

It's not what you know: What workplace meritocracy really means

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Ruth Medd: “Merit is not a fixed concept; it can vary according to circumstances and is subject to people’s judgment of what constitutes merit.” **Photo: Andrew Quilty**

It is rare, if not unheard of, to find an employer who does not claim that appointments and promotions in their organisation are based on merit, yet the evidence is usually to the contrary. Most workplaces have managers and executives who are manifestly employed beyond their competence. To rub salt into the wound, competent employees are routinely overlooked for roles that are filled by people of dubious suitability and qualifications.

Discussions about the role – and absence – of merit in hirings and promotions are a staple of water-cooler conversations. Merit comes into particular prominence whenever discussion turns to quotas for women in senior management and board positions. Employers insist quotas are the antithesis of hiring on merit.

Most recently, merit became a front-page issue with the appointment of incoming Prime Minister Tony Abbott’s new cabinet. It has just one woman – Foreign Minister Julie Bishop – and the new Prime Minister insists that merit, not quotas, will be the basis of promotion.

Former Labor Speaker of the House of Representatives Anna Burke also raised the issue of merit when she was excluded from Labor’s frontbench. Despite the presence of 11 women on

the Labor frontbench, Burke argued that her exclusion was based not on merit but factional deals.

“The problem with women is that they think effort will be rewarded and recognised,” Burke fumed. “They work like girly-swots and naively believe that they will get meritorious selection. But there is no meritocracy.”

Critics snipe that women (and others) who decry the absence of a meritocracy are simply also-rans indulging in sour grapes, but successful women also acknowledge the widespread failure to appoint on merit.

Brisbane company director Kirstin Ferguson could easily keep concerns about merit to herself. The former Air Force officer, lawyer and company executive is flourishing on the directors’ circuit. She is the advisory board chairman of construction giant Thiess and sits on the boards of privately owned timber company Hyne, Queensland government-owned corporation SunWater and the Queensland Theatre Company.

“It’s clear that equality of opportunity hasn’t necessarily led to an equality of outcomes for women,” Ferguson says.

“Having a merit-based society has always been considered fundamental. I’m obviously of that view, but [a meritocracy] requires a level playing field, which I feel doesn’t exist.”

Ferguson admits she is at a loss to explain why the proportion of women in senior management and board roles is still so low. But she is convinced that discrimination is not always to blame.

“A lot of organisations believe they’re doing everything in their power to appoint on merit, but if you look at the numbers [of women in senior positions] you’d have to question that, but it doesn’t mean that people aren’t genuine about merit.”

A subjective question

One possible explanation, she believes, is that merit is subjective. Ferguson does not support quotas as the answer to boosting the number of women in leadership positions.

“The problem I see with using quotas to speed up the pace of change is that the cons outweigh the benefits.

“Research around the world shows that women who have been hired under quotas are perceived as being less competent, whether it’s true or not. I don’t believe the answer is quotas.”

As an in-demand company director, Ferguson says she has the opportunity to make a difference to organisations' gender and diversity strategies.

"I ask the questions that need to be asked, I talk to the chief executives of these organisations about what their strategies are and I work with management on some of their strategies."

As well as the influence she can wield in boardrooms, Ferguson says the biggest contribution she can make to "widening the gaps in the glass ceiling" is to be herself.

"Authenticity is a really strong value of mine. I work hard, I'm myself, I believe I can fulfil the opportunities I'm given.

"My gender is the least interesting aspect of who I am. I have a lot more interesting things to offer than being a woman."

The chairman of fund manager Australian Ethical Superannuation and co-founder of the Women on Boards network, Ruth Medd, says it is not enough to simply believe in merit. Even organisations that set out to hire on merit can end up delivering very different outcomes.

"Merit can mean many things," Medd says. "Merit is not a fixed concept; it can vary according to circumstances and is subject to people's judgment of what constitutes merit."

Boards that insist on only selecting directors with previous board experience, for example, will necessarily exclude people who are otherwise qualified for the position. Similarly, board chairmen who favour former chief executives as directors are locking out potential candidates from diverse backgrounds.

"In both cases they would argue that they are hiring on merit," Medd says. "Merit is an issue you have to be fairly explicit about. You have to make it clear when you put together selection criteria that you're interested in a diverse range of candidates."

Defined by status quo

The managing director of corporate governance analyst Regnan, Amanda Wilson, agrees that merit is a subjective concept that is often honoured in the breach.

Merit, Wilson argues, becomes less apparent the higher up the management echelons and is often defined by the status quo: executives are attracted to other executives who think, look and behave like them.

"Senior management ranks can be like a guild at times. The barriers to entry are real. It's not unconscious bias, it's conscious bias," she says.

“These companies are not thinking about what skills they need to get where they want to be, they’re just replicating where they’ve been. To me, it comes down to this: If merit were in operation then you’d have more diversity, and executive ranks wouldn’t be so homogenous.”

A survey by Diversity Council Australia confirms the lack of diversity in the leadership ranks of Australia’s biggest companies.

The research, Capitalising on Culture, surveyed ASX200 companies on the cultural origins of their leaderships. It found that 22.2 per cent of directors are “culturally diverse” – defined as people coming from non-Anglo-Celtic backgrounds – as are 21.9 per cent of chief executives, 19.9 per cent of senior executives and 13.5 per cent of board chairmen.

Despite Australia pinning its hopes on capitalising on the “Asian century”, only 1.9 per cent of executive managers and 4.2 per cent of directors come from an Asian background.

A consultant and researcher who specialises in leadership issues, Peter Fuda, principal of Sydney-based firm The Alignment Partnership, believes that merit is in the eye of the beholder – which is why the stated intention of appointing on merit so often falls down in practice.



The Alignment Partnership’s Peter Fuda says merit is in the eye of the beholder. **Photo: Nic Walker**

“Yes, merit is worth aiming for, but it’s a word; you ask seven CEOs what merit is and you’ll get seven different answers,” Fuda says.

“The great inhibitor of merit is that human beings do the hiring and we’re all subject to our own subjectivity and unconscious bias.”

Fuda says formal recruitment systems, not honourable intentions, are the key to achieving merit in workplaces. He advocates the use of recruitment panels to interview candidates, setting objective selection criteria, such as the technical skills and standards of behaviour required, and conducting multiple interviews with candidates, ranging from three to as many as seven in the final stages.

“The very first thing that the hiring group needs to do is agree on what merit looks like for that role. The criteria might include people leadership skills, management expertise, technical expertise, and if it’s for an Asia role, has the candidate worked in Asia before?” Fuda says. As well as agreeing on criteria, each criterion should be given a weighting by the panel.

Having formal recruitment systems and processes is one thing, but the problem, Fuda admits, is many companies that have them don’t utilise them. And even if they do, the thoroughness of their implementation varies. In Fuda’s experience consulting to some of Australia’s biggest companies, the higher up the leadership hierarchy, the less is the commitment to formal recruitment processes. Fuda recalls a company that had sophisticated systems, but a compliance rate of only 35 per cent by hiring managers. In many cases, these systems can be too involved.

“Managers and leaders are more likely to bypass the system if they feel that it’s unnecessarily complicated or over-engineered,” he says.

In one organisation Fuda found there were 25 steps on the path to hiring the successful candidate.

Some executives balk at such complexity, but Fuda says it is up to HR departments to make an internal business case for recruitment processes.

“It’s important to have a narrative and context around these systems that allows management to understand why they’re so critical,” he says.

But Fuda warns that not even rigorous systems can prevent the wrong person from being hired.

“The dilemma is that ultimately it’s a human being who has to make a call. There is no number of checks and balances that can change that.”