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in the Federal Government.”

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Introduction

Chairman Akaka, Ranking Member Voinovich, members of the Subcommittee, thank you for inviting me to testify this afternoon on the topic of leadership development and training in the federal government.

My name is Laura Mattimore. I am the Director of Leadership Development at the Procter & Gamble Company, where I am responsible for the processes and systems we use to develop leaders at all levels—from the highest level executives to new recruits. The P&G community includes approximately 127,000 employees working in 80 countries worldwide. Four billion times a day, our trusted brands—including Pampers, Tide, Bounty, Pantene, Duracell, Olay, Gillette and Braun, to name a few—touch the lives of consumers in virtually every country of the world.

Our position as the leading consumer goods company in the world is attributable to one factor above all others—the quality of our people. Our former president and chairman Richard Deupree captured our philosophy on personnel with this statement made in 1947:

“If you leave us our money, our buildings and our brands, but take away our people, the Company will fail. But if you take away our money, our buildings and our brands, but leave us our people, we can rebuild the whole thing in a decade.”

We realized early on that our employees are our strongest competitive advantage, and every day we work to increase and develop that advantage. To tap the full potential of our employees, we developed a rigorous and disciplined approach to leadership development in every business, in every region, and at every level of the company. Bob McDonald, P&G Chairman & CEO, whose commitment to leadership development inspires our leadership programs today, explained why leadership is a strategic priority:

“At P&G, our Purpose is to touch and improve consumers’ lives, now and for generations to come. Our growth strategy is inspired by our Purpose: To touch and improve more consumers’ lives, in more parts of the world, more completely. We cannot execute our growth strategy effectively, nor can we fulfill our Purpose fully if we fail to develop Leaders at all levels in the Company. Touching and improving lives starts with our own people. We have no hope of touching and improving consumers’ lives if we don’t touch and improve employees’ lives. One leads to the other. This is just a simple reality, and it is a primary responsibility of leadership.

The most important way we improve the lives of employees is to invest in their growth and success. We hold ourselves accountable at P&G not only for attracting top talent but also for providing the experiences, coaching, training and relationships that ensure people grow to their full potential as leaders. This pays enormous dividends because when people develop the skills to lead, and are then inspired by our Purpose to do great things, P&G is able to be a force for good in the world. It’s a powerful, virtuous cycle. It’s why we’re proud of our Company and why so many of us invest our entire careers at P&G.”

The P&G leadership team in place today is an ideal example of how P&G develops leaders. The current team is the most experienced and diverse leadership team in company history. The majority of P&G executives have experience leading businesses in both developed and developing countries. They know how to compete in markets where P&G brands are established leaders and where P&G is a new player. They have the experience and skills to lead P&G in today's fast-changing global economy. These women and men have been preparing for the responsibilities they have today since they joined P&G two or even three decades ago. They were often identified as top development candidates early in their careers. They were given a diverse mix of assignments to broaden their experience. They received coaching from senior managers and proprietary training at each critical step of their career. Their contributions and capabilities were reviewed with P&G's Board of Directors. When it was time for them to move into the company's most senior management positions, they were ready. This is how P&G develops each new generation of leaders. We hire the best and build from within through systemic development and planned experiences.

P&G Leaders – Built from Within

P&G people are the company's most important asset and source of competitive advantage. Our success depends entirely on the strength of our talent pipeline, which we build from within and manage with a disciplined process led by the CEO and the senior leadership team. This is an essential element of how P&G is designed to lead.

While we rely heavily on our Leaders to recruit, teach and coach, we also work with several select outside consultants and partners to ensure that we are well connected externally and continue to bring in new, leading-edge thinking into the Company. P&G has also grown through several acquisitions over the past decade, which again allows us to bring in new talent, best practices and external perspectives.

P&G's firm commitment to develop talent and fill leadership positions internally makes us one of the few remaining companies in our peer group to maintain a true "build from within" approach. This afternoon, I would like to highlight the major aspects of our approach to leadership development, the metrics we use to measure success, and the outcomes of our efforts.

Our Purpose is the Foundation

Our Purpose, Values and Principles are the foundation on which we develop leaders at P&G. Our shared Purpose – improving the lives of the world's consumers – in addition to our values – trust, integrity, ownership, leadership, passion for winning – unifies us as we collaborate as a team internally and compete to win externally. Our Purpose is a key enabler of our recruiting efforts, as it helps us to attract top talented people who want meaning in their lives and find a strong sense of connection to our company Purpose. Our Purpose and Values shape how we build leaders at P&G in terms of the capabilities we look to develop and the experiences we provide to grow our next generations of

leaders. A significant amount of time is invested in training our leaders as stewards of our Purpose, Values, and Principles on business ethics and compliance.

We Seek to Hire the Best

Our first priority is to bring the brightest and most qualified people into the company. We seek to hire the best students from universities and bring them into the company at entry level. Hiring our employees early in their careers allows us to develop their talent and give them experiences that will broaden their leadership capacity for more senior positions. Our recruiting process is designed with that in mind.

Our culture and performance make P&G an employer of choice in those communities in which we operate. During our last fiscal year, we received approximately 200,000 applications in the U.S. (management and non-management positions) and 600,000 total applications for open positions around the world. We hired less than one percent of those applicants. To screen such a large number of applicants, we follow a robust, proven selection process that results in offers being extended to the highest quality applicants. Our recruiting process is a combination of computer-administered assessments and face-to-face interviews that are designed to measure intelligence, assess character and leadership, and predict success at P&G.

These measurements—which we refer to as “Success Drivers”—allow us to answer critical questions about applicants related to their potential to lead, innovate, act decisively, build relationships, embrace change, operate with discipline, and grow capability, among other attributes. We developed these Success Drivers with input from more than 2,000 employees, consumers, external partners, institutional investors and alumni. Each of the 4-5 steps in the recruiting process eliminates a significant portion of the applicant pool. When we are confident we have identified the most qualified candidate for an opening, an offer is extended, and the overwhelming majority of those offers are accepted. We work hard to encourage a diverse mix of applicants, and as a result we have consistently hired a racially and gender diverse mix of high potential individuals.

Hiring the most talented employees we can find is an essential part of our vision for the future of the company, but it is just the beginning of our leadership development efforts.

We Invest in Training

Once on board, P&G invests significant resources in training our employees, and this continues throughout their career with the company. A unique aspect of training at P&G is the engagement of our senior leadership as trainers. Our CEO and board members devote significant time to training, especially in the programs targeted to senior leadership development. Our goal is to foster a learning culture where leaders teach leaders at all levels of the company. P&G’s training programs are customized to the experience level and specific assignments of our employees so they can continue to build capacity as they gain experience and assume new roles.

Every layer of management (middle management, senior leaders, and executives) is responsible for training, coaching, and mentoring the employees in their business units and functions. Leaders at all levels are held accountable for building the business and building the organization.

In addition to on-the-job experience, we provide a wealth of technical, functional and leadership skills training. P&G currently operates nearly 300 corporate and functional training programs, and aggressive adaptation of technology allows leaders to develop skills remotely and outside of the formal classroom setting. Some programs are offered at career milestones, such as when an employee first takes on responsibility for managing others or leading an organization. Other programs take managers out of the classroom and into retail stores or even into consumers' homes. This process not only helps P&G people develop business skills but also deepens their commitment to touching and improving consumers' lives—which is P&G's enduring purpose.

Once employees have gained more experience, advanced training is offered through our functional capability programs. These programs are tailored for the employee's specific field—research and development, marketing, external relations, finance and accounting, human resources to name a few—and give the employee opportunities to develop skills necessary to excel in their current roles and in other potential roles within their function.

Manager capability programs are offered for those who manage other employees. Courses offered at this level emphasize the skills necessary to successfully manage, motivate, inspire, and grow the capabilities of direct reports. Programs are customized for new managers and emerging leaders, as well as for unique regional and cultural needs.

For those at the associate director level and above, we offer programs focused specifically on leadership development. These include our Executive Leadership Program, General Manager College, and Leadership Forum. Participants in these programs receive direct instruction and training from our most senior executives, supplemented by select external thought-leaders and experts. Through these programs, participants are able to develop leadership and management skills that will allow them to further succeed in executive positions within the company.

We also use technology to enable knowledge transfer and real-time learning. One example of this is our online portal that we use as a “hub” of P&G's Purpose and strategy. It helps employees establish a clear line of sight between what they do every day and the higher order Purpose of “touching and improving consumers' lives.” The content on the site is vibrant and dynamic, with leaders offering their perspectives and bringing the purpose to life. The site also facilitates ongoing dialogue with employees and provides access to learning networks and virtual communities.

We Plan Careers

Talent is only half of the leadership development equation. In order to fully develop leadership capacity, employees at all levels must be given appropriate opportunities and assignments that broaden their experience and exposure to the company. Understanding the various roles within and the kinds of experiences they provide enables us to effectively match employees with the right development opportunities.

Each year, P&G employees are asked to develop what we call a “Work and Development Plan.” This plan is jointly developed by the employee and his or her immediate manager and is reviewed at least quarterly. Through the W&DP, employees are asked to prioritize their work for the coming year, set goals, identify future roles and responsibilities to which they aspire, and plan how to leverage strengths and make improvements in specific areas. This gives both employees and managers a clear sense of the employee’s current objectives, and direction the employee would like to take his or her career within the company. Once potential future roles are identified, managers identify opportunities that will help the employee develop the capacity to fill those roles. In this way, employees are not only fulfilling clear objectives in their present responsibilities, but they are developing capacity for future assignments and the leadership skills that will be necessary in new positions.

The career development of P&G executives is directly overseen by our Chairman & CEO, Bob McDonald. Talent development is a strategy-led process that balances short-term business and talent needs with long-term development needs. It is an active engagement of senior level business and function leaders, taking collective responsibility for developing P&G talent. Through a frequent rhythm of face-to-face forums that allow for open and transparent discussions, a balanced set of staffing decisions are made for the best interests of the individuals, businesses and corporate functions of the company.

Once a year, Mr. McDonald meets with the board of directors for a comprehensive review of leadership needs and multigenerational succession planning for the CEO, vice chairs, group presidents and functional officer positions. These annual reviews are supplemented by 2-3 additional board-level discussions each year. Through a number of other monthly, quarterly and annual reviews, Mr. McDonald meets with other members of our senior management team to determine executive staffing needs, review the individual performance of executives, plan assignments and opportunities that will give executives the skills and experience needed for future roles, and identify mid-career employees as candidates for a general manager career path. Successful leadership development at this level is a strategic imperative for the company and the process is meticulously undertaken. Similar processes and tools are used throughout the organization – in functions, business units, and regions – for assignment and development planning of talent more broadly in the company.

Business and Functional Leaders Actively Recruit, Teach and Coach

Managers at all levels participate actively in the leadership development of more junior employees. Our CEO, vice chairs, presidents and functional officers actively recruit on college campuses, teach in our executive education programs, and serve as mentors and

coaches for younger managers. They play a critical role in identifying, mentoring and developing the next generation of senior executive leadership in the company.

Several times each year, our senior executives attend college campus recruiting events, often accompanied by a team of junior managers who are recent graduates of the target school. They speak with recruits individually and answer questions about life as a P&G employee. Our leadership team recognizes that this investment of time plays an important role in making P&G the employer of choice for the most talented graduates.

P&G managers (including our executive team) also engage employees at all levels through our training programs, some of which are discussed above. Our senior Leaders spend a significant amount of time training and coaching. In fact, the Executives' offices are contiguous with our training center to enable their regular and active participation in learning events. Through these regular programs, our senior executives are able to share their vision of the future of P&G and discuss experiences that helped them achieve success at each level in their own careers. These are two-way discussions that also allow our executives to solicit ideas and feedback from participants, answer questions, and to get a better sense for the challenges employees experience.

Junior managers are also mentored by our more senior managers and executives, particularly those who are identified as top performers with strong leadership potential. These one-on-one coaching relationships allow young managers to develop the skills necessary to lead large businesses and organizations within the company.

We Measure Performance

Every employee at P&G—from the most junior recruits to our Chairman & CEO—is evaluated for performance and results. The outcome of these performance evaluations is used to determine employees' compensation and eligibility for promotion.

For all employees, performance is measured against the key work priorities and developmental goals established in the employee's Work and Development Plan. Employees are held accountable for results in two areas: contributions to building the business and building the organization. Performance feedback from peers and direct reports is also gathered as part of the review in order to assess both what was accomplished as well as how the results were achieved.

For Vice Chairs, Presidents, and Line General Managers in the Company (i.e., those with P&L responsibility), a performance scorecard is also completed which also assesses the leaders' business and organizational performance. Objective data is gathered for a two-year period on 6-11 key business metrics, depending upon the leader's role (e.g., volume, sales, profit) and an additional 11 organizational metrics (e.g., ethics & compliance, P&G annual survey results for their specific business unit). These data are used, along with a retrospective assessment of the manager, to determine the employee's overall performance evaluation.

Collectively, P&G employees are accountable to the shareholders who own our company. We are also accountable to the consumers whose lives we touch every day. In many cases, they are the same people. By measuring performance against clear and objective goals and benchmarks, we strive to ensure that our individual and collective efforts as P&G employees result in superior financial performance of the company and superior products that improve people's lives. This process also ensures that leaders who rise to senior management positions in the company have demonstrated exceptional performance throughout their careers.

Metrics Used for Evaluating Success

There are several key talent metrics that are used to track and measure results, including:

1. Bench Strength: sustained, measurable performance over time; best qualified talent in mission-critical roles with at least 3 highly qualified candidates identified and ready to fill each role
2. Flow-Through: employees moving in and out of the organization: recruiting, attrition, promotion rate
3. Pipeline: number of high potential candidates ready relative to number of available roles; high potentials with robust assignment and development plans, mentors in place
4. Interchange: number of moves within and across business units; Expatriate assignments
5. Continuity: percentage of leaders moved in previous year with 3+ years in role, 5+ years in role
6. Constellation: critical mass of complementary skills and experiences on leader's Core Business Team
7. Sequencing: transition timing; continuity among leader's Core Business Team
8. Diversity: diverse mix in the pipeline by gender, ethnicity, culture, geography, experiences

Outcomes

P&G's rigorous leadership development program yields three significant outcomes. First, all strategic jobs at P&G are filled by experienced employees who have demonstrated superior performance in previous assignments, and show the greatest potential in future roles. Our bench for these positions is deep; we typically have three or more internal candidates identified for each strategically significant job, each of whom also has received top marks for performance and potential.

Another outcome is a globally diverse organization and leadership team that reflects our consumers. Approximately 60 percent of P&G's sales are derived from outside the United States, and we anticipate that a significant portion of our future growth will occur in emerging and developing markets. Our leaders at the vice president level and above have backgrounds from 35 countries, with more than half of them originating from outside the United States. Additionally, 85 percent of our leadership team has had one or more international assignments. We are also ranked among the top 10 companies for

executive women by the National Association for Female Executives. The diversity of our leadership team mirrors the diverse base of consumers we serve, which helps us to better understand our consumers and respond to their unique needs.

Finally, our leadership development efforts produce multi-disciplinary leaders with capabilities needed to succeed today and in the future. Members of our leadership team each have broad experience across a variety of P&G businesses, organizations and functions. They have both breadth and depth of experience. They can see the big, strategic picture but can also engage on the more operational aspects of execution. Their talent was often recognized early in their careers and they were given carefully selected opportunities to prove themselves and grow their skills.

Conclusion

The future of Procter & Gamble depends on our investment in leadership development today. We take pride in the processes and policies we have developed that allow us to recruit the best, provide effective and relevant training to all employees, identify and enable top performers, and assemble a powerful leadership team—at all levels of our company. Leadership is a competitive advantage for P&G not only because our executive team is world class, but also because the leadership of our plant technicians, junior and line managers, and emerging leadership is world class as well.

Chairman Akaka, Ranking Member Voinovich, and other members of the Subcommittee, thank you again for inviting me to testify at this hearing.