PETROSMITH

FROM OILFIELD MANUFACTURER TO DIVERSIFIED ENGINEERED SOLUTIONS COMPANY



TOLAR

How a change in ownership, stronger information, expanded capabilities and a culture of continual improvement helped Petrosmith broaden the business while preserving the manufacturing expertise on which its reputation was built.

Petrosmith has undergone a significant evolution over the past decade, expanding from a manufacturer known primarily for tanks and vessels serving the oil and gas industry into a more diversified company capable of delivering increasingly sophisticated engineered solutions.

Oil and gas remain an important part of Petrosmith's identity and business today, but it no longer defines the full range of the company's capabilities. Petrosmith now serves additional markets, including municipal water treatment and data center infrastructure, while producing more complex vessels, operating with stronger engineering resources, and providing leadership with considerably better information for decision-making.





The transformation did not begin with a decision to enter new industries. It started earlier, when a change in ownership raised expectations for how the company would measure performance, plan for the future and prepare for growth. In response, Petrosmith strengthened the management practices, information, people and infrastructure underneath the business before expanding what the company could pursue.

PETROSMITH BEFORE THE TRANSITION

Ron Farmer, Petrosmith's Director of Sales and Operational Planning and former Vice President of Operations, first joined the company in 2012 and has experienced much of its evolution firsthand. At the time, Petrosmith was primarily an oilfield tank manufacturer with a more standardized product mix and relatively straightforward vessel designs. The repeatability of those products shaped the way the company operated. Specifications were commonly circulated on paper, spreadsheets played an important role in planning, and much of the knowledge required to keep production moving resided with experienced employees.



> **"You had templates. There was so much simplicity and repetition."**
>
> **— Ron Farmer**
> Director of Sales & Operational Planning

That model had served Petrosmith well. Farmer remembers a company with considerable pride in its manufacturing and a strong reputation in its market. The difference was that the business was organized around a narrower range of products, customers and operating requirements than it would face later. Petrosmith was capable in the market it knew, but the next chapter would require the company to broaden its capabilities considerably.



A NEW OWNERSHIP MODEL CREATES A NEW STANDARD

Blue Wolf Capital Partners acquired Petrosmith in 2018, moving the company from individual ownership into a private equity structure with more formal expectations around performance, accountability and growth. Around the same period, Petrosmith also began its relationship with Tolar Systems.

Technology support had previously depended on a single external resource. As Petrosmith's needs became more complex, the relationship with Tolar provided access to a broader team that could manage everyday IT responsibilities while bringing additional expertise to larger initiatives. Tolar's role would continue to expand as Petrosmith itself became more sophisticated, but the direction of the transformation remained firmly in the hands of Petrosmith's leadership.

Michael Duffy, Petrosmith's President & CEO, joined the company in January 2019 and quickly recognized how the ownership transition had changed the standard by which the business would be managed. Private equity ownership came with a value-creation plan and an expectation that leadership could demonstrate whether the company was progressing against it. Experience and judgment remained essential, but leadership also needed reliable information to demonstrate whether the company was moving in the intended direction.

> **"If you're going to be measured, you have to measure yourself."**
>
> **— Michael Duffy**
> **President & CEO**

That expectation exposed a gap between the company Petrosmith had been and the company it now needed to become. Leadership required clearer information about operations, costs and performance, while many existing processes still relied heavily on individual knowledge, isolated spreadsheets and systems not designed for the business's growing complexity.

CREATING INFORMATION LEADERSHIP COULD TRUST

José Malvicino joined Petrosmith as Chief Financial Officer in September 2019, roughly 18 months after the Blue Wolf acquisition. From his perspective, one of the clearest opportunities was improving how information was collected, organized and used throughout the company.

Important knowledge was distributed among individuals, and different areas of the business could arrive at the same discussion with different calculations. Instead of beginning with a common understanding of the situation, leadership sometimes first had to determine which information was reliable. Malvicino also encountered a phrase common in established companies with long institutional memories: “We have always been doing this in this way.” Under the new ownership structure, familiarity alone was no longer sufficient justification for preserving a process. Leadership needed to understand why something was being done, whether it remained appropriate, and what the available information showed about the result.

Duane Baysinger, Petrosmith’s Director of FP&A, joined the company during the same period. Initially hired as a financial analyst, he expanded his responsibilities over time to include operational analysis, reporting, enterprise systems and data infrastructure. When Baysinger arrived, Petrosmith was still working through the implementation of a newer financial platform and developing the reporting capabilities that leadership required. Information was available, but producing a dependable view of the business could require significant effort, including locating the right source, organizing the data and validating it against operations.

Petrosmith steadily improved that environment by establishing more consistent reporting and building greater confidence in the information used company-wide. Malvicino estimates that establishing that trust took approximately nine to 12 months. As confidence grew, management discussions became more productive because leaders could spend less time reconciling competing figures and more time considering the decisions those figures informed.

The technology environment had to mature along with those management practices. As Petrosmith depended more heavily on shared information and new business applications, Tolar’s role expanded into the infrastructure, security and systems supporting the company’s broader direction. For Duffy, that progression gradually changed his understanding of the relationship.

> **“I learned that Tolar is much more than an IT support network. It’s truly a business partner.”**
>
> **— Michael Duffy**
> **President & CEO**

EXPANDING CAPABILITY THROUGH ACQUISITION

As Petrosmith strengthened its management foundation, acquisition became another component of the company's development. During 2020 and 2021, Petrosmith completed several strategic transactions that brought additional engineering knowledge, technical expertise and product capabilities into the business.

Some integrations were relatively straightforward, while others introduced more complicated questions about processes, enterprise systems and how information should be organized. One integration, for example, required Petrosmith to reconcile a different ERP environment and different approaches to product data with its own systems while preserving the technical knowledge that made the acquisition valuable.

These additions did more than expand Petrosmith's manufacturing capabilities. They strengthened the engineering expertise the company could bring to customers and helped leadership think differently about how Petrosmith should be positioned. Duffy increasingly viewed the business not simply as a fabricator, but as an engineered solutions provider capable of addressing more complex customer needs.

That distinction raised an important strategic question: if Petrosmith could successfully apply its engineering and manufacturing expertise in oil and gas, where else could those capabilities be valuable?



DIVERSIFICATION BECOMES A DELIBERATE STRATEGY

The oil and gas industry remains a core market for Petrosmith, although its cyclical nature can create significant swings in demand. Leadership saw diversification as an opportunity to build greater consistency into the business while continuing to serve the industry on which Petrosmith built its reputation.

Leadership began evaluating industries where its existing expertise in vessels, fabrication and engineering could transfer naturally to different applications. Municipal water treatment emerged as one opportunity, while data center infrastructure became another. According to Duffy, Petrosmith moved from identifying municipal water as an attractive market to actively quoting opportunities within a relatively short period. As the company began to earn business, employees encountered customers and specifications that differed considerably from what they had historically known.



Data center infrastructure presented another opportunity to apply Petrosmith's core capabilities to a different market with its own requirements and expectations. The stronger information environment developing inside Petrosmith gave leadership a better foundation for evaluating these opportunities. Baysinger said the company became much more capable of understanding cost by product, customer and market, an important advantage when estimating highly customized projects with longer production cycles.

Better information did not create the diversification strategy; it gave Petrosmith greater confidence in the decisions required to execute it. Acquisitions, engineering capabilities, stronger management information and years of manufacturing expertise had begun to come together, giving Petrosmith a broader set of capabilities and a clearer view of where they could be applied.

PETROSMITH'S PEOPLE RISE WITH THE COMPANY

Strategic plans alone could not carry Petrosmith into more demanding markets because the transformation depended on employees developing alongside the business. Farmer has seen the difference most clearly in the manufacturing operation, where the move from relatively straightforward oilfield designs to more complex vessel applications has raised the standards required across layout, fit-up, welding and quality control.

A larger portion of the production team had to consistently meet standards that had previously applied to a smaller group of specialized projects, and the company developed those capabilities over time. Municipal water applications introduced another learning curve, bringing coating methods, curing requirements and customer expectations that had not been part of Petrosmith's traditional oilfield environment.

Ryllee Tettleton, Petrosmith's Executive Vice President of Sales & Business Development, has watched employees adapt as the company developed its position in those newer markets. For Tettleton, the employees' response says something important about Petrosmith's culture.

> **"Our people aren't robotic. They actually care about what they're doing."**
>
> **— Ryllee Tettleton**
> Executive Vice President of Sales & Business Development

As employees began to see the company enter markets that leadership had discussed, those plans became tangible. Different products moved through the facility, new customer expectations became familiar, and capabilities that had once been outside the company's normal experience became part of Petrosmith's established expertise. Diversification succeeded because the people responsible for delivering it were willing to learn what the strategy required.

TECHNOLOGY DEVELOPS ALONGSIDE THE BUSINESS

As Petrosmith's operations became more sophisticated, its technology needs expanded as well. The company moved from an environment where technology support depended heavily on individual resources to one backed by a broader team through Tolar. This distinction became more important as Petrosmith's needs grew beyond computers and user assistance into enterprise applications, cybersecurity, cloud infrastructure, engineering systems, data and connectivity across multiple locations.

The COVID-19 pandemic provided an early example of how quickly those capabilities could become important. Before the disruption, Microsoft Teams played a limited role in Petrosmith's day-to-day operations; when remote collaboration suddenly became necessary, Duffy recalls Tolar helping Petrosmith quickly establish the platform so employees could continue communicating and working remotely.

What began as an immediate response became part of the company's normal operating environment. Petrosmith now has employees in engineering, finance, sales and other functions working from multiple locations, and remote connectivity enables those teams to remain closely connected to colleagues and operations in Abilene. Farmer sees the difference in practical terms: employees who are separated geographically can still communicate, participate in planning and operate as part of the same company.

Other initiatives required deeper technical expertise. As Petrosmith developed a data warehouse, adopted cloud-based systems, expanded engineering applications and addressed cybersecurity requirements associated with its ownership structure, internal leaders often understood the business outcome they wanted without having specialists in every technical discipline required to reach it.

Baysinger sees that as one of the clearest benefits of the Tolar relationship. Petrosmith could bring a vendor recommendation or proposed technical direction to a broader team that could evaluate it, identify questions the internal staff might not otherwise know to ask and help leadership consider infrastructure, security and integration concerns before moving ahead.

> **"Tolar has made a difference by enabling us to make those leaps."**
>
> **— Duane Baysinger**
> **Director of FP&A**

The model enabled Petrosmith to match the right technical resources to the situation, giving the company access to broader expertise and additional capacity without relying on a single individual to manage every aspect of modern IT. Routine needs might require the attention of one person, while a major system initiative could draw on several specialists, enabling Petrosmith to move more quickly without waiting for a single resource to research, manage and execute every aspect of the initiative.

BETTER INFORMATION GIVES PETROSMITH MORE OPTIONS

Petrosmith's improved information environment has continued to mature as the company has grown. Baysinger remembers a period when meaningful financial information could arrive well after the activity it described; today, leadership can access labor, transaction and operating information much closer to when events occur, giving the company a more current view of performance.

That visibility has influenced pricing, estimating and market decisions while also giving ownership a clearer understanding of the business. Baysinger has noticed that the questions from the ownership group have become more detailed as the quality of information available to them has improved.

The same discipline proved valuable during a recent divestiture. Petrosmith was able to separate the relevant operating and financial information for that portion of the company and present it clearly during the transaction process. The significance of that example lies in the contrast in organizational maturity: Petrosmith moved from an environment where reporting required substantial manual effort to one where leadership can organize detailed information around a specific business segment when a strategic decision requires it.

That capability gives the company greater flexibility as it considers future acquisitions, market opportunities and other decisions about the direction of the business.

CONTINUAL IMPROVEMENT AS AN OPERATING MINDSET

Petrosmith's leaders are careful not to describe the transformation as complete. Tettleton sees opportunities to improve how sales information moves through the organization, reduce reliance on email and spreadsheets in certain processes, and make useful information easier for employees to access. The company has also begun using Microsoft Copilot and is considering how artificial intelligence could help employees make better use of knowledge already contained within the business.

Duffy sees similar possibilities in estimating and other areas where historical drawings, project records and employee expertise could be made more accessible. At the same time, Baysinger expects data to remain central to how Petrosmith evaluates customers, markets and future strategic opportunities. These are not signs that the previous transformation was incomplete; they reflect a company that has become more willing to examine an established process, determine whether it still serves the business and improve it when a better approach becomes available.

Since the 2018 ownership transition, Petrosmith has strengthened its management information systems, expanded its engineering capabilities, completed strategic acquisitions, entered additional industries and raised expectations across its manufacturing operations. During that same period, Tolar's role expanded from supporting a more limited technology environment to providing the depth of a broader team across both everyday IT responsibilities and strategic initiatives.

> **"I am really proud of our perseverance as an organization."**
>
> **— Ron Farmer**
> Director of Sales & Operational Planning

Tolar has been a partner throughout that progression, but the transformation belongs to Petrosmith. Its leaders made the decisions about where the company should compete, while its employees developed the skills necessary to pursue those markets successfully. Petrosmith broadened its business without abandoning the oil and gas expertise that established its reputation, creating a more capable and diversified company that is better prepared to evaluate what comes next.

Having spent more than a decade with Petrosmith, Farmer considers the company's perseverance one of its most memorable accomplishments.



Petrosmith's transformation is not a finished chapter, and its leadership does not treat it as one. The company has made significant progress in how it operates, uses information, develops its people and approaches new opportunities, while continuing to identify where it can improve.

That mindset may be one of the clearest threads running through Petrosmith's story. The company has shown a willingness to examine what is working, acknowledge where improvement is still needed and make thoughtful changes without losing sight of the manufacturing expertise and customer relationships on which the business was built.

The result is a stronger, more diversified Petrosmith with a clearer understanding of its capabilities and a continued commitment to improving them. The company has made considerable progress throughout its evolution, and its leaders are already focused on making the next version of Petrosmith better than the one it has today.

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