



TENARIS CEO PAOLO ROCCA STANDS WITH THE MODEL OF A TUBULAR STRING USED IN OIL AND GAS WELLS.

Seamless Expansion

Paolo Rocca, chairman and CEO of **TENARIS S.A.** (TS), a manufacturer of seamless steel pipe, says his company's future lies in redesigning the supply chain to meet demands of customers, including oil-drilling companies and automakers. Its niche involves specialized products, such as pipes designed for use under extreme environmental conditions. Following a series of acquisitions, says Tenaris, which mainly had operations in Latin America during the 1990s, the company has grown into a global entity with operations in more than 20 countries. While Rocca is satisfied with Tenaris' global coverage, "if we see a target that could enhance our ability to corner a market segment, we will pursue that acquisition," he says. "We keep profitability in mind over expansion." Reporting 2004 revenues of \$4.1 billion and a \$10.6 billion market capitalization, Tenaris is focusing more on finding specialized markets for its products, Rocca explains.

Rocca, 54, studied political science at the University of Milan before completing the Program for Management Development at Harvard Business School. After holding executive positions in Tenaris' predecessor companies, he was named CEO in December 2002, when Tenaris became the group holding company for Siderca S.A.I.C., Tubos de Acero de México S.A. (Tamsa) and Dalmine S.p.A. It also listed on the New York, Buenos Aires, Milan and Mexico City stock exchanges. Rocca became chairman of the Luxembourg-based company in 2003. To remain in contact with Tenaris' 16,500 employees worldwide, Rocca says, he writes a monthly CEO letter and uses Tenaris' intranet "to keep everybody informed about our priorities and challenges and to make them part of a common team with one purpose."

What does it take to operate globally?

As a global company with wide geographical extension, we must spend time aligning our strategy around the world. A challenging point for us is being able to manage very different cultures and to adapt and incorporate them into our company. We need to capture brilliant people from diverse cultures. We are establishing an evaluation, training and promotion system that rewards employee commitment and capability on a worldwide scale. Our people preserve our competitive advantage in the long run.

What skills does a CEO of a global company need?

The most difficult thing for me has been changing my management style from one based on personal contact and close dialogue to communicating in a much broader company. This required me to reorganize my time and agenda. The most important thing for a CEO to have is a vision and a strategy while remaining in touch with managers, employees, customers and local communities in different parts of the world.

How have you handled the governance requirements of operating in multiple markets?

When we decided to list, we knew it would be a challenge to improve our governance. We established a strict code of conduct, strengthened internal auditing and granted independence to our audit committee. This is

costly for a company like Tenaris that operates around the world, but a challenge that is helping us strengthen our internal control system, which in the end we would have had to do anyway. We should seize the opportunity, even if the process is cumbersome, to transmit to our shareholders the clear perception that we are following high standards of control.

Has the perception of Tenaris shifted?

After the IPO we were perceived as more of a steel company, but gradually the investment community understood that we are closer to the oil-service companies because of our geographical distribution, product target, service component and stability. Our business is more stable than steel. For instance, today a significant share of our sales is derived from long-term projects that have stable demand independent of the price of oil.

Where is the most growth potential for Tenaris?

We target customers who are developing and exploring fields that require complex piping. We can establish clear differentiation and command a large position in these markets — such as nonstandard products developed for deep-water operations off the coast of West Africa, highly corrosive environments in the Caspian Sea and other high-pressure or high-temperature environments — because there are few competitors. ▢