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THE WEEK'S NEWS FROM OTHER BOARDROOMS

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Are Nom-Gov Committees on the Hot Seat?

Investors engage on director tenure, recruitment

by Amanda Gerut

First, audit committees felt the heat after Sarbanes-Oxley. Then, say-on-pay voting led to scrutiny of compensation committee members. Now, the spotlight is shining brightly on the nominating and governance committee.

As companies ease into the 2014 proxy season, investors say the way boards manage their director talent — typically the main responsibility of the nominating and governance committee — is high on the list of topics for engagement. Such scrutiny of board composition and director succession planning could potentially translate into votes against nominating and governance committee chairs and members.

Several reports published during the past few weeks have highlighted the fact that investors are keen to hear more from boards about their approaches to director turnover, recruitment and tenure as well as individual and full-board performance evaluations. Plus, investors have been asking companies for more details about how they plan to refresh the board if direc-

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'Choke Points' Keep Women From Advancing

Talent freezes keep women out of leadership jobs

by Amanda Gerut

As a company whose major brands include Kotex and Huggies diapers, **Kimberly-Clark** would seem to be a place where women would make up a large portion of the workforce. But up until a few years ago, that wasn't the case, and senior executives and the board wanted to know why.

In 2009, the company set out to look, think and behave like the people who use their products. According to the company's research, more than 85% of their consumers are women, and many of the company's products, which include paper towels and Kleenex, are purchased primarily by women. But, as global diversity officer **Sue Dodsworth** tells it, when she looked at Kimberly-Clark as a whole, "a huge percentage of the people who made decisions in this corporation were men."

That was a problem.

And yet, according to Dodsworth, Kimberly-Clark viewed the dearth of

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women at the company as a strategic dilemma, not a moral issue or a human resources initiative, which is why the company was able to make significant gains in recruiting and promoting women into higher positions over the course of the subsequent four years.

"We saw this as a business strategy, not an HR strategy or 'the right thing to do,'" says Dodsworth. "We saw this as the best thing to do for the business."

Tom Falk, chairman and CEO at Kimberly-Clark, adds that the business case for removing barriers to women advancing in the company was incredibly strong.

"Our core consumers are the women who are responsible for more than 80% of the buying decisions in their homes," says Falk in an e-mail response to questions. "That's worth about $20 trillion globally, so there's a lot to gain by getting this right."

Even with the best market research in the world, the company needed women to help make decisions, prioritize plans and understand the way people use their products in order to be strategically competitive, explains Dodsworth. So the company hired **Haig Nalbantian**, a senior partner and founder of **Mercer**'s Workforce Sciences Institute, to conduct an analysis of the company's entire labor force.

Enter Nalbantian

Nalbantian's assessment, which included a deep analysis into the company's human resources data, including who was promoted and why, how often promotions occurred, exits, reasons for exits and an analysis of men and women in the organization, showed that women were crowded in two bottlenecks at the company.

The first bottleneck, or "choke point," was just below mid-level, which is the point at which employees take their first big team leadership opportunity, says Dodsworth. The second choke point was just beneath the director level. (Please see graphic example of choke points.)

According to Nalbantian, the problem of choke points, which he calls "the velocity issue," occurs when the probability of getting promoted dips to a relatively low level — under 5% per year — and at a low point in the company's hierarchy.

Choke Points

Most organizations are structured like a pyramid, says Nalbantian, with less and less probability of advancement the higher up an employee moves in the pyramid, until employees get close to the top. When a company has a choke point, the probability of moving up plummets dramatically at the middle level and talent stops flowing upward. Typically, says Nalbantian, choke points result in departures of up-and-coming talent because the employees tend to get frustrated.

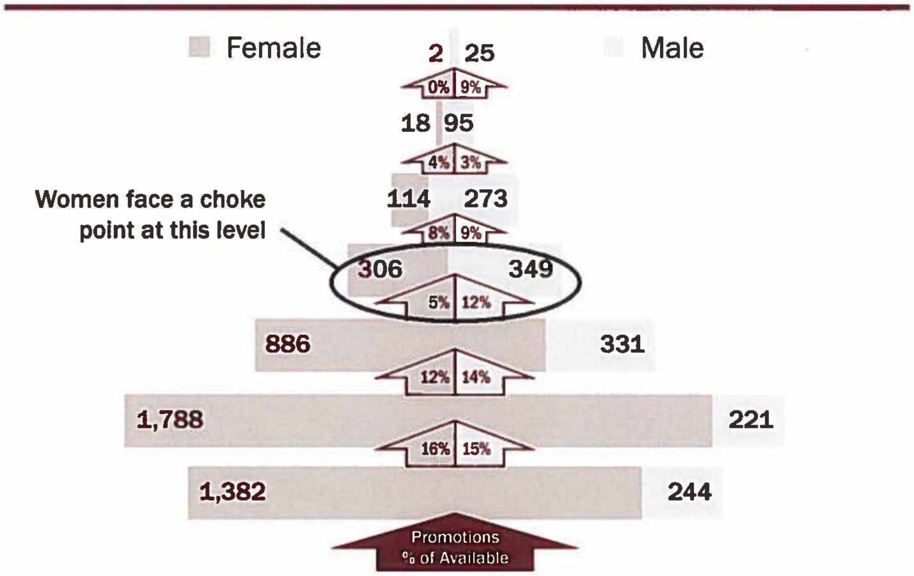
Part of the problem, he says, is that companies that build talent internally require velocity inside the organization. But velocity goes hand in hand with growth. And in the recovering economy, growth has slowed or been non-existent, new positions haven't been created as quickly, and turnover has stalled. Therefore, a lot of companies have begun seeing choke points in junior management or at the supervisor level, says Nalbantian.

"All of these forces are helping to create in many organizations — not all, but many — this phenomenon of low velocity," says Nalbantian.

At Kimberly-Clark, the company identified several specific reasons for the choke points. First, women weren't applying for higher-level jobs. They didn't believe they were qualified, says Dodsworth, even though they were.

Female Talent Frozen in the Middle

Chart shows male and female average active employees and available promotions



Source: Haig Nalbantian; Mercer; disguised case example

And, importantly, women weren't being sponsored by men, which turned out to be a key issue for advancing women internally.

Betty Spence, president of the **National Association for Female Executives**, says sponsorship is gaining steam at companies right now because it's effective, particularly when women have male sponsors. Sponsors can advocate for women getting into certain positions, and can support them while they're in the position.

Plus, male sponsors are typically connected to the upper echelon of a company.

That sponsorship, she adds, has been a "missing link" for women for years.

There used to be a taboo against men sponsoring women, because it could appear tawdry and even reflect negatively on women, says Spence. But if men throughout a company sponsor women and it becomes part of the company's culture, the awkward elephant-in-the-room questions don't come up.

"When an organization makes sponsorship part of the culture, there are not the same issues," says Spence. "You do not wonder why John is walking around talking to Gail all the time because Jim is with Linda and Pete is with Sally.... Any smart company is doing that right now."

In order to encourage more sponsorship at Kimberly Clark, Dodsworth says she had to ask men in senior positions to think hard about whom they were sponsoring. And if there were no women, she asked people to reflect on the reasons why. She adds that she recently heard from one of the company's presidents in the Asia-Pacific region, who told her that he is now sponsoring 20 women after reconsidering whom he was sponsoring.

Falk also led an effective exercise that helped spur sponsorship. He asked his senior executive team to think about who took a chance on them in their careers, and to write down their names. He then asked the executives who among their employees would say they took a chance on them.

Falk asked if the employees who would say the senior executive took a chance on them looked like the executive.

If they did, he asked the executives to consider how they could be more inclusive in sponsoring employees who didn't necessarily fit their mold.

In addition to sponsorship, Dodsworth says developing a culture of accountability helped move women up as well.

Essentially, the company stressed that employees can do their jobs well without doing them from a desk during the hours of 8 a.m. to 5 p.m. each day.

Therefore, initiatives such as compressed workweeks, telecommuting and flexible work times lost some of the stigma. There are just as many men utilizing those programs as women, she says. Plus, Dodsworth adds that the Millennial generation expects such flexibility as a given nowadays.

Brande Stellings, vice president of corporate board services at **Catalyst**, says that organizations generally make more progress in advancing women when executives are transparent and lead by example.

For instance, one executive who works for Kimberly-Clark in Turkey mentioned that she is open with employees when she needs to leave to take care of a family matter, and it makes it OK for them to do so as well.

"If you have a policy on the books but people are muttering something else, those policies aren't effective," says Stellings. "Shifting the focus to results — are they delivering the business results? — is key."

Ultimately, Dodsworth says all those initiatives plus good recruiting internally and externally led to better talent management at Kimberly Clark. But one of the most critical factors was the fact that Falk and all his direct reports talked about increasing the representation of women "all the time," says Dodsworth.

"He just didn't leave it alone and neither did they, and it's become part of our vocabulary," she says.

Today, figures from women's advocacy group Catalyst show that from 2009 to 2013, the company increased the percentage of women in director roles or higher to 26%, from 19%.

Internal promotions of women to director-level jobs or higher increased to 44%, from 19%, and the board is now composed of 25% women, from 16.7% in 2009. The company was also recognized this month with a highly coveted award from Catalyst for its initiatives in increasing the number of women working there.

Nalbantian says he was shocked at the progress Kimberly-Clark made in the two years after his analysis. He had estimated it would take three to five years to overcome the workforce issues he uncovered.

"I'm stunned," he says. "I think that's a marker of how intense their leadership was around this and how much senior leadership embraced the diversity strategy put in place and ensured that people acted on it." ■

Amanda Gerut (212-542-1246 or agerut@AgendaWeek.com) covers succession planning, board composition and director pay.