

Book One
Just Business

1

Prologue

My employment with Mobil, then the nation's second-largest oil company, ran out early in 1996, during my 17th year with the company. During my career, first in domestic downstream and then in worldwide upstream, I held a succession of ever better assignments in the public affairs department, migrating from being on the outside to being on the inside; eventually possessing a seat—if somewhat humble—at the management table for some of the world's largest industrial operations. From this post, I had a role in day-to-day business interactions that delivered dividends to investors and a handy commodity to customers all over. While my first 15 years were increasingly rewarding, my final two years at Mobil were a series of rough-and-tumble encounters with my onetime corporate allies, who, at the end of the day, decided that because I'd done my job for a just-declared out-of-favor business group, I was no longer in. I was, well, out.

It was nothing personal. It was, well, you know...

My father, who spent a quarter-century as an executive with General Motors, had warned me early on. I could plan all I wanted. I could be clever, be careful, and do my job well. I could have all the right alliances. But at the end of the day, the greatest threats to a person's corporate survival are the unplanned-for changes that come in the wake of unexpected death. He was right. In my case, that event took place March 24, 1993, when Vince Palermo, Mobil's corporate vice president for public affairs, died from lung cancer at age 63.

Over the years I've tried to explain to friends who asked how Mobil worked. I'd spent a decade as a newspaperman, and the best metaphor I could find was to think of Mobil as one would a mob family. If Mobil was a gang, Palermo would have been my capo. Palermo's real job was as the chief public affairs advisor to the guy who became Mobil's chairman, serving as

a kind of corporate consigliere to Mobil's capo di tutti capi. Because I was a loyal member of Palermo's crew, he had watched out for me for 15 years, serving as my mentor and becoming my friend. But when he died, it was just a matter of time.

Again, if Mobil had been a gang, once Palermo was gone I would begin waiting for that visit from a friend who would say: "Hey, Tommy, let's go for a ride." A few hours later, I'd have been in the trunk of a stolen Lincoln parked at LaGuardia with a 9mm hole behind my ear.

But Mobil, of course, wasn't a gang. It was a modern international corporation, one of the largest and most successful in history. In the U.S., Mobil's activities met nearly 10 percent of the nation's gasoline requirements. The Mobil logo was recognized in more than 100 countries. In parts of some of those countries, Mobil operated as a kind of shadow government or maintained a civic infrastructure so valuable to its neighbors—in areas of Indonesia or Nigeria, for example—people would die to ensure they and their families were part of its benign and beneficent enterprise.

As a guy working in this outfit, I had prospered enough to provide a good living for my family and myself. But when the time came, instead of the grim end of a mobster, the corporate "family" to which I had been loyal, downsized me off the payroll months before I could put in for early retirement. It was a hit, corporate America style. No thanks to my adversaries, I bounced back and recovered my retirement benefits. Mobil had taught me well. So at the end of the day, no harm done. Like I said, Mobil was not a gang. But I hadn't expected to consider the final two years of rough-and-tumble quite so soon. In reflecting how it all occurred, it's some story; and, as an old newspaper guy, I got to say not a bad story, either.

2

Palermo's Crew

I fell within Palermo's orbit just six months after I first got to Mobil. Drained after a decade of newspaper work, I had taken a job with Mobil in August 1979. From a professional standpoint, I had learned about Mobil while at Columbia five years before—during the Arab oil embargo—and respected what Harry Samuels, then Mobil's PR mastermind, was doing. Samuels, a onetime Kennedy campaign advance man, was a media phenomenon of the day, using the techniques of a high-profile trendy political campaign to defend Mobil, and by extension the oil industry. He polished Mobil's image through high-profile sponsorships of tony TV shows

Masterpiece Theater and *Mystery!* on PBS, art exhibits, in the op-ed page ads in *The New York Times*, and through other effete projects favored by the Boston-New York-Washington cultural, social and political elites.

The 1978 newspaper strike in New York City threatened everything my wife and I had wanted for ourselves and our two children. Before the strike, we had just bought a small home in Upper Nyack. When we nearly lost it because of the strike, I realized it was time to make a move. Switching careers involved walking out of the *Daily News*, where I worked as assistant city editor, and across Third Avenue to the oil company that in 1979 had offered me a job as associate editor of the employee newspaper, working in the corporate public affairs department headed by Samuels.

Within months, the relocation of Mobil's U.S. marketing & refining (U.S. M&R) division to Fairfax, Virginia, opened up a PR job in Chicago. Though hired in August, the following March I got a quickie promotion out of corporate public affairs to work in the PR department of the U.S. M&R's Midwest region. U.S. M&R's PR department was headed by Palermo, whose boss, Allen E. Riley, in a few years would go on to become chairman and eventually make Palermo a vice president of Mobil in charge of corporate public affairs. All these moves meant that within months after joining Mobil, and long before I understood what it meant or its full implications, I had left Samuels's crew and become part of a self-reinforcing subculture that would eventually take over Mobil.



Palermo was a Brooklyn guy. After graduating from Brooklyn College and Brooklyn Law, he did a stint as an agent in the U.S. Treasury Department, going after bad guys such as Frank Costello and other Mafiosi. In 1958, Palermo went into private practice, and became active in the Republican Party dominated by Governor Nelson Rockefeller. Palermo worked in the campaigns and political organizations of Assembly Speaker Tony Travia, City Council President Paul Screvane, and Sol Wachtler, who later became New York State's highest judge. Palermo also became associated with William J. Casey, a New York GOP habitué, who, years later, was appointed director of central intelligence by President Reagan.

Palermo's most important political assignment came in 1966 when he directed Rockefeller's reelection campaign in Manhattan. This job led to his appointment as executive director of the New York State Petroleum Council, the industry's chief lobbying arm in Albany, whose existence was important to the Rockefeller family interests and their longtime network of Standard Oil associates. This job led Mobil to hire Palermo in 1968 as a government relations advisor. After a string of increasingly responsible assignments, in 1977 he became manager of public affairs for Riley in U.S. M&R.

Three years later, Palermo hired me to be U.S. M&R's PR guy in the Central U.S., a post I held from 1980 to 1983. My first year or two in the Midwest were busy but routine. In time, I came to work closely with the state government relations specialists who were contending with a variety of legislation in state capitals aimed at the oil industry in general and major oil companies in specific.

I worked the press rooms in Lansing, Madison, Springfield, Jefferson City, Topeka, Lincoln and others state capitals, developing a reputation for doing a job nobody had ever done before at Mobil and which helped solve political problems in the states. For me this was easy stuff. I'd simply made sure the energy, business and state capital reporters had the full dope on the anti-oil legislation. This wasn't brain surgery. Anti-oil legislation usually had the effect of increasing government's role in the marketplace, raising taxes and thus the price of gasoline, creating a bias for the small, and frequently inefficient, retailer and otherwise inhibiting the forces that were, by that time, lowering gasoline prices and increasing supplies. All that was required was for me to make these arguments.

In the early years of the Reagan presidency, such free market arguments also had the benefit of being reinforced by the largest and most successful political movements of that time. The effect of my work was that the newspapers in those states where I worked began to do stories that Mobil and the oil industry were not accustomed to seeing: fair coverage. Soon the facts about the legislation came to speak for themselves and much of the anti-oil legislation never passed or was overturned later.

For such accomplishments, I received a bit of notice in New York where, in early 1983, Palermo was advising Riley about how to deal with legislation in Albany designed to increase the tax on major oil companies in New York. This was high-profile, page-one stuff. Mobil was New York's largest oil company, and the bill's chief sponsor was New York's popular governor, Mario Cuomo. Riley, the Mobil executive responsible for handling the problem, aspired to become chairman, and as a result, the Albany fight had boardroom implications. Some of Riley's adversaries had already begun a rumor campaign: Could Riley handle this? Having heard about my work in the Midwest, Palermo called me in to work on a task force for a couple of months in the spring of 1983 in the news shacks in New York City and Albany.

During this assignment, I worked closely with Palermo in both New York and Albany, where he had fun recalling his days as a lobbyist and instructing me on all his victories and the tricks of the trade. On the Albany assignment, I also learned from Palermo that in Riley's organization once you were in, you were to do the job, be loyal, be discreet and you'd be fine. After living in Queens and working for the *Daily News* around cops and

news guys, I understood this code. These codes of the neighborhood were often as strong as or stronger than your commitments to your family or faith. Once in, you're in. I knew the drill. As a result, I worked hard to move Riley's public affairs agenda.

Palermo said he liked my style. He told and retold a story about the time I was in the cafeteria in the capital in Albany eating lunch with Mike Oreskes, *The New York Times* bureau chief, whom I had known when we both worked for the *New York Daily News* in Queens. The purpose of my visit with Oreskes was to discuss Cuomo's tax bill, but those chores were long over; we were reminiscing about our days in Queens, exchanging views and comments about events of the day, when a woman from the governor's press office sat down next to us. I was introduced as a PR guy from Mobil. The expression on the woman's face changed immediately. She quickly moved to another seat. Later, Mobil's lobbyist told Palermo that Governor Cuomo lost his temper when he heard Riley's PR guy was planting negative stories about him with *The New York Times*.

"Planting stories," I said, "what's he talking about? It doesn't work like that."

"Yeah," Palermo said, in a phone call from Manhattan, "well, I figure you're a guy that's on Cuomo's shit list. He told our guy to make sure the 'good looking guy in the three-piece suit gets out of town.' What do you think of that?"

"You want me to leave?"

"No. You stay there. Riley wants the governor to know we can play this game."

I wondered aloud about whether it was wise to stay in Albany where the state troopers worked for a governor who wanted me out of town.

"Come on," Palermo was saying, "What's he gonna do? Just don't wear vests any more. If state troopers shows up they'll never recognize you anyway. You're too ugly for them to agree with that broad from the governor's press room..."

Palermo, who considered himself a bit of a ladies' man, liked that episode. I guess I did too. In a corporation like Mobil, this was the kind of story that sticks with a guy. And in this case it worked out. Both Palermo and Riley liked the results we had over the course of our grass-roots campaign against Cuomo's bill: Mobil got the kind of news and editorial coverage that treated Mobil's position fairly. In fact, editorial writers at both the *Times* and *Daily News* actually took the point that Cuomo's position was punitive to a segment of just one industry and was unfair, if not unconstitutional. The *Daily News* even did a sympathetic editorial cartoon in which a pitcher named Mobil was pitching a ball labeled U.S. Constitution to a batter named Cuomo holding a bat with the word taxes on it. Mobil was in the right.

Eventually the Cuomo bill was amended so that Mobil wasn't penalized, saving the company about \$90 million. Palermo and Riley both figured I'd earned my way. As a result, I thereafter became a recognized member of Palermo's crew. Until his death, no matter what my job or who I reported to, Palermo treated me as a trusted member of his inner circle, which all understood was Riley's inner circle. I couldn't have asked for a better rabbi. He was a supportive friend, coach and, once in a while, gave me a tongue-lashing if I got out of line. Yet Palermo always supported me with Riley, with the other division and with staff chiefs. When it came time for me to move up I did, first to U.S. M&R as manager of PR in 1984, and then to the worldwide exploration and producing (E&P) division as public affairs manager in 1990.

In 1991, when the board approved Palermo as vice president for corporate public affairs, we were in his corner office talking experiences, careers and the twists in life's prospects. Palermo pointed to his desk and said: "Don't worry; you're in line for this."



Later that year, I was in Palermo's office planning the worldwide meeting of Mobil's public affairs professionals, the first one that I would co-host with my counterpart from M&R. More than 150 professionals from Mobil's affiliates around the world would be coming to the meeting. The protocol was that Mobil's two core operating divisions, M&R and E&P, jointly sponsored the meeting, and invited the corporate public affairs department to join in. In this way, Palermo could retain the fiction that this meeting was demanded by the profit centers as part of their business activity, and the corporate staff group was attending only upon request. Such stage managing enabled Palermo to deny he was empire building or otherwise pushing Riley's program down the throats of the other barons on the Executive Committee (Ex-Com), who would look for reasons to say that the overhead burden imposed by corporate was costing them money.

In the protocols between the two divisions, M&R, owing to its number of employees and the number of countries in which it maintained affiliated companies, was the senior partner. From a profitability standpoint, however, there was no contest. The E&P units in Indonesia and Nigeria alone made up nearly 30 percent of Mobil's income, not counting the E&P units in the U.S., Canada, the U.K., Norway, Germany and the Netherlands, which historically together made up more than 70 percent of Mobil's earnings. But Mobil, with its M&R origins and culture, and M&R-grown chairman, retained an internal M&R bias. One of the subtexts of my assignment to E&P was to be a "Riley (read M&R) guy" inside the rival E&P division.

Despite this reputation, I got along well with Patrick Humphrey, the

executive in charge of E&P, whom I had worked with during a short corporate assignment in 1983, when he was #2 man in E&P, and later in M&R when he had a three-year developmental stop as chief of M&R. All together, I had worked as a Humphrey public affairs guy for five years before I even got the job as Humphrey's and E&P's chief PA guy in 1990.

None of these relationships were completely clean, of course, particularly for so-called staff, such as lawyers, controllers, employee relations, or public affairs types who were sent by their "functional" chiefs in corporate to work with the division line management. The division manager must agree to take the staff guy, of course. He could balk and say no, and often did. But the nomination was initiated or approved or otherwise controlled by the staff chief on top of the corporate unit. This is why having Palermo in charge was so important.

The staffs operated like a bloodstream, carrying the same oxygen and nutrients to every corner of the corporation's body. But staff also related across divisions and with corporate on a "dotted line" basis. The "solid line" relationship was with the line management of the division unit you were in. At its best, this matrix was a seamless method of maintaining standards and a corporate-wide discipline on staff support activities, and handy as a way to communicate what one unit was doing to another unit as staff tended to have collegial relations across channels. At its worst, it was used to control wayward line operations. So whoever controlled staff mattered.

Most politically savvy types knew all this as a fact of corporate life; and the Riley guys placed in E&P eventually came to respect E&P and its leaders and believed that, if anything, the M&R guys were probably not in the same league as the E&P managers on global political and business thinking. This was subtext, and unspoken, as most staff just tried to do the assignments the right way for the shareholders. The reason was simple. Anybody obviously trying to work office politics in ways that wasted money, styled another guy out of credit, against good business judgment, or otherwise tried to undermine his "line management," in effect crossed Riley rules for which there was only one penalty: out.

However, human nature is constant, and in the corporate culture, office politics must be dealt with. So, in the case of the worldwide PA meeting, despite the fact that the operating divisions were hosting and running the meeting, we cleared every detail with Palermo, who in turn would give Riley a heads-up if necessary. In the Mobil culture under Riley, everything mattered, everything. All assumed every move was orchestrated and thus held meaning as to status, rank and other differentiating notions about who's up and who's down. Who was invited to attend which particular function, who was invited to speak on which panel and on which subject and for how long? It all mattered. If you were on the dais with the chairman, this was juice that

could protect a manager's career for years, or signal that a stint in purgatory was over, or that a manager was on his way up. If a new guy was invited to speak, it meant he was on his way up. If an obviously worthy manager was not invited, it meant his days were numbered. Career decisions on transfers, retirements and resignations were based on such signals.

Because of Palermo's relationship with Riley, and the visibility of the public affairs programs and function within the corporation, if an Ex-Com member was invited to a worldwide meeting sponsored by public affairs, he attended. No other function at Mobil had this clout. At the time of our meeting, Palermo knew Riley was trying to position Lou Marconi, then chief financial officer, to take over as chairman when Riley left. The other candidate was Patrick Humphrey, the chief of E&P and my boss. Palermo wanted to make sure Marconi was given the most prestigious spot on the agenda, which we determined would be the opening Ex-Com speech the first morning. Because E&P and M&R were co-hosts, Jim Dix, my M&R counterpart, and I were sharing duties as co-masters of ceremonies. In this context, with all things being equal, the M&R PA chief, whom I considered a friend, should introduce Marconi.

"Wait," Palermo said, hesitating on this detail as we went down the schedule. "Let's think about this."

"So you want the M&R guy, right?"

Palermo leaned back in his chair and coolly looked at me. "I don't think so," he said, "You should introduce Marconi. It'll be good visibility."

"M&R's senior, though."

"Yeah, but you've had your job longer than Dix. You're senior. You introduce Marconi."

Which is what happened on the first day of the meeting in early October 1991. All attending read the appropriate signals from this, except Marconi, who, it would turn out, didn't lead according to Riley's rules of protocol.

It was at this meeting of Mobil's worldwide public affairs group that Palermo decided to send another signal. On the second night, M&R and E&P hosted separate dinners for unit cohesion. M&R, with more than 75 professionals and far more invited managers from HQ, usually considered this gathering the dinner of choice. E&P's dinner was going to be at Robert E. Lee's boyhood home in Alexandria, and our guests included Humphrey and all his direct reports, including the 30-odd public affairs professionals from E&P's worldwide organization. One of the protocol issues was deciding who else should be invited to the division dinners.

As a courtesy, I asked Palermo to the E&P dinner.

He looked me over. "Humphrey going?"

"Sure."

"Okay. You on one side, me the other."

With that Palermo was sending more signals, beefing me up with Humphrey, and paying respect to Humphrey. Combined with the Marconi introduction, the subtext of Palermo's decision was to indicate what he felt about me and E&P and Humphrey, which translated into what Riley thought too. This kind of thing would drive M&R and its managers nuts, but Palermo was doing it deliberately. It made me feel pretty good, except it didn't work out. On the morning session on the day of our dinner, Palermo didn't show. At mid-morning, one of Palermo's assistants came over and sat next to me at the hosts' table.

"Vince told me to tell you he won't be at the dinner tonight."

"Where is he?"

"He went to the doctor today and they saw something on his lung. He's going to New York tonight to go to Cornell Medical Center tomorrow."

This was bad. I feared the worst. Vince had smoked cigarettes since he was a teenager. In recent months, he had developed a chronic and often uncontrollable cough. Palermo showed up early that afternoon to attend the session and was in a buoyant mood. If he had fears, his way of dealing with them was to wave them off as a little cold, nothing to worry about.

At the end of one of the sessions, we were together in the crowd jammed up at the doorway. We were getting squashed a bit as the group made its way to the coffee table outside the meeting room. Vince saw me and must have read my look of concern.

"Sorry to miss your dinner tonight," he said.

At that, Vince put his hand to his mouth and coughed slightly.

"Ahche, ahche."

It sounded like a little girl's make-believe cough, the kind actress Ali MacGraw gave in the movie "Love Story" when the scriptwriter signaled the audience the end of this melodrama was going to require hankies. I caught Palermo's joke, the tough guy laughing at, even taunting, fate. I laughed out loud, but 18 months later Vince Palermo was dead.

3

Getting Started

My interest in oil politics began in 1969 when I was finishing my third year in college and had taken an interest in newspapers. This was the protest era, and among the issues of the day was the need to protect the environment. If I had to pick a spot where these matters first

intersected for me it would be the oil spill in Santa Barbara, the oil industry's postwar Waterloo.

In oil politics, before the first Arab oil embargo, the Iran price hike, the Exxon Valdez, or the 1991 Gulf War, there was Union Oil Platform A. On January 28, 1969, a well in the Santa Barbara Channel, five miles offshore and 70 feet below sea level, suffered what drillers call a blowout. The drillers had lost control of the static head and could no longer apply sufficient down-hole pressure on the hydrocarbon reservoir being penetrated. As a result, crude oil rushed up the well with the force of a runaway freight train.

Suddenly and silently, out of sight and out of control, thousands of barrels of oil erupted through the well bore into the Santa Barbara Channel, eventually covering hundreds of square miles of ocean, maiming and killing birds and animals, and soiling what until that moment had been one of the single most beautiful and valuable coastal playgrounds in the world.

When asked about this in Los Angeles, Fred Hartley, Union Oil's president at the time, said: "Why's everybody so excited about a few dead birds?"

It's hard to calculate the impact of that spill and the perceptions that flowed from the oil industry's initial reaction to it. But if anyone wants to fully understand modern economic history they have to deal with the Santa Barbara spill. Because, after that, nothing in the oil business in the U.S. would be the same again.

The accident, of course, did not occur in a vacuum. There was plenty of context—economic, technological, political, and cultural. Some of these elements were the well-told history of the robber barons and monopolies, Teddy Roosevelt and the Trust Busters, journalist muckrakers like Ida Tarbell (from Meadville, Pennsylvania, my grandfather's hometown), and the 1911 Supreme Court Decision ordering the break up of the Standard Oil Trust into 33 companies. Two of these Trust units were the Standard Oil Company of New York and the Vacuum Oil Company of Rochester, which later merged into Socony-Vacuum, refiners and marketers of Mobiloil and Mobilgas. These companies would acquire others and in time would reorganize to become Mobil Corporation.

The Rockefeller enterprise of the late 19th century and early 20th century had accomplished two seemingly opposite things. On the one hand, Rockefeller and his imitators had created a global industrial network, dominated by Americans, with an awesome capacity to generate wealth while supplying a scarce commodity at an affordable price to fuel an economic and industrial juggernaut. This was a stunning achievement. But in accomplishing this feat, which made the world modern and provided prosperity for millions, Rockefeller and the oil industry earned the almost universal animosity, distrust, envy and even hate of the political thinkers of their day

and who, in succeeding generations, would make their political bones as defenders of the people's interests as unrelenting enemies of Big Oil.

Other contextual elements in the Santa Barbara story were the inhabitants of the industry. People in the U.S. oil business came from distinct cultural clusters. There were the Wall Street bankers, accountants and lawyers—some possessing Blue Blood gentility and others night school aggression—who anonymously controlled vast industrial empires through the manipulation of balance sheets in New York. Then there were the eager graduates of state universities from the Midwest and West who accepted corporate discipline in exchange for lifetime employment. Still another cluster were the independent, only moderately civilized but often charming scoundrels from the country's cultural backwater, the American Southwest. These independents were secretive and clannish, hated pretense and were contemptuous of fancy ways.

Another element was the product itself. Gasoline, in particular, is a smelly, dangerously volatile necessity, which one is required to purchase in order to do something one wanted. There was no glory or beauty in the purchase. The consumer saves such fantasies for the automobile, which embodied the warmth one reserves for an instrument of freedom, power and change. One didn't want the oil product for itself, only for what it enabled your beloved automobile to do.

Then there was the era in which the accident occurred. A quarter of a century before, submarines deliberately sank oil tankers, routinely spilling vast quantities of oil into the ocean and calling this a public good, though the effects on the ecology were the same. A horrible mess, for a few years, during which the dead marine creatures were replaced through natural events and the local ecological system recovered as the oil dissipated. Oil, a naturally occurring material, does break down into harmless elements. The problem is that it takes time. Today nobody figures they should have to wait—unless there is an excuse, like, say, the defeat of an enemy during wartime. People won't tolerate some secretive and insensitive greed head with no sense of social responsibility messing up and not paying attention. Particularly not in 1969. This was the Sixties. A cultural revolution was challenging established institutions and demanding reform. The trendy rejected industrialism. This was a time for clean air, clean water for Mother Earth. Such words became a mantra of near-religious significance.

Into this milieu came the oil industry, the ultimate representative of savage and unbridled American capitalism, destroying the environment and not even caring! Who cares about a few dead birds? The citizens of Santa Barbara erupted in fury, forming an organization called Get Oil Out: GOO! Eagerly waiting Hollywood stars signed on as spokesmen; an electorate across the country listened closely.



In the summer after the Santa Barbara spill, I was working as a stringer for the *Hartford Courant* in the town of Clinton on Connecticut's shoreline. I was paid 10 cents a mile, \$5 a meeting and 25 cents for every inch of copy I wrote that was printed in the newspaper. This worked out to about \$25 a week. To climb up my professional ladder, I needed a big story to create respectable clips. With the Santa Barbara oil spill having heightened awareness, conservationists everywhere advocated increasing protection of the environment. I figured news about the environment would be the perfect solution to my professional problem, so I turned to shoreline ecology as my subject.

My first published feature story in the *Courant's* Sunday Magazine was about a Clinton conservationist working to save the wetlands. The headline above my first byline was "Our Shoreline is Hurting." This story would catch the eye of an editor from the competing *New Haven Register*, who, the next summer, would give me my first full-time reporting job.

The following spring, environmentalists used the Santa Barbara spill to promote the first Earth Day, held on April 22, 1970, to raise America's consciousness to end pollution, on land, in the air and at sea. At the time, I was in Boston, where I was finishing my undergraduate years at Boston University. On the front page of the *Boston Globe* on April 23, a photograph above the fold showed a man holding a sign over his head warning about the dangers of pollution. To dramatize air pollution, he was wearing a surgeon's mask over his mouth. Just behind him and in the distance was a barely visible figure of a young man, also wearing a mask, handing out the masks to passers-by. That guy was me.

The mask was, of course, a publicity stunt. Demonstrations were a common college activity by that time. The Earth Day events were a spring happening not to be missed. I cared about pollution, sure. But the notion of enhancing the imagery around the environmental issue by using a surgeon's mask had grabbed my imagination weeks before.

By that time, I'd worked as a free-lance news photographer and knew photos of people in masks would tell the air pollution story in an instant in ways words never could. I urged a friend of mine, a nurse, to get me a bunch of masks. She gave me hundreds. On the morning of Earth Day, I put the masks in my knapsack, fashioned a sign about donations to an environmental group I knew about and took the MTA down Commonwealth Avenue to Boston Common.

I wasn't alone. Street theater was a well-practiced skill by that time. Others had brought along other visual paraphernalia, including gas masks and other forms of make-up. I handed out all my masks and even took in

about \$25 in donations for the local environmental group. I don't remember whether I ever actually turned over the money to the group. I think I probably never got around to it, spending it instead on beer and cigarettes. Even then, it seems, I never held much for the purity of a fight. Rather than be a crusader, I was satisfied early on to be the crusaders' spin doctor. Eventually I'd turn pro. By 1979, after a decade in newspapers, I figured that in a world where manufactured public opinion had become essential to our political process, one crusade often could be just as good as another. Some, in fact, paid good money.

4

First Reports

The environmental legislation that flowed from those days forced American industry to change its processes and improved life in the country for the better. And, though many in American industry began to bolster their environmental image to appeal to public fashion, the oil industry never had a chance.

By the fall of 1973, I had left the *New Haven Register* after three years and was attending Columbia University's Graduate School of Journalism. My master's advisor was Prof. John Hohenberg, who was widely respected for his years as a reporter and later as the fair-minded administrator of the Pulitzer Prizes. In the first week of the semester, weeks before the Arab-Israeli War, Hohenberg assigned me to do a story about this new and mysterious outfit called OPEC and its effort to boost the price of crude oil, then just below \$3 a barrel.

I followed my nose around Manhattan, gathering facts from Chase Manhattan Bank's petroleum analysts, the Federal Reserve, the American Petroleum Institute and others, as well as from a company called Caltex, a joint-venture of Chevron and Texaco, which had Middle Eastern production and whose PR guy was a pal of Hohenberg's. All this reporting made me smart enough to put some practical facts behind a few simple theories.

I'd taken economics in college, but until I got the assignment to study OPEC, I hadn't struggled as a reporter to weigh and consider as evidence for a news story the practical effects of classroom abstractions. The most basic of these abstractions was the maxim that prices are set by the relationship between supply and demand. In the wake of OPEC's threats to boost prices, what was being reported in the daily news accounts was a very broad and generalized political attack on the entire oil industry, as a huge,

untrustworthy enterprise with foreign links and polluting ways, and whose prices were skyrocketing beyond explanation. But what I learned from my own reporting wasn't what I was reading in the major dailies. The facts I'd found were way less political in the American populist sense, and much more subtle and far more interesting in the sense of national security and global geopolitics. And in that context, I came to understand that the oil industry based in the U.S. was a critical and valuable national asset under unfair attack.

The conflict between oil supplies and prices had been a recurring theme in the U.S. industry for nearly a century. The story of oil was the story of its boom and bust cycles. In fact, the reason the original Standard Oil Trust existed was because John D. Rockefeller tried to control the transportation of oil—and thus the rate of production and manufacturing—in order to regulate the flow of oil supplies and thereby maintain a steady price.

Rockefeller's Standard Empire made oil's financial system rational and—more importantly—predictable. The problem with the Standard Trust system, of course, was that it fixed the control of the system in Standard's hands in such a way that no competitor could challenge Standard's dominance—thus the illegality and Supreme Court action in 1911 to break the trust into 33 pieces.

Even after the breakup of the Standard Trust, the U.S. industry, which now included all of Standard's robust competitors, was able to control its destiny through the integration of all phases of the industry, from oil production through gasoline marketing, into one predictable system.

During this era, the U.S.—through its major oil companies—dominated the world oil market. Since World War II, the control was biased to keep prices low enough at the gasoline pump to keep American motorists happy, but high enough for the companies to earn a profit. The U.S. companies were doing fine under this arrangement. Crude prices remained low; profits came in the refining and marketing end of the business, on the industry's margins at a penny or two a gallon. The industry made money by selling lots and lots of gallons and making lots and lots of pennies.

What OPEC was trying to do in the early 1970s was wrestle control over crude price away from the U.S. Until that period, the Texas Railroad Commission—acting as a state regulator to balance the interests of both the U.S. industry and consumers—held that power. The Railroad Commission, the state agency empowered to regulate private oil production in Texas as if it was a utility in the richest U.S. oil state, exercised enough influence over enough production that it could, in effect, regulate a steady world oil price.

This arrangement stayed in place until the early 1970s, when Arab nationalists decided that they now produced enough oil to curtail production and dictate even higher prices. In 1972, OPEC's price for Arab light

was \$1.90 a barrel. The next year OPEC boosted that price more than 50 percent to \$3.06 and in 1974 the price was hiked more than 300 percent to \$10.89 a barrel.

In mid-September 1973, while reporting for Columbia's newspaper on these subjects, I found myself at the Saudi Arabian Embassy's Manhattan office, talking with the Saudi ambassador to the United Nations, Jamil Baroody.

"Tell your readers," Ambassador Baroody said, "that unless the U.S. government changes its policy on Israel we will refuse to export oil to the U.S."

Even then, with my rookie knowledge of oil economics, I realized this was a fantastic threat. The Saudi ambassador was threatening to use oil as a weapon to change U.S. foreign policy on Israel. In combination with the escalating prices OPEC was charging, the political effects of this would be tremendous. Back at Columbia, I wrote a story for the student paper and turned it in to Prof. Hohenberg, who had known Ambassador Baroody from his days covering the U.N. for *The New York Post*.

"Oh, come on," he said, "I've known this guy for years. He's the loudest mouth in the world. Baroody is just talking big. This is entirely too speculative. I wouldn't make this the lead of the story. Put it down on page two."

I did as told, learning all the way; and of course, we saw a couple of weeks later when the Arab-Israeli war broke out that Baroody, for once, had not been bluffing. The Arabs did embargo oil exports to the U.S. Over the television screens, where politicians take their cues for the next day's speech, oil companies became associated with OPEC, Arabs, Muslim terrorists, the enemies of Israel, gasoline lines, and, later, odd-even purchases day, and the galaxy of anxieties and problems created when only 7 percent of the nation's oil supply is interrupted. That's right—7 percent—and that only of oil, not total energy.

In these early weeks and months of the OPEC story, there was little public understanding of all this. Instead, the political elite kept pointing fingers at the oil companies and blaming them. The best photo image of the day was of the executives from the seven largest U.S. companies—the Seven Sisters—standing at a Senate witness table, right hands in the air, swearing to tell the truth in a star chamber atmosphere before senators whose mission was to threaten the industry and talk tough for the cameras.

One of the men at the table was Allen E. Riley, then chief of Mobil's U.S. marketing & refining division. Ralph Brothers, Jr., Mobil's chairman, had surveyed his cadre of senior executives and, in effect, bet on his successor 10 years early. Riley was picked from Mobil's third-level executive ranks to represent the company at the most visible public event for the industry since Santa Barbara.

As a journalism student in New York, I tried to get an aide from that Senate committee to explain why the companies were being accused of creating the shortage, when every oil analyst in New York's investment community, not to mention the State Department, the Defense Department, the CIA, the National Security Council, and the Council of Economic Advisors knew otherwise.

"I know," the aide said, admitting that what one reads in newspapers or sees on TV isn't always the full story. "But after all, we're dealing with senators."

Twenty years after that hearing, I happened to be at a dinner with Mobil's senior management and recalled the hearing's anniversary during a chat I had with Riley.

"The worst experience of my life," he said.

"That bad?" I asked.

"Sure," he said, "don't forget, the chairman of that committee, Scoop Jackson, was running for president. We didn't have a chance."

5

New Patterns

From my point of view, the public debate about the oil industry over the past 25 years had never been framed quite right. Nobody's fault, particularly. It was just that my journalism assignment in the fall of 1973 to take a look at OPEC had caused me from the beginning to evaluate things somewhat differently than your average Joe.

As a reporter following developments, my conclusion from those days was not to blame the companies, but to see the permanent effects of the OPEC embargo as signaling to the world that Arab oil producers, not Americans, were in charge of the world's oil destiny.

The effect of this was like a bat to the beehive. Once the bees were angry, the oil consumers in the U.S.—and the rest of the world—developed non-OPEC sources for their oil, such as Mexico, Canada and the North Sea. At home, American motorists, as well as industrial consumers of energy, began to permanently establish conservation of energy as an operational priority and demand more efficiency in construction, autos, and appliances, and to create alternate energy sources.

Except for the revulsion at pollution, what drove this change was the increasing price of oil. People were cheap and wanted to spend as little money on fuel as possible, rewarding efficiency by purchasing products and

services that conserved energy, or that were altered to use less energy and thus were attractive by having lower prices. Industry, eager to cut costs in competitive markets, responded.

While this was going on in the U.S., OPEC's actions caused equally profound ripples in the senior ministries of every other government in the world. These foreign technocrats and their political ringmasters realized that if they could find and exploit their own petroleum resources at home, money would fall into their accounts without breaking a sweat. The new energy players began to develop their own state oil companies. Shortly these would-be oil magnates realized that the best people in the world to help them develop their oil were the Texans, Cajuns, Okies and Wall Street boys in the U.S. oil industry looking for new business. With this, U.S. oil operators were drawn into the guts of every country in the world eager to sniff out petroleum.



To American consumers accustomed to driving anywhere, anytime, and cheap, the sudden switch in the world's balance of oil power by the Arab Oil Embargo and OPEC price hikes was an economic Pearl Harbor.

The political dynamics at first argued that not only was the oil industry the nation's most dangerous polluter, it was also acting in league with the forces of darkness to exploit the nation's addiction to foreign oil and making obscene profits in the bargain. Or so the argument went. What was needed was energy independence: The U.S. had to cut imports and dependence on foreign supplies. Oh, yes; let's tax the oil companies so they don't make obscene profits out of all this. Let's cut consumption so we don't depend so much on foreign supplies. Let's increase domestic supplies and alternate energy sources. Let's clean up the air and the water and the earth. And, oh yes, let's do all this, sure, but we still want as much gasoline as we want, and as cheap as we can get it. Now.

For the U.S. oil industry, the environmental whipsaw following the Santa Barbara spill, and the conservation/energy independence ethic that grew out of the Arab Oil Embargo were just the beginning. On three more occasions—the Iran Revolution of 1978-81, the Price Collapse of 1986, and the Iraqi invasion of Kuwait in 1990—the industry would see crude prices go up and down a roller coaster that stretched in its momentary extremes from \$40 a barrel in 1979 to \$6 in 1986. Any hopes within the U.S. industry that it could return to the secure postwar era of predictable supplies and stable prices were gone. The boom-bust cycle continued.

Since the Iran price runup of the 1978-81 era, when crude spiked to \$40 a barrel, most of the serious political chatter about energy that occurred in public had been about how to tax oil. The windfall profits tax was so labeled

by its proponents because the oil industry didn't "earn" (read: deserve) the money it obtained when swarthy foreigners manipulated crude production.

The political fashion after Santa Barbara and the Arab Oil Embargo required the U.S. government to tax the windfall as 1) a disincentive to (if not punishment of) the oil companies for exploiting the energy vulnerability of the American people; 2) a mechanism for the government to collect money from those who don't deserve it to pay for programs and services to offset the hurt to the most vulnerable in society injured by the high prices; and 3) to create the conditions under which the issues of oil security, energy development and use were demonized in the American political debate, and in which the values of conservation, environmental sensitivity and alternative energy development became the accepted norms of politically correct society. As a prescription for energy independence this was, of course, incoherent. Yet this was the framework of the public policy debate on the oil industry.

All the while, people's oil consumption remained about the same. In 1974-78, consumption in the U.S. averaged 17.5 million barrels a day, in 1979-85 it averaged 16.2 million barrels a day, and in 1986-89 it averaged 16.8 million barrels a day. Indeed, on a relative basis, government researchers estimate that once you factor inflation and increasing fuel efficiency into the price of gasoline, it cost \$4.25 to drive 100 miles in 1996, half what it cost 20 years earlier. When the American driver pays about \$1.13 a gallon, the British driver pays \$2.68 and the Japanese driver pays \$4.25. In other words, Americans still use gasoline like water and pay the lowest price on earth. Despite the high-minded, moralistic *Sturm und Drang* of the political class about the evil oil industry, what happened was that there was enough of an evolving free market in the U.S. and in the world to enable industry to produce precisely what the people wanted: lots of gasoline, cheap.

As for energy independence, forget it. The environmental ethic had so overwhelmed political discussion that it became impossible to conduct meaningful exploration in the U.S. Most of the attractive acreage for oil and gas was offshore, but state governments—with the notable exceptions of Louisiana and Texas—increasingly refused to permit drilling. Even President George H. W. Bush, the former oil industry drilling contractor, would declare federal lands offshore California, the Carolinas and Florida off limits to drilling.

Throughout, the facts of the matter never seemed to get an unemotional hearing. Oil and gas remained the cheapest, most secure and cleanest energy source. About two-thirds of the nation's energy comes from oil and gas, and there's nothing on the horizon to replace it. The Department of Energy estimates oil and gas will create 60 percent of our energy in 2010, while 10 percent will come from "green" alternatives and the rest from coal and nukes.

As far as profits, despite a reputation for corporate riches, *Fortune* magazine ranked 24 domestic industry groups on average rates of return. Over the decade between 1985 and 1995, the energy sector was 20th with a return of 9.2 percent, compared to the industry average of about 15 percent.

As for pollution from domestic oil and gas production, in the 20 years after the 1969 Unocal blowout in Santa Barbara, there have been 20,558 wells drilled and more than 6.8 billion barrels of oil produced offshore. During that time only 908 barrels of oil spilled from blowouts, and none from an exploratory well. That represented 5/100 of 1 percent of the offshore petroleum pollution. The offshore pollution from petroleum that did occur didn't come from drilling by oil companies. According to the National Academy of Sciences, 41 percent came from river runoffs, 20 percent marine transportation, 15 percent from natural seeps, 11 percent municipal and industrial wastes. All this compared with the 5/100 of 1 percent of offshore U.S. pollution that can be traced to oil and gas drilling.

Though important in lost domestic opportunities for U.S. oil operators, the debate over what to do with the U.S. petroleum reserves was all a sideshow, really. The die had been cast in the wake of the Arab Embargo in 1973-74 when the price genie—long controlled by Texas state regulators in the U.S.—was let out of the bottle. OPEC caused conservation efforts in the industrialized West, and the development of oil and gas properties in Mexico, Canada, the U.K., and Norway. As a result, global demand for oil remained sluggish. OPEC's share of both the oil and energy markets began to decline and with it, OPEC's influence over oil prices. Within 15 years after the 1973 Arab Oil Embargo, non-OPEC oil production had grown from 18 million to 28 million barrels a day.

At the same time, greed was at work within OPEC. Kuwait, Iraq and Iran sold loads of oil, off the books and at discount prices to maintain market share, cutting their OPEC competition out of the market. Cheating within the supposed "OPEC cartel" was an open scandal. In fact, Iraq's Saddam Hussein invaded Kuwait in 1990 because Kuwait continued to "cheat" by producing more oil than its OPEC quota, and wouldn't listen to Hussein's claims that such practices lowered prices and were bankrupting Iraq.

Long before this, however, in 1986, the producing policies of Saudi Arabia, OPEC's lead producer, were controlled by Sheik Zaki Yamani, the Saudi kingdom's longtime oil minister and price architect. Yamani knew the critical mass OPEC needed to dominate the producing market and control price was eroding. He believed that Saudi Arabia, as a responsible nation in the world community, needed to curtail its own oil production in order to reduce world supplies and prop up prices. Yamani had slowly cut Saudi production from a high of 10.3 million barrels a day in 1980 to 3.7 million by 1985. Yamani aspired to have Saudi Arabia act like the Texas Railroad

Commission—in effect regulating the world price by regulating production levels. Saudi Arabia would remain the most important nation on earth, Yamani reasoned, if it continued to be the world’s “swing producer” and use its power to keep prices stable. In this way, Saudi Arabia would guarantee its own security with the United States, as well, which would always support a cooperative oil producer. For defending this position, Yamani earned the respect and wide support of most Western diplomats and government and industry leaders.

The Saudi king, however, had other ideas. He wanted to produce more oil to generate more revenue so he could have more money. He fired Yamani and opened the production valves on Saudi oil fields, increasing Saudi production more than 20 percent. Within weeks, just as Yamani had predicted, the price of crude oil around the world collapsed.

6

Price Crash

In 1986, I was working in Fairfax as the PR manager for Mobil’s U.S. M&R division. My boss, the executive vice president in charge of Mobil’s U.S. operations, was named Bob Woods. Around the time Yamani was going through his argument with his boss, the Saudi king, Woods and I spent an hour one afternoon with a two professionals from the corporate public relations group in New York about a new idea to promote Mobil’s stock.

Harry Samuels, then Mobil’s corporate vice president for public affairs, had an idea for a new program. He wanted Mobil to write and publish a weekly newspaper and magazine column targeted at stock analysts and investors to promote our stock. By this time, Samuels’s innovative PR programs had grown a bit stale, and within a year or two Riley would ask him to retire.

Woods, a loyal acolyte of Riley’s, had never liked either Samuels or his programs. Not his style. Woods was an exceedingly self-effacing chemical engineer from south Jersey who got his degree night at Drexel in Philly while he worked days at Mobil’s nearby refinery in Paulsboro on the Jersey side of the Delaware River.

Besides, except for lingering environmental issues, most of the issues about government’s over-regulation of industry were settled. President Reagan’s election six years before had seen to that. But Samuels wanted to do more. The issue at hand was the temper and greed of Wall Street, and keeping

Mobil alive and independent in the era of leveraged buyouts, mergers, hostile takeovers and the like, while Mobil went about the chores of shedding debt. Samuels proposed an ad called MobilFax that would target the New York investor elites—just like the op-ed program he had started 15 years before promoting the company’s public policy views to the political elite.

Woods asked me to come along when he met with these two guys from Samuels’s shop. He listened politely to their pitch, then said he thought this idea of an ad for Wall Streeters was terrible. PR could not solve the crude oil price problem, Woods argued, which was the critical ingredient in Mobil’s future financial health. What’s more, Woods pointedly told the two PR guys from New York, tell Samuels he said so.

A few days later, shortly before the news about Yamani’s firing came over the wires, Woods walked into my office, which was located next to his. Weeks had just gotten off the phone with the chairman, who told him that Yamani had been fired. Riley predicted that the result would be a collapse of oil prices, sending revenues south, costing Mobil hundreds of millions. Within hours, Mobil’s future would be sealed: The only place for the company to go to stay solvent was to cut costs and capital budgets, and sell assets. This meant, among other things, project dreams shattered, careers ended, plans undone, wholesale layoffs. Overseas, countries such as Mexico and Nigeria, which depended on oil revenues to develop their economies, would be devastated. What about the ability of Saudi Arabia to continue its development? Other countries in Latin America and Africa would become unstable and the people would suffer.

“Do you know what this means?” Woods was saying, his eyes red and tired, his face anxious. “A few years from now you won’t recognize this company. Things will never be the same. The world’s financial back has been broken.” He thought now about what could be done and what the U.S. group would face. We toyed with the options: continued reliance on technology, productivity improvements, consolidations, mergers. Then Woods said: “I can tell you one thing, printing an ad in newspapers will have no effect whatever on what is happening.”

Riley had been correct. At points, crude prices on the spot market were in virtual free fall later that year, actually hitting \$6 a barrel in parts of Texas some days. The collapse of the crude price was a worldwide event. In 1985, the average crude price in the North Sea was \$27.55. In 1986, after the crash, it fell to \$14.45. This drop destroyed the economy of the southwest United States, caused the collapse of the savings and loan industry and led to the crash on Wall Street in October 1987, when the market value of corporate America fell 20 percent. The world economy would limp along for years and ensure the defeat of President Bush in 1992 because he was thought to be doing nothing about it.

For its part, Mobil, which had earned \$1 billion in 1985, lost \$354 million in 1986. No profits, windfall or otherwise, that year. This 1986 price collapse was a catastrophe for those employed by U.S.-based oil companies.

7

Company Changes

I'd get a chance to watch up close what Woods had in mind. After the crude oil price collapse in 1986, the management of Mobil's worldwide exploration & producing (E&P) division, the so-called "upstream," knew E&P employed far too many people and that its costs were far too high. E&P would begin a process of layoffs and cost-cutting that never stopped. Inside E&P, the unit that looks for oil and gas and then produces it, worldwide employment would drop 33 percent, from 12,000 in 1987 to 8,000 in 1993. In the U.S. alone, the number of E&P employees was cut in half, dropping from 6,600 to 3,300 people.

At the time I got the position as public affairs chief in E&P in 1990, E&P was enjoying a slight breather from several years of trims. Iraq's invasion of Kuwait had temporarily caused crude prices to rise—long enough to stay the executioner's blade. But just as E&P was catching its wind, crude prices began to slide back down again. In 1991, the price of natural gas in North America fell 50 percent, from \$2 per thousand cubic feet (MCF) to about \$1. The process of shrinking the operating unit and responding to the world created by the 1986 crude price collapse continued.

In response, E&P moved in 1991-92 to divide its properties into "core" and "non-core," with core equal to 70 percent of the assets, equivalent to 750,000 barrels a day of production, associated with 95 percent of E&P's oil and gas reserves. The so-called non-core were to be milked, traded or sold; virtually no money was to be spent on non-core. The strategy worked. E&P cut costs 30 percent, \$350 million in two years. It cut costs and exploited its resources more than the competition. In 1992, E&P produced 1.6 million barrels of oil equivalent around the world, 56 percent more than it had produced a decade earlier. Over the same 1982-92 period, E&P's competitors at other companies grew just 20 percent.



After 1986, the downward pressure on the price of crude oil was an obsession within the company. E&P executives knew the boom-bust cycle had

Mobil and the rest of the industry by the throat. Shifting dynamics in worldwide markets and decontrol in the U.S. had broken rules that had held for a generation. For example, the prices of crude oil and natural gas began to change at different rates, and the relationship between the two became less and less apparent.

What happened to the price of crude and gas was important. Capital is only invested in year 1 in the belief that the price in, say, years 10, 20 and 30 will be at a certain level. With investment payouts stretched over such a long time, the estimate of the price going in and the subsequent assurance of price stability are critical. If you don't feel good about the direction of price, it means nights when you don't sleep well.

As prices of gas and oil fluctuate, either up or down, the smallest movement can have huge impact. For example, in the early 1990s, every time the price of natural gas went up 10 cents per MCF, Mobil made \$35 million more a year. If the price went down 10 cents, Mobil lost the same amount. Between 1991 and 1992, gas prices went from \$2 to below \$1.50; meaning that Mobil took a \$175 million hit on earnings on natural gas price fluctuations alone. When oil went up \$1 a barrel, it meant \$130 million to Mobil in earnings. If oil went down \$1 a barrel, the same, only a loss. At that rate, you get an idea why the treasurers guys get nervous when crude or gas prices drop unexpectedly and suddenly. I learned why—politics or no—Mobil's caveman maxim was “up is good.”

8

E&P a Winner

Inevitably, as political, environmental and economic restrictions were imposed in the U.S. and as opportunities opened up in new countries, Mobil's assets, earnings and spending shifted—slowly but surely—overseas. For example, the E&P numbers began to work like this: From 1988 to 1992, while E&P's annual U.S. revenues went from \$3.1 billion to \$3.3 billion; revenues on the international side went from \$4.7 billion to \$7.1 billion. Earnings on those international revenues went from \$780 million in 1988 to \$1.3 billion in 1992. The value of fixed assets in the U.S. declined from \$10.2 billion in 1988 to \$7.3 billion in 1992, while international assets rose slightly, from \$7.5 billion to \$7.6 billion.

While spending, producing and earning more overseas, Mobil decided to exploit its U.S. assets now and not keep them in inventory. The number of undeveloped acres in the U.S. went from 5.8 million in 1988 to 3.6 million

in 1992, while developed (meaning using what you have already to the max) went from 2.7 million acres in 1988 to 3.1 million in 1992. At about the same time, 1989-93, E&P sold 500 fields in the U.S., containing reserves equal to about 150 million barrels, for some \$900 million after taxes. In 1991-93, E&P's return on capital employed more than doubled, from 3 percent to 7 percent, while earnings on a barrel of oil in the U.S. increased from \$1.54 to \$2.20. This was all accomplished as U.S. prices per barrel of crude oil dropped from \$20.11 in 1990 to \$15.73 in 1992.

Mobil's move overseas was irrevocable. The net share of the company's overseas property, plant and equipment grew from 36 percent in 1985 to 40 percent in 1989, and to 46 percent in 1993. Why? Mobil's return on investment (ROI) in the U.S. was hovering at 4.5 percent, maybe as good as your savings account. Overseas, say in Nigeria, ROI was 72 percent. What would you do? Right. So did Mobil. The share of capital Mobil spent overseas grew from 35 percent in 1985, to 45 percent in 1989, to 64 percent in 1993. As a result, the share of Mobil's income that came from overseas operations grew from 59 percent in 1985, to 71 percent in 1989, to 74 percent in 1993.

The underlying reason for this move was that Mobil, like all U.S.-based oil outfits, made huge investments after the 1978-79 price hikes based on price projections that turned out to be totally bogus. Remember in the early 1980s when Saudi Light, the OPEC benchmark, was \$34? Well, after federal oil price decontrol took place in 1980, everything changed. By 1986, the OPEC world had collapsed. Prices went south and stayed there. West Texas Intermediate (WTI) hovered around \$17.25. After the 1986 collapse, the upstream investments made in the U.S. before the collapse became a disaster.



In addition to the shift in investment and earnings overseas, Mobil began spending less on exploration and concentrated instead on developing existing properties where the lead times were shorter and the guarantees stronger. The idea was to make what we had pay out as early as possible in as few locations as possible.

The measurement of this was called net completed wells, which combines and counts the shares of Mobil's interests in wells on a net basis. Mobil's net producing oil wells declined from 14,000 in 1988 to 8,808 wells in 1992, with gas wells dropping from 3,708 to 3,315. In the U.S., that figure declined from 531 wells in 1988 to 309 wells in 1992. To get smaller and more productive, in 1988-92 the North American E&P reduced the number of fields 55 percent, reduced the number of employees 44 percent, sold 22 percent of its assets, yet produced just 7 percent less oil and gas a day. In

other words, Mobil got way smaller but stayed at the same basic production level. Any Management 101 text will tell you this is the definition of improving productivity by doing more for less.

All this cutting had its effect, in lost jobs, careers ended and a variety of organizational headaches inside the company. But Wall Street loved it. It represents investors who couldn't care less what a workday is like, whether you like your boss or current assignment, or whether you don't sleep well because of fears about paying bills.

When I got the E&P job in 1990, E&P was ranked in last place by industry analysts who had charts and graphs showing that Mobil's E&P in the U.S. had the highest (worst) costs per barrel produced. Chevron, Shell, Amoco, Arco, Texaco, Unocal, Phillips, Conoco and Occidental all produced at lower cost, they said. Within three years, after implementation of E&P's cost reduction program, the analysts said that Mobil was lowest-cost player in the U.S.

In fact, over the five years I was in E&P, Mobil E&P unit leapfrogged other companies to go from being the highest-cost to the lowest-cost producer, a record that surprised Wall Street and helped jack up Mobil's stock price from \$60 to \$84 in the three months after this result was announced in late 1995. Stock analysts showed that "overhead" costs dropped 22.8 percent to \$1.22 per gross operated barrel of oil equivalent, and that "field" costs dropped 14.4 percent to \$2.38, for a total drop in costs per barrel of 17.5 percent, to \$3.60 cost per barrel.

The investment house Wertheim Schroder ranked the top 15 E&P companies for the five-year period 1988-93, and then again in 1989-94, and Mobil as ranked No. 1 both times. What that meant was that Mobil was producing more and cheaper oil at lower cost and selling more at higher rates than its competition. Wall Street loved this kind of thing. And the guy that got the credit both inside and outside of Mobil was E&P's chief, Patrick Humphrey.

9

Riley Picks Successor

Despite Humphrey's performance, Riley picked Lou Marconi, not Humphrey, to be the next chairman. After taking over on March 1, 1994, Marconi had to gain the confidence of Humphrey and others on the Executive Committee, consolidate power and otherwise take charge. In the dynamics of the Ex-Com, Humphrey was the big dog, Mobil's senior

operating executive, a 40-year company man who owned more stock than any other employee. He had been the driving force for the revitalization of Mobil's core operating unit, responsible for more of the spending and income than anyone else. His record spoke for itself. And he had weight. The only person who owned more stock was former employee Riley, who, by naming Marconi, had passed Humphrey over.

Despite being now the man-not-chosen, Humphrey remained one of the strongest executives in the oil industry, widely respected among international competitors as the chief of E&P, Mobil's core operating unit that was judged by Wall Streeters to be the best in the industry. Keeping Humphrey happy was going to be Marconi's first and toughest job. Humphrey and Riley, obviously, had not been close. Riley respected Humphrey's performance and skill, but just didn't like the guy. It was a style thing. Humphrey, for his part, thought Riley was too autocratic, too domineering and didn't let others in the Ex-Com have enough of a say.

In the Mobil business culture, the Ex-Com was the central decision maker. By the time Marconi took over, it had five members—Marconi, Humphrey, the CFO and the heads of M&R and chemical.

These five were the surviving members of a panel whose membership had been dropping for years. At one time the Ex-Com numbered 15, with every staff department—legal, personnel, public affairs, treasurers, planning, et al—having a seat as well as the operating chiefs, research and development, engineering, marine transportation and the so-called Middle East Department, which managed relations with the emirs and sheiks.

In the Riley days, the decisions were easy: What the chairman says goes. But getting a piece of paper ready so that the chairman could make a decision on investments or spending could take quite some doing. The protocols were that every member of the Ex-Com—and, more importantly, the entourage from that Ex-Com member's particular power base—had a chance to say what he or she wanted about any decision that would be up to the chairman. In this way, staff departments, even lowly PR, could say quite a bit about everyone's business. This avoided lots of trouble when making billion-dollar decisions in hostile political areas, sure. But it also made you slow, and moving paper up the bureaucracy was very costly. Since the 1986 price collapse, Riley had maintained the decision-making structure but insisted costs get trimmed out—incrementally—from the bureaucracy.

It was slow going. The only operating division to take Riley's direction seriously was Humphrey's E&P. The others, M&R particularly, found making cutback decisions excruciating and, given M&R's internal culture, nearly impossible. Also, none of the staff power centers did more than window-dressing cutbacks. Everybody knew it, including Humphrey, who said so often at the Ex-Com, where he made enemies he would regret.

Now that he was in charge, Marconi was determined to make his mark. Not surprisingly, he told everyone he was going to run Mobil in a new way and do things differently. I'm just one vote on the Ex-Com, he said, I won't dictate. The Ex-Com would manage shareholders assets by consensus. Ex-Com was to be a collegial group. This meant no more barons, fiefdoms, division or staff dictators. So he said. But I'd read Machiavelli. There were signs all along that Marconi was lulling his rivals into a sense of false security.

10

Corporate Gangland

To understand the dynamics of Mobil's culture, know that three decades earlier, in the late 1950s, the leaders of Standard Oil of New York—the only part of Rockefeller's Standard Oil Trust that was still in New York—had concluded that the company had to shed its “white shoe” culture to survive. Ivy Leaguers, tennis players and coupon clippers would no longer find 26 Broadway a place to read the *Wall Street Journal* before lunch at the club, a few drinks and a commuter rail ride home on the New Haven Line to Greenwich or Darien.

To their credit, the human resources planners adopted a new policy whereby Mobil would deliberately seek, promote and nurture a different type of executive talent. Where before you might get the Ivy League legacies with gentleman's C's, Mobil now sought night school students seeking degrees in accounting, law or business. They would be found at Brooklyn College, NYU's night school, and St. John's University in Queens. They might be children or grandchildren of immigrants. They might be employed in the mailroom. They might be just out of the Navy and raising their families in Queens walk-ups. Soon, the best of these neighborhood guys were identified and began to get planted throughout the dozens of business and functional centers at Mobil. The accents in the lunchroom, the cut of business suits and the kind of conversation that went on when not working evolved into something more familiar at the Staten Island Lions Club, a Queens bowling league, or in a VFW hall or American Legion Post in Bensonhurst than the tony confines of the Greenwich Golf Club.

Naturally, these new corporate players began to look out for each other. In this emerging culture, think of the Mafia capo system as the management model most akin to the method that came to be practiced at Mobil. Don't be distracted by the criminal aspect of the mob; concentrate instead on its

organizational principles and group loyalties. This helps explain how the Waspy old-boy club system was replaced by the tribal culture of New York neighborhoods.

Think capos, heads of large organizations and affiliations, in which soldiers and their crews of associates and wannabes remain loyal to their gang leader, who in turn provides both protection and rewards for total loyalty and performance. To get along you go along; you never cross your boss, you stay in line, you do as the leader above you tells you and you follow this leader always. You will always be “with” this guy and remembered for how you came in. You can dress this up and make it legal and call it a multinational corporation, of course, as Mobil was. But the spirit of the neighborhood gang prevailed. As an employee, if you were “with” a guy, you were loyal and protected. If he had juice, you had juice. In this way, power, rewards, promotions, perks, prestige and ultimately money were parceled out.

The crew that did best in this world was once based in a trading room in Fort Lee, New Jersey, headed by a smart Brooklyn guy of Greek-Italian ancestry named Bill Tavoulareas who possessed a dual degree in law and accounting from St. John’s in Queens. Tav would become COO under Chairman Ralph Brothers, Jr., a Princeton grad who was the son of Pure Oil’s onetime chair, and who would be the last of Mobil’s bluebloods. Also in the Fort Lee trading office was an accounting grad from NYU night school named Allen E. Riley, who would become Mobil’s chairman and president, succeeding both Tav and Brothers.

Marconi fell under Tav’s wing early in Marconi’s career, as had the chief of M&R and the CFO, when they were both their late 20s and had caught Tav’s eye during early developmental assignments in the corporate planning department. This was how Riley chose Marconi, a Tav acolyte, to succeed him, and explained why the careers of the M&R chief and CFO had bloomed. Tav had tagged them early on as his guys.

The exception was Humphrey, who, as a Canadian, never fit into the gang culture, and helped explain why he was passed over for the top job. Marconi had spent years in Saudi Arabia, Italy and Japan as an ex-pat money man. In this, he was different from the other senior Mobil executives. With the exception of Humphrey, who had worked his way up in Canada, New York and as a senior operating chief in the U.K. and Germany, virtually none of the top Mobil guys tagged by Tav for power ever worked in international.

The problem for Mobil’s and Riley’s legacy was that Marconi didn’t act just right. Of Sicilian ancestry and Notre Dame-educated, Marconi had never been close to anyone. Unlike his corporate contemporaries, he had blind spots in his relationships and had never showed his hand among his

peers, only to Tav and to Riley, who perceived him to be smart with numbers, which he was, as well as totally loyal and trustworthy, which it turned out he was not.

11

Shaky Start

Marconi's efforts at leadership when he became chairman got off to a bad start. Marconi, who prided himself on being a good family man, thought it was fine to let his wife lead some of the employee events, like a 10-K walk for charity. Flyers on bulletin boards said things like "Join Mrs. Marconi on Sunday in the walk for the unfortunate." This happened once. The reaction among employees was poor. Everyone knew Riley never asked anything of employees during off-hours, figuring that employees sacrificed enough family time while working and that their leisure time was not Mobil's business.

Riley also figured employees should do as they were told and questions should be routed to their supervisor first. When he took over, Marconi encouraged employees, at whatever level, to write him directly, to ask questions or make requests. And people did, yards of e-mail messages from around the world. This openness quickly stopped because Marconi responded by simply referring the questions to the vice president of the employee relations department, which everyone knew would kill communications with employees quickly. The e-mail notes to Marconi soon slowed down and then stopped.

A Mobil wives' organization in McLean, Virginia, invited Marconi to a luncheon. He spent more than an hour with these middle-class women and uttered, among other things, the words shit, fuck, damn, hell, goddam, sonofabitch and such. He told these Mobil wives they were married to guys who made good money and they, like his wife, should do volunteer work on behalf of the company. None of this went over well. The Marconi visits to Mobil wives soon ended, as did Mrs. Marconi's volunteer walks on the weekends.

When Marconi hosted a black tie event at the Smithsonian for an exhibition of Venetian art, it was attended by the grand and wonderful of the Potomac and was lampooned in *The Washington Post* for its pompous style, coming as it did during the same week Mobil sent out letters announcing to

employees that their pay would go up only a percent or two if they deserved it and then would likely go down. When Marconi announced corporate-wide studies were underway to trim staff, the message that went out was that the loyalty of the Riley regime was over, and matters would be getting worse.

Marconi had the habit—never broken by his previous supervisors—of garaging his collection of eight cars in the executives-only parking garage in the Fairfax HQ. On the day that Mobil announced it would trim 5,000 jobs to save nearly \$1 billion, a mammoth black truck trailer with customized lettering painted on the side was parked at the Big Red O sculpture in front of the building. Employees throughout the building could look out as workmen unloaded and delivered a new car Marconi had purchased for his private collection in the corporate garage.

Then there was Marconi's body language. He was not a tall person, say, about 5 feet 8, a bit roly-poly, with high hips and an oversized can. He was bald, possessing gray eyes and the olive complexion of his ancestors. Marconi stood ramrod straight, shoulders back and chin up—just so. After watching Marconi in action, what came to mind were the World War II-era black-and-white films of Mussolini with his chin out in challenge to the world.

He would stride with confidence. Once, at an E&P managers meeting with Ex-Com members in Tucson in 1992, when Riley was still firmly in control, the general manager of E&P's U.S. group made a speech in which he challenged the corporate guests—the chairman and a few of his staff, including other Ex-Com members—to note that as E&P was shrinking and cutting operating costs, one area of its budget that was in the corporation's control, not E&P's control, were the costs allocated to E&P by the rest of Mobil in staff, computing and related non-E&P matters. E&P called this cost-line the "Mobil penalty," which it would not incur if it were a stand-alone upstream outfit. Any independent analysis would conclude that while E&P was making headway on trimming its own costs, the rest of Mobil was lagging. Humphrey and the E&P managers wanted to make this point at this time in a way that could not be avoided.

Marconi, then CFO, felt it was his job to defend his boss, the chairman. "You mind if I speak? I have something to say," Marconi said, as he got up from his chair at the circular table at the back of the meeting room, where he was seated next to Riley and Humphrey.

Marconi took a half-minute to walk deliberately—a saunter, really—to the podium at the front of the room. From there he defended his staff department—the number crunchers—which included all the controllers, treasurers and financial analysts. In effect he said that he hoped that this presentation about corporate overhead wouldn't upset the "collegial" way that Mobil has worked in the past.

“We like to think we help out around here,” he said.

It was obvious what was happening: Marconi was kissing up to his boss. Riley had understood the overhead problem for years, but had failed to get M&R, chemical and the large corporate staff departments to act. A few trims here and there from attrition, but little more. The only business unit to act seriously was E&P. We did not know it, but Marconi’s little act to kiss up to Riley would set the tone for Marconi’s eventual treatment of E&P.

With me personally, his body language was more direct. At another E&P managers meeting a year later at Laguna Neguil, south of Los Angeles, I was exchanging ideas with Daniel Yergin, the author of the Pulitzer Prize-winning history of the oil industry, *The Prize*, about his earlier presentation. We were amicably engaged about how to emphasize the technological solutions the oil industry had developed to eliminate pollution in its operations, when Marconi walked up behind me, ignored the fact that we were talking, and inserted himself between Yergin and me. He put his back inches from me, and turned Yergin away with his arm around the writer’s shoulder.

“So, tell me,” Marconi was saying, obviously familiar with Yergin, “how’s the family?”

You could shrug this kind of thing off if it happened once. But I later saw this was, in fact, a stylized move of body language meant to convey, well, whatever. Marconi did the exact same maneuver at a reception in the fall of 1995 when I was standing next to Sharon Rockefeller, the president of Washington’s PBS-TV network affiliate WETA, and wife of Senator John D. (Jay) Rockefeller IV (D-West Va.), a great-grandson of Mobil’s founder.

Mrs. Rockefeller, chief of a TV station that benefited from Mobil’s support of programming such as *Masterpiece Theatre* and *Mystery!*, was a frequent guest at Mobil’s do’s. This night was the reception at a D.C. embassy for the author of a Pegasus Prize-winning novel from Mexico. Mrs. Rockefeller and I were waiting at the registration desk at the same time and had exchanged the briefest of greetings. This was a simple anonymous courtesy; she didn’t know me from Adam. Just then, Marconi came in, walked right to where I stood and, again, inserted himself between me and the person close to me, showing me his back and walking away with his arm around Mrs. Rockefeller’s shoulder.

These, of course, were superficial problems that revealed a perhaps hidden reality. But in an atmosphere where the rhetoric was of openness and change and collegiality, these habits and behavior reinforced the somewhat cynical New York culture within Mobil that was savvy to this kind of silliness. This “wise guy” aspect of Mobil’s culture was, in fact, a good thing. Mobil people tended to be very hard to con, particularly by their own management.

Groundwork for Coup

In the spring of 1994, during Marconi's early drive to figure out how to do his new job as chairman, he commissioned consultant McKinsey & Company to survey the top 60 people at Mobil and ask questions about the state of the business and how Mobil was faring in the world. The results of this survey uncovered some predictable complaints, including one involving the Ex-Com itself.

Marconi called the five members of the Ex-Com to their first retreat, which became known as the Williamsburg meeting, owing to its location. From it came several reforms, the most significant being a thorough study of Mobil's staff, its size, composition, location and whether it was organized to serve Mobil in the most competitive way. Marconi assigned Bill Swinton, the Ex-Com member in charge of Mobil Chemical, to be the "champion" of this study. Swinton had just worked with the Chicago-based consultant Booz-Allen Hamilton in the reorganization of the chemical company. Satisfied with its performance on that job, Swinton hired Booz to have a look-see at the staffing in Mobil. The Ex-Com named a favored manager named Bill Thomas to work with Booz starting in July 1994. By October, just six months into Marconi's reign, the "Thomas Study" had concluded—using the downsizing cost cutting model Booz was marketing—that Mobil was spending \$1.5 billion more than it should on staff, an absolutely stunning assertion that could not be ignored.

The Booz assertion rested on a theory that costs in a corporation are driven *primarily* by staff employees, how they are organized and placed within a corporate structure, the work they are asked to do, but more importantly by the work they create and the work they demand of line profit centers. This premise divided all employees along traditional line-and-staff functions, an organizational demarcation used since Frederick the Great organized the first modern army in Prussia. Though this strict delineation of an employee's contribution to a work team had been blurred in recent management reforms, particularly in E&P's "new culture" initiatives, the Booz premise went unchallenged by anyone at the Ex-Com level.

In the oil business, tradition held that employees in "line" departments were involved in the exploration, production, transportation, manufacturing or marketing of oil and gas products. This was the direct valued-added work of a petroleum company. "Staff" departments, on the other hand, contained legal, personnel, financial, public affairs, planning and other

specialists involved in social sciences and financial calculations who did not make profit center decisions directly. Their value was indirect as it applied to the “line” decisions; their work output was recommendations on what line departments should do in their central chores of valued-added efforts.

For the purposes of the Booz study, the theory went like this: To control costs, control staff. Many of us understood that the problem was that Booz consultants had sold an arbitrary division of the workforce, driven by an MBA-style numbers-only analysis. Their analysis utterly ignored the costly and perhaps dysfunctional demands line managers placed on staff to produce work on non-productive activities. Geniuses like this sold the value of body counts as measurements of victory during the Vietnam War.

Booz convinced outfits like Mobil that Booz’s extensive work with hundreds of companies over years enabled it to develop a secret model based on how many employees it counted in line and staff departments at the largest enterprises in the world, compared the “headcounts” and developed what it called a “best practices” model. Take, for example, the headcount numbers in your corporation’s, say, legal department. If your headcount wasn’t the lowest in the Booz database, you had a “cost savings opportunity” that called upon you to lay off the number of lawyers greater than the number employed in the “best practices” base at a comparable corporation.

Upon closer inspection, the science used to make this calculation was as sophisticated as an 8th grader’s chemistry set, and with the same level of quality control. A few of us later joked that the Booz MBA experts obtained this proprietary “database” with the help of a ouija board. When the Booz folks shopped this idea to the E&P managers in October 1994, a few of the younger managers interested in protecting their futures with the new corporate management mumbled that this analysis made a kind of sense. But one of the old-timers, named Wally Laney, the head of the E&P’s natural gas marketing unit in Houston, said the Booz analysis was bogus.

“This is a bullshit study,” Laney said. Laney, who had actually built a separate company within E&P by creating his marketing unit from scratch after natural gas price decontrol, argued the Booz analysts utterly ignored the value staff departments add to a changing business, ignored how staff educate line managers in new areas to grow profit centers, and refused to recognize differentiation among industries, companies and individual performances.

The Booz database also did not take into account the value that a staff member in an oil business unit might possess as a result of experience, training, and exposure to the real-life rough-and-tumble of the oil industry. Comparing Mobil work processes with those of a bank, an engineering and construction firm or a manufacturer of computer chips just wasn’t on. Laney argued this was a numbers-only exercise and virtually worthless.

Others senior general managers from the affiliates agreed.

“Maybe so,” said Humphrey, the Ex-Com member with fiduciary responsibility to lawsuit-happy shareholders, “but we can’t ignore it. They have identified a problem we all know intuitively is real, and it is important that we get to reducing corporate overhead.”

Of course, Humphrey had been saying this for years. He believed bloat was killing Mobil. Since the 1986 oil price collapse and Humphrey’s takeover of E&P shortly thereafter, he had instituted a wilting number of reforms and initiatives designed to fix this problem in E&P: delayer bureaucracy, trim headcount, apply technology and otherwise trim costs by encouraging all within the division to challenge conventions. In 1988, to trim E&P costs and reorganize the workforce, Humphrey began the “new culture” initiative; in 1990 the creation of “Asset Team Business Units” and the launching of the “Mission, Vision and Values” exercise; in 1991 it was the North American Asset Review (NAAR), and the Canadian “Vision Project”; in 1992 it was called the “Continuous Improvement” or CI program; in 1993 it was the “High Performance Organization” initiative; and in 1994 the “Human Resource Strategy.” All these initiatives improved productivity and reduced headcount while also energizing the workforce along business development lines.

Humphrey’s approach had worked. The Thomas study showed that of the Mobil “staff”—35 percent was corporate, 33 percent was M&R and 14 percent was E&P. This was no surprise to the folks who had worked in Humphrey units and had labored under this staff-short yoke for years. However, in E&P, rather than creating arbitrary employee headcount levels, Humphrey allowed business units to trim and shape themselves according to the work requirements, regardless of staff or line specialties.

Everyone in E&P understood that E&P believed in doing deals, adding value and challenging bureaucracy, protocols and waste. E&P’s “new culture” initiative, painfully adopted in group therapy-like sessions in workplaces over several years, rewarded innovation, allowed and encouraged everybody to do more and to never wait to be asked or told what to do. The result was an “empowered” outfit. After five years, as chief of a staff function with too few personnel, I had come to appreciate that Humphrey had something going.

Unlike the others in Mobil’s “gang” culture, Humphrey alone had been making this argument while Riley was chairman, and his targets had been not just his own turf in E&P, he had also been critical of both M&R and corporate. But Humphrey simply did not have the same sense of rhythm as the night-school crowd from Brooklyn and Queens who ran Mobil. Humphrey was raised on a farm in Manitoba and went to high school through the mail. He wore suits tailored in Italy, cut his hair too long, flew his own plane, and

had a Canadian accent. Humphrey also actually read the latest journals and books about management and enjoyed strategy discussions and reform and change and otherwise was on the leadership edge in corporate and management trends. He attended sessions at the Aspen Institute, and attended the Davos business leader's conference before it became fashionable. But he was cheap. Humphrey had complained about other units' bloated staffs and slow work processes often, violating Ex-Com protocol by criticizing other members at the table in front of the boss.

In 1985, when Humphrey was chief of M&R, Woods said of his boss, "If Humphrey keeps it up, we'll all be working out of a box on 42nd Street."

"You got to understand," Palermo once told me, trying to explain Humphrey's isolation at Ex-Com, "the other guys hate Humphrey."

13

Ignoring Humphrey's Approach

The problem for Humphrey was that all this talk about Booz's skill at finding such cost savings potential was going on now that Marconi was in charge. The implied failures of the pre-Marconi approach (read Riley) were misleading. Riley had done an awesome job, and Humphrey had been his chief profit-making ramrod. The numbers told the story. Between 1984 and 1994, Mobil had coped with a 40 percent drop in oil prices, trimmed 30,000 employees, and liquidated \$9 billion in assets while increasing sales 20 percent, increasing operating profits 40 percent, increasing positive cash flow 50 percent, tripling its stock price, tripling the value of its capital assets to \$30 billion, and expanding its price to earnings ratio (P/E) to 20 when the national P/E average is 13. This was a stunning corporate performance. If more fat needed to be trimmed, so be it. But dismissing the Riley/Humphrey model as this new crowd was doing was mindless.

Now in 1994, Humphrey believed that Marconi and the rest of the Ex-Com had finally come to accept that the rest of Mobil was, indeed, fat. Humphrey was happy. His views had been accepted now in ways they never had been with Riley. Of course, Humphrey never believed E&P was Mobil's problem. From his point of view, he'd taken care of that. E&P and its staff were lean, as the Thomas study numbers showed. The problem, as far as Humphrey was concerned, was with the other Mobil units, particularly M&R and corporate.

So, with Humphrey's blessing and despite the E&P managers' reserva-

tions with the Booz premise and its findings, in October 1994 Marconi commissioned the staff redesign project (SRP), based on the Thomas study, and appointed an E&P hot-shot, named Dan Voltz, to be ramrod.

I first met Voltz in September 1990 when he was the head of planning in the U.S. E&P crew. I had just come on board as E&P public affairs chief and we were attending the E&P annual meeting at the Ritz-Carlton in Rancho Mirage, California. Voltz had started with Mobil in the Gulf of Mexico as a driller, and had progressed through a number of E&P assignments in the U.S. and London. In U.S. E&P, Voltz had worked at implementing the “new culture” program in E&P and helped U.S. E&P redesign itself into Asset Teams (ATs), whereby layers of bureaucracy and management processes were tossed out. Instead of hierarchy, teams were formed around assets and operated by “leaders” and “members.” This concept cost thousands their jobs, but it worked.

From my standpoint, the technical operations of the ATs might work fine, but Voltz had not allowed for professional public affairs personnel to be included at the AT level. It was during this first meeting with E&P guys, in fact, that I realized I was going to have a problem in my new assignment. I had spent much of the previous decade as a U.S. M&R field PR guy, first as a regional advisor in the Midwest, and then six years as chief of U.S. M&R’s nationwide PR crew. Over that time, I successfully managed a team of public affairs professionals to help them become ever more integrated into the operations of the five U.S. refineries, the pipeline system, the credit card company, and the operating group that delivered, distributed and marketed nearly 10 percent of the nation’s gasoline through a network of branded service stations.

When I first got into Mobil’s divisional operations in 1980, I knew that in order to prevent the “oil companies are in a conspiracy to gouge the public and pollute the earth” type of media coverage the industry was getting, the Mobil managers responsible for the operations of U.S. M&R infrastructure had to open up communications and engage not only their neighbors, but also each other, their customers, their suppliers, vendors, legislators, regulators and even pain-in-the-ass reporters who asked questions, be they simple, difficult or embarrassing.

Over the years, through good performance, combined with some hard lessons that proved how this shift in tactics worked, Mobil’s downstream engineered a remarkable turnaround in attitude. By the time I left the U.S. M&R professional community, public relations specialists had been successfully placed within strategic business centers throughout the U.S., increasing the field PR crew from 8 to 15. The organization I led was a first-rate communication team that handled emergencies, media queries, community relations programs, political campaigns, and training. The levels of hostility

in refinery towns had been reduced, and relations with neighbors and media had improved.

When I arrived in E&P, nobody in this new operating unit knew enough about the type of work I did. Professional public affairs thinking was not built into the work processes early enough to do the kind of good I knew was possible. After the U.S. E&P asset team reforms in 1990, there were only two professionals in E&P worldwide HQ and another two in the E&P U.S. office in Dallas, plus a network of professionals in E&P's eleven overseas affiliates. Most E&P management figured such activities could be handled by a few guys at headquarters. My notions of how a professional public affairs function should operate had no currency when petroleum engineers and reservoir geo-heads were being tossed out by the barrel.

Finding this lack of professional public affairs standing in the E&P work teams was a blow to my hopes to develop a similar public affairs program for E&P. Indeed, I would spend the next few years in E&P establishing the function's credibility. My initial contentiousness on the need for operational openness even threatened my relationship with the executive vice president for North America. In late 1990, Palermo gave me hell when this E&P exec complained that I wasn't getting the message. I cooled my jets a bit, changing my tone in business meetings to make sure I didn't argue myself out of a career. Despite Palermo's warnings, however, I had always made sure I had Humphrey's blessing. To Humphrey's credit he had backed me on my jawboning. He had seen the effectiveness of my work while he was chief of M&R. Where he drew the line was the notion the solution was more people. Ideas, work process reform, yes. People, no.

But, after a few wins and some successes in performance, eventually even the North American chief agreed with my philosophical points and that I wasn't just the empire builder from M&R as he had suspected. Eventually the AT leaders were arguing that public affairs thinking and activities should be an integrated into any AT. After a couple of years of this internal E&P rough-and-tumble, I learned that having staff PR people at a location was not always necessary, and that with judicious use of local consultants and training, and by instituting best practices and modern communications technology, we could function even better with fewer people using similar ideas and communicating more often.

The key was having management's understanding of the strategic purpose of particular public affairs programs at whatever level they were employed, and that these programs be utterly focused on the business unit's objectives. Don't do something just because it's nice, do it because it will accomplish your objective cheaper, smarter or better.

So, by the time Marconi took over, I had learned through experience that E&P's approach to reform could work; and that slowly but surely

through changes in thinking and work processes, so-called “staff” work can be done smarter and better and achieve higher performance at the same time. The trick was allowing the creative energy to flow in a work environment with trusted management who encouraged change.

When I met Voltz, this was all ahead of me. During our first chat about his role, Voltz had his own sharp edge against the corporation because it had assigned so much debt to the E&P assets in North America in the first place. Tav, the usually able dealmaker, had a great reputation for his trading skills in the Mediterranean and in the Arab world. But he made two mistakes that had nearly done Mobil in. First, he engineered Mobil’s purchase of Montgomery Ward in 1976, a wasteful, wrongheaded bust. Second, in 1983, Tav acquired Superior Oil after working out the economics on a cocktail napkin. He picked up the assets for, say, \$25 a barrel, when the world believed crude was on its way to \$40, just before crude prices went bust in 1986. Prices hit \$15, rebounded a bit, and had hovered around \$20 ever since.

As a result, E&P had former Superior Oil Company assets on its books that were a burden to E&P’s return on capital employed, or ROCE. The only way for Mobil, the marketing and refining cash-flow company, to be happy was to dispose of all these high-priced U.S. assets and, well, the people that went with them. Voltz, as many did, thought this was unfair to E&P and could be handled another way. Within E&P, it seemed that the careers and livelihoods of thousands of solid Oil Patch types were being destroyed because Riley, the M&R-based accountant, would not write down assets Tav had wrongly picked up to make Mobil’s balance sheet right. On this subject, Riley was a hard guy. As chairman he figured the way to fix a balance sheet was not to write down assets and wipe out profits, but to make those assets more productive or get rid of them. This was inside-baseball stuff. Who knew which was right? Riley was the boss and called the shots. And Voltz would go on from E&P to corporate planning, where Riley, in accord with the gang culture, took a shine to him and decided Voltz was destined for big things.

So now, four years later, Marconi turned to Voltz to head the SRP. Voltz assembled a few dozen savvy types who donned casual clothing full time. They worked in makeshift offices on temporary tables in the section of the HQ complex that had been the executive dining room, but which Marconi had closed when he took over to show he was a new, more egalitarian boss.

The Booz people wowed this new SRP team with their numbers. From October 1994 to April 1995, Phase I was a broad-based effort: 11 teams studying functional work areas, involving 5,260 people analyzing “actual work process”; 11,010 persons having “interactive communications with the teams”; and 30,000 people receiving “project updates” by electronic

mail. Within a few weeks it became clear something was wrong. This group was working too hard behind closed doors, and in those rooms things were being said that were making the people they were interviewing very, very nervous. Despite all the conversations, all the invitations to chat, and all the much-touted willingness to listen to others, it was clear the SRP teams were directed by fanatics.

14

The New Guy

Within a week after Palermo's death in 1993, Riley named James T. Boyes, the vice president of U.S. marketing, to replace him. This appointment, announced on April 1 no less, came from out of left field. Part of the problem was that during Palermo's illness, Palermo had not set up the succession within the public affairs department that he wanted. In his final year of life, Palermo, quite understandably, had refused to act in ways that assumed he'd be gone. So his corporate department—and with it the department's leadership of the professional function within the operating units—had drifted for months. Both Dix, my counterpart in M&R, and I, in E&P, had enjoyed wide latitude under Palermo, and we had grown even more independent within our respective management teams. Now, out of nowhere, came this new guy, Boyes.

In picking Boyes, Riley had passed over Palermo's closest friend, Tony Caruso, the general manager of federal government relations who had reported to Palermo, and who had been the de facto chief of public affairs during much of Palermo's illness. Everybody, including Caruso himself, figured Caruso had been the odds-on favorite for the vice president's job. Caruso had been Palermo's protégé since both were part of Nelson Rockefeller's GOP crew. Caruso's father was a Brooklyn Supreme Court judge. Both had known Vince since his days as an aide to Bill Casey in Manhattan, after Casey's unsuccessful run for Congress.

Since Palermo and Riley had been so tight, the consensus was that Caruso would get the nod. This was the gang code, an understood thing. That's what Caruso had worked for and believed was his. But Riley didn't let it happen. Maybe Riley figured that in naming Caruso he'd be giving Marconi a man he couldn't easily replace. Maybe Riley figured Caruso wasn't up to the job. Some said Caruso had all of Vince's bad qualities and none of his good ones. Those who knew Palermo said nope: there wasn't

a mean bone in Vince's body; not so Caruso, who could be as cold as an assassin's blade.

For example, for years one of Caruso's problems had been a longtime Mobil lobbyist named Tim Finnegan, who was a Democrat of the Irish Manhattan variety, who had strong family affiliations with the Kennedys. In dealing with U.S. political matters, Mobil tended to hire professionals from both sides of the spectrum. Where Rockefeller GOP hands like Palermo and Caruso were hired, so too were guys like Samuels, who earned his bones as an advance man in both John Kennedy's and Robert Kennedy's campaigns, and Finnegan, who had been Ted Kennedy's college roommate and later worked as a "go to" guy in Democratic party politics in Manhattan. Samuels hired Finnegan to work in Mobil's lobbying office in Washington, where he eventually became manager.

But when Samuels retired in 1988 after Mobil decided to move to Virginia, Riley moved Palermo up; Palermo put Caruso into the Washington GR office as Finnegan's manager. This had the effect of bringing the Rockefeller-Brooklyn-Republican crew up and putting the Kennedy-Manhattan-Democratic crew down—a perfect Riley move. But instead of making nice with Finnegan and co-opting him, Caruso did the reverse. He never talked to Finnegan again. He simply did not deal with the guy, isolating Finnegan from mainstream political strategies and programs, and communicating with Finnegan through subordinates and intermediaries.

With Caruso having this kind of record, maybe Riley had questions about his suitability. Maybe Riley, emotionally distraught at the loss of Palermo, his consigliere, simply wanted somebody who'd say yes, play golf, and be quiet. Who knows? Whatever the reason, Riley picked Boyes and deferred a permanent choice on Palermo's replacement to Marconi, who could choose his own team a year later.

Boyes, an accounting grad from East Texas State, had become a whiz in treasurers and controllers, risen to head Mobil's land development company, held a variety of senior posts in M&R (vice president planning, chief of an international unit) and was finally named vice president of U.S. marketing. Here he ran into trouble that his affability couldn't solve. Boyes, who had been in the U.S. job less than a year, had tangled with Bill McGill, who, as executive vice president of U.S. M&R, played tomcat to Boyes's mouse.

McGill, an Irish-New Englander with a Columbia business degree, was a hothead, as well as a gifted motivator who had the ability to get an operating unit to do way better than it had under his predecessors or better than expected. McGill had worked his way through M&R and, over the years, had watched Boyes up close, often as a supervisor. The most memorable encounter between these two had been when both were employed in Mobil South, Mobil's M&R unit for much of Latin America, Africa and

Asia. During a business meeting in Manila, Boyes had failed to perform as expected on some subject, prompting McGill to actually lunge across the conference table to grab Boyes by the shirt and get his attention.

When McGill became executive vice president of U.S. M&R, he tagged Boyes as weak and was angling to fire him. But Riley, even though he supported McGill, had had a soft spot for Boyes for years. Boyes's greatest aptitude was to be hard wired to the whims of his immediate supervisor and do precisely what that supervisor wanted even before the supervisor himself knew what it was. This aptitude endeared him to Riley. For such gifts, however, McGill sniffed this guy out to be a fraud. Boyes had bought himself some time when he developed a health problem that required surgery and recuperation. Harrowing as this was for Boyes, this successful medical procedure took him out of McGill's gun sights temporarily and gave him time to find another post in the organization. So, in the spring of 1993, just a year before he retired as chairman, Riley took a yes-man with a health problem to replace Palermo and head a department that had been on an emotional and professional roller coaster while Palermo became sick.

Boyes's other problem with his new post was that he also now headed a function the management of Mobil loved to hate. Since Palermo took ill, the corporate public affairs department had not only been leaderless, it also continued to suffer because it had never fully integrated itself into the workings of the operating companies due to Samuels's high-handed show biz ways.

This was a long-standing problem for the corporate public affairs guys. The origin of this problem was Samuels, who came in with the oil embargo in 1973-74 under Ralph Brothers, Jr. Samuels had fashioned corporate public affairs as the chairman's staff, following the whims and desires of the chief and treating the desires of the rest of the company and its managers as decidedly second tier. Such an attitude had worked while Brothers was in charge; and later, when Brothers began to fade and Tav took more charge, fighting *The Washington Post*, *The Wall Street Journal* and everybody else.

Samuels, using showman techniques and his own attack-dog persona, made himself indispensable to Tav in his battles with newspapers, extending his tenure as vice president of corporate public affairs a few years. There was no love lost between Riley and Samuels. Where Samuels was cool and sophisticated, Riley was simple; one a Manhattan West Side stylist, the other a Queens hardhat. For example, Riley for years favored wearing an American flag in his lapel to show his patriotism. When Riley became chairman, he replaced the flag with a red Pegasus, Mobil's traditional and popular product logo. Within days, those eager to show loyalty throughout the company adopted the Pegasus in the lapel. All except Samuels, who instead got a diamond stud earring. After Riley took over, he figured why fix what ain't broke. Only Riley wanted Palermo, his own guy, to run things. When the

company moved to Fairfax, Samuels retired and set up his own consulting company in Manhattan.

When Palermo took over he changed none of Samuels's strategy, and maintained the main programs. Neither Riley nor Palermo wanted to rock the PR boat that Samuels had launched for Brothers. *Masterpiece Theater* on PBS-TV and the op-ed ads in *The New York Times* would continue. Not that Riley and Palermo liked them much. Samuels's program had been focused on the whims of Brothers, the former chairman, and had not been concerned with whether the rank-and-file supported Mobil's trademark public relations program. In fact, many in Mobil's rank-and-file hated it. They found the approach elitist, wisenheimer, holier-than-thou and often insulting in its lavish style and presentation. What the rank-and-file did not realize was that it only appeared expensive. In fact, it was cheap.

Still, Samuels's program was elitist in thrust, and had successfully positioned Mobil as the "thinking man's oil company," earning Mobil entrée with a wide variety of opinion leaders in the financial, cultural, social and political elites. Riley, Queens hardhat or not, knew Samuels's program had worked. To Riley, it was "class." The only changes Riley made were after consulting a few sports and horse racing cronies. He added the Breeder's Cup and the Cotton Bowl. Brothers may have wanted Mobil associated with Anglos. Riley was content to add a few Aggies to the mix.

In the first few months of Boyes's tenure, I made sure to cooperate with his corporate programs as they related to E&P, and made sure that he understood I had constructive ideas how things should work, that everything in E&P public affairs was just fine and that Boyes needn't give it another thought.

With Boyes unskilled in public affairs matters, it soon became apparent that there would be an opening in the corporate department for a senior professional reporting to Boyes as a general manager of PR. Change was coming. Riley was going to retire and Marconi was going to take over. The betting under Marconi was that the top public affairs job would be divided between government relations and public relations, with Caruso holding the GR side at least for now. With the general manager of PR open, I figured I might have a shot.

Having seen organizational change over my five years in E&P, I figured the best way for the company-wide public affairs function to stay ahead of the curve and manage its own destiny was to make changes now on its own.

Boyes took to having weekly "executive leadership team" meetings of his direct reports and me and Dix, my counterpart in M&R. During these sessions, Boyes tried to mold this crew into a coherent functional group, a noble end that proved impossible. I tried my best, making all kinds of

suggestions about reform and career development of field PR people, how we needed to “reengineer” the function and bring it more in line with the divisions’ business objectives. I had read all the books, and learned the buzzwords from the changes that were underway in E&P. I made all the right noises and repeated the key words: quality and reform and change. I tried to use the experiences we’d had in E&P as an example.

But this group was emotionally and professionally exhausted. Nobody trusted anybody else, least of all Boyes, who was correctly perceived as unequal to the post. Boyes never had a chance. Once, Boyes suggested the PR department needed to go through TQM (Total Quality Management) training as he had in U.S. Marketing. This met with snickers of resistance from the old PR pros, who considered marketing the work of shills and snake oil sellers. PR contended with public policy development, not sales targets. This purist view of public affairs work manifested itself in such a way that the senior man in corporate public affairs prided himself on never having to use a computer, willfully working in longhand and giving the letters, notes and memos to his secretary to type. He never got e-mail, insisting on communicating through memos prepared by his private secretary.

This ivory tower attitude had been encouraged under Palermo, who wanted to make sure public affairs maintained its differentiation from advertising, marketing and product promotion. How better to do this than to have contempt for the bells and whistles of modern technology? Such stuff was not serious-minded public policy analysis and operations! A few years before he died, Palermo joked that he refused to write memos or have a computer. He worked exclusively from 3x5 cards on which he would jot words and phrases, and on the phone. He was a former T-man who found it was often wise to leave no written record; people never know where you are going or where you have been if you have left no footprints. What made you valuable was your reputation and your savvy. Palermo wanted management to know when they called on public affairs that what they could rely on was judgment.

Once, in a chat with Palermo, I was extolling how e-mail made working my worldwide network of PR folks easy as pie, and was making E&P public affairs unit much more effective and thus more useful to management. Palermo had none of it.

“When I die,” he joked, “I want my gravestone to read: These hands never touched a computer.”

Such sentiment persisted long after the person with the clout to make it stick had gone. Palermo might get away with this. None who survived in his wake could.

Boyes said once he wanted to bring in someone to help him understand how Mobil’s Corporate Public Affairs program stacked up against the com-

petition. Without missing a beat, the senior professional, eyes a cold gray, said: “We’re the best.”

Such a statement, which was insensitive to Boyes’s emerging problem with Marconi, was the wrong answer. Boyes needed cover to explain to the incoming chairman that he was in charge of public affairs, not some old holdovers from the now-gone consigliere to a soon-to-be-gone capo di tutti capi.

15

Humphrey’s Gambit

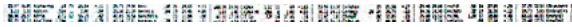
I had worked in Palermo’s crew since 1980 and, as his star rose with Riley, so had mine. Under Palermo’s protection, I had juice for 15 years. But Boyes, Palermo’s replacement, an affable corporate utility man, had within a year shown himself unqualified for the job. And this meant trouble for me.

Since he got the job in April 1993, I had tangled with Boyes over public affairs strategy and tactics regarding E&P’s activities in Vietnam, Peru, Qatar, Nigeria, and Indonesia as well as what to do with the environmental demonstrators in Germany, Canada and the U.S. The details of these disputes have faded, lost in the arcana of day-to-day give and take. However, the disputes always seemed to me to be centered on the same thing: Boyes wanted to do whatever it took to make problems go away so his boss would not see any fuss in the papers, would be happy and would not make calls to Boyes demanding action and ruining Boyes’s day. My take was to make sure E&P’s affiliates were doing what was right and then advocate the case on their behalf to people both inside and outside Mobil.

If that meant some people’s complaints got in the newspapers that was fine. If E&P and Mobil were doing what was right and the business judgment was sound, Mobil’s reputation and PR would take care of itself. I argued that if the boss wanted somebody to tell him what he wanted to hear all the time, he needed a yes-man, not a public affairs department. This view was once widely held within Mobil. But now, with Palermo gone and Marconi taking over, the ground was shifting.

How this question would be answered was what the next two years would be about. Of course, I wasn’t suicidal. During the rough-and-tumble over E&P PR matters, I made sure Humphrey was on board. He gave me the go signal at all points; after all, he knew I wasn’t the only one having

trouble with Boyes. Within months of Boyes's appointment, it became clear to everyone that he was not suited to the work.



Boyes's lack of grip finally surfaced in March 1994 during a briefing for E&P's senior management by the corporate government relations staff in Mobil's office in Washington, D.C. I was seated next to Humphrey as the E&P guys listened to Mobil's lobbyists discuss their work in the nation's capital. Hosting this event was the GR chief, Tony Caruso, who was joined by his boss of nearly a year, Boyes, who sat off to the side, carefully positioned to show his authority but not take specific responsibility for the issues at hand.

Caruso and his team gave a thoroughly professional briefing about U.S. government and oil industry issues. But the discussion lacked the kind of international focus Humphrey and the managers of E&P's affiliates wanted to hear. No surprise. Caruso had long been reluctant to authorize Mobil's corporate GR guys in D.C. to travel to the affiliates, interact with international managers, and gain a day-to-day understanding of what GR at Mobil could mean to them. Caruso, sensitive to headquarters politics and the daily whims of executive management, wanted his D.C. guys close to the office and ready, it seemed, to answer any phone call he might believe he was about to receive.

Despite the increasing shift of Mobil's business overseas, Mobil's GR office in D.C. had continued to concentrate on issues of concern to the U.S. business, which were primarily fuels and marketing issues on behalf of the M&R division, the downstream. This had the effect of ignoring matters that Humphrey E&P's upstream operations overseas considered were more important—open trade, access to international credit, bilateral agreements with countries of interest, access to oil in countries run by rogue regimes.

This was a disconnect I and some of the corporate GR guys had worked for years to resolve. We spent much of our time trying to refocus corporate GR so E&P could gain corporate attention. But we had largely failed. Under Caruso, the D.C. office would not focus on overseas issues. Instead, gasohol, domestic fuel composition, U.S. tax policy and the like would dominate the GR agenda. It drove Humphrey and E&P nuts, and Humphrey chose this day to act.

At the conclusion of the briefing, Humphrey announced he had hired Arthur D. Little, the management consulting company, to conduct a country-by-country analysis of Mobil's reputation and that he was appointing me and two others to guide the study.

Humphrey's challenge was a stunning act of mischief. The Ex-Com

knew Boyes's efforts to get a TQM or reengineering study underway in corporate public affairs were foundering. Later I learned that Humphrey had called Marconi warning him he wanted to get his own program underway because he was tired of waiting for Boyes and Caruso to act. Humphrey's study was a total surprise to me. As for Caruso and Boyes, Humphrey's initiative worked; he got their attention.

Hours after Humphrey named Arthur D. Little, Boyes and Caruso reacted by hiring Arthur D. Little themselves to evaluate the entire corporate public affairs function. Caruso told his acolytes that they acted to head off Humphrey or risk losing control of GR to E&P and the other divisions. In the early weeks of the Arthur D. Little study, Caruso tried but failed to get E&P's study canceled. Humphrey instructed me to keep the E&P study going and to keep the two studies separate.

Now, in the tug-of-war between E&P and corporate, Humphrey's move to dominate international GR represented a new arena for conflict. Humphrey had assigned me to walk point on this patrol in the boonies. If there was going to be trouble, I'd be the first to know because it would be me who stepped on the land mine. The result of this corporate tug-of-war was that Caruso, though we had worked together under Palermo's protection for years, cut me out of the loop and, in effect, declared me an outsider. Boyes appointed Caruso to head the Arthur D. Little study of corporate public affairs. Despite my attempts to work together and coordinate our studies, Caruso would never meet with me again.

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When E&P's Arthur D. Little GR study concluded in October 1994, we recommended E&P maintain a specific government relations function for its units overseas, focused on maintaining and crafting Mobil programs, processes and identities that were suitable in those countries. This required E&P to have its own GR capacity. Though coordinated with corporate, this E&P activity would be managed and directed by the division, not corporate. My fate was sealed when Humphrey in October put me, not corporate, in charge of E&P's GR. As far as Caruso was concerned, I had crossed a line of no return.

For its part, Caruso's Arthur D. Little study for corporate public affairs, completed in January 1995, would prove to be a disaster for the professional staff in corporate. When implemented in January, the Caruso study cut the number of professional jobs in half, reduced the remainder in pay grade, retired or laid off most of the senior editorial, arts and video specialists who had crafted Mobil imagery for 20 years, and severed career-long relationships. Despite claims to the contrary and some notable exceptions,

many who stayed were less qualified and had been retained because no legal reason could be found to get rid of them. Caruso's study destroyed the corporate PA unit.

In addition to this casting off of loyal professionals who had worked their entire careers with Mobil, the Caruso study also cleaved the once-unified public affairs department in two; public relations and government relations would now be separate, and report to a non-professional vice president.

Such a construct was MBA hokum that violated the professional spirit that had sustained Mobil's external affairs programs for a generation, and ignored modern social science practices and common sense. But it served Caruso's wider goal. Caruso would remain general manager of GR. A new position would be created called general manager of PR. Perhaps in time, Caruso would move up to corporate vice president. What happened to the newly created position of general manager of PR? Humphrey figured I was good for it. When he returned from the holiday break in January 1995 Humphrey asked me: "Did you get the job?"

I said that they were going to conduct a search outside and then test the market. Two months later, Boyes confirmed he had not supported me for the general manager post. He found me too "contentious." Besides, Boyes said, Marconi wanted a new voice and ideas in corporate PR.

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## 16

### Marconi's Gambit

**W**ith any advancement to corporate now blocked, my future was locked with E&P. By the time Caruso's study of corporate public affairs was finished, Marconi's Booz-Allen Hamilton Staff Redesign Project was well underway, shepherded and controlled by loyal Marconi acolytes.

By then it had become clear that under Marconi, the rules of engagement on the corporate playing field had changed. Marconi's signals didn't translate in the Mobil way. No one could be sure what Marconi wanted to hear or, more to the point, who Marconi would listen to, if anyone. No one was sure of anything anymore. Mobil's future, as well as the future careers of individual managers, had become a free-for-all. Old career alliances meant less, ruptured and would disappear; past performance counted for less; exist-

ing authorities began to disappear. The only concern seemed to be the stock price and how to get it higher.

In solving this question, Marconi, never an operating chief, and whose career has been in finance and planning, relied on his experience as chief financial officer and listened to Wall Street stock analysts. Smart guys in Mobil found the surest way to Marconi's ear came if their advice and tone matched the timber and pitch of the sounds coming from Wall Street. This new crew also made it clear that what Riley had done was, well, not enough. More could be done, much more, much much more. Did these acolytes want to improve operations, make new strategic alliances, change product lines, refocus regional concentrations? No. What was needed was to cut costs by cutting staff—downsizing.

By October 1994, the Thomas Study team, shepherded by Booz, persuaded Marconi it had identified \$1.5 billion in excess expenses. Marconi had chosen his successor as CFO to be the Ex-Com “champion” of the study to be called the Staff Redesign Project, and Voltz, the loyal cohort from corporate planning, to direct it. Members of Voltz's SRP study team were selected for their intensity, willingness to follow instructions and devotion to the new chairman's dicta. They were single-minded and driven.

Anyone too familiar with staff functions, or who was an expert in his job, was suspect. I kept thinking of the 16-year-old Khmer Rouge peasants, drunk with the lust of revolutionary fervor, waving .45 automatics and shouting orders around Phnom Penh. If you could read, you had knowledge and you were dangerous. Anyone with glasses was shot.

Since Boyes and Caruso were already conducting their own consultant's review of the corporate public affairs, Voltz allowed them to name the man from their group who would coordinate subsequent public affairs functional recommendations with the SRP team. Caruso arranged to get his loyal acolyte, named Tom Smith, appointed chief of the SRP study team looking at the next phase of changes for the public affairs function. Over the months, I did my best to get involved in the study team. At every turn, I was turned down. I wasn't included on any of the “breakout” teams or on any of the “review” teams, or asked to “validate” any of the preliminary “findings.” My phone calls to the SRP organizers were not returned. Messages were ignored. It was obvious that what I thought or had to say wasn't wanted. Finally, in the final moments of the study I was asked, as chief of an E&P staff function, for my opinion. The suggestions, recommendations and objections I offered were ignored.

Then, in early March 1995, the combined SRP teams recommended eliminating the division staff departments, pulling the functions out of the divisions and placing them under a new management scheme—called a shared service unit—that would be reduced in size and rank and placed out-

side the operating divisions, and report directly to leaders in corporate, who would be appointed from other functional areas so as to have a fresh point of view and challenge functional recommendations and programs. This, of course, was insanity. Let's make sure we have Phil's Auto Body & Repair Shop manage the hospital ER because, well, you know how expensive and fancy doctors can be.

The idea, of course, was to destroy Mobil's traditional professional staff power centers—controllers, treasurers, office of general counsel, employee relations, public affairs, planning—which Booz labeled cost centers. Perhaps this was a worthy cost-saving approach. But don't call it good for the company. Ignored was whatever value might be added by the collective knowledge that these professional staff added through the value chain. It also ignored the core of what made Mobil, well, Mobil. What would be left after this gutting would be a new entity whose only similarity with the old entity would be the name.

The effect of this SRP recommendation would be to eliminate my job, my position and my function, destroying my career and my professional future at Mobil. This was trouble. It was hard not to take it personally. And when I saw the draft of this recommendation, I went to the other staff chiefs in E&P and found they had the same problem. We all tried to amend this recommendation through SRP procedures, but it soon became clear that the base objective of the SRP study was not just the staff functions, but the elimination of the divisions as power centers as well.

Finally as the SRP presented its preliminary recommendations to the Ex-Com in late March, the true game was revealed. As some of us had suspected from the start, Marconi's early months of collegiality had lulled others on the Ex-Com to sleep. In effect Marconi's guys were trying to get rid of the authority of Patrick Humphrey.

Marconi had used the SRP process to create an Ex-Com-sanctioned recommendation that, in effect, destroyed the power centers for others on the Ex-Com. This was now corporate war.

In all ways, formal and informal, Humphrey, the E&P and M&R execs and staff chiefs began to argue against the SRP model. E&P developed an alternate plan—called the E&P Strategic Leadership Council—that would be given a hearing. (Ironically, the consultant E&P used to develop this model was Arthur D. Little.) Defending the so-called SLC wasn't fun. SRP team leaders would not listen. The SRP acolytes derided Humphrey's alternative, calling it the SLICK-50, owing to the number of employees to be employed through the E&P SLC. At an Ex-Com meeting on the E&P plan, the CFO in charge of the SRP study tossed the SLP plan across the conference table back at Humphrey.

"This is horseshit," the CFO told Marconi and the others on the Ex-

Com seated with Humphrey. “This is just another division.”

During the SRP briefings with the Ex-Com in early April 1995, Marconi asked whether the proposed public affairs plan being discussed had the support of the staff managers.

“Collins in E&P is against it,” said one of the SRP leaders. Khmer gunmen had just told Pol Pot I wore glasses.

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## 17

### Now What?

On December 7, 1995, Humphrey told me the job placement process being used during Mobil’s downsizing came up empty for me. I was out, one of the 5,000 to be cut through the so-called staff redesign process, the drive by Marconi, the new chairman, to make Mobil’s stock more attractive, which it did.

I had known for more than a year that my job and position were in jeopardy and had argued and maneuvered in the bureaucracy that they (and I) be retained in some manner. In case my plan wasn’t approved, however, I also had worked with the SRP folks to create a place in the new organizational structure where I thought I could work. My corporate point-counterpoint struggle during the long SRP process was little different from that waged by other E&P staff chiefs, who also had argued ways to retain the value they believe their roles and functions brought to the productivity of their units.

If I hadn’t made things easy for the chairman’s SRP boys, even so, a few of them had been longtime colleagues and confidants. I simply had not expected they would do me in all together—just months before I could retire. In my journal I wrote the following note to myself:

*Since 1979, I had been employed at Mobil to engage the external world on its behalf for the purpose of ensuring that the concerns of the outside world did not prevent Mobil from conducting its business. During these years I’d been involved in thousands of interactions—large and small—putting my name, credibility and sometimes myself at risk, and staking my reputation in ways that I believed honorable, honest and in the best interest of both Mobil and the wide variety of publics with whom Mobil deals. As an employee with increasing knowledge and responsibility and as a growing shareholder, I believed I had developed the trust, affec-*

*tion and confidence of my colleagues. Over time, I became a company man. I did my work creatively and willingly and was more than prepared to face the world on Mobil's behalf, shoulders-square and take it in the chest. What I never expected was to get it in the back.*

Okay, from this vantage point today, maybe that's a tad melodramatic. Perhaps, the truth is they got me before I could get them, though I like to think that if it came to who would do who in, I would have taken them out in the daylight, looking them in the eyes. Okay, maybe that's a tad melodramatic, too. Moreover, on reflection it's hard to argue that I hadn't benefited from the obvious cronyism at Mobil, particularly since my cronies had been in charge. And of course, my concerns had been less with the all-important stock price, and more about the survival of my corporate entity, in which I was valued and happily occupied, notwithstanding the larger forces behind the allocation of capital for society's benefit.

Even so, those last couple of years after Marconi took over weren't too nice. Losing my job hurt like hell. And my family knew all about it. Our daughter, Lee, in the midst of her senior year at Penn, came home Friday night, December 8, and learned what had happened. I shied from telling our son, Micah, who was a junior at Penn, that night, not wanting to upset him before exams. I thought better of it Saturday morning. He had known about the recent turmoil at E&P. I called him in Philly.

His assessment of the dynamics of the final act: "It was a real dick move." On balance, Micah's overall summary is hard to beat: "Dad, to be honest, except that it's kind of a pain in the ass, I think you're going to be better off."



Micah believed the recent months had taken their toll; what I needed was a new job. I'd be better off somewhere else, doing something new. But that was in the future. First was the pain-in-the-ass part. I had to absorb the shock that I was not only out of work, but also that the outfit to which I had been loyal for 17 years was cutting me out just months before I could get a retirement benefit.

I had duties as the father of two nearly grown kids, who would take lessons from how I dealt with all this. As much as I was tempted, I remained mindful that falling into a muddle of whining, revenge or self-pity would do them harm. This discipline, and the understanding of my wife and kids, was a blessing.

Yet, in the month ahead, I would become ever more despondent. My

letter writing, phone calls, networking made me despair: I could never replace my position at Mobil. Too much time had been invested in the relationships. My company knowledge was too deep, and acquired over years of work, research and faith. My ability to maneuver the bureaucracy and get things done, to articulate and act on corporate faith, was all uniquely the blend of length of service, talent, experience—and my age and professional standing within the Mobil community. Being expelled from that community from which I gained such juice, was almost too much to bear. Bob Gannon, an E&P executive in new business development, once said: “Collins, you got a Ph.D. in Mobil.” It was all gone, never to be replaced. Let alone the money. Jobs that pay an executive salary in the public affairs function are rare. I also just could not believe that I would lose my job just short of my minimum retirement date. How could the company—and, by extension, my former colleagues—sit by and watch this happen?

In my case, the retirement issue arose because a year earlier, while planning for the downsizing, Mobil had lowered the minimum retirement age to 50. This was too young for real retirement, but the idea wasn’t to stop working; the idea was to get off Mobil’s payroll yet still obtain a fully-funded retirement annuity (calculated to your length of service) and access to affordable medical insurance until age 65. Aside from desiring the financial benefit and respectability offered by an early retirement designation, I was responsible for my wife Sun Oak’s security. We had some savings, so we weren’t destitute. I’d find work again. We weren’t talking poorhouse here.

But without the early retirement benefit, Sun Oak’s financial security was utterly dependent on my continuing to live 15 years. If I left Mobil before retirement, as was the prospect under SRP and was being accepted by my former colleagues as nice, legal and, well, just the breaks, my vested rights would enable me to get a monthly annuity payment at age 50 of \$800 a month before tax, and no health insurance. If I died, the monthly pension payment to Sun Oak would be cut to \$400 a month.

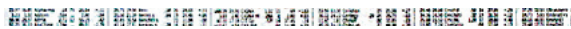
On the other hand, if I got an early retirement from Mobil at age 50, I’d get a lump sum that could finance a comfortable annuity, plus medical insurance for Sun Oak and me at an affordable premium. As a retiree, if I died, Sun Oak kept the money and health insurance. That’s a difference worth fighting for.

The issue of age and retirement was complicated by the tangle of laws and IRS regulations that govern employee-employer relations, pension plans and management practices in accord with their fiduciary responsibilities. In fact, to get a retirement pension at 50, you actually only need to be 49. It is a widely accepted practice—recommended by all lawyers as part of the litigation strategy of SRP downsizing—that 49-year-olds be placed on unpaid leave of absence and, in effect, frozen on the employee rolls and

“bridged” until they reach age 50. The lawyers had ruled that a company could do this unpaid leave for 12 months and not jeopardize the tax status of the pension fund. At the same time, this prevented employers from laying people off just months before their 50th birthday to save pension payments. So to get my retirement I didn’t need to be 50, I needed to be 49. But under the SRP downsizing, I would be off Mobil’s payroll eight months shy of that magic date.

After a career’s investment of professional time and company loyalty, this was intolerable. Within the company, details about retirement dates and the like are well understood by all; my being cut loose this close was known by all my colleagues. Yet under rules of the SRP downsizing; there was no way for Mobil to undo what had been done. Still, in the company’s protocol and culture, reaching retirement is a standard of achievement and reward for long company service. In many ways it was considered the minimum due for working hard, moving when asked, going where needed and otherwise putting the company first to accomplish company objectives.

I had done these things and had been positioned accordingly in the company structure as a division manager with worldwide responsibilities. Wall Street analysts called my E&P business unit the best in industry. There were jobs available elsewhere in the corporation that I could take, but because of the SRP rules I was ineligible. In the face of this, losing early retirement, the honor accorded those who did what I had done, was an insult I could not accept. Eight months! This was unworthy of Mobil, undeserved. It was humiliating. It threatened my wife’s security. It was wrong. Man, was I angry!



Luckily, in those early days, I was able to focus my anger: What could I do about it? Murder and arson were out. Okay. What else? A lawsuit? Naw. I’d been a mouthpiece for Mobil lawyers for years. These guys did things all nice and legal and had lots of money to bankrupt any challenger. In fact, the reason that the layoffs were so cold-blooded, so devoid of human feeling and empathy, was that they were all done in accord with an elaborate strategy to avoid litigation.

One of the tests of that maxim was being waged by a longtime Mobil lobbyist, Tim Finnegan, 61, the well-connected Democrat and Kennedy pal, who had taken the company and his former boss to court after he’d been laid off the previous year. His charge was age discrimination and slander. It made for good gossip, and generated a wealth of goodwill inside the company for Finnegan in his claims, but few believed he had a chance.

In fact, the SRP “process” was utterly impenetrable by the traditional

Mobil relationships and ways of influence and confidence. The old regime meant nothing. Everything was done by rankings according to a newly prescribed set of benchmarks and ratings set by a series of individuals who judged each employee against a series of questions in accord with a prearranged test script. None of the old rules applied.

Except, of course, the oldest rule: The boss always gets his way. If the boss's handful of guys were the ones who wrote the benchmarks, filled out the forms about the people he had in mind for jobs he had targeted them for, helped select the members of the "selection team" and could "select" his candidates in accord with a standard he set, well, he'd get what he wanted. In other words, the procedures and habits used under the previous Mobil chairman and the ways of the existing Executive Committee did not apply. What mattered was that the new chairman got what and who he wanted. Simple.

So I realized mayhem and lawsuits were out. My relationships and past performance meant nothing now. But I knew stuff: business strategies, personal skeletons in the closet, that kind of thing. I had a bit of leverage there. I could wander around where Mobil made money—Nigeria and Indonesia, for example—and say and do all kinds of things Mobil might prefer I didn't. If I had a mind to, I could make business more complicated for Mobil in all manner of ways for a long time. After all, for more than a decade, I'd been at the executive table—downstream, upstream, domestic and international.

How about I threaten Mobil I'm going to spill some beans to the newspapers, to government ministries, competitors, whoever, unless they work out a deal so I can get my retirement? That would be fair, wouldn't it? I mulled this over for a few days but realized that such a technique would never work. Too clumsy. Mobil responds to threats by closing ranks, giving the best lawyers in the world all the money they need and then going into a hunker-down mode that would sink any chance of success.

Besides, such a blatant attempt wasn't my style. Too many fingerprints; no chance of success. Yet I wanted what I wanted. How to get it? I struggled with this quandary. Where was my leverage? Others in my spot were toying with all kinds of ways to get back. Most, however, were simply resigned to their fates, trying to take the generous go-away money (based on length of service and equal to about 10 months pay in my case), and forget it.

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Over the next few months I would go to the various seminars, training sessions, interviews, outplacement counseling courses and programs that Mobil provided to the discharged. I used the knowledge to develop a job-finding campaign and in writing more than 50 letters with resumes to colleagues, headhunters, corporations, professional acquaintances and the like.

The classes were full. Thousands were being cut loose. It was a revelation. Of course, the instruction and counseling were valuable. But, more importantly, I gained an insight into a new reality. It was as though I was George Bailey of Bedford Falls who had his life back after he realized what the world looked like without him. Like the Jimmy Stewart character, I now possessed a new knowledge of what was important in life. Corny, but true. Health, family, the ability to begin anew; a member of a new community of people who shared a bit of life's rough and tumble, too.

Early on, for example, on Wednesday, December 13, less than a week after the dime dropped, I had forced myself up in the pre-dawn darkness to attend a breakfast at the Tower Club at Tysons Corner of the Superintendent's Business-Industry Advisory Council (BIAC), a public education support group comprised of a couple dozen Fairfax business leaders. I had been a member of the BIAC for more than 12 years, being first assigned when I moved to Fairfax with U.S. M&R and became, among other things, Mobil's local point man. Since that time, I'd served as a member, and was co-chair of the BIAC in 1988-94, staying with the BIAC after I'd left U.S. M&R and joined E&P. I enjoyed the community work, had my father's affinity with things education, and also had become a pal of Robert Spillane, Fairfax County's longtime school superintendent.

Spillane, a native of Hartford's Frog Hollow, was a combative Irishman of the type I understood well. My father came from those parts. Spillane had gone to the state college in Manchester, and then onto a long career as a superintendent, in New Rochelle and, before coming to Fairfax in 1985, in Boston, where his ethnicity and personal aptitudes were put to good use. Over the years, I'd worked with Spillane on a range of stuff, building community support for merit pay for teachers, the creation of the Thomas Jefferson High School for Science & Technology, a conference on Education in 2010, minority scholarships, adopt-a-schools, school bond campaigns and the like. We'd become pals.

When other BIAC members that morning learned of my fate, they offered praise and support. I was struck by the sentiment. Many seemed exceedingly empathetic to my situation, offering words of support and sharing memories of their own experiences with corporate turns of fate.

Spillane understood instantly when I explained what happened in political terms: "My boss didn't become chairman."

His blue eyes narrowed. He looked at me coolly, nodding. "Let me know what I can do," he said.



Thousands were being cut loose and no exception would be made for me.

The loss I experienced was no different from that felt by others. I mulled my condition over and over in my mind, unable to sleep, turning my bedsheets into a tangle. During the day, when my brief chores were finished, I would lie on the couch in the living room, stare into the middle distance and wonder. What will happen? What can I do? How do I make this go away? I began to eat less and stay put more. I tired easily. It became hard to concentrate.

If only I had eight more months; how to get eight months; what can I do to get eight months? Why wasn't somebody at Mobil helping me? Why didn't someone step forward? Why didn't they offer me a package, some kind of loaned executive, a special assignment somewhere, a contract? A lousy eight months.

It was wearing. I fought my ever-hardening sense of betrayal. I tried to do right. My last day of work would be February 1, when I had said I would complete my chores and finish the details on favored projects underway in Nigeria, Peru, and Korea. But after February 1, I was gone. It would be over.

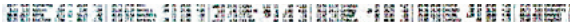
After dinner the night of Wednesday, January 24, I lay exhausted on the couch. Television offered little comfort. Both Lee and Micah were back in Philadelphia at school. Once the evening of television was finished, Sun Oak said she would turn in and I decided to stay behind and cruise through the channels for a spell. But nothing was of interest, and I soon turned off the television and stayed still. It was quiet. The winter night wind whistled outside. The snow that had fallen earlier in the month was piled a foot deep outside, muffling the night sounds.

I fell into a deep sleep, and remained motionless for hours, not rising to go to bed upstairs. Then in the pre-dawn hours, I began to dream vividly, clearly as though a voice were speaking and I was paying attention. In this state of sleep, the phrase "loaned executive" came to mind. It was a common practice, used by companies all the time to offer employee talent as a donation of in-kind service to worthy organizations. Like to United Way; or a Chamber of Commerce. In years past, management frequently used the "loaned executive" as a way to park someone they didn't know just what to do with during a management or staff reorganization or, more often, at the end of a career to help a guy reach his next retirement grade in age. It was a favor.

But that was in the collegial benign world of Mobil's past. Nothing like that was available during the SRP downsizing. But wait a minute. Before the SRP downsizing, there was a guy who went to work for the D.C. government. How about the Fairfax Board of Supervisors? No way. Chamber... Fairfax... wait: Bud Spillane! I could work for Spillane and the Fairfax schools.

In a dream's instant I knew it was perfect. It was political. It was subtle.

It was based on the reality of my years with the BIAC. All I had to do was lay it out in a way that management couldn't refuse. I woke up with a shot. Convinced it could work.



“Think Dr. Spillane would mind having me around for eight months,” I was saying, “I’d do whatever, coffee and Xerox machine duty.” I’d woken up, taken a shower and during my first cup of coffee was on the phone with Spillane’s assistant at 8:30 a.m. on Thursday, January 25. I’d explained my situation and my idea to loan my way into Spillane’s employ for eight months at no cost to the taxpayer until I reached age 49 and could bridge my way to early retirement.

“Are you kidding?” his assistant said. “I can’t imagine he wouldn’t love to have you here.”

At work I went directly to the office of Nel McLean, president of Mobil Foundation and Marconi’s corporate director of community liaison. My school activity technically fell within her domain. In an instant, she agreed to support my idea. But she had to face her boss, Tex Sammons, Mobil’s executive for employee relations. Sammons was located on the eighth floor, where the board, Marconi and several of his direct reports were located. The chiefs of the three operating divisions—M&R, E&P and chemical—were elsewhere in the Mobil compound. Going to the eighth floor required a certain protocol. I called ahead to see Sammons, and he said he’d see me right away.

In a few seconds it was obvious that Sammons was not up to speed on a lot of things. At 56, he was retiring himself, to become dean of a business school. A one-time Rhode Scholar, Sammons had been a favorite of Riley, the previous chairman. Now, Sammons’s string at Mobil had run out. When I said I’d been downsized out, he expressed surprise.

“I had no idea...”

I was shocked. Did anybody on this floor know what was going on with the people who work in the actual operating company? Did anybody care? A thought for another day; at hand was my hash. I spent 15 minutes talking about the transition program his group had organized, how I was toying with going into university teaching and the like. I outlined my concern about being just months shy of a retirement and the proposal to get a loaned executive assignment to Spillane and the Fairfax schools and at the end of the year take unpaid leave to retirement.

Sammons knew of my work with the school system. “Well,” he said, thinking out loud, “sounds fine to me. It sure isn’t something we’d have to

make up. Your relationship with the schools is legit. It would have credibility. The thing would be other 48-year-olds, and how many others fit your category.”

“What about Marconi?”

“I’d say the key is Humphrey, not Marconi,” Sammons said. “The first thing Marconi will do with this idea is say: what’s Patrick say?”

Okay, my next stop would be Humphrey’s office. The last thing I said: “Tex, I’m not being a hard case. I want the best for the company. I’m just trying to fix my particular problem in a way that makes sense for me and the company.”

Sammons nodded. Our conversation was over. Again, the genie was out of the bottle. Sammons was no longer a nurturing former colleague. He was acting as a corporate fiduciary and in that capacity he shut up, as anything he said further might be used in a sworn deposition. You never can be too careful. So no speculation, no commiseration, no oh-woe-is-me moaning. All business, which the rest of our chat, amicable though it may have been, was. I never saw or spoke to him again.

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In my office, I was crafting two pieces of paper. I’d called Humphrey’s office and he was in and out of meetings; in case I didn’t get to see him I began writing the proposal in a memo. The phone rang and I picked it up.

“The answer is yes,” said Spillane, in his familiar New England accent, “unequivocal, without reservation. Whatever you want to do. Just tell me what you want, I’ll agree. I love the idea. Tell me how we can make it happen.”

This was said without me speaking a word. And by God, if there ever was a guy who stood up for a guy, it was at that moment. I’ll never forget it.

Humphrey called shortly after noon and asked me to come by. I told him my loaned executive/schools proposal and that I had spoken to McLean and Sammons and been given the green light from the community relations and corporate employee relations points of view. I said Spillane was enthusiastic. I fudged about who suggested the idea to whom, but it was obvious that Spillane, as a public figure who had clout in Mobil’s corporate neighborhood, was watching.

Humphrey, as I had seen him countless times, leaned back in his chair and focused on me. He folded his arms across his chest and tapped the top of his pen to his lips. He was calm and cool. Nothing new here. This was a guy whose business unit took in \$25 billion in revenues a year, paid bills, spent \$7 billion in capital in a couple dozen countries, and at the end of the year gave \$1.3 billion in profits to the shareholders. So what if I’d worked

for him for five years in E&P, and before that, another three years for him directly in M&R. It was all strictly business.

I told him my motive was to get the retirement to protect my family's security, and because, well, taking early retirement during a downsizing sounds a lot better than being laid off. I didn't intend to actually retire; finding new work was in the cards and how I left Mobil was a factor.

"What about getting a new position somewhere," Humphrey said. "Won't being out of the mainstream on a loaned executive hiatus get in the way?"

Good question. I didn't care if it did. Getting the retirement mattered. "No," I said, "I'm not expecting Chevron to give me a vice president's job in the spring anyway."

Humphrey asked about tax status, and whether I could work for a public agency and a few technical questions. I said I didn't have the information on details like that but we could work out an arrangement with a local nonprofit organization that supports the schools if need be.

Finally, Humphrey said, "Sounds very creative. I mean, Mobil's not heartless. Maybe it will work. Let's treat it seriously. Write it up with as much specifics as you can, with rationale and the rest, and let's see what we can do."

I put it in writing and also sent Spillane a letter to send to Humphrey, which he did. Along with Humphrey's staff, the corporate bureaucracy also began to consider my plan. Humphrey had referred my memo to his employee relations manager with the note: "Please Advise. I'd like to help Tom."

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## 18

### Waiting

Later that evening and through the next day, I started to actually hope I had worked out a way to save my bacon. But soon, a new depression seeped in.

For the first time since December 7, I began to realize that maybe Mobil and the entire SRP downsizing weren't evil after all. Perhaps Mobil was benign and simply had become stupid. Today's Mobil could only respond when given a specific idea or proposal that fits its pre-set program. Was it always like that? Was Mobil, the entity itself, always this mindless; just a legal contrivance registered in Delaware to make money, populated by people who were able to respond only according to systematic economic

and legal processes? If so, what had happened to the Mobil, as a human enterprise, inhabited by trusted colleagues who had the judgment and ability to act on their own according to what was right?

Over my career, in my transformation into a company man, I had come to believe Mobil, in fact, was a beneficent enterprise that was greater than its individual parts. Some of my more dreamy colleagues even held the view that corporations had souls. Had that been wrong? Or rather, had Mobil lost its soul, casting all its remaining parts down into a dark silence? Maybe that's why everybody, as individuals, were perfectly nice, while as a corporate system, nobody at Mobil had stepped forward to right a wrong, even when my personal situation had been so obviously cruel.

Maybe it wasn't evil or behaving in a particular way toward me at all. Maybe such musings were all self-centered nonsense. After all, it's only business. Whatever the snarled branches and tangled vines in the downsizing process, they were all rooted to the stock price. Everything flowed from there. The market is the jury of a management's performance, and its judgment is rendered every moment of every day. How that judgment is arrived at may be wizard's work. Yet, for the mere mortals in Mobil's management, the tools at hand were the traditional performance measurements of revenues, spending, costs and profits. Since, as an act of faith, costs are always too high and organizations can always be trimmed, the easiest way to convince Wall Street analysts you are getting control of your costs was to reduce headcount.

Everyone intuitively knew productivity can always be improved. Technology was re-creating work in ever more productive ways. Wall Street analysts and investors in recent years had adopted a view that lower headcounts were good per se and all actions by managements to reduce headcount would be rewarded by a higher value placed on a share of stock. Since corporate boards of directors rewarded management for increasing the share price of the stock, the shortest distance between those two points was to reduce headcount in such a way that it is visible to Wall Street. So you get widely touted downsizings.

Firing people is tricky. There are issues to be considered; though not loyalty, betrayal and individual emotions. Forget that mush. What management must worry about are damages from lawsuits, which create losses, and also negative publicity that calls into question whether management is competent and trustworthy. This must be avoided. So every effort is made to get rid of employees in such a way that they can't sue and win an award from a jury that more than offsets the costs saved by their elimination. As a result, practices that are clearly designed as part of a litigation strategy, and other systems of treatment no matter how inhumane, cold-blooded or obnoxious, are adopted to protect the company against future legal challenge, and done

without regard to the equity or fairness to any one particular employee.

Employees get cut in ways that ensure that they take away several months of salary, way more than the traditional “two weeks pay” conventional wisdom might consider fair. However, to get this go-away money employees are required to sign papers that say they won’t sue. The result is that downsized employees swallow their anger, take the generous “package” that is offered and leave quietly—by the tens of thousands.

Remember, executive management wants to be perceived to be downsizing in a competitive way so it can continue to compete with corporations seeking the same investment dollar. The wider community’s acceptance of this public performance of downsizing is part of its validation process, and thus a co-enabler of the downsizing itself. As a result, management obtains independent validation for its downsizing by making a public show of recruiting one of a small cadre of consulting companies who have created a downsizing model industry designed to reduce headcount.

Consulting companies (Booz-Allen, Hamilton et al; McKinsey & Company; Arthur D. Little; KMPG Peat Marwick; Anderson Consulting; etc.) market “reengineering” programs to corporations that—for huge fees—implement downsizing programs. When such firms are retained, outfits like Mobil issue news releases; executives grant interviews with business journalists to boast about the good job they are doing at transforming their organizations, reengineering their work processes, energizing their companies to enter the 21st century and other such palaver.

Despite all the hoopla, these high-priced downsizing programs make the chore easy for clients by arbitrarily delineating employees along traditional staff and line functions. Notwithstanding common sense, corporate culture, history and human relations, these staff functions—legal, financial, employee relations, public affairs, legal, treasurers, controllers, information technology—are isolated by the downsizing consultants as cost centers only.

The valued-added contributions by “staff” functions to a line activity are hard to measure by cost accounting methods and traditionally are classified as “strategic”—namely, what is decided by executive management as part of the skill mix for any corporate unit at the beginning of a business process and not subject solely to the line units’ control. This practice has been adopted because profit centers often get rid of everything they can to boost earnings, ignoring “corporate” concerns such as lawsuits, legal and environmental standards, corporate reputation and brand image, corporate employee relations standards across business units and the like. To many line business units, such concerns are for corporate headquarters.

Yet, under the interpretation of the downsizing consultants, line functions are the only segments of the employee population that are considered

as adding value, and therefore are exempt from the consultants' downsizing model. Left unexamined are any of the line management dysfunctions that might drive staff costs in the first place.

These consultants, while the ink from the news releases heralding their arrival is still wet, begin to make judgments while roaming through an organization for a period that lasts six months or so. They use all the insights and knowledge they gained from their class work while earning MBAs. They then posit that all but a small percentage of the work performed in staff functions is "transactional" and thus can be done by anybody without regard to who is the employer.

The consultants have already assured corporate management they have "proprietary database models" that state "best practices" headcount levels (i.e., lowest) in a competitive group of corporations and therefore know what the "best practice" levels of the companies that hired them should be. The corporate leaders ask: what is the number? At this point, whatever the consultant says is used as the "best practice" target, and debate on this point is no longer practical or possible, since the corporation's executive management—as fiduciaries—must act to protect the shareholders. To do otherwise is to invite lawsuits, Wall Street criticism and lower stock prices.

This entire downsizing process is done with such speed in the corporate environment that any dissent or attempts at further analysis by existing staff experts—say, like me—is perceived to be counter to the prevailing corporate will and shareholder interest. As a result, individuals who challenge actions, which was until that moment considered a valued business practice, are now branded as uncooperative, lacking in leadership, non-team players.

Such individuals are certain to be "deselected" by anonymous job selection committees made up of random managers from various functions and line departments who then make selections based on a ranking sheet filled out by still others according to SRP standards.

This results in having people who know nothing about a function making hiring decisions without regard to past performance, talent, professionalism, history or standing in a career, and in a system that is skewed toward favoritism, litigation protection, and manipulation by those who are its mechanics, namely Marconi's SRP acolytes who, quite naturally, choose themselves and others who have shown they are eager to listen to them.

Thus did careers end during this downsizing frenzy—imposed by anonymous once-only selection groups, who have no further accountability and who may not know the people they are selecting, but who make decisions about who is to stay and in which position without regard to past performance, associations or commitments. When concluded, the selections are done in such a way that there is no mechanism for allowing those not chosen to obtain any rationale about why their employment is to end.

At least, that's what happened to me. When all was said and done, no appeal was possible, as the organization in which I had worked had expelled me; there was no way to unscramble the egg. When I joined the thousands of others in their late 40s, at the height of their productive lives, who had spent entire careers in corporations that were otherwise healthy and productive, and had lost my job in such a way, I changed.

After all, a handful of consulting companies populated by small squads of newly minted MBAs made fortunes while they helped otherwise profitable and competitive corporations shed hundreds of thousands of people—armies—from their jobs in order to push up stock price so that stockholders (owners) can make fortunes and executives reap millions in reward.

This stripped entire layers of humanity and work sectors—of a certain age and social class—from livelihoods that would never return; the perpetrators and witnesses all called it righteous. Of course, everyone knows that free-market competition requires that corporations be competitive in the global economy and that such managerial culling and cost cutting is necessary for the enterprise to survive. That's all fine. But the '90s downsizing process was being done according to theories endorsed and cheered by investment banks, Wall Street, business school professors and other varieties of theorists, experts and ass-kissers of the elite-thinking capital-owning classes. These owners were demanding that the executives hired to run stockholder assets at the board of directors/executive committee levels act to improve the value of the investment. All this may or may not be connected to experiences in the actual human operations of a business enterprise. The simple mantra of that time was that cutting employee headcount increases productivity and makes an enterprise more competitive. Yeah, well, maybe not. Sometimes the highly-valued free market process called "creative destruction" can just be destruction—period.

The governance of the limited liability joint stock corporation has changed plenty over the last 500 years. Columbia University President Nicholas Murray Butler once said the corporation was “the great single discovery of modern times... even steam and electricity would be reduced to comparative impotence without it.” Maybe.

The word company, after all, gets its name from the joining of two Latin words: “cum” and “panis” meaning “breaking bread together.” The idea allowed investors who bought stock in a company to risk only their investment—not the rest of their wealth. When such companies were created by royal decree, they were the engine that drove the English-speaking expeditions to explore and develop America. Royals could spread the cost, risk and rewards of these expeditions by using corporations. And under the laws of the independent United States, American investors used corporations to create the infrastructure of the continent—canals, railroads, the telegraph

and the myriad other wonders of our industrialized world.

How the companies would be governed would change over the ages according to custom, success and abuse, and common law. And no doubt today's behavior will lead to a modern reckoning. Common sense among those actually employed in today's operating companies held that the newly downsized companies would lose their competitive edge, ultimately inhibiting the viability of the enterprise as an attractive investment while inflicting misery on the millions whose livelihoods, futures, families and happiness were affected.

Before, standards of decency, fairness and a cluster of laws, regulations and practices rooted in common law, civility or community folkways dictated that such a wholesale culling of employees from *profitable* enterprises would have been unthinkable.

Yet what was happening lately was encouraged on Wall Street, justified by polemicists, preached in business schools, marketed by consultants for handsome fees, and endorsed by investors. This interlocking complex of greed enabled the established institutions of the American economy to methodically destroy the livelihoods of an entire professional segment of our society—leaving them bewildered, betrayed and looking for answers.

Too few held too much power; current laws enabled them to exercise that power in unilateral ways. Maybe the balance of power in the relationship today between employee and employer will change someday to prevent this kind of end. But not today. The conflict between labor and capital endures. It may not be right, but what did my view matter? No more than a whistle in the wind. Stock prices were rocketing upward and everybody thought that was just fine. In America in the 1990s, as Pirates slugger Ralph Kiner used to say, home run hitters drive Cadillacs.

Perhaps I still knew enough about the company to manipulate it my way. Yet who I was on January 25 vs. December 7 was an improved guy. Never the same. What happened with the loaned executive/bridge plan might go either way. My plan still had a chance. But having learned this way about the nature of the corporation, part of me didn't care that much anymore. I've given up the corporate faith. Whatever collective soul I fancied Mobil might have possessed had been destroyed by the new regime. To have this current crew hoist the Pegasus flag and call themselves Mobil broke my heart.



I'd given it my best shot. I had pitched my case honorably, and only used brush back fast balls, a bit too high and tight, on just a few occasions on guys who knew they were lucky I wasn't throwing bean balls. By Wednesday,

January 31, my last day of work, I had worked the inner-Mobil system as well as I could. When I left the building that night it was for the last time. It was snowing. As I drove home, I resolved to accept whatever happened. It was time now for the multiple perceptions of the things I had said run their course. It would be weeks before a decision would be made. Under SRP rules, I remained on the active payroll for another six weeks, so the company had until mid-March before the system required a final decision.

In the meantime, some of that wider context took shape in ways I could only dream of. In fact, I wondered at times if the hand of Providence wasn't somehow at work on my behalf. While I was at home waiting for Mobil to make its decision, getting adjusted to a new life and looking for work, the front pages of the nation's newspapers were peppered with stories about downsizing, corporate greed, and the political reactions. The timing of all this was terrific. The opinion-leading elite in the U.S. seemed at just that moment to be having a catharsis about the human cost of downsizing. Of course, layoffs weren't new. But who was being laid off was.

I did some homework and learned that between 1979 and 1995, while I was at Mobil, the U.S. economy has eliminated 43.5 million jobs—24.8 million blue collar, 18.7 million white collar. The peak job loss rate was in 1992, when 3.4 million were let go. While this job loss was going on, the total number of non-farm jobs grew from 90 million to 117 million in 1995, which meant that the net increase in jobs in the U.S. was 27 million. So the economy—net—was growing and people were moving on, like it or not. But most of them were worse off. Of the persons affected in 1991 or 1992, for example, and who had full-time jobs in 1994, 35 percent said they got same or better job, but 65 percent did not. Of those, 25 percent got full-time jobs but at lower pay, 24 percent were working part-time, 8 percent were self-employed, and 8 percent were out of the workforce.

In addition to the reduced quality of their new jobs, what was different in the recent wave was the target population. Comparing the affected populations by demographic profile, you learned that in the periods 1981-83 vs. 1991-93, the job-losing population between ages 30 and 50 went from 44 percent to 56 percent; those earning more than \$75,000 from 1 percent to 4 percent; college educated from 12 percent to 19 percent.

In other words, in earlier years, the Rust Belt and Oil Patch were hit by layoffs. However, the more recent segment of the targeted populations were located on the coasts, were older, better-educated, better-off office workers. It was called downsizing because unlike layoffs taken to reflect the reality of lost work, the motivation for downsizing was to reduce costs in profitable enterprises to pump up the stock price by making them more attractive to investors.

And the affected demographic segment was notorious for making a fuss. Though the number who lost their jobs in 1995 was 3.26 million, below the 1992 rate, the effects were being felt in new ways in the early 1996, with a presidential campaign going on.

Corporate downsizing and its effects surfaced as volatile election topics. In February, while I was looking for work, right-wing commentator Patrick Buchanan was leading in the Republican primary in New Hampshire by articulating, among other things, resentments against corporate greed. The newly energized and political AFL-CIO was kicking off its new campaign to recruit members and attack corporations. Senator Ted Kennedy called what was underway in the U.S. “the quiet depression.” Senator Bob Dole, seeing Buchanan steal votes with the rhetoric, challenged what he called “corporate greed.” From Sunday through Saturday, March 3-9, *The New York Times* published three full pages of stories each day in a series called “The Downsizing of America.” President Clinton got into the act, saying the nation needed the “caring corporation.” Clinton scheduled a White House conference on the subject, inviting the perpetrators to explain how compassionate they must be as they prepare their firms for the 21st century.

Nothing more than newspaper stories would be generated by any of this. The decision about downsizing had been made long ago. In my isolation at home, I had concluded the problem boiled down to two phenomena: 1) who’s got power and who doesn’t and 2) the use of such power by some over the lives and livelihoods of others to satisfy the demands of the marketplace. Whether this is justice or just greed depends on your perspective. Those who decide about the fate of others have the power, those about whom it is decided don’t. That’s the point. Not much fancier than that. The guys with the biggest guns win. In this round, the others guys had the firepower, not me.

If you are on the receiving end of these decisions, you ask: By what right do some have such power over others? Why is this fair? What makes them worthy? Maybe this is the right way for capital to be managed. But it sure ain’t the right way with people. Yet in the U.S. at that moment, the consensus among the decision makers was: capital first, people second. The stock market was poised to go on its largest expansion in history, making millions rich. And America loves winners, hates whiners.

Despite this central reality, the timing of the bad publicity about all this was dead-on perfect for me. I was just like the other 3.2 million who lost their jobs that year, upset and trying to get new work. But in making my pitch before I had left, I made sure I reminded a few of the Mobil people I left behind what I did for a living, and that they would need to see the context of Mobil’s actions in the political world. This world was now arranging

itself to make my point. I wanted management to consider its decision in a wider context; from a business standpoint. Did the handful of people at Mobil who would look at my loaned executive proposal want me unhappy in this political environment?



During this hiatus, one evening I went to a colleague's retirement party. He had been a negotiator with the new business development team and we had worked together often. At the reception I ran into Will Palmer, a surviving E&P executive vice president, who came over to me. Over the years, as the supervisor for the North American E&P assets that were taking the largest cutbacks, Palmer and I had clashed over public affairs issues here and there. It was in the rough-and-tumble of honest work, usually collegial. Only rarely would he concede that my operation was necessary. Indeed, if I had an opponent at Humphrey's table it was Palmer. Neither of us knew that within a year he'd be gone, too.

That night, however, he couldn't have been nicer. "You know, I've been in favor of these staff cuts for years, Tommy, and have supported SRP. But I've told people that in your case, SRP failed. That's all there is to it. I've got a lot of time for you, Tommy. Tell me what I can do. Anything."

That was simple. "Will," I said, "I want a leave to get my retirement annuity."

It would be just like Palmer to call Humphrey the next morning and say he supported my idea, a statement that would in fact be helpful. I don't know if he did. But his sentiment couldn't hurt, if only for its use as water-cooler chat.

Along these same lines, I had sent letters to two former bosses, retired chairman Allen Riley, who remained Mobil's largest shareholder, and my former U.S. M&R chief Bob Woods, who had retired from the board months before. I thanked them, sincerely, for my time with them in their organizations. I told them I was out; briefly described the state of affairs and sent along my resume for them to pass along if they wanted. In the world we had once occupied together, what had happened to me would have been unthinkable. I wanted them to think about it. Just in case they wanted to do something. But I never heard from them and don't know what if anything they may have said or done with current management. Their contacting me under these circumstances would have been unbusinesslike. Again, it was never personal.

The comment that stuck me as prescient that evening came from a lawyer based in London who suggested I contact John Sullivan at Broken Hill

Proprietary (BHP), who had recruited a few E&P hands to work with him in London and Melbourne. She didn't know it, but I'd put those letters in the mail days ago.

"I mean by now, BHP Petroleum is practically a Mobil affiliate," she said.

In late January, I had sent letters to both Sullivan in Melbourne, and to Harold Stover in London, another E&P guy whom Sullivan had recruited the year before, asking whether BHP might have an opening. Then, the evening of February 20, I got a call at 8:30 p.m. from Tom Green, a Scot who, the last I heard, was working for Mobil Chemical in Rochester as a human resources manager, where he went after a brief stint in E&P in 1990. I recognized his voice right off and thought for a moment he must have moved to work with the Mobil human resources manager handling my termination process.

"No," he was saying, "I'm calling from Melbourne. I'm with BHP now."

I was one dim bulb that night. "That's funny," I said, the light in my head still had not gone off, "I just sent a letter to Sullivan."

"I know," he said, "it's right in front of me eyes. Why do you think I'm calling?"

The next days of telephone contacts with BHP were a stream of ever-better news. During several get-acquainted calls, Green had given me the lay of the land. Whether I could sign up with BHP was far ahead, but a way aboard seemed clear.

The next week I had a breakfast visit on Tuesday, February 27, at the ANA Hotel in Washington with Gordon Evers, the chief of BHP corporate external affairs, and Nathan Kelsey, head of BHP Petroleum's new business development unit. BHP was alive with new blood: Evers, a career political operative in Australia, had been with the company eight months, and Kelsey, recently with Lasmo, the U.K. E&P outfit, 11 months.

They were in town on business and our meeting was arranged for us to sniff each other out. BHP was growing in the United States, having just purchased Magma Copper Company in Tucson, making BHP the largest copper producer in the U.S. BHP needed to nurture its good reputation in the U.S. to ensure it remained an attractive investment and could grow in the U.S. At the same time, Sullivan's BHP Petroleum needed to build new businesses in countries where the U.S. had very decided opinions about who could do what. BHP needed help balancing these conflicting issues in Washington.

"Sounds like something I could do," I said to Green later.

"Sullivan said he had just gotten your letter when Kelsey was in his office complaining about the D'Amato bill on Iran and how U.S. politics

was killing him, and how BHP Petroleum needed help in Washington. Sullivan said: I got just the guy.”

Holy mackerel! Iran—from gas lines to hostages to Jimmy Carter to Ollie North and Iran/Contra—the bone pile of lost causes for 20 years. But, hey, you never know. That’s lots of oil there; eventually somebody in the West will get a chance to get at it. If Mobil was no longer interested in my help on this kind of stuff, why not Sullivan and BHP? I was game.

Green was saying, “Evers has been asked by the managing director to lead a corporate-wide study of BHP’s external affairs programs and strategies, and Sullivan said that’s your area and that BHP Petroleum has its own image issues to contend with. Eventually either BHP Petroleum or the corporation may want to beef up the Washington office. It’s early, but assuming things work out, there should be a place for you here, Tommy.”

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## 19

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### I’m Gone

**T**he first week of March, I called Jim Geist, the human resources manager handling my request, and he said he was ready to recommend that Mobil grant it. He said the proposal had been turned down a second time by Humphrey, but Humphrey had told him to go back to Sammons and others to get them involved.

This sounded right. Humphrey would not make this decision alone. He’d withhold approval the entire time, while keeping the issue alive to encourage whatever reservoir of support might exist in the bureaucracy to surface. In this way, when Marconi asked Humphrey his opinion, Humphrey could demur, saying his advisors forced him to agree to spend this extra money. Humphrey wouldn’t have killed the idea outright, but he’d force others to give it life. To Geist’s credit, he was playing Humphrey’s bureaucratic game just about right.

I couldn’t be sure if Geist was giving me a song and dance, or trying to be complimentary. But if what he said next had been a retirement speech it might have been a bit embarrassing. “I’ve been hearing from people. You have a lot of friends here,” he was saying, “and earned the support. Look, the SRP selection process was what it was. I’m not going to get into all that, but you’ve got a lot of friends who want to do the right thing with you

without hurting Mobil. You've been a good performer who has contributed a great deal over the years."

Nice to hear. Maybe after three months, a few figured I had, in fact, been lost to friendly fire. Great. I was still gone.

Geist called at 8:30 a.m. Friday, March 15, and said: "It's good news."

Mobil agreed to make me a loaned executive to Fairfax superintendent of schools through 1996, at which point I was to go on unpaid personal leave through the end of 1997 for early retirement on January 1, 1998.

Geist explained, "When Humphrey signed this paper, he said your reservoir of support at Mobil counted, and he wanted to make sure you stayed a good ambassador for Mobil. On that business basis, this was justified."

But, said Geist, there's a catch. "While you're on loaned status, we're going to ask you not to sign on with any high-profile assignment with someone else. Of course, Mobil understands you're in transition and will be trying to build a career after. But we've got to have a gentlemen's agreement on this. Nobody is going to be looking at you to not work, but you have to be mindful of your role and make a good faith effort regarding working for Spillane in accord with the loaned executive concept."

In other words, this isn't a phony assignment: Work for Spillane, and no full-time corporate jobs for eight months. "That's fine," I was saying, confident I could sort out the details about working with BHP. But that was for another day.

"But nobody is watching," he said.



I gave the school assignment my best shot throughout 1996. Spillane told his dozen assistant superintendents, the HQ staff and 220 principals I was a member of the management team, if a volunteer without portfolio. His assistant set up an office for me in the school administration building in Burkholder Center in Fairfax, and I was invited to follow my nose.

The Fairfax school system was the 11<sup>th</sup>-largest in the nation, containing 220 schools, 150,000 pupils, and with an annual budget of \$1 billion. Fairfax schools employed 12,000 and was the largest single employer in the Commonwealth of Virginia. After some time away from the daily interactions at the schools, I would learn that Fairfax County, which had once supported each new increase in school budgets, bond issues and expansions as a cornerstone of economic development, had recently turned a political corner. For the last year or so, the community was asking its school leaders hard questions about Fairfax schools and public education itself.

The long-valued consensus of support for Fairfax schools had broken down. The community was rife with dissent. Schools costs were too high.

There were too many drugs, too much violence and rude behavior and other dislocations in the classrooms. Academic performance was dropping. Some fundamentalist Christians feared Satan in public education. On the subject of technology, take your pick: There were too few computers in the schools, technology cost too much, technology would enable federal bureaucrats to control local schools and spy on student transcripts, what kids learned today wouldn't be useful when they graduated because technology would have changed everything.

In other words, the catastrophes that plagued all public schools in 1996 were costing Spillane the political support he required to run the school system. Not only that, many of the emerging conservatives in the community figured the smart political play was to say it was all Spillane's fault, and the solution was to get rid of Spillane. I ran to tackle this problem at the knees.

Between April and December, I got to know the professional staff and studied the education and administrative issues they struggled with. I attended 20 meetings of Spillane's leadership team on Tuesday mornings, and 15 meetings of the school board on Thursday evenings. At the formal hearing room at the Luther Jackson Middle School on Gallows Road, catty-corner from Mobil's headquarters, I sat with the assistant supe with a bulky nameplate in front of me that identified me as loaned executive. When Spillane introduced me at the first public meeting, school board members all nodded a welcome as if this was the most natural thing in the world.

To accomplish my assignment, I borrowed from the consultants' handbook and interviewed the key "public" I knew—leaders of the Fairfax business community—to gain insights about their views and expectations. Based on these findings I made some recommendations to Spillane and his team. My summary report was titled: "The Perpetual Campaign," and dealt with how school leaders—principals, administrators and professional staff—needed to be mindful that everything they did was part of the system's continuing campaign to win support from the public. I made some recommendations on how to do that, and gave a talk to the school's community conference in November summarizing what I'd learned.

I'd like to think I helped the school officials savvy up their thinking about the political aspects of their mission, but any help I might have been to Spillane was way too little and way too late. In 1996, Spillane was ending a losing campaign to keep the job he had held for a dozen years and for which his peers around the U.S. had awarded him Superintendent of the Year honors in 1995. In July, the school board voted not to renew Spillane's contract; Spillane announced he would be leaving in the fall of 1997, at age 62.

Every other month or so I sent a summary memo of my activities to the guy in the human resources department assigned to handle loaned executives—to make sure his folder had cover-your-ass paper in it. I doubt he ever

read any of it. What did he care? I mean, get real. The management of Mobil could not have cared less about any of this. As far as HR was concerned, my reports existed simply as potential evidence in possible litigation anyway.

I kept up with the payroll and benefits specialists in Dallas, which was easy because I had worked with a few of them in Illinois in 1980-83 and they understood my situation perfectly. I liked these people and we were able to resolve easily the few questions that arose over the year about this deduction or that. As for Mobil's HQ brass, my loaned executive program required only that I do the assignment with Fairfax schools, create whatever goodwill I could and go my way, which at the end of the year I did.

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My favorite memory of that brief period was the day I got the word from Geist. I was walking down G Street in Washington shortly before noon that day, feeling for the first time in years, in a state of grace. It was St. Patrick's Day weekend in 1996. The sky was overcast, and the brisk late winter wind was bracing. I felt utterly alive. It was as though I had just been pulled into a life raft exhausted and spent after months bobbing alone at sea. I had a life again.

A few days before, I had had a very reassuring phone call from Sullivan at BHP, who agreed I could stay in the background for as long as I wanted. Hearing Sullivan's tone, I wondered at my good fortune. How was it that Spillane, a Harp from Hartford's Frog Hollow, and Sullivan, an Irish guy from Dublin, were the two who stood up to help so easily at my moment of peril? I felt the hand of some Druid's spirit was at work, as though my fate was being directed by the breeze of an angel's wing.

What I had done was use some smoke and mirrors, tricks of the trade for a political op, and present a hand that had to be played in a particular light that had been pre-arranged to help the game along. With Spillane's willing cooperation, I presented Mobil a doable deal, a way out to cut me half a break.

I turned in at Old Ebbitt, the luncheon joint at 15th and G Streets across from the Treasury Department for a long-scheduled lunch with Dick Swanson, my BIAC colleague. Though Swanson lived in Fairfax, in the same neighborhood, in fact, as Marconi and a few other Mobil brass, we had agreed it was more convenient to meet in Washington, where he headed the lobbying operation for a pharmaceutical company.

I told Swanson why today was my lucky day.

Swanson said by coincidence he had just seen Marconi that morning. "Our wives are friendly, you know. I'm not so much. Not sure he's close to anyone."

I told Swanson a bit about BHP on the horizon. "I'm glad to see you

happy. I'm to see Marconi later this weekend and be sure to tell him one of his managers is in good shape."

"Do me a favor," I said, "keep me out of it. I don't want Marconi or anybody there to know anything about what I think or feel. All they want and need to know from me is that I'm gone."

It was nothing personal. It was just business.

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My New Outfit

Late Monday, March 24, 1997, a year after that meeting at Old Ebbitt in D.C., I arrived at Houston International Airport aboard a United Airlines flight and was picked up by a limo for the half-hour ride to the Ritz Carlton at 1919 Briar Oaks Lane. The next morning I would be attending a regular semi-annual meeting of the Executive Committee of BHP Petroleum at its U.S. HQ down the way, at 1360 Post Oak Blvd.

I was edgy that night and didn't sleep well. I had been on BHP's payroll as a permanent employee only since February 3; it turned out getting accustomed to my new organization was taking some doing. As Tom Green had predicted, BHP had found a place for me, but I was far from the familiar world of international oil and gas development.

From about April 1996 on, while doing my loaned executive duties with Fairfax schools, I simultaneously had tended per diem consulting duties for Sullivan's crew on the Iran legislation in D.C. These chores had been conducted effectively enough so by the time my loaned executive period with the Fairfax schools was over, BHP's corporate brass in Melbourne were willing to accept Sullivan's suggestion that I be brought aboard full-time.

In late January, Gordon Evers, chief of BHP corporate external affairs, and Larry Hockney, chief of BHP corporate international, came to D.C. to sniff me out and talk about what I might do. By the conclusion of their visit, they asked me to be BHP's go-to guy in Washington, an offer I accepted quickly. The title was vice president and senior corporate representative, fancy but vague enough to work just fine. My field of play was imprecise enough to make the job whatever I wanted to make it. At root, the role was chief coordinator, traffic cop and kibitzer for all BHP units that might cross the sights of the U.S. government or other folks who reside in D.C.

In the first weeks, I was content to go slow, keep my eyes and ears open, and meet all the people BHP had on retainer or otherwise assigned chores