Keith Bailey

Former President, Chairman & CEO of Williams Companies

Chapter 1 – Introduction

Announcer: A graduate of the Missouri School of Mines and Metallurgy (now the University of Missouri–Rolla), Keith Bailey's initial degree was in mechanical engineering. His academic record was augmented several years later with a professional degree in mechanical engineering from UMR and the completion of studies at the Harvard University Program for Management Development.

In 1973 Keith became an assistant to the V.P. of Operations at Williams Pipeline Company. In the succeeding years, he assumed growing responsibilities with various units of the company until he was named President in 1992. In 1994 he was named CEO and Chairman of the Board.

As a dedicated supporter of the United Way, Keith has served as a Campaign Chair as well as Board Chair. His United Way involvement extended to the national level. His commitment to education resulted in his service to the University of Tulsa with two terms as Board President.

Listen to Keith talk about the difficulties in getting his first job, his admiration for John Williams, and 9/11 on the podcast and website VoicesOfOklahoma.com.

Chapter 2 – 14:26
Father and Mother

John Erling (JE): My name is John Erling, and today's date is January 31, 2019. So Keith, would you state your full name, please?

Keith Bailey (KB): Keith Edward Bailey.

JE: All right. And your date of birth?

KB: April 5th, 1942.

JE: Making your present—

KB: Age 76.

JE: And we're recording this interview in the facilities of VoicesofOklahoma.com. Where were you born?

KB: Kansas City, Missouri.

JE: Let's talk about your parents—your mother's name and where she came from.

KB: My mother's maiden name was Anne Lee Trotter. My mother was born in Miami Station, Missouri. Her parents lived in Missouri at the time I was born. My grandfather was an insurance salesman, worked at Saint Luke's Hospital in Kansas City, which is where I was born. We lived with them while my dad was overseas during World War II.

JE: And then your father's name?

KB: George Weymouth Bailey.

JE: And what did he do for a living?

KB: He was a family dentist.

JE: And did he grow up in Missouri or where did he come from?

KB: Sheridan, Wyoming, and he and his siblings all went to school at William Jewell College in Liberty, Missouri, which is a suburb of Kansas City, as did several of my mother's relatives—my grandfather, my uncle that I was named after, and others that brought them together, and that's how they met.

JE: Your mother's personality, what was she like?

KB: Well, Mother was sort of the organizer and was a school teacher, had taught—she actually did more substitute teaching as I was growing up. My brother's 7 years younger, so we were separated by almost a generation. So when she had the two of us at home, she would substitute teach rather than teach full time. And then we lived in Wyoming because as soon as they got back from the war, we moved to Kemmerer, Wyoming.

JE: And your father, his personality, what was he like?

KB: Well, he was somebody that was going to do his job every day. He went to the office, had a very fixed routine. He went to the office, saw the first patient at 8, took 30 minutes for lunch, left at 5 o'clock, and then answered the phone in the evenings and on weekends when somebody had a toothache or broken a tooth or done things like that. But he did that 6 days a week, took 2 weeks vacation, and did that for 45 years.

JE: You must have drawn something from that kind of personality or structured business life.

KB: Well, the thing I drew from it is that he did things that I don't think are particularly common today. He started doing some of his own lab work because he didn't want to charge the patients that he had what the labs were charging him to do the work. So if he could do it, he started taking Thursday afternoons to do the lab work. We have a friend that's a contemporary of my brother's that jokes that his dad would go in when he had a toothache and see my dad, and my dad—to pull a tooth was $5, to fill a tooth was $5, and if you wanted Novocain, it was $10. And he said his dad always turned down the Novocain.

JE: Right, right. So that was mostly in—what town did he—?

KB: Well, he started his practice in Kemmerer, Wyoming. When he came back from the service—he did an expense-paid tour of the Mediterranean with General Patton from North Africa to Sicily to Italy—and then when he came out of the army, Kemmerer, Wyoming was advertising for a dentist, which is pretty typical of small-town Wyoming for medical and dental services. And so he was the only dentist for 60 miles in any direction, and that probably encompassed maybe 3,000 people, but it still was a dental practice he had. And then we moved to Missouri because my mother's mother developed crippling rheumatoid arthritis, and she and her two brothers decided my dad was the one that had the easiest time moving. And so we moved, and we went from—he was the only dentist for a 60-mile radius—to being the fifth dentist in a town of 3,000, many of whom were related to my mother, all of whom thought they ought to get free dental service.

JE: Right. Your brother's name, what's his name?

KB: George William Bailey, but he goes by Bill.

JE: What was his profession?

KB: He ended up doing something fairly similar to me. He started out of college at Conoco in the credit department, which was based in Kansas City. He also went to William Jewell, as did his wife, and then he joined the pipeline in Conoco, which is where I started, and then later moved and spent the bulk of his career as an energy trader, primarily crude oil.

JE: Did you ever think growing up you wanted to be a dentist?

KB: No, because people called you at night and called you on the weekends. And you knew that they put off coming in because they needed to get the hay in, or they had a sick calf, or they had some problem with their daily life that said you ought to work your services when they needed it. And of course, ultimately, I ended up spending far more time in what I did than Dad ever did in his profession.

JE: Yeah, yes, right, but your dad must have had lots of patience about him to live that kind of life and be on call on the weekend and want to help people.

KB: Well, again, it's a small town, and that's one of the things I love about small towns—you know everybody, but you're willing to do what's necessary to take care of your neighbors, your friends. I think, as you know, I spent a lot of time involved in the United Way, and I remember one of the heads of the National United Way expressed that there was a point in time when your support group was your family, your neighbors, and your church. And that's a small town, and it still is. I mean, we live the majority of the year now in a town of 1,600 in Wyoming, and I see that there in a way that you don't see it in a larger community.

JE: The first school you attended, where was that?

KB: Kemmerer, Wyoming.

JE: OK. And so that was elementary. Then tell us about junior high, high school, and all. Where were they?

KB: We had moved back to Missouri by the time I went to junior high and high school, and so I went to school in Carrollton, Missouri, which is a farming community about 60 miles east of Kansas City on the Missouri River bluff.

JE: In high school you were active in sports or social clubs or anything?

KB: I was principally active in sports because I played football, basketball. In Missouri, they did not have spring football as they do in Oklahoma and Texas. And so the football coach typically was the track coach, and he made the football players come out and participate in track. And then I played baseball in the summer, but I worked every summer as well, so my extracurricular activities for the most part were sports-related.

JE: Did you have any thoughts in high school what you wanted to call your career?

KB: Things I found easy and the things that I enjoyed on the academic side of it were math and science. My mother and the mother of a friend of mine petitioned the high school to add an additional math class because at the time, the presumption was that freshmen would not be qualified to take algebra as a freshmen. And they needed—Jim wanted to go into science and math, and I wanted to go into science and math-related. And so that worked out well for us. Jim ended up being president of the University of Michigan as a nuclear physicist, and I ended up having regular gainful employment at the Williams Companies.

JE: Your brother ended up as president—

KB: No, this other—

JE: I'm sorry—

KB: Other contemporary of mine who—we got to take algebra. We were the first freshmen in that school system to ever get to take algebra.

JE: But that was partly because of your mother, wasn't it?

KB: Yes, and his, and they insisted that we have that opportunity.

JE: That's great to have parents like that, huh?

KB: Well, it is. And the interesting thing about Mother was she was kind of the social organizer for the family. And yet, my dad, I don't think, saw how influential he was in the community and in the family. My mother died—well, both parents died precipitously. My mother had a blood clot and aneurysm and died instantly.

JE: How old?

KB: She was 62. And then my dad practiced dentistry for a number of years after that and then retired, and then he was killed as he was coming to visit us and missed the turn and took a sweeping turn at Shangri-La in the marina, and there was no fencing at the time, and the car went into the marina, and the lake was high, it was dark and raining, and he drowned.

JE: Wow. What year? How old would he have been?

KB: Well, Dad was 75, and so that's been 25, 30 years ago. The point I was making is when Mother died, I think my dad was completely astounded by the number of people that came to her funeral that didn't know her but had been his patients over their life, and their family had been his patients, and that really moved him.

JE: So it would be back in the '90s when your father had that accident?

KB: Probably late '80s.

JE: Late '80s.

KB: Right.

JE: Where were you when you got the news of that accident?

KB: Well, we at that point had a home at Shangri-La and had moved from one side, from the estate side, to the chateau side. And had told Dad that, "Now when you come down, rather than making the turn to the left, you turn right. There's a gatehouse, come on in that way." Well, he'd missed that turn. And they had a big parking lot and an entertainment facility in those days by the marina. And he pulls out into the marina and realizes what he's done—I can visualize exactly how he did it—and then he made a big sweeping turn to come back the other way, and the car went in. Unfortunately, one of the night security people saw the tail lights go up, and they called the lake patrol, and they brought divers and they got the car out. And then we got a call, because we were worried at that point because we hadn't heard from him, and he was coming in. And our youngest daughter was still at home; the other three children were in school. And we got a call from the hospital in Grove, "Are you related to Doctor George Bailey?" And we said, "Yes, that's my father." He said, "Well, he's been in an accident. He's here at the hospital. You need to come over."

So I came over, and they had a pastor there, and they were very gracious and couldn't have been nicer. The people that had pulled the car out were there. But that was, again, very unexpected, but I could see Dad doing it. And unfortunately, he had just splurged and bought a new car that had electric door locks, and those shorted out, and electric windows. So he had taken his seat belt off, turned sideways, and tried to push the doors open, but the water pressure had prevented that.

JE: What a story. Wow, what a shock to your whole family to handle all that. Think about that even to this day.

KB: Well, in neither case—Mother died far too young, and then Dad died in a horribly unfortunate accident. And I talked to the general manager of the club, and they subsequently put fencing up around it. I said, "We're not somebody that sues people or things like that." And it was a horrible tragedy, and I think it was preventable. I'd driven over after I got back—I drove over to that parking lot, and it was dark. It wasn't particularly well-lit, but it had been raining, and the asphalt was wet, and you couldn't really tell a line of demarcation between the lake and the parking lot because the lake level was high.

JE: I'm a Grand Laker, and also I kind of know exactly what you're talking about, where that was.

Chapter 3 – 17:08
Getting a Job

John Erling (JE): Out of high school then, where did you decide to go to college?

Keith Bailey (KB): Well, where I decided to go and where I ultimately went were two different things. I fairly naively decided that I was going to go to Rice because Rice had a tremendous reputation. I also would have had an opportunity, I thought, to play football there, and so I decided I'd go to Rice. And the spring semester of my senior year, somebody said, "Well, have you talked to anybody at Rice?" And I said, "Well, no." My mother had a cousin that was in the Baker Botts law firm, and one of his partners was on the board of Rice. And they said, "Well, now, the original grant stipulates that out of the 400 freshmen, only 10% can be from out of state, and those are all controlled by Jess Neely, who is the athletic director and the football coach. And unless Jess Neely says you're gonna come to Rice, you're not coming to Rice. But we'll set up a meeting for you to meet Coach Neely." And I was there probably five minutes—second question, third question—I was pretty clear I wasn't going to go to Rice.

JE: Why?

KB: He said, "Well, you're a football player?" "Yes, sir." "Missouri?"—as if, do they play football in Missouri? I said, "Yes, sir." And he said, "Were you all-state?" And I said, "Well, yes, sir." He said, "Were you an all-American?" "No, sir." "Do you know any all-Americans?" And at that point, I was fairly confident I was not gonna go to Rice. So kind of with my tail between my legs, I come back to Carrollton and call a cousin who was older but was working in Kansas City as an engineer, and I said, "Well, where should I go to school?" And he said, "Well, have you thought about going to Rolla?" I said, "Rolla, where?" "Well, it's Missouri School of Mines. It's in Rolla, Missouri." I said, "Where's that?" And he said, "Well, it's on the map. You can find it." And I said, "Well, do they play football?" And he said, "Yes, I think they play football." And so I sent a letter to the school and said I'd like to come to school there, and because I was a resident—I also had done well academically, so there was no barrier to going to school there—but I said I'd like to play football. And I get an unsigned mimeographed 3-cent postcard back: "First day of football practice is August 15th." And the first time I was on campus, I borrowed my grandmother's car and drove down. I'd never been to Rolla, I'd never been to campus. And I drive and pull on campus, find the groundskeeper. I said, "I'm down here to play football. Where should I go?" "Well, Jacqueline Gymnasium is just up this road here, just go there." I walked up, coaches' offices were on the second floor. There was a lady at the desk, and I said, "Well, my name's Keith Bailey and I'm here to play football." And she said, "Oh, we were expecting you." I'd gotten an unsigned 3-cent postcard that I had not responded to directly. They knew I was coming to school. I said, "Well, where do I stay?" And most people don't remember that Frank Broyles coached at the University of Missouri for one year and had replaced a very gentlemanly type legend of a coach, Don Faurot. He replaced him, and his personality and Coach Faurot's were very different, and he didn't last long, and so he ended up at Arkansas. But I'd worked out with a couple of kids all summer who were going to Mizzou, and so I was ready. I said, "Well, where do I stay?" And she said, "Well, you don't—" I said, "I've never been here before." She said, "Well, there's some dorms about four blocks that way. If the door's open and you can find a room that's open, just go ahead and stay there." And so that was not a particularly auspicious start, but that was the start to my college career.

JE: And the name of that school?

KB: Today it's the University of Missouri University of Science and Technology, but at that point, it was Missouri School of Mines and Metallurgy.

JE: So you really were looking for a place to play football, not to become an engineer.

KB: Well, I wanted to do both. I mean, I had enjoyed sports and academics both in school, and I'd been successful at both. When I got to college, I wanted to have that opportunity. I did have an opportunity out of high school— had I wanted to go to the Double Z League or whatever the Cardinals had in those days. I could have gone into the farm system of the Cardinals.

JE: For baseball?

KB: Yes.

JE: Saint Louis Cardinals. And you decided—

KB: "No way." Because I had a cousin that was playing, and I had another friend that I played with in American Legion ball that was playing, and they regaled me with trips on MKO buses and staying four to a room in double beds and doing your own laundry. That was before colleges took over the minor leagues effectively for the major leagues. And so they had leagues that went down to C leagues, and you sort of worked your way up the ladder if you were successful. And I decided college would be better, so I went and played football and rode MKO buses and stayed four to a room, and it was a similar lifestyle, but at least I was getting an education.

JE: So what year did you graduate?

KB: 1964.

JE: And then I believe, though, you did some further work—you completed the Program for Management Development at Harvard Business School?

KB: That was after I joined Williams a number of years later, but that's a 14-week program for mid-level executives.

JE: So you furthered your education there.

KB: Well, I learned to play rugby there as well, so yes, at Harvard. The program I was in, we had three classes a day, each an hour and a half, and a lot of reading. Then we only had two classes on Saturday morning. One Saturday, I heard kind of a raucous noise across the quad from where we were living. They had one big dormitory that this program occupied. I wandered over into the big common room, and there were a bunch of dirty, muddy, bloody, grass-stained people in there with two different jerseys on, kegs of beer, having a big time. I said, "What's going on?" They said, "This is the Mystic River team and we're the Harvard Business School team. We just played rugby." I said, "How do I get into this?" They said, "Come to practice Tuesday." So I did, and I played rugby the rest of the time I was there.

JE: How old were you then? You were—this was in the '70s?

KB: Yeah, I would have been thirty-something.

JE: Yeah, but you're a big guy. How tall are you?

KB: Well, I peaked at 6'5", and now I'm in the age of steadily shrinking.

JE: So you were a big guy, and that's why in baseball—what did you play?

KB: What position? I pitched and played first base.

JE: And in football?

KB: I played interior line.

JE: OK, all right. But you knew professional sports were not going to be your thing—it was gonna be to go the academic way.

KB: Well, it would be academics, but I think like anybody that participates in sports, you really don't know exactly what your skill set is in relation to other people that make a living. I had an opportunity to go to football

Cardinals tryouts. I toyed with that, but I said no. It was a situation where you'd go to camp, and then they had milestones, and if you made it all the way through and made it through the season, you might make $3,000—and I could make $3,000 being an engineer.

JE: So you graduate in '64,

KB: Correct.

JE: And then what happens?

KB: Well, then I went to work. And had been very fortunate—while there were no scholarships involved, the price of going to school, I think the most I spent for the entire year was 900-and-some dollars as an in-state student, so I had no student debt. But I also had no money, so I needed a job, wanted one, and I got one at Conoco in their pipeline division. They were the company that I interviewed that I liked the best. I chose that job—they're the ones that paid the least, actually—but they were the ones that I liked the best, and they also offered an opportunity to go to part of the world that I had grown up in. And my first job was in Spokane, Washington. That was an opportunity that appealed to me, and I joined them and got off to a fairly rocky start but ultimately survived.

JE: Okay. "Rocky start"—what does that mean?

KB: Well, the program I went into was an engineer training program, and they had a parallel program for business graduates. But you had training reviews at 2, 4, 6, 9, 12, 15, and 18 months. And the plan was that for six months you'd be in a district that was principally a refined products district, six months in one that was principally a crude oil district, and six months in the general office. Well, after my second training review, they told me, "You know, really we ought to fire you. But we're paying you less than we're paying anyone else. We'll give you an opportunity. We know that the guy you're working for isn't the best with trainees, and there wasn't a lot of activity there, and so we'll give you an opportunity. I think you'd be foolish to take it, but if you want to, you can go to Artesia, New Mexico, and start over. And we'll just, in effect, forget these last four months."

JE: What was the problem? Were you not meeting their standards?

KB: Well, yes, I was not meeting their standards.

JE: And you knew that, or did you—

KB: Well, it's evident when you get into training reviews because you would have people—several people with a lot of experience—just sit around and start questions: "What have you been doing, and why are you doing that, and how do you pay for it?" They would do it until they exhausted your understanding of that subject and then move on to another one. So I went to Artesia, and they said, "Well, the guy you're going to work for is mean as a rattlesnake. He's just coming back from Libya, having run our operations there, and you probably won't enjoy it." Well, I ended up really enjoying it because first, there was a lot of work, a lot of activity—it was very different than the system I'd started on.

JE: And what kind of activity?

KB: Well, it had a combination of crude oil and refined products. We were building things, and we were connecting oil wells to our system. We were building new facilities in Phoenix and Tucson, where we had refined products deliveries and terminals. So there were a lot of things to do. But Wes was very demanding as well, and every Monday I had to give him a sheet, hour by hour, of what I was going to do all week. During this period, I ended up getting engaged to Pat, who was from Spokane and still in Spokane. And we decided to get married, but I had no vacation, and I had a long weekend, and that was Christmas weekend. So I needed to get from Artesia to Spokane, back to Ponca City for my next training review—which was going to be the one that determined whether I still had a job or not—and then back down to Artesia if I had a job.

So I was prepared to go, and I'd given Wes my schedule. Very clearly in that schedule, I'd shown I was going up to Spokane to get married over the weekend. As I was walking out the door, he says, "Wait a minute, I just got a call, and the pump went down at the SAC base in Roswell. And I know you're flying out of there—as soon as that pump's fixed, you can leave." So I went to Roswell. I took our instrument man with me in my car and my luggage. We were elbow-deep in a deep-well pump to get it repaired, and we put it back together. I had jet fuel all over me, and there was a DC-3 with the outside props starting to rotate just across the concrete from where we were working—in those days, you didn't have all the security. He said, "That's your plane—you better get over there." I grabbed my bag, took off. He said, "I'll make sure this works." And I got on the airplane, last one on before they closed the door.

I flew to Albuquerque, got a different airplane to Denver, and ended up getting stranded in Denver because all the flights into Spokane were closed—they tended to have ice fog in the winter around their airport. So I was there all night, and I was getting married the next day, so I finally concluded if I can get to Seattle, worst comes to worst, I can get a rental car and drive over to Spokane. Well, I finally got to Seattle, and they had one flight that day that came in. I happened to be able to get on the flight. My parents and my brother had come up by train to Spokane. They had by that time met Pat, whom they'd never met, and her parents, and I show up kind of late to the party.

Then we get married, and my parents get on the train that night; they head back to Missouri. They said, "Well, we have a room at the Red Path—you can just stay there that night because you're leaving early the next morning." Pat's convinced that my mother wasn't sure the wedding was going to last because when we got the room, it was twin beds.

So we get to the airport the next morning, and as we're walking into the airport, our maid of honor is waving at an airplane with tears in her eyes, and Pat said, "Brita, what are you doing? You just left." She said, "I misread the ticket—I thought it was flight 710 at 7:40 in the morning and flight 740 at 7:10 in the morning." Kind of like our appointment this morning. And so we had to get another flight, so we ended up spending most of the day in Portland, Oregon, and found our way to Wichita. Drove from Wichita to Ponca City, dark at night. Left Pat in the Pioneer Woman Motel while I went for my training review to see if I had a job. And she met my boss that morning at breakfast and said, "Well, when should I expect you back?" He said, "Well, we ought to be back, you know, early afternoon." Well, at eight o'clock that night my training review was over. I had two breaks, and they said at the end, fortunately, "Well, you did well—in fact, you did well enough, we'll count this as your six-month training review, so you're back on schedule." After that, things worked pretty well. But it was an interesting deal because Pat had no idea I was about ready to be out of work, and fortunately, I wasn't.

Chapter 4 – 13:30
Williams Company

John Erling (JE): Explain your work again because there you were, elbows and grease in the ground, and as an engineer, what are you doing?

Keith Bailey (KB): Well, you do everything from designing facilities to cost estimates to construction. I had a number of projects—we built an additional higher-capacity, 16-mile pipeline in Artesia, and then built a number of tank batteries and connected to units that measure the crude oil. I did kind of a diagnostic of crude losses—why you're losing crude oil—and you find producers have very creative ways of shorting you on the tank batteries. So just a wide variety of things.

During that period of time, I met a guy that was a Schlumberger engineer, and I started going out on well locations with him at night. I said, "I'd like to learn a little bit about the downhole part of this stuff." And that's one of the things that really served me well in my training review because typically you'd go into your training review and one guy liked to sit right behind you and ping questions off the back of your head, but it would be anywhere from two or three to four or five people asking questions just continually. I knew as they started that there was far more experience in everything we did in our jobs represented in that room than I had, so you started at a knowledge disadvantage. Well, for some reason we got off talking about downhole stuff that I'd learned. I'd mentioned that I'd gone out on the wells with this guy, and they said, "Well, tell us about that." I spent two and a half hours telling them about it because I realized I knew more about it than anybody else in the room.

JE: You had been there.

KB: Because I'd been doing it, and that wasn't something they'd done, so that served me pretty well. It was an interesting dynamic, but that culture of being demanding, trying to get everyone to produce the most they could produce, the most they were capable of producing, was one that I think was a very good culture. It's one that served not just Conoco well, but it served the whole industry well. At one point, I did the engineering recruiting. We were one of the few companies—and when we handed out a brochure of our successful recruits that had gone on to success, we had half a dozen of them who were senior officers in other companies, not Conoco.

JE: Then you're staying with Conoco. You have various jobs—I have them listed: staff engineer, senior staff engineer, district manager. So then they started putting you in a managerial level apparently—they saw that in you. Which bore well, of course, later on—manager of research and development, manager of engineering, manager of eastern operations. So each time—and that was all with Conoco?

KB: Yes, and I was fortunate. After a rocky start, I ended up—in most of those jobs, I was the youngest person at that point in time to have held that job. So I think the rocky start kind of woke me up that you just can't mail things in. You have to really dig in and do what you need to do.

JE: So you were working harder, you think, and longer than most people?

KB: Well, I didn't work longer because there was a little bit of a culture when you're in the general office. People were sort of expected to show up Saturday morning and be there all Saturday morning. I went down for one of them, and everybody sat around and read the Oil and Gas Journal. They weren't doing much, and so I said, "I've got a young family by this time. I'm not gonna do that." I said, "You know, I spend a lot of time at the office, I travel a fair amount, and with a young family, I'm gonna carve the weekend out, and I'm just not gonna—unless it's absolutely necessary—be killing time at the office just because it's culturally sort of expected." And that didn't, at the end of the day, hurt me.

JE: OK, all right. So you're there till 1973. Then we're going to jump to Williams. What happened in '73? Connect us to Williams.

KB: Well, there were a couple of things. I had come to represent my boss who caught a case of Asian flu, and there was a very robust Pipeliners Club in Tulsa, and the presidents of the various pipelines were the board of directors. So I pinch-hit for Nick, and Gus McKilla, who was president of Williams Pipeline at the time, called me after that meeting and said, "We'd like to talk to you about a job." I thanked him but said that I really wasn't interested—I was doing well at Conoco and I was prepared to stay. I barely hung up the phone when President Nixon announced wage and price controls. At that point, the only way you could get a raise was by changing jobs. You could not get an in-place raise, and they were very rigidly enforced.

JE: Why were they enforced? Why were they instituted?

KB: Because his economic advisors said inflation had reached 5%, and that was unsustainable, and they needed to cool the economy. At the point, I'd done very well at Conoco, so I was making somewhere in the mid-20s—$20,000, maybe $23,000—but had by this time four children. Two were in school, and the others were on the doorstep of going into school. Houston was going to be—Conoco announced that they're moving the pipeline to Houston, out to Greenway Plaza. That was going to be a challenge because Houston school systems were not good. And in order to go to the communities that had better school systems, you were going to be in a cost of living that was beyond our means. So we knew it was going to be challenging.

Well, Gus called and said, "Well, there's a meeting in Dallas. Why don't you have dinner with us?" And so I did.

JE: In Dallas with Williams people?

KB: Well, yes, it was an American Petroleum Institute meeting, and a lot of the pipeline people were going to be there. I had dinner with Gus and the other members of the executive team and liked them and enjoyed them. By this time, I'd talked to Pat, and I said, "Well, one thing—after all these moves, you won't have to move to Ponca City again," because every time we moved there, she had a baby, so she would barely go visit now. It would be some stability. We didn't know much about Tulsa at the time, other than I'd drive into the airport from the northwest and drive back that way. So we came over, and I said, "Yeah, I'd really like to come to work."

JE: So was that a big wage increase?

KB: It was a wage increase. I think I got up to like $27,000 or $28,000, but I also had a company vehicle. My company vehicle—as it turned out, my mother had entered my brother, when he was in college, he was a collegiate golfer. She'd entered him in a sweepstakes that Golf Digest had, and he wins a fancy Mercedes. Of course, I pointed out to my mother that he's still in college. "Your other son has four children, could really have used a nice Mercedes, and we're the ones that gave him the subscription." But he couldn't afford it. He couldn't afford the insurance on it, so my dad took it and bought him an AMC Hornet. So my first company car—Bill needed to get a little bit more substantial car since he was getting married, and he had a job now and could get one—I said, "Well, I'll buy the Hornet." I think I gave him $1,500 for the Hornet, and that was my company car.

The challenge, as it turned out—they said, "Great, we want you to come to work, but you have to go out to TU and have psychological testing." And I said, "Oh, OK." So I go out—I don't even remember the faculty member's name—but he did the whole Rorschach and a variety of things, and he did a self-assessment. At the end of the self-assessment, he said, "This is the first time this has ever happened." And I said, "Well, I'm not gonna get this job." And I said, "It was that bad?" And he said, "No, actually it's good. You're the only person I've ever had that I've done this with that agreed exactly, point by point, with my assessment." I didn't follow. He explained it was a whole series of ratings you would give yourself regarding all these personality traits. He'd done an assessment that he would turn in, but he also had the person he was working with do it, probably for self-awareness or whatever he was testing there, but he said that was the first time it had ever happened, that my assessment and his were identical.

JE: So you got the job.

KB: I got the job.

JE: But coming to Tulsa and close to Missouri, that must have been inviting to you geographically?

KB: Well, certainly the geography was better than Houston at the outset because, again, we didn't know a lot about Tulsa. Then we had a friend whose wife had taught here, and she taught in the Jenks school system. She said, "Now it's really a good school system—you ought to locate where you can have the kids in that system." And I checked it out a little bit. The principal at the time had a flat top and wore white socks, and I said, "This is my kind of place." All of the schools were in Jenks, and it was a much smaller enterprise in those days, but it turned out to be a good choice. We really began enjoying Tulsa. With younger children, a lot of your early activities revolve around their activities. Then I started getting involved in different community activities, and Pat did as well. It's just grown over time. We've been here a long time now.

JE: How old would you have been in '73 when you came here?

KB: Well, that would have made me 31. I was the only employee at Williams Pipeline between the ages of 30 and 40. That was one of the reasons they were looking for somebody, because they had automated, and as a unionized group, their mentality was that the people with the least seniority are the ones to go when we eliminate jobs. So they created this bimodal employee cohort, but there's nobody in that 30 to 40 age range. They brought me in to begin trying to build some talent at an age that logically would need to be moving into more senior jobs, and they just didn't have that.

JE: Who was the CEO of Williams then? Was that John?

KB: John Williams was the chairman and CEO, and Joe Williams had just come back from—I want to say he was in Iraq or Iran—he had just come back from Iran. He and Bob Shower—

JE: Pardon me?

KB: He and Bob Shower. Bob was chief financial officer, and actually, he's the chief financial officer I ultimately replaced.

JE: We have both their stories on our website, VoicesofOklahoma.com, John and Joe.

Chapter 5 – 7:22
First Job

John Erling (JE): Your first job then for Williams was—?

Keith Bailey (KB): It was a non-job in that they were trying to figure out what to do with me. They knew they wanted to get somebody in that level, but there really wasn't a job that they hired me to. So I was the assistant to the vice president of operations at Williams Pipeline.

JE: And what did that entail?

KB: They had to think long and hard to find things. I had a small office that looked out over the fire escape on the Kennedy Building. Then they bought a pipeline that had belonged to Gulf Oil Company that went from essentially Missouri to Illinois, and we still owned Agrico Chemical at the time. They had the big nitrogen—liquid nitrogen—fertilizer plant at Port of Catoosa. So we rehabbed that initially to carry ammonia-based fertilizer up to the farm belt. That was one of the projects I worked on. But, as I say, what turned out to be fortunate from my perspective was that my boss at the time had a gallbladder attack and took time off because they did a lot more major surgical incision in those days than they do today. He decided he liked the time off so much that he just retired, so I ended up getting an unexpected jump to being vice president of operations. Then I had a real job.

JE: OK, and so much of this is just the luck of the draw, isn't it?

KB: Well, it's real serendipity—it truly is. I mean, I would have been in the Marine Corps had I not weighed 250 pounds. Because when I had my two bad training reviews in Spokane, it's not a direct shot to get from Spokane to Ponca City. You took the puddle jumper from Ponca City to Kansas City and then took planes, so I spent the night in Kansas City. I was feeling sorry for myself, very put-upon, and I wandered into the Marine Corps recruiting office. The sergeant in there, when I told him that I'd taken the officer candidate's test on campus—because I had a fraternity brother taking the test because he wanted to go into the Navy and I said, "Well, I'll just go in, they'll probably let me take it." I took it, and I ended up having a really good grade on it, with no intention of going beyond that. But I told him, and he was able to access that, and his eyes lit up. He said, "Well, man, we'll put you in officer candidate school right now." He got most of the paperwork done, and he said, "Oh, there's one thing we got to do."

I said, "What's that?"

"We need to weigh you."

"Why?"

"Well, because if you weigh over 230 pounds, I can't put you there. You have to go in as an enlisted man." So I knew at that point—it's another one of those deals—at some point in one of those interviews, you know life's not going to turn out the way you were expecting it to. And it didn't, because I weighed 250, and I couldn't convince him that if I went in as an enlisted man at Camp Lejeune, I'd probably weigh 230 by the time I got through basic training, and they would then automatically move me up to officer candidate school.

JE: That's what they were telling you—you could lose weight by going through basic training?

KB: Well, there's no guarantee—I believed the part about losing the weight.

JE: I went through basic training at Fort Leonard Wood, Missouri. You know what that area's about.

KB: Yes, that's where most of the Rolla guys went because it was a Corps of Engineering base.

JE: Right. So in '64 and all that, Vietnam was on obviously. Weren't they after you—the draft board?

KB: It was not. And again, it goes back to small towns. They had begun to do—I think they started giving you draft numbers at that point or shortly thereafter—but in small towns, draft boards have quotas. Most small towns in those days would get a kid that might be going to reform school, and they'd give him an option: "This will make a man out of you, straighten you up, and make a real citizen out of you." They could fill their quota that way, along with people that wanted to do it as a career or economic choice. And then President Kennedy put in a waiver for people with children. That was there for a while.

JE: So you became Williams Pipeline vice president of operations, and again, that was because your boss—?

KB: Decided to retire because he'd had some surgery and found out that he liked playing golf better than he liked working.

JE: OK, so then when you went on to Williams Pipeline executive vice president, who got sick then?

KB: Well, that was a job they made up. I went to the Harvard program, and that was 14 weeks. For 14 weeks, they're not going to leave a job open, so they had moved Roy Wilkins in behind me to do that. When I came back, they had to find a place for me, so they made me executive vice president of the pipeline. Everybody reported to me, and I reported to the president, so it was kind of a non-job. When I had more sway over organization charts, I probably would have put a highlighter through it because it was just somebody helping this person talk to this person, and that's a non-job.

JE: Were you frustrated that you didn't have enough to do?

KB: Well, I tend to get antsy if there's not substance in what I'm doing. But again, that fairly quickly changed because shortly after that, we bought Northwest Energy, and I became president of the pipeline because my boss had moved up to be an executive vice president of the parent company.

JE: And who was that?

KB: Vernon Jones. Then, in addition to Williams Pipeline, I added the role of president of what was then Northwest Central, the old City Service gas pipeline headquartered in Oklahoma City.

Chapter 6 – 8:45
Leadership

John Erling (JE): So tell us some of the issues you were facing then. Now you're beginning to kind of get your wheels under you, you're being a management executive—they weren't just finding work for you to do now. Now you had a real job.

Keith Bailey (KB): I had a job.

JE: Right, right. And so what were you doing?

KB: Well, as president of the pipeline, obviously it was managing the whole enterprise. And then when I became president of Northwest Central, one of the issues was, "What are we going to do with a company in Oklahoma

City when we're headquartered in Tulsa?" The decision was made early on that we were going to relocate the headquarters. I had an interesting initial exposure to the employee base because my first discussion with them was, "Well, you know, we're part now of the Williams Companies." They hadn't really asked for me—I was kind of thrust upon them as the new president of Northwest Central Pipeline.

I had an all-employee meeting and said, "We're going to relocate to Tulsa because we need to be where the parent company is, and we're an important part of it. It just makes sense." This was in December when I was doing this. I said, "We'll move at the end of the summer. I've got some experience moving with children. It's better to do it just before school starts, and then they get resocialized very quickly. If you do it at the beginning of summer, they've got all summer to get unhappy—be unhappy."

This company had been there almost 100 years at that point, so there was a certain amount of angst among the employees in Oklahoma City that they were going to have to move. One of the questions was, "Isn't that pretty abrupt?" I said, "Well, I understand that moving can be traumatic. I've done a lot of it. But even doing a lot of it, Pat and I had standards—standards we never violated. We never moved on less than one day's notice, and we never moved with a baby that's less than one day old. So it can be done, and we're trying to do it in a thoughtful way. But we're also going to look at the organization."

They had a very top-heavy organization, which wasn't uncommon in the natural gas pipeline industry at the time. So we went from something like 14 or 15 vice presidents to four. We just went through the organization chart, and the field operations typically don't get impacted very much, but where you tend to see the growth is in administration and overhead. We slimmed the organization down but said, "Everybody on that organization chart, we're going to move under company benefits. We'll buy your home if you can't sell it; we'll pay for your move—the whole thing. I don't care if you work in the mailroom or if you're in a corner office."

We came over that fall, and we ended up being the number one performer among the business units in Williams' United Way campaign that year.

JE: In the United Way, yes.

KB: One of the things that I apparently said a few times is, "We want to make sure that everybody has a full plate. I want people to come in in the morning looking forward to coming in because you're doing something important. It's not an unimportant job if you've got work that needs to be done. I want you to look up in the afternoon and say, 'Where did the day go?' If you're not doing that, you may not have a full-time job; you may not be doing something important. I want everybody to be doing something important. You need to have a full plate." When we had our celebration at the end of the move, they gave me a little keychain disc they'd made for everyone that said, "Full plate."

JE: That's cute. So how many came over from Oklahoma City?

KB: We probably—I can speak more in terms of floors. We had a full floor. Everybody came. I think everyone that was offered an opportunity to come came. Then, as we changed the organization, we carved out a floor in the building, but we put in services for people to find jobs. We used the tools of early retirement and incentives like that, but we downsized the headquarters pretty significantly.

JE: But I'm thinking you didn't have any training for any of this. You were an engineer. You didn't go to management school, did you? I mean, all of a sudden, you're managing all these people. I don't hear any training for that. What I'm trying to get to—you obviously had a lot of natural skills for that, am I right?

KB: Well, no, I actually attribute a lot of it going back to Conoco. Because I think that training program really was ultimately a management training program. As an example, they might start on a training review saying, "What did you do?"

"Well, I put in a pump."

"Now, why did you put the pump in?"

"Well, because we needed to increase flow rates."

"What kind of pump was it?" Then they'd go through all the engineering and physics of the pump. Next thing you know, "Well, how did you know you could get the flow rate up?" And then you'd go through the engineering and physics of the pipe. But then they'd flip and say, "Well, who's paying for it?"

"Well, I wrote an AFE."

"Yeah, but who's paying for it?"

"Well, we had customers."

"Well, how do we know what they're gonna pay?"

"Well, we have a tariff."

"What's in a tariff?"

Those are the terms and conditions of doing business with the pipeline. Then they'd build back up to the point that you were looking at it in a more holistic way. Through the various jobs at Conoco, there were a number of joint-venture pipelines, and I ended up on joint-venture boards that were not public boards but boards with partners operating and managing pipelines. I think the way they approached training was comprehensive in a way that really led to management skills that served well as you moved on. But you learned stuff. I mean, every time—I think one of the best descriptions of what happens over a career, when you have one like mine, it's a graph that starts with a line in the lower-left corner and goes straight to the upper-right corner. Everything above the line is tangible, and everything below the line is abstract, or vice versa. When you're starting, everything you're doing is very tangible. You go home at night knowing exactly what you've accomplished, which is one of the appeals of engineering, construction, and building things. It has very tangible markers. If you're in that ultimate corner office, what you do every day—you have no idea. It may have an impact five years from now, it may have an impact after you're gone. That migration is not comfortable for everybody, moving from completely tangible outputs to very abstract outputs.

JE: Of all the executives, were you the only engineer trained? I mean, John wasn't, was he?

KB: No, John, I think was an engineer because he was in the Seabees. I believe he had an engineering background. Joe actually had been in divinity school at one point. David was an engineer—his brother was an engineer's engineer. David, actually, when I came over, had already separated from the Williams Companies. He had Williams Brothers Engineering and had traded his Williams stock in for Williams Brothers Engineering. We shared a building there in the Kennedy Building.

Chapter 7 – 16:58
CEO John Williams

John Erling (JE): Did you have any interaction with John? He was quite an imposing figure, wasn't he?

Keith Bailey (KB): John was one of my dearest friends. I had a lot of interaction with John and really enjoyed him. I learned a lot from him. John was very transactional. He was a builder and very transactional, and I tried to learn that lesson from him. We were very transactional during the period I was chairman of Williams. One of the things I did was ask John to come onto a board of a company we owned the majority of, an Argentinian oil and gas company at the time. He had since retired from the Williams board but was still mentally engaged. He would visit with me all the time, asking, "Have you thought about this, have you thought about that?" I always enjoyed that interaction.

He grew up speaking Spanish in Cuba, so I would take him to Argentina with me. Our partners in this company were a local family. In Latin America, companies typically are family-owned. Of course, it's the Williams Companies, and here's El Jefe, and he would meet Gregorio Perez Companc. They hit it off. I could understand just enough Spanish to know Gregorio assumed John owned the Williams Companies just like he and his family owned their company. John never dissuaded him from that. He was very good in that kind of setting.

After I retired, I became an independent director along with John and Bob LaFortune on the EPCO International Oil and Gas Board. This company had grown and was moved to Williams Exploration when it was spun off. We were the outside directors. I really enjoyed John. John was a goal-setter too. I got to know him early in my career when they did a management retreat to North Carolina, where John had a home. His family owned Grandfather Mountain, the only privately owned mountain in the United States. It was my first opportunity there; I was the newly assigned president of Williams Pipeline. I'm sitting on the veranda with John after lunch, and he says, "Well, you're on my golf team."

I said, "Good."

He said, "What's your handicap?"

"I don't have one. I've hardly ever played because it took too much time with the kids and all of that."

"Well, what do you think your handicap is?"

"If I understand handicaps, I'd guess I'm somewhere around 20-25."

He said, "OK, you're 15." And then I find I'm riding with him.

And about six holes in, he turns to me and says, "You know, you're not shooting your handicap."

And I said, "I realize that, John." But that was John Williams—just a delight and somebody that I miss a lot. He also recruited me to play in the bridge group that he was in for years. It was a fascinating group of people—Ray Feldman and Jim Hughley and John—and that generation of Tulsa leadership. They were always very disappointed in me because I didn't have any gossip and didn't know what was going on. He said, "You need to find all this stuff out. That's why we invite you, because you're supposed to bring us all this information." I said, "That's outside my skill set."

JE: So bridge was really about gossip, right?

KB: Oh yeah, yeah. And you had to have root beer and chocolate chip cookies.

JE: That sounds inviting. This was out at Southern Hills, wasn't it?

KB: Well, they would rotate. John would host at Southern Hills, Ray would host at his house, others would host at their house. It was revolving once a month.

JE: But I think John played about every day, didn't he?

KB: John played cards even when he was losing his eyesight. They actually have decks of cards with big numbers and four different colors. One of my favorite John stories is that Pat was with us at a board meeting. He and our CFO under my leadership would always want to play Gin against somebody. They couldn't find anybody, so John mentioned at dinner, "Pat, do you play Gin?" She said yes, and he said, "You and Keith will come play us tonight." So we played. They played three Hollywoods. Afterward, we're down, and they said, "We're gonna go around the corner, and you guys are down a hundred dollars." Pat looked at me and said, "We're playing for money?" They said yes, and she turned to me and said, "You better pick your feet up." We ended up winning—not much, but we won. John cornered her as we were walking out at night and said, "Now, Pat, I trust you're not gonna tell anyone about this." She said, "John, not until I see somebody else."

Another time, we were down in North Carolina. The tradition was John and Jody would always have us over to their home for dinner on Saturday night. Back in the days when some of the poker games at Williams got notoriously big, John always demurred on playing Saturday night. He wandered around, greeted everybody, and said, "Well, does anybody here play cards?" I was quiet, but unfortunately someone said, "Keith plays cards. He's a good card player." John said, "See me before you leave." I almost got out the door, and John said, "Wait a minute, come back. I want you to play for me in the poker game tonight." I said, "John, that's way beyond my means. I can't do that." He said, "No, I'll give you some money. I'll cover any losses, and we'll split the gain." I said okay, and then he hands me two chits—two $500 chips. Well, you couldn't put chits in to start with, so he set me up where I had to put my own money in.

To compress the story, it was a long evening. They played Old Maid kind of poker, where you draw sixteen cards, and a lot can change. I won two or three hands right at the end and came out modestly ahead. People questioned where these chits came from. They thought they were from David Williams, but I fed them into the pots. At breakfast the next morning, I folded the chips real small and stuck them between two hundred-dollar bills. I handed them to John and said, "Here," and he looked at the hundred-dollar bills and said, "Well, I guess you didn't do very well." I said, "Keep going, John." Then he found the two chips and said, "Well, that's okay." But he had set me up where I had to put my own money in—that was classic John. He wanted you to have skin in the game.

JE: Would he be considered your mentor?

KB: If I had to pick one of the four Williams—Charlie was the ultimate gentleman, Charlie was John's brother, and we were neighbors. John and Jody were close, as were Joe and Terry. The one I knew least well was David, Joe's brother. He'd been separated from the company a long time after buying the engineering business and came back only as a director. John always had an office not very far from mine. If I had to pick one of the Williams four whose skill set I'd love to have, it would be John. John was enthusiastically what he was. To the day he died, he was a creator.

JE: When Great Lakes pipeline was purchased, John told me the story of how he represented the company in a very unusual accounting deal, and this is what he said:

John Williams, via Interview Excerpt (JW - Excerpt): "We were cutting new accounting principles that were, at least for the old-time accountants, considered sort of revolutionary. We had to have one accounting for the bookkeeping that had to be agreed to by the SEC. We submitted it to the SEC staff. It had to do with depreciation. It was a conflict between the SEC rules and the ICC rules that we found a little niche we could wiggle through. I mean, all according to open book standards, but it was something that the two different agencies hadn't really coordinated between themselves, and we discovered that we could use this. Anyway, the accounting staff at the SEC when we submitted this turned us down flatly, said, 'Absolutely, you cannot use it.' We said, 'Well, that kills the deal.' So I went to our lawyers and said, 'Well, what can we do now?' They said, 'There's one last thing—you can appeal to the SEC for an emergency hearing directly with the Securities Exchange Commission itself, the five commissioners.' So we appealed, and we said it has to be an emergency thing. The rules said they would answer within five days. The third day, they told us they would give us five minutes to present our case, and the CEO had to present the case with no accountants, no lawyers. I had to do it all by myself with the five SEC commissioners. For two days, all the lawyers and the auditors and the accountants had me up and down, sideways briefing me on everything. I was a little scared when I went in there, but I went in with the five SEC commissioners."

John Erling, in Response to John Williams in the Excerpt (JE - Excerpt): Where is this? What town?

JW-Excerpt: In Washington, at their headquarters. What I presented was so novel and so unusual to them, instead of five minutes, they listened for 46 minutes. At the end of that, they said, "Well, Mr. Williams, we've never heard anything like this before. It is novel, but you make a case—if you go ahead, we will not object."

JE-Excerpt: Wow.

JW-Excerpt: That was one of the more interesting times ever I had. Once we got that done and the commission approved it, the next year, the SEC passed a regulation that never again could this ever be done. We're the only ones that ever did it, and that was a turning point. That's what made the company.

John Erling (JE): And John Williams did that. Is it true, then, that that moved Williams ahead?

Keith Bailey (KB): I happened to watch that from the other end because I was at Conoco, and they were the partner in Great Lakes, and they were the ones that forced the sale and managed the sale. The group managing the sale was in an office next to mine. At the time, it was the largest cash-for-assets transaction that had ever been done. It was on the cover, I believe, of Forbes—"Minnows Swallowing a Whale." It was a great transaction. I mean, they leveraged—in today's world it would be a leveraged buyout on speed, because I think they counted every asset they had and probably counted every backhoe and tractor four or five times to have the assets they needed. They had Vince Butler put together a study, and computers were just coming in when they had the old fold-over pages, and he had a study that was a lot thicker than it was educational, analyzing everything from the impact of birth control pills to the population and demand for the product. They got the head of Arthur Young and an attorney from Boston, and the two of them really were able to craft what John ultimately delivered to the commission. I had the pen that he signed the deal with—I had that pen mounted in a shadow box behind my desk. Then we burned the mortgage, because it was mortgage-based financing. We burned the mortgage, and we had a party on the top floor of the Williams Center, back when they had a private restaurant there. That was the burning of the mortgage—a great celebration—but that was 20 years; that was in '86.

JE: John Williams stood in and did that, and I'm a fan of his too. Not everybody could have done what he did.

KB: No, but I think the interesting thing I learned—I ultimately had the job of CFO and had no background in accounting or those kinds of issues. I'd done things where I sort of understood that, but I discovered that people like an SEC, like an FERC, like the Interstate Commerce Commission, place more weight on people giving them a view who run a business or actually do it, as opposed to professional skill sets like lawyers or accountants—people who are paid to take a narrow view. They give a lot more credence to somebody who has a broader view. I found as CFO that really served me well, because I had run several of the businesses that made up the Williams Companies. There were other things that happened around that time too that made it a good time to have moved into that job with no experience.

Chapter 8 – 7:57
WilTel

John Erling (JE): Well, then you became chairman of Williams Telecommunications.

Keith Bailey (KB): We formed that in Williams Pipeline actually.

JE: And that came about because of an idea?

KB: Yes.

JE: Tell us about that story.

KB: Well, we had a pipeline that had been built over multiple years, starting back in the twenties. Originally it was small diameter and ultimately multiple small diameters, and in some cases, some of the smaller ones were no longer needed. We were trying to find things to do with our assets, and Roy Wilkins and Charlie Cole came up with the idea. I forget—one of them had seen something in a magazine about all this fiber optics deal and said, "Well, why don't we look at using our pipelines as a conduit?" That was the genesis of the idea, and then it was, "Well, now you need to find somebody to do business with. I mean, we don't know that."

And so we did. We found Clark McLeod, who was the first customer of McLeod Communications, who had an Iowa company. At that point in time, AT&T had mispriced their WATS service. You could buy WATS service for long distance and turn around and retail it to individuals, buy big blocks. So there were a lot of resellers out there, and they were trying to find independent networks. So we started with a very small project and then gradually expanded.

But one of the interesting things is we transformed the industry as a whole because, at that point, the telecommunications industry went up into the air, whether it was on poles or satellites—I mean, everything was airborne. And we started burying things. The real breakthrough was when we decided that we would build from Kansas City to Los Angeles because all these customers—this little Midwestern grid that we created—needed it. That's when John and Joe said that we had to separate it. It had to be a completely separate company. Told Roy that he would have to step down as president of Williams Pipeline and move on just to do that if we were going to spend that kind of money, because it was like a $100 million investment.

JE: So that company's name then became what?

KB: Original one was WilTel. Yeah, that was interesting because Roy and I met with a guy that we'd worked with at Conoco who at that time was doing right-of-way work for, I think, Explorer Pipeline, and he came over to run the right-of-way group. We went from Kansas City to Los Angeles in half the time and half the cost of the traditional telecom companies.

Sprint did their original pin drop—I don't know if you remember that commercial, you could hear a pin dropping—because of the clarity of the sound that the fiber would bring. They ended up starting a full year ahead of us, and they ended up laying like the last 30 miles on top of the ground with security around it just so that they could do it at a Super Bowl in Los Angeles as the launch. Our system was in and operating, and MCI was using it. We created the network that MCI used in the western half of the United States. Ultimately, in our second generation, we did the eastern half for Sprint. But that was done in half the time at half the cost.

JE: Because you had the pipeline and—

KB: We knew how to dig ditches. We knew how to buy right-of-way. Those were skill sets they didn't have. So we changed the whole cost structure of the industry. But the other thing we did is we changed the standard for reliability. If you've got a pipeline, you've got things that you don't want to get outside of it, so you want to have a high reliability, integrity. And we went from having a standard of two 9s to five 9s. That's—we're up 99% of the time, but we're up 99.999% of the time. That was our signal integrity. Now that's the standard of the industry.

If you think about moving signals, it's like moving gasoline, jet fuel, diesel fuel in a pipeline. If you think each of those is a little different packet of data, which is the way it moves, and you do the wave division multiplexing, these packages go in, get moved around by computers, get put back together when they come out. Well, that's like operating a pipeline. Big switch centers are like tank farms. So the technology that manages all of that is simply a repurposed pipeline technology, and now that's the industry standard as well.

So it was an ability to take skill sets that we had—we probably didn't fully appreciate at the time—how applicable they were to completely reform an industry. And that was one of the fascinating things we did.

Then it grew to a point that we were challenged on Wall Street, simply because Wall Street doesn't like a complex company, and that's the other thing that's kind of fascinating. John built the original Williams Companies with the ultimate acquisition to launch it as a public company with the

Great Lakes acquisition, but then he continued to acquire. It was a counter-seasonal company because he had fertilizer that would be for the summer. He had oil in the winter because a lot of people used heating oil. He had all these different things that blended together to give you a full year's kind of earnings.

In those days, the financial community loved conglomerates. LTV was a big classic, but Williams was one of the top performing—if not the top performing—companies on the exchange during this period of time because he had cobbled together this group of companies that you could say, well, they're all very different, but in the end, when you put them together, they make a cohesive bottom line that is predictable and sustainable. Today they don't want that. They want to create their own portfolios.

So when you put communications and energy together, that was not a particularly well-received combination on Wall Street because you had a set of communications analysts that didn't want to pay attention to energy, and a set of energy analysts didn't want to pay attention to communications. They were rewarded for being specialists, not generalists, so we always had a constant challenge to explain why those two made sense together. As we described it at the time, they're the two basic food groups of an industrialized economy.

JE: So you were on Wall Street explaining that a lot?

KB: Yes.

JE: Because you were chairman the company of WilTel.

KB: Right.

JE: Williams Communications. And Joe was chairman of the company then?

KB: Yes.

JE: The overall company.

Chapter 9 – 10:13
Fifty Dollar Bill

John Erling (JE): You became executive vice president of the Williams Companies.

Keith Bailey (KB): And that was as chief financial officer, and that's when Bob Shower, who'd been in Iran with Joe and had been with the company his entire career, elected to leave. And they offered that job to the people that were qualified—we had CFOs in each of our business units—and none of them wanted it. So I ended up with it.

JE: Another one of those moments in life—none of them wanted it.

KB: Well, yeah, and Joe had me at lunch and said, "Well, we want you to do this," and I sort of grew up in the school: if that's what they want you to do, you go do it. And again, I was fortunate, because for one thing, the first thing we did as I went into that, we did a restructuring. And we were selling assets. We sold a fertilizer company. We sold our interest in Peabody Coal. We sold the metal processing. But I understood the businesses, and Wall Street liked that. The analysts liked somebody there who'd actually run the businesses because they said you were imputed to have more credibility.

And then the other thing that happened on the financial side is that computers came in. When I took the job, there was great angst among the financial community that the New York Stock Exchange was approaching 100 million shares a day—

JE: The job meaning—which job did you have now?

KB: Chief financial officer, executive vice president. And the angst was that the New York Stock Exchange was approaching 100 million shares a day and was gonna collapse of its own weight. Well, then computers came in. Interest rates—they began trading futures, which hadn't been a big element. Interest rates began moving instead of three basis points in thirty days being a big move, three basis points in a day was more frequent. Now it does it in a millisecond. But again, experience got devalued very quickly. And so I was able to sort of ride that wave as I learned more, because the experience—and then the thing you need is a really good controller. And we had an excellent controller, a longtime controller, who actually makes sure the books are done appropriately and that you get the accounting right. But on the financial side, the treasury and Wall Street side, I found that I had a pretty good ability to deal with that.

JE: When you're dealing with Wall Street, New York knew and respected the Williams name. It wasn't like, "Who is this company from Oklahoma?" Your name had preceded you, right?

KB: Williams was pretty well known. I've still got the original annual report from 1973. It's on my desk in Wyoming, and I look at it periodically because we were kind of a spotted pup in those days, in terms of a company. And then we got bigger, and I think—I don't know—we were roughly a three billion-dollar company after the restructuring when I came in. And I think we got up to 38 billion, 39 billion. We ended up peaked out at about 25,000 employees. So we had a lot of growth. And again, I tell people, I say, "Well, that's wonderful." We started putting the total return to shareholders for that management group on the cover of the annual report, and I think we peaked at around 1,300 percent. But I said, "You have to remember that was during the decade when a trained monkey that could throw darts—you could put the Wall Street Journal's page of stocks up there and they could throw darts, and they'd probably have an 800 percent return just on random, because that was a very overheated market for that period of time."

JE: And that period again in the—

KB: Nineties to early two-thousands, yeah.

JE: And so to follow your career, you became a member of the board, president of the Williams Companies, chairman, and president and CEO of the Williams Companies until retirement.

KB: I actually went on the board when I became chief financial officer. And I was very flattered because I replaced Charlie Williams, and he told me that he was happy that I was the one that replaced him, which I really feel good about. I mean, that was nice. And Charlie, there was probably nobody that had a deeper commitment to the company than Charlie.

JE: Again, that's John's brother. I think in Tulsa we don't know as much about Charlie as we do about John, Joe, and maybe you, but he was very obviously instrumental in that company.

KB: Well, and if you go back to the early days, I mean, he and John were the ones—I don't know if you had a chance to read the history that Doug Hicks did on the Williams Companies, Snapshots in Time. I'll get you a copy. But he—and it's just anecdotal, and he did it while all four Williams were still alive and has their respective thoughts. But you know, at one point, Charlie and John needed to move a bulldozer from one part of the jungle in Venezuela to another. And they just started it, pointed it in the direction it was supposed to go, and cut it loose. So Charlie was very active early on with the construction, and that was back when they were building pipelines in the Middle East—the largest pipeline contractor in the world. They built over the Andes, first ones over the Andes. The last big project we had, we were a partner on two spreads on the Alaskan pipeline.

JE: You were living an awfully exciting life, weren't you?

KB: Well, it was enjoyable. I mean, you ought to do things that you have fun with, and I did. I had a lot of fun, but it was a lot of things going on.

JE: And do you ever look back now—I mean, you're not that old a man now—wishing you were back in that kind of game again?

KB: Well, I've been retired—this will be 17 years.

JE: Since 2002, right?

KB: And I just look at the changes since then. I'm not sure it's as much fun, frankly. And I did it during a period of time when, in my mind, it was enjoyable, it was manageable. I love the fact that we had so much employee buy-in. One of the things we did—and I've got them hanging—my space in Wyoming, I got relegated to the garage, but it's my garage, and so I've got the $50 bills that we did. Well, we started the first time our stock hit $50. I said, "Well, you know, we ought to celebrate that some way." So we gave every employee—at that point about 3,000—a brand-new $50 bill. And then we split the stock two-for-one. We hit $50 again, we gave every employee two $50 bills. Split it three-for-two, it hit $50 again, we gave everybody three $50 bills. Split again two-for-one, it hit $50, and we gave everybody six fifties. Well, we gave one fifty to 3,000 people; we gave six fifties to 25,000. But I said it had to be cash.

JE: How much money was that?

KB: It turned out, well, it's $300 on 25,000, so you know that's a lot of money. And our accountant said, "Well, we've got a W-2 that, and so we'll have to take—" "No," I said, "you're not gonna take deductions. You guys figure out how to do that, but it's gonna be brand-new bills." And the group that assembled—we had to go to the Kansas City Federal Reserve to get the fifties for the six fifties—and the group that did it said it reminded them of the old Scrooge McDuck, in a room full of $50 bills. But you packaged them up, the supervisor handed them to the employees, and when we did that, I remember we had a broadcast system in that building that you could put announcements over. Next thing I know it's—I don't remember, was it Pink Floyd that did "Money"? I think it was. Well, that hit the PA, and I mean, people were watching the stock and they were really enthusiastic and following it. But everybody participated in it.

JE: That was a great idea, to celebrate it that way.

KB: Well, it was fun. I mean, people enjoyed it. And that's what I tell kids, you want to find someplace where you're fully engaged. You want that full plate, but you want to have fun. If you're not enjoying what you're doing—the way I describe my aspirations for the company or for anybody's job, I said, "I want you to have a job you look forward to going to. I want you to look up at night, as I said, and say, 'Where did the day go?' And when your mother-in-law comes to town, you want to take them down and introduce her to the people you work with and show her where you work." That's kind of what I want.

JE: Absolutely.

Chapter 10 – 9:10
Chairman of Williams

John Erling (JE): When did you know that you were tracking to become chairman of Williams Companies? When Joe Williams would step down, that you were the guy—did they tab you early on and say you're going to be the next chairman?

Keith Bailey (KB): We were at the bank—we did a retreat for the banks that put our revolving credits together as well as the investment banks that followed us. We did that, a ski retreat, for them every year. Joe came out that year and said, "I want to visit with you." So we sat in his room and he said, "Well, I'm going to make a change of president, and I want to make you president, but I will only do it if you're willing to be my replacement." And I said, "Well, that's not something I ever set out to become. I'm very flattered that you're thinking about me, but I want to think about that." And he said, "Well, think about it." I told him, "I've talked to Pat, and I think that would be the way to go. I understand it's dependent on me doing a good job as president. I don't take it as given that I get it and go up, but I would be willing to do it if that's the way the world worked out."

JE: How soon would that have been before it became official?

KB: Well, he talked to me, and then he had to make the change with the existing president. I mean, it was three or four months before it all went down. Part of the issue was that the existing president was older than Joe, and Joe was trying to get an age sequence. I think the existing president would have wanted Joe—he hoped Joe would retire and he wanted the job. There was that kind of dynamic, and I stayed clear of that. That was not my job. That was Joe's job to deal with.

JE: What a compliment to you though. He bypassed that president. What was his name?

KB: Vernon Jones.

JE: OK. And then he reached down to you—that must have been a nice feeling for you.

KB: Well, I had known Vernon and worked for him and with him. It's awkward when something like that takes place. It's understandable if you look at it from the outside. Joe was trying not to set up a situation where somebody that was at retirement, or should have been at retirement, was stepping in. He wanted to create some runway for the next individual. But on the other hand, probably the big difference at that point is Vernon really wanted the job. I wasn't looking for it, and I had not expected it.

JE: And then you had age on your side too. You were younger. But didn't Joe kind of surprise the board when he said, "I'm stepping down, I'm retiring"? According to the interview when I interviewed him—I went to his home in North Carolina to do that—they were surprised that he was stepping down. He said he and his wife Terry wanted to do their own lifestyle and travel and so forth. Didn't people think that he was going to stay on a lot longer?

KB: Well, John would have stayed on until the funeral.

JE: John would have?

KB: Yeah—you know, until he died. But that was because he really enjoyed that. That was very fulfilling for him. Joe had a different set of interests. He was hugely involved in the Nature Conservancy. He remarried Terry and inherited family with that. I think Joe didn't find the fulfillment with the business that John did. So I don't think it was surprising when he stepped down, and I think age-wise, he was stepping down at a normal kind of retirement age.

JE: It's interesting—I have the transcript here when Joe talks about you. He says, "Keith was brilliant in every respect. He had come all the way up through pipelining as a kid engineer. He went to the Missouri School of Mines, I think, so he had the training and the background and the experience. There were some people that were skeptical of Keith because he was so cocksure about everything he said. John was a little worried about that, but he liked people that said, 'What if?' rather than saying, 'Only this way.' By that time, John was no longer directly in the line of command, and he thought Keith was a good idea. He liked Keith." And then I say it worked out. He had a successful career and John says, "Oh yes, yes, yes." I thought you'd be interested in hearing what Joe said about a year ago when I interviewed him about you.

JE: The company had narrowed its focus back to energy again in 2001. Williams exited the telecommunications business, and you acquired Barrett Resources. Tell us about that.

KB: Well, the opportunity to expand our business was there. We were back into being a pure energy company, but we were a comprehensive energy company at that point. We'd acquired MAPCO, which gave us refineries and service stations. We had an oil and gas business, but it was relatively small. One of the principles that we followed as the company got bigger was that your individual components needed to be bigger. They needed to be meaningful to the overall enterprise.

Originally, we had been in the oil and gas business and had sold it as part of the restructuring in the '80s. But we came back into it. The group brought an idea at a management retreat. I said, "It's not big enough. If you look at where we are as a company, you've got to find something larger." So they found an opportunity to buy half of the Jonah Field in Wyoming. That gave us a significant entry—it was a $60 million acquisition.

Then we became aware of Barrett. Barrett was under a hostile offer from Shell. We had looked at Barrett—we were in some of the same geography as they were—and we said, "We think that's undervaluing the company." One of the directors of Barrett was a friend of mine. His brother owned the property that is now the Gathering Place. The Bufords. Bob was on the board of Barrett and was one of the large shareholders. He and I met and visited. He was intrigued with Williams. Ultimately, Devon was the unsuccessful bidder. We did a structured deal that effectively financed it in a balanced way—part stock, part cash. Barrett was offering all cash, which typically would win, but I think their board liked the Williams Companies better.

We had looked at the assets and felt that Shell, because they'd done a hostile bid, refused to come to the data room. They had done a lot of work that suggested we were going to be able to buy assets in the ground for around 50 cents—the equivalent of natural gas. That made sense to us. If you could get it for 50 cents, you could make money. We were successful in getting it, and I think part of it was because Bob Buford was a strong director and owner and liked our bid better, even though it wasn't significantly different dollar-wise from Devon's.

JE: Interesting how this story works out because of the Gathering Place. Williams Companies put up $16 million in the lodge in honor of the Williams. And it's on property that Buford owned.

KB: Right, his brother, Dan.

JE: His brother, yeah. That's kind of interesting.

KB: Yeah, well, it just shows that it is a relatively small world.

JE: Yeah. And that was in 2001.

Chapter 11 – 13:46
September 11

John Erling (JE): I want to talk about the BOK Tower. It was the Williams Tower. When and why did it become BOK Tower?

Keith Bailey (KB): Because they were willing to pay John money to put the name on the top.

JE: OK, that was simply it. Right?

KB: That was pretty straightforward. We were not a company that had a customer-facing... I use "customer-facing" either. Now if you look at it now, one side of it does have Williams on it and the other side has BOK on it.

JE: When you come down Boston, you see the BOK.

KB: Yeah, but we were one of the large owners of what became BOK. When we built the building, they wanted to have a name on it, so we let them put the name up, but they paid for the privilege.

JE: I bring that up because this is an interesting story. We have the story told by John Williams—how he wanted to create a new tower for Williams in downtown. The Twin Towers in New York had opened on October 4th, 1973. John wanted the same architect, Yamasaki and Associates—the same architect who designed the World Trade Center. At first, you were going to have twin towers, and then John takes the model and sets it on top. I'm not telling you anything new—just moving it along faster. One Williams Center was completed in '76. Then we have September 11th, 2001, when al Qaeda terrorists in three hijacked passenger planes carried out their attacks against the World Trade Center in New York City. The tower here was so similar—almost eerily similar to—

KB: I think he put it on a Xerox machine and scaled it down.

JE: Even picture hangings, they said, were so eerily the same. But we now know the story of 9/11 and what happened to the Twin Towers. I just picked up on this—that John Williams, along with some employees, had visited the World Trade Center on September 10th, 2001, just one day before the Twin Towers were destroyed.

KB: Yes.

JE: Do you know more about that story?

KB: I was there.

JE: Okay. That's what I was wondering. You were there.

KB: Well, and it's actually a more robust story because that was a year that was our largest year in the United Way. I think in the aggregate, employee and company contributions approached $50 million. But the companies had decided that, as an event, we would call "Ride the Line." And so we had a group of people that were starting in New York City that would ride the pipeline route back to Houston. We had others that started at the Canadian border and rode into Tulsa on Williams Pipeline. We had others that started on the Canadian border and rode back to Salt Lake. The idea was that they would stop at every place we had facilities and drop off their United Way checks for that community.

We began in Central Park at Tavern on the Green for breakfast. We had the riders there. I was there. John—we had a really celebratory kickoff. They rode around the city of New York and a number of them appeared on the Today Show on their little outside venue. Some of us came back to Tulsa, but I'd gone down that day as well, down in the World Trade Center and over with one of our Lehman senior officers that dealt with the company. She was in her office, which ended up with a girder through it and through her desk and chair. She was not in it, but she could never go back into that building.

We get back, I'm having my teeth cleaned, and they had the radio on. They said a light plane just hit one of the World Trade Centers.

JE: Where are you now having your teeth cleaned? Oh, you'd come back on that same day on September 10th, right?

KB: Because I had a 7 o'clock appointment the next morning. And I told Cathy, who's a dental hygienist, I said that can't happen. That has to be purposeful. But the first report was a light plane hitting one tower. And then by the time I get in the car to go back downtown, both towers have been hit. I get Steve Malcolm and Cuba Wadlington, who are the two senior executives, and I said, we need to do something. We all in Oklahoma lived through the Murrah City bombing. We need to do something. We need to provide some resources, and let's do it through United Way of America. And we committed the original $1 million. That was the basis ultimately for the 9/11 Fund. We were the first contribution. We did it while the tires were still on fire.

Our employees—we offered them a chance. We said, we don't know how we'll do it because they shut down all air travel, and we said, we'll get you home. We know this is very unsettling. There wasn't a single person that wanted to come home. They said, "This is why we're riding." They've got stories, and I went to several of the end events, and you would have people in tears talking about coming into town and the people in town lining up on both sides, clapping and waving American flags. They knew what they were doing, and they were going to drop a check for the United Way.

I've been interviewed by people that are trying to do a kind of "day in the life of America." Collectively, nobody had a better window into that day in America than the Williams employees. Because they went through all of these towns, they saw the reaction in big cities, small towns, from coast to coast, border to border. And the stories collectively, again, that they could tell—and did tell—are just remarkable about the American spirit.

JE: John was there too, wasn't he?

KB: I think he came to the breakfast, yes.

JE: He was not riding?

KB: Nor was I. The oil pipeliners were smarter. They rode motorcycles. But everybody else rode bicycles.

JE: But that day, John was with that contingency on September 10th in New York. They had to stay there then for a number of days?

KB: Some of them were there. The riders had made it out into northern New Jersey. They were in a motel in New Jersey when it happened, and were getting ready to start out for the day riding their bicycles. That group rode bicycles from New York City to Houston.

JE: They had to be in good shape, didn't they?

KB: They did. And in order to do it, you had to raise so much matching money. I've still got one of the jerseys, and I'm going to get it put in a shadow box and put it in my space in Wyoming. We had people in vans that would take their luggage out ahead of them. We had another van that had repair kits. And as the motorcycle riders said, you had to have a mechanic for the Harleys—because you have to travel with your own mechanic if you've got a Harley.

JE: All these cities, that's the way they did it?

KB: By following the pipeline route.

JE: By bicycle?

KB: Or motorcycle.

JE: And they would stop?

KB: And if you got a pump station or a compressor station or a tank farm, that's a city where we have employees. And our philosophy of giving was to try to mirror our employees' interest and also physically where our employees were.

JE: So it's just happenstance then that they were there in New York to give to the United Way?

KB: Well, this was a United Way activity for Williams. It was happening coast to coast. It wasn't just in New York.

JE: But it did happen—you happened to be there to give a million dollars.

JE: Well, we gave a million dollars the next morning after the event, and we called—I called the president of United Way of America, and she hooked in the president of the New York City United Way, and we said, "We're contributing a million dollars, and it's for those unmet needs that people are gonna have in the short term."

JE: Well, I did not realize Williams was the first to contribute to that through United Way.

KB: Yes. And then it became a fund in and of itself and ended up having, you know, anybody involved—it's the American people are wonderful. And I've seen it because of all my United Way involvement. When they had the earthquake in San Francisco, the American Red Cross, particularly, took in a lot of donations. They met every need and they had money left over. The city of San Francisco sued them to not take that money and take it to other areas of need. You go to the 9/11 fund, the Katrina fund—and the same lawyer, by the way, who did some work for Williams, ran both of those—and what they end up doing is they ended up doling out money because they have so much of it to people that I would look at and say, "Well, that's not who, if I gave a gift, that's not who I really intended to give to." When you're giving an investment banker that happened to be there that makes seven figures—yeah, they get this share because it's there in this pot. That, to me—but on that side, I don't like it. On the other side, it just to me is a reflection of the American spirit.

JE: Right. Well, there was a lot of controversy about that fund as it grew and grew and grew—is what you kind of do.

KB: And all of them get that way, and then everybody gets greedy. And it's unfortunate on that side, but on the giving side, I continue to think it's wonderful that the American people do that. That's the Tocqueville description of America.

JE: And so about the United Way—you were chairman of the board of United Way here. How long was your association with the United Way?

KB: Well, my initial association started when I was in the Kennedy Building and had just come to work. And Bob LaFortune was responsible for the energy sector. And he recruited me to be on that part of the campaign. And then I worked on it through my full business career from the time I got here in '73 until I retired. And in Tulsa, I ended up being campaign chairman, and I was also—traditionally, the campaign chairman then becomes the next year's board chairman. And then I found myself on the United Way of America board after the Bill Aramony controversy. And actually, I was one of the three new board members that dealt with that ultimately, because Aramony—they were close to giving him a buyout, and the three of us said, "No, we're not gonna do that." And then I ultimately became chairman of that board of the United Way of America.

JE: You totally embraced that mission of United Way. That wasn't something you had to do because the Williams Companies looked kindly on you. You truly embraced that, didn't you?

KB: And Pat and I have been, within our means at least, very generous to United Way—not just here, but I tried to, when I was working, I tried to be a Tocqueville member in our four headquarters cities, and I was. And the thing I liked about United Way and continue to like is that it's unlike the Red Cross—whose board I was on—and Salvation Army—whose local and national board I was on—it is not a centrally controlled entity. It's controlled community by community, and it's a brand. And what United Way of America provides is not oversight—they don't choose who's going to be your director, they don't choose what you're going to give to. That's left to each community. And for a company that is as diverse geographically as Williams, it was the ideal gathering point for charity. Because we could do that in all of the communities we were in. And we literally had—in Salt Lake, Owensboro, Houston, and Tulsa—multiple times in Tulsa, I think multiple times in Owensboro, and at least once in Salt Lake and Houston—we had the campaign chair from Williams.

Chapter 12 – 16:00
Taking Risks

John Erling (JE): Well, we've talked a lot about Williams. I mean, there are lots of ups and downs. It sounds like this has all been—it has been ups and downs. There's been times of bankruptcy possibilities, isn't that true?

Keith Bailey (KB): Well, the year after I retired was the year that Enron—it was after Enron had collapsed and Global Crossing had collapsed. Williams still had some collateralized debt from the communications company. It elected to declare bankruptcy because its banks elected not to honor a revolving credit facility, so they weren't going to advance money and so they went that route. I'm very proud of Williams for choosing not to, even though their banks on less than 24 hours' notice told them they weren't going to renew a revolving credit that was a very major part of the balance sheet. That Jonah Field I talked about that we bought, they were able to—we bought it for $60 million—it produced significant income from it, and they were able to sell half of it in 24 hours for $200 million. And that, and a loan from Warren Buffett and Lehman, bridged Williams through that period until they could do an orderly sale of some assets and reformulate the company. Every asset they sold extracted a premium. And I admit that I don't have good feelings about the banks and the way they elected to act. I understand it, but they had told Williams—Williams had said going into 2002, "We want to go ahead and get our revolver done. We want to get it restructured after Enron." And they said, "Well, you're the best credit we've got, and we've got Dynegy and we've got El Paso, and that's gonna be more work for us. We need to go get those done and you guys are not a problem" until we became a problem. And then, again, I wasn't there, but I've heard enough to know that the banks in their collective wisdom ran like—they run like lemmings anyway—and they just basically, from Williams' point of view, pushed us over the edge of the cliff and said, "We're not going to do it," having told them right up to that point that they weren't a problem. And so you can sit there and it's wishes and fishes and say, well, if that hadn't happened, Williams would be a very different company. I would suggest that it could be a $100 billion company today had that not happened. But it still rebounded, and of all those companies, it's the only one that really rebounded the way it has. And so it continues to be successful, continues to be really, I think, a good company to work for. It's a company that plays a critical role in the economy, and it provides quality services to the people that it does business with.

JE: When you say banks, are they banks in Oklahoma and Texas?

KB: It's typically the money center banks—would be like Morgan, Citi, Bank of America, Canadian banks—you know, it's big, huge money center banks. When you have a revolving credit, they basically sign up for so much. You've got a lead bank, which in Williams' case was Citibank, and then they might sign up for $50 million of the $4 billion or $70 million or whatever. And what they do is—when we did Transco, for example, that was one of the more interesting and I think transformational acquisitions we made. It was a company whose stock had traded at $90 and it was a year earlier and is now trading in the low teens. Its new president was John Deysher. John had run Sun Pipeline here, had gone from Sun out to Santa Fe Pacific

Pipeline, and then had come back as chairman of Transco. Well, John and I were neighbors and knew each other very well. I went down and sat in his kitchen like we are at the table and we made a deal. I told him, I said, "If ever you needed something, call me and we'll see what we can do." So we ended up making a deal to buy them. And we did, and there were people on the first call—you do one of those and you announce it the next day—and there was a guy that's pretty prominent, Leon Cooperman. You see him quoted still on CNBC and on that kind of thing. But Leon dominated the call. Basically, "You idiots in Arkansas don't know what you're doing. You're buying an absolutely horrible—this is a horrible deal. Why are you doing this to us?" And he just dominated us. I finally said, "Leon, I'm gonna be in New York tomorrow. Come see me. We'll talk more. Let's get some other people on the call." And then I went from there to Houston. I went to Owensboro, Kentucky, then on up to New York and met with Leon. He was looking at the art on the walls and he said, "I don't like your art. I'll buy it. You're gonna need somebody to buy it." So later, that deal was the top M&A transaction for that year—the purchase of Transco. And I went over and met with the fixed income guy at Prudential in Newark, and he said, "Now, I've got one question. I know you can't go into a lot of detail, but just tell me if I'm right or wrong." He said, "I've done an analysis and you bought this company for less than seven times its cash flow." I said, "You're correct." And he loaded up and he ended up being the hero at Merrill Lynch in those days because he understood what we saw. And in the businesses we're in, if you could get something for less than seven times cash flow, then you could make money. If you go over that, it's hard to make. So it turned out well. But I got to meet Leon, and he was priceless. I saw him several times and in the style of those guys, he said, "Well, we really did a good deal back then. That Transco deal was really a good deal that we did."

JE: How did you handle—what was your management style? Was it by consensus? You get everybody around a big table? Did everybody have to agree or disagree or what was your style?

KB: Well, I think on the whole it was pretty collegial in listening, but I also have a perspective that there are things you do around the table and come to a group decision, and there are things appropriate to do that, and then there are other decisions that are not. And you don't need—and you don't want—to confuse the two. Because nothing can be more demoralizing than to sit around the table and say, "Let's see what we think," and then at the end of the day, say, "I don't agree, and we're going to do this, and it's different." And so we have to decide, if we're gonna do a group decision, I'm prepared to go with whatever that group decision is. But if you don't think it is going to be one and there's something you just feel strongly it has to be this way, then you need to do it. You need to wear it.

JE: Is it lonely at the top?

KB: I don't think so. I think it's different because it's the only job in a company that you don't have a peer. And you have a different relationship with the board. And I think we managed the board—the board transition from John to me was significant in terms of—John had a board made up of his friends basically. So it was, "Yes, John." Well, that was back in the day. I can remember John would do an annual meeting down in the little meeting room in the Kennedy Building, and he would go through about four paragraphs about how the company had done. He'd say, "Are there any questions? Hearing none, I declare the meeting adjourned." And in today's time, you can't do that.

And I was very proud of our board. Well before anybody said that it was the right thing to do, our board met separately from me as the only inside director. I did a self-assessment. I gave it to the board. They did their assessment, and then I met with the chairman of the committee. And he said, "Here's what we've concluded. Here's where we agree. Here's where we don't agree."

I essentially designed my compensation plan because I was making far more money than I ever expected to. And so I designed one that they took to the consultants and they said, "Well, yeah, that's—I don't know why he's doing it, but that's fair." And when I was doing it, there was kind of a structure to a CEO's salary—a 1-1-1—that you had salary, you had an annual bonus opportunity, and you had a long-term incentive compensation, and they were equal in scale. And the two were variable based on performance. I denominated all mine in stock and said, "If I'm going to be here, I want to be it." The only investment I ever had as CEO of Williams was Williams stock. And I held it. And when I had an option, I would exercise it and borrow the money to pay for the taxes, held the stock. And unfortunately 2002 wasn't kind. I went from 2.5 million shares to 224 shares to pay off the loans that I borrowed to pay the taxes when I exercised stock. So that was not happy. But I've now rebuilt—fortunately been able to rebuild—a position, and Williams is my largest single investment, although it's in scale significantly different than owning 2.5 million shares.

JE: Oh wow. Yeah, that was a nervous time then for you, wasn't it?

KB: Well, when you have a negative net worth, it's—yeah, it's nervous.

JE: But to have worked all that time for the company and then be in that situation…

KB: Well, but I—you know who did it? I'm the one that said that's the way I want it, and I still believe it. I still believe that the chairman of a company ought to be prepared to put their financial well-being in that company.

JE: Yeah, you've got to be willing as a leader to take risks, don't you? Did you feel you were out there taking risks at times and causing sleepless nights and that type of—

KB: Well, the sleepless nights didn't come from risk, it came from disappointments. But the risk—you have to take it in a reasoned sort of way. Yes, you take a risk. Is Transco gonna really be a barn burner of an opportunity or not? Or WilTel or WilTel—I mean, that was grassroots. That's when you started with an idea. And actually that was a lot of fun. I learned an awful lot about that business, and I'm still beating up on my local telephone company in Wyoming to get fiber optics into the community. We actually have made progress. We're going to be the community in Wyoming that has the highest quality, fastest fiber optic network of any community in the state.

JE: Because you took it on as a project?

KB: Well, yeah. And the young man that runs what's now CenturyLink is a former Williams employee. And he promised he could build a fiber system into the town for a million bucks. And I think once they knew that Jeff was a friend of mine and that we could do it for that, then they decided to get a little religion.

JE: But you went that way when we were talking about risks—that those two companies, those were risks that you took, but didn't cause sleepless nights for you. You kind of felt, no, this is a risk, but I'm willing to gamble on it because I know it's a good bet.

KB: Yeah. Well, it's a reasonable bet. I mean, it's kind of like when John Williams hands you two $50 chips that you can't use immediately. Well, at some points you have to take risks in order to make that pay off. That's a trivial example, but I think in business, you have to say, "If this goes wrong, can it go wrong enough to overwhelm? Is it symmetrical? Is it asymmetrical?" You're looking for something asymmetrical—the reward opportunity is greater than the risk. Symmetry you might consider, but too many deals get done. I'd help teach a class on M&A at Northwestern. A friend of mine was a faculty member and he'd have me in, and then he got a guy from GE Capital and we'd team teach. And he would talk about all the deals they would do. And I said, "Well, there are a lot of deals you should never do." And the investment bankers are always gonna be in your room with a book and they're gonna want you to do deals. And they're gonna tell you, "Well, why should you do it?" "Well, because you can." That's not a reason. "Because other people are doing it." That's not a reason. And I would see people get caught up in that. The guy that used to frustrate me was the guy that ultimately became chairman of Duke. And back when Enron was running real hot, Jim just couldn't stand the fact that Jeff Skilling and Ken Lay had their name in the paper all the time. And so he was quoted one time by the Wall Street Journal, "Oh yeah, we've been talking to Williams about a deal." And I called him and I said, "You're lying to start with, and that is so inappropriate. I can't imagine you did that. You're a lawyer, you know better than that." But he just felt like he had to be out and be one of the guys.

And so you have to measure everything—every decision you make. And some are small, some are bigger. Transco was big. Barrett was not as big, but significant. MAPCO was a good-sized acquisition which took us into areas that we had not been in—actually ones I'd been involved with more than probably anybody at the company because of time at Conoco. But you'd look at all of them, and at the end of the day, you say, "Can we do it?" And then you say, "Should we do it?"

Chapter 13 – 9:50
Most Proud Of

John Erling (JE): What do you think you're most proud of in your career?

Keith Bailey (KB): I think the culture at Williams. We had and have a culture there I think that approaches the world in the right direction. So many people measure one thing in their performance appraisals, and that's what did you accomplish? Did you get things done? We measured that, but we also measured, but did you do what you did in the right way? There's a cultural way to do it. You don't do it at the expense of your customer. And we had a matrix: the right way, right results. You obviously want to be in that upper right-hand corner where you're doing both well. But the thing about it was, you could have the right results, and if you're on the left-hand side, we let people go, because they didn't buy into the culture and they weren't doing things the right way. But somebody that was doing things the right way could be trained. You can move them up one scale. The other scale is kind of how people are built—are they comfortable with doing things and approaching the world the way you want to? We did that every acquisition we did. We had the core values and beliefs, and every acquisition we did, I got in front of as many of the new employees as I could the first day, and every one of them had that the first day. And my talk was basically, look, I'm not here to tell you that there's any magic in this or that they're right and doing it a different way is wrong, but this is the way we do things. And if it resonates with you, then you're going to find, I think, that you enjoy working for Williams. If it doesn't resonate with you, then we need to deal with it now, and we will constructively. But you shouldn't ever put yourself in a position where you feel that you're not comfortable with it.

So that was what I felt most strongly about. And we got to that when we came in as the first non-Williams-led senior management team. I said, well, I want to see what we need to do because I want durability, I want sustainability, and I want success for our group. They went out and studied a lot of stuff, and by that time people had written books about Built to Last and things like that, which over time don't. And so they said, well, probably the single most reliant indicator of a successful company is that the guy on the shop floor and the guy in the corner office are on the same page. You have a common value system that goes all the way across. Emerson Electric's kind of an example of that. Nordstrom has been kind of an example of that in retail space. But again, we said, well, we think we have that, but we're almost 100 years old and we haven't codified it in any way. So we set about doing that, and they came up with the core values. Then we tested it with the employees. Does this sound like who you work for and who you work with? And it had things like a tolerance for risk on it, and yet managing in a way that you're not wasting money. You go through that list and the employees came back and said, yeah, it sounds kind of like we are. And then we gave it to the board—does this sound like the company you see from your perspective? They looked at it and tweaked it a little bit, and then we finally produced it in the final form, and it's been that way since '91, '92.

Cuba, when he was alive and in our gas pipelines and we were headquartered in Houston in what had been the Transco Towers—now the Williams Tower—actually had it carved. And he's done it to drag on me a little bit because I always started, "Now we don't—these are not carved in stone. It's not like when Moses came off the mountain. This is our view of how we want to be." But it's carved in stone if you go into the lobby of the Williams Tower in Houston.

JE: Oh, really?

KB: Yeah.

JE: You said Cuba—who did you mean?

KB: Cuba Wadlington. And Cuba had come up through our gas pipeline side and would have been—he was on a par with Steve Malcolm. They were the two contenders to replace me, and then he passed away. He had multiple myeloma. Died that last year.

JE: Well, you've given a lot of interesting, probably, advice here because we always ask what kind of advice would you give to students coming out and would like to be in the position you've been in—in management. What would you tell them?

KB: What I do tell them is, first place, don't think you can plan your career in the sense that you're going to go from point A to point B to point C to point D. Don't read the book that says we need to change jobs or change companies every so many years to move down that path. Find something you enjoy doing, do it as well as you're capable of doing it, and life will take care of itself.

JE: Did you have to balance work and family? Was that difficult for you?

KB: Fortunately, I had that 10 years as president through my retirement. I was gone probably 200 days a year, and by that time our youngest was in college and kids were largely gone. But even during the Conoco days, I was doing a lot of traveling, getting back Friday night and leaving Sunday afternoon or Monday morning. That's why I preserved the weekends. I wouldn't do things. But for all intents and purposes, Pat is the one that raised the kids through that period of time.

JE: It does take that kind of position and all the time away from family and all that—you missed out on some things.

KB: I did, but I don't think—because of the way we did it—I don't think that the kids missed out. And they've all turned out to be great adults and great parents. We've got three schoolteachers and an engineer.

JE: And give their names, please.

KB: The oldest is Kelly, and she's a sixth grade teacher in Lee's Summit, Missouri. If she'd worked continuously—she did some half days when their kids were younger—she'd be approaching almost 30 years as a teacher. Second one is Craig, and he's a senior executive at Magellan, which is the old Williams Pipeline. Next one's John. He teaches advanced math at Broken Arrow High School. And youngest is Katie, or Katherine, and she is a PA in the special needs class in the school. She's got a special needs daughter, and so she's in the school system where she works with the special needs kids.

JE: Well, you can be proud, that's for sure. And so then we ask, how would you like to be remembered?

KB: Well, I don't know. I—I don't know. I've never really thought much about being remembered. I've kind of been there, done that, and hopefully along the way I didn't hurt people in ways that I would look back and regret. I don't remember situations where that would be the case. But on the other hand, memories are short. I think the greatest example of that is—you know Sean Payton, who coaches the Saints—I'm sure you heard the story. He's a big Fats Domino fan. He was playing in the dome, playing Fats Domino one day really loud, and a player asked him, "Who's that?" He said, "That was Elvis before Elvis." And the player said, "Who's Elvis?" So I mean, to sit there and say, how are people going to remember me? Well, I think 10 years from now they won't. But it would be nice to be thought well of.

JE: Sure. Well, if everybody could be here right now, there'd be thousands of people who would say thank you for what you did for our city through Williams but also through United Way. You made enormous contributions. So may I say on behalf of all those people, thank you. And thank you for giving us your time and telling us about your remarkable career—one that you would have never thought of when you decided to go to the School of Mines because you really wanted to play football.

KB: Right. Oh, that's a long way from Kemmerer, Wyoming.

JE: All right, thank you.

KB: Well, thank you. It was enjoyable.