s i.e. SMEs capable of offering a variety of services specifically defined in tender/bidding rounds lanced/initiated by the corporation. Winner SMEs lacked the capacity of strategic planning and hence projected lower costs, expecting higher operative results than what then turned to be real.

Finally, the core interest of Tecpetrol was to hire professional suppliers translating into suppliers with a solid client diversification. This was rarely the case.

Since 2006, Tecpetrol embarked on the process to trigger its suppliers’ development and put its focus on implementing a strategy to foster SMEs growth i.e. incrementing efficiencies of the oil and gas industry’ value chains. To do so, Tecpetrol conformed and alliance with FUNDES, a non-profit advisory firm understanding the rhythm and culture of family enterprises as well as the needs of Tecpetrol.

The project started with 16 beneficiaries and now offers training and consultancies to 55 small and medium businesses distributed in Argentina (Buenos Aires, Salta, Chubut, Neuquén and Río Negro). A fundamental feature of the project is the diversity of suppliers’ area of operation. For instance, SMEs benefiting from the program operated in extraction shafts’ maintenance and recovery, pipe laying, security services, transport, electrical installation or software development. In addition, SMEs benefiting from the program go from 10 employees to 600, what again reflects differences along the

program. In order to succeed in triggering SMEs growth, training programs were tailored sessions according to the expertise, size and region of each beneficiary. In sum, the core lesson learned was the need to remain flexible when approaching SMEs and continuously adapting to the learning tempo/speed and needs of every beneficiary.

SMEs growth has been ameliorated, in average beneficiaries have increased their sales by 15%. Furthermore, Tecpetrols' interest in suppliers' diversification has been achieved as the latter now offer their services to an average of 4 clients, decreasing their success' dependency.

The client-supplier relations have strongly been enhanced, reflecting trust and compromise. Carlos Otero from Comodoro Rivadavia puts it as follows:

*“Venimos trabajando dentro del Programa desde sus inicios. En estos últimos años decidimos junto con el consultor bajar el mismo a los niveles operativos, para lo cual las actividades se desarrollaron en los Yacimientos. Estamos viendo cambios importantes en todos los participantes.”*

First, the company learnt to respect and acknowledge the habits and routines of SMEs. The key lay in communicating with SMEs with humility and empathy with a focus on trust-creation. Only by doing so, was it possible to foster the change in organisational culture of family enterprises: from family dynamics to efficient strategic planning. For FUNDES, the bridge between both sides, the main lesson learned was in apprehending about the oil and gas industry, which was new to us as well as accessing knowledge about the workings of a male dominated small and medium business industry.