

Historian, activist, college president, and best-selling author, Jill Ker Conway exudes the richness of a 70-year journey from a remote sheep ranch in west Australia to the inner sanctums of some of the world's most prestigious institutions. And fellow directors insist that shareholders are far the better for it.

"On a scale of one to 10, Jill is a 12," states Nike founder and chairman Philip Knight. Conway sits on the Nike board. "Jill is a standout. A pioneer in board accountability," says David Johnson, fellow director at Colgate-Palmolive and former CEO of Campbell Soup.

Conway is characteristically uncomfortable being singled out. "Boards are teams," she insists, stressing how important this is, particularly at Colgate-Palmolive where the board comprises just one inside and seven outside directors. During her 21-year tenure at Colgate, its tight-knit board has worked hard to maintain a culture of financial transparency and high caliber management development. "Jill is at the forefront of all of it," says longtime Colgate CEO Reuben Mark.

Colgate-Palmolive fascinated Conway because of its long history, global reach and importance for women. "Household and personal hygiene are primarily women's issues," says Conway, noting that her association with the company brings one of her great political and personal causes to a corporate setting. The company was huge when she joined the board in 1984 but its performance was lackluster. Reuben Mark became CEO that same year. "We had strayed far from toothpaste and soap. Reuben brought us back," observes Conway.

Mark's skill at building his management team and growing earnings year-on-year led Conway and her colleagues to a whole new place in executive compensation. As chair of the board's Personnel and Organization Committee in the early

1990s, Conway spearheaded the development of a mold-breaking options package to motivate and reward their mold-breaking chief executive. "The above-market options we gave Reuben married his risk-taking nature with best practice," she recalls. "He wasn't interested in cash. He just wanted shares in the business." Mark confirms that it was a pioneering concept to construct a package containing only premium-priced options. "I was part of driving it. Jill could see I was willing if the reward was there," he recounts.

With Conway at the helm, the board worked overtime to thoroughly understand and convince itself that the risk profile of the tiered package was right. "What we came up with was far more

crazy to accept such a package but he wished they all would," says Conway with a smile. "We all held our breath for a couple of years, knowing Reuben would get nothing unless the stock price doubled," adds England.

After 10 years and two stock splits, the original one million shares had become four million and the stock price surpassed all the premiums and hit all the benchmarks. When the options were about to expire in 2003, Mark exercised them, giving him a stock gain of more than \$130 million. This set off a small firestorm in the business press. With total compensation of \$148 million that year, Mark landed in the No. 1 slot on Fortune's 2004 list of highest-paid CEOs. At the same time, Fortune gave

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DAVID JOHNSON • FELLOW COLGATE-PALMOLIVE DIRECTOR

performance sensitive than anything seen anywhere else in corporate America," says Towers Perrin compensation consultant John England, who worked with the comp committee to structure the program. In January 1993, the board granted Mark one million share options. All options were set at premiums ranging from 10% to 80% of market price on January 13, 1993. A full 40% had an exercise price set at an 80% premium. Mark was to receive no other options grants for five years. Moreover, the board put in benchmarks. For the options to remain active for their full 10-year term, the stock had to appreciate by 60% within six years and 80% within eight years. Otherwise the options would expire at the end of the six or eight years.

Experts came out of the woodwork to applaud the landmark compensation package. Both Conway and England remember Bloomberg News executive comp guru Graef "Bud" Crystal's reaction. "He said a CEO would have to be


him a "pay for performance" grade of C. Admittedly, the year in which Mark cashed in on his 1993 package was not as strong as he or shareholders would have liked. But Fortune appears not to have fully taken into account the fact that the payout reflected all 10 years of prior impressive shareholder value creation. Colgate's rate of growth over that term was more than double the S&P 500 and the stock price had nearly quadrupled, moving from \$13.86 to \$53.96 per share.

A \$10 million grant in restricted shares that was included as part of Mark's compensation for "recognition and retention" also fueled controversy and led the Association of Federal, State and County Municipal Employees (AFSCME) to withhold votes from Colgate compensation committee members, including Conway. AFSCME argued that the grant was excessive since Colgate's five-year return greatly lagged its peers. Conway, however, makes no

JILL KER CONWAY

for leading the charge at Colgate-Palmolive to design a pioneering CEO compensation plan

PIONEERING SPIRIT



The free thinking Conway sparked changes at Colgate-Palmolive and Nike alike.

BORN: October 9, 1934, in Hillston, New South Wales, Australia (pop. 150)

EDUCATION: B.A., University of Sydney; Ph.D., Harvard

CAREER HIGHLIGHTS: Visiting scholar, MIT; president, Smith College; vice president, University of Toronto

HOMETOWN: Boston and Conway, Mass.

FAMILY: Late husband John Conway

MOST MEMORABLE SUMMER JOB: Herding sheep and mending fences on the family farm

BEST VACATION IN THE LAST FIVE YEARS: Visiting "the amazing" Greek remains in Sicily with Australian friends

BEST BOOK READ IN THE PAST YEAR: *The Nature of Sacrifice: A Biography of Charles Russell Lowell, Jr. 1835–1864*, by Carol Bundy

FAVORITE COMPOSER: Beethoven

FAVORITE WRITER: Shakespeare

SOMETHING ABOUT ME IT WOULD SURPRISE PEOPLE TO KNOW: "By definition I can't know that."

CURRENT BOARDS: Colgate-Palmolive, Merrill Lynch, Nike



apologies, calling the award both standard practice and necessary to retain a valuable leader during a difficult transition from the long-serving Mark to a successor CEO. "For five years Jill has kept our noses to the grindstone to push the succession process along," says Mark, who is 66 years old and past the company's normal retirement age. He reports Conway kept pressure on management to push along the decision-making process that has resulted in naming COO Ian Cooke as heir apparent.

"To highlight one or two areas where she has made a major difference is to sell her short," says Nike's Knight. Nonetheless, he feels she has made unparalleled contributions to Nike's corporate responsibility efforts ("And boy, did we need help," he adds) and to the role of women in the company.

Longtime Nike director Ralph Denunzio credits Conway with taking on the hardest issues, championing corporate responsibility and raising the bar not just at Nike but industry-wide.

Knight says he did not know Conway when a few board members recommended her in 1987. She became their first female director and immediately took it on her shoulders to become a sounding board for women throughout the organization. "We were just a bunch of white male runners off the track of University of Oregon," says Knight. "Jill helped us make Nike a comfortable place for women to work." Her interest and efforts as a self-proclaimed "high school jock" have led to enormous expansion and success in the company's women's lines and to Nike's ability to attract and retain top female talent like VP of Global Apparel

Mindy Grossman from the \$25 billion women's apparel industry.

When Nike found itself under fire from non-governmental organizations (NGOs) about conditions in its overseas footwear factories, Conway took the bull by the horns. She visited facilities all over South and Southeast Asia, learning about the manufacturing and supply chain, meeting with workers and managers and understanding the issues and goals of NGOs. Knight says, "We honestly thought things had gotten much better when the trouble started. Jill convinced us not to argue but to move forward." Conway instantly understood that Nike did not know how to communicate with the not-for-profit sector. "Foundations are naturally part of my world. The networks I have used over many years of promoting women's rights and education were very helpful," she explains.

The Nike board set benchmarks, managed to them and initiated a communications campaign about its actions and results. Explaining that 85% of factory workers are girls who come from rural villages at about 18 years old, live in factory housing and spend three to four years on the job, Conway draws a parallel with college girls living in cramped dorm rooms and making the crucial transition to young adulthood. "It is my goal, and Nike's, to turn the experience from drudgery to something positive," Conway vows. Although the battle is not yet won, Knight credits Conway's leadership in getting the company on the right track. He reports that Nike is now No. 31 on the list of most responsible U.S. corporations.

Conway sees her life as a triptych: one third dedicated to her writing, one third to not-for-profit work and one third to business affiliations. Even as mandatory retirement age looms at Colgate, Merrill and Nike, she has enough going on to more than fill the time. "I plan to get heavily into land preservation," she asserts, determined to save some of America's last unspoiled farmland in her beloved western Massachusetts. ○