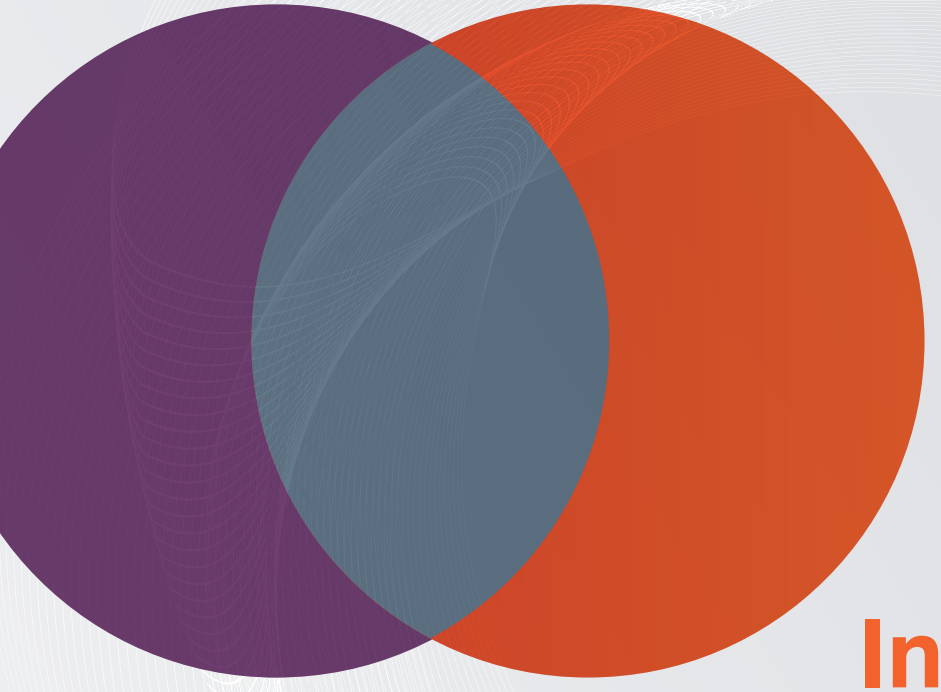


In the eye of the beholder

Avoiding the Merit Trap

CEW Women Leaders Empowering All Women

CHAMPIONS OF CHANGE COALITION

Chief Executive Women and the Champions of Change Coalition share a common goal – a significant and sustainable increase in the representation of women in leadership. We are working together to identify approaches towards this end, put them into practice, and disseminate those that are successful.

We firmly believe that everyone in business should be judged on their merits and not factors such as race or gender. Yet there's a common barrier that intervenes between the belief in and application of a merit-based system, particularly when it comes to making unbiased decisions about people. To make progress on gender equality and reap the benefits of diversity, it is critical for us to confront the often unintended obstacle that our use of 'merit' presents.

The ingredients for merit include both performance and potential. Past performance can be assessed as long as performance benchmarks and outcomes are clear. However, evaluating potential is subjective. In many recruitment and promotion decisions, what adds up to merit for some is invisible or detrimental to others. This allows bias to cloud judgement on key decisions.

Why does this matter? Because adhering to an un-interrogated idea of merit means there is no examination of biases. And, it reinforces the idea that gender inequality is about supply side problems rather than demand. So organisations miss out on the best talent and are fishing in an ever smaller pool of candidates. A pool that fails to reflect the community our organisations serve.

If we continue to define 'merit' as people 'like us' who have done what we did, we will get more of the same.

In this resource we offer what we have learned about how biases can influence the way merit is understood and applied. We share some of our efforts in this area with a view to delivering something much closer to where we all want to work: a true meritocracy.

CEW Women Leaders Empowering All Women

CHAMPIONS OF CHANGE COALITION

We recognise women in all their diversity

We recognise that efforts to advance gender equality have not lifted all women equally.

By highlighting the specific demographics of people who experience exclusion, we increase the issue's visibility and boost understanding of how exclusion is experienced within organisations and in society more generally. The Champions of Change Coalition takes the approach of 'inclusive gender equality' to ensure we are embedding an intersectional lens across all of our work.

Throughout this document, the terms **women**, **women in all their diversity**, **women experiencing intersecting inequalities** and **diverse people** are used. Women includes both cis and trans women. We acknowledge that non-binary people face similar barriers in the workplace, and this resource can be used to guide organisations' approaches to inclusion of non-binary people.

In referring to women experiencing intersecting inequalities, we mean the structural inequalities and multiple, intersecting and compounding barriers to inclusion and progression faced by:

- single parents and sole caregivers
- women with disability (visible/invisible)
- neurodivergent women
- LGBTIQ+ women
- women from socio-economically disadvantaged backgrounds
- First Nations women
- ethnically and/or racially marginalised women

When referring to **diverse people**, we mean the wealth and variety of people and aspects of identity that broadly make up Australia's population.

Inclusive gender equality recognises that diversity, equity and inclusion strategies must consider and engage all genders in global efforts to achieve gender equality, with a particular focus on elevating and advancing currently under-represented and marginalised groups. At its core, the intent is to create respectful, safe and inclusive cultures of belonging for all.

Champions of Change Coalition acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the lands on which we work and live. We pay our respects to Elders past and present, and commit to building a brighter future together. Our head office is located on the lands of the Gadigal people of the Eora Nation. The workplaces of our people and Champions of Change Coalition Members span the nation and the world. We extend our respects to the Traditional Custodians of all the lands on which we and our Members work and live. The 'Eora people' was the name given to the coastal Aboriginal peoples around Sydney. 'Eora' means 'here' or 'from this place'.

What is the merit trap?

When we use merit as shorthand for a package of admirable qualities that we innately recognise, we actually devalue the true concept of 'merit'. Many studies confirm that we are drawn to those who think, look and act like us. This is a problem for women working in historically male-dominated environments and roles where there are deeply held beliefs and norms about who is suitable for leadership.

Research has found that gender bias persists in many organisations, and even more so in self-labelled 'meritocracies':

- One study found that the more organisations promoted themselves as meritocracies, the more their managers showed greater bias towards men over equally qualified women. Managers in these organisations tend to believe they are objective and don't examine their biases, resulting in a **paradox of meritocracy**.[1]
- Senior men in Australian business were twice as likely to rank other men over women as effective problem solvers, despite believing that women were as capable as men in delivering outcomes.[2]
- A study of 200 performance reviews in a US high tech company found women were more than three times more likely to receive feedback about having a negative (aggressive) communication style than men, with women often criticised for behaviour that may be considered leadership credential if shown by a man.[3]

Common biases that impact decision making

Affinity bias is a tendency to favour people who are like us, resulting in homogenous teams and group think.

Confirmation bias happens when we seek to confirm our beliefs, preferences or judgements, ignoring contradictory evidence.

Halo effect occurs when we like someone and therefore are biased to think everything about that person is good.

Social and group think bias is the propensity to agree with the majority or someone more senior to us to maintain harmony.

> If we believe that men and women are equally able in a company or a country, then we should be expecting a 50/50 outcome. If we don't get that, then there is either bias or constraints to natural merit.
>
> LTGEN Angus Campbell
> Chief of Army
> *2016*

1 Catilla, E. and Stephen, B. (2010), The Paradox of Meritocracy in Organizations, Administrative Science Quarterly 55, 543-576.
2 Sanders, M. et al (2011), What stops women from reaching the top? Confronting the tough issues, Chief Executive Women and Bain & Company.
3 Correll, S. and Simard, C. (2016), Research: Vague Feedback Is Holding Women Back, Harvard Business Review, https://hbr.org/2016/04/research-vaguefeedback-is-holding-women-back [accessed 8 July 2016]

Confronting the merit trap

An unchallenged belief in merit:

- Serves to hide gender biases and protect the status quo
- Acts as a shield allowing us to assume that our systems and processes are objective, preventing more diverse outcomes.

Confronting the merit trap helps businesses to:

- Access the full talent pool
- Identify the best candidate for a particular role
- Expand business opportunities by taking advantage of diverse thinking, perspectives and experiences.

Valuing different management styles

Australian research[4] has debunked the myth that competing work and home commitments are the greatest obstacle for women seeking senior management roles. Instead the research found that:

- Many senior leaders do not value the different attributes that women are perceived to bring to a team and are more likely to promote individuals similar to themselves
- The leadership attributes perceived to be more likely to be demonstrated by men are more readily acknowledged and rewarded by most organisations.

Valuing diverse leadership is key to confronting and overcoming the merit trap.

> Merit is a trap – it is the ultimate card to play in preventing change. It is endemic across all organisations. The higher you go, the trickier it gets.
>
> Jayne Hrdlicka
> CEO, Jetstar Group
> *2016*

> Roles are changing quickly. I need people for the roles of the future. This means hiring for core capabilities – not technical capability which can be taught or bought. I need agility, broadmindedness, ability to operate in an unknown environment.
>
> Shayne Elliott
> CEO, ANZ
> *2016*

4 Sanders, M et al (2011) 'What stops women from reaching the top'

Merit alert: spot the warning signs

What people say	What might be getting in the way
He's a great cultural fit for the team	The job and who fills it is affected by our tendency to promote and select people who are similar to us.
She's not tough enough or *She's too aggressive*	Expectations that leaders possess a masculine leadership style, yet behaviours in men seen as 'commercial' are seen as 'aggressive' in other genders. Similarly, considerate behaviour in men is seen as 'rounded' and in other genders as 'weak'.
She is a great performer but some people think she's cold and distant	Competent women are thought of less positively than equally competent men.
We couldn't have done it without her, but wasn't he a great leader?	Women are given less credit for successes with which they are associated and more blame for failures.
I don't know her; I haven't spent any time with her	Using familiarity, high visibility and networking as stage-gates before assessing potential capacity to perform in a role deprives us of the full pool of meritorious candidates.
She's great but she's not ready yet	Propensity to take a risk when appointing a man is higher than when appointing a woman.
She probably won't be interested now that she has a family	Mothers are presumed to be less competent, committed and ambitious, while often held to higher standards and presented with fewer opportunities. In contrast fathers are assumed to be more committed.

SOURCE: McKinsey-Lean In (2015), Bain and CEW (2014), Catalyst (2011), Catalyst (2007)

Reflect on your use of merit

An appointment outcome is more likely to be meritorious when you critically evaluate:

1. candidates based on potential as well as on past performance
2. impact as a team member rather than as a sole contributor
3. the process to ensure bias is minimised
4. your organisation's future needs.

Check your assumptions and ensure your selection processes identify and mitigate biases which block objectivity.

Just stating that... "I always appoint the best person for the job" ... is not enough.

Check who you are appointing

- Is your preferred candidate just like you?
- Do those who are different from the mainstream get different opportunities, pay and promotions from their peers?
- Is the impact of bias, assumptions and stereotypes in talent processes unexamined?
- Does your organisation struggle to attract, promote and retain diverse recruits?

Check your idea of the 'best' candidate

- Are you labelling diverse candidates with different styles, skills and experiences as risky or a poor fit with the team?
- Are you regularly dismissing otherwise suitable candidates because they aren't seen as the 'right cultural fit' or as having a familiar leadership and communication style?
- Are you neglecting to consider the impact of each candidate on the performance of the team they will join?

Check the job description

- Are the selection criteria based on past requirements and a description of the incumbent rather than future strategic needs?
- Are requirements for senior roles heavy on specialist or technical expertise and light on transferable and leadership skills?
- Is your pipeline falling short on diverse candidates?

If you answered 'yes', then your assumptions may be getting in the way of an outcome based on merit.

Organisations tackling the merit trap

CASE STUDY

QANTAS: De-construction of jobs and requirements

2016

Context

Qantas experienced push back on meeting gender targets in senior technical roles.

"We need technical skills. There just aren't any women who have them"

Problem identified

Analysis identified that:

- Current operational leaders were often deeply technical, and technical requirements were consistently over valued vs. leadership skills
- Some senior operational roles had dated job descriptions with significant technical requirements (often driven by regulatory requirements)
- Technical requirements were shifting and many roles were under-valuing the leadership skills required to lead Qantas' transformation.

Action taken

- The leadership team tested this assertion, as the current pipeline of technical leaders had a change management skill gap to deliver the transformation
- Role requirements (particularly CEO-1 and -2) were "de-constructed" to more clearly define
  - Technical requirements
  - Leadership and other skills.

Impact

- Senior team job roles were redesigned to better align with Qantas' current and future leadership needs
- More women entered the pipeline for senior operational roles and a 2+% improvement in CEO-1 to CEO-4 women's representation over the past 6 months was achieved
- Jetstar made history in appointing Australia's first female Chief Pilot – Georgina Sutton – whose leadership skills as part of her role as Fleet Captain of the 737 Fleet made her the best candidate for the role.

Lessons Learned

- Recruiting managers may over value historically important skills that they themselves posses
- It is important to challenge the status quo and always ask 'if not, why not'?

> Past performance is not always a predictor of future success. Leaders who are doing the hiring should open the aperture and hire people for the synthesis – not the summary – of their past experiences.
>
> Diane Smith-Gander
> President, CEW
> *2016*

CASE STUDY

ANZ: Role requirements based on future-focused capabilities

2016

Context

ANZ identified the need for a new approach to attracting, recruiting and onboarding senior women with transformational capabilities.

Problem identified

Financial Services is being reshaped and ANZ identified the need for a new set of capabilities:

- Emphasis on capabilities such as digitisation, industry disruption and customer service required to lead the transformation
- Requirement to cast a broader net to identify candidates with these capabilities, in particular, outside of the banking industry.

Action taken

- CEO wrote 3 pages detailing the capabilities required such as agility, service, innovation, digital disruption
- In the spirit of 'appointing for surplus, not for deficit,' ANZ made several senior appointments from outside of the banking industry.

Impact

- Early signs of a ripple effect with more bold appointments at lower levels in the organisation, including across the bank and from outside the industry
- Highlighted the need to appoint for potential, values and diverse skill sets that are hard to train for
- Demonstrated the importance of ensuring HR processes support this approach.

Lessons Learned

- Recruiting managers often default to specific past experience as a proxy for future success in a role
- Leaders role modelling investing time to redefine core capabilities required for their top team sends a powerful message across the organisation, as do the 'bold' hires
- A new approach is required for onboarding non-bankers.

> Institutional merit is not the same as individual merit.
>
> If you choose a senior executive team based only on individual merit, you get a monologue. Institutional merit creates a strong diverse Army, not a strong list of individuals.
>
> LTGEN Angus Campbell
> Chief of Army
> *2016*

CASE STUDY

ARMY: Balanced promotion panel composition

2016

Context

The Army realised that to reach its gender balance aspiration, traditional approaches around promotions needed to be disrupted. The Army decided to examine its key decision-making processes.

Problem identified

- Personnel Advisory Committees (PACs) are convened to review and recommend officers and soldiers for promotion or long-term training opportunities. These committees have historically been maledominated and internal to the Army
- It became clear that reputation as well as a notion of a "golden road" was playing a part in promotions and that the profiles most often promoted by PAC were inconsistent with opportunities afforded.

Action taken

- PAC composition
  - Ideally, minimum of 30% women
  - Inclusion of external observers (other forces, Public Service members)
- Outside observers encouraged PACs to more actively question assumptions (e.g., reputation vs. facts, opportunities afforded, caring commitments).

Impact

- Perception of higher quality discussions and outcomes considering both past performance and potential, and greater flexibility around career pathways
- Record number of women promoted since implementation – 2 percentage point increase in women in senior leadership over past 4 years
- Improved reputation of process across Defence Force
- The Army is now in the process of making external observers full participants in the PACs.

Lessons Learned

- In concert with other measures, gender balanced panels can act as a powerful lever for change
- Outsider influence can have actual and reputational benefits.

> To avoid the merit trap requires us to use the combination of discipline in process and flexibility in thinking.
>
> Meredith Hellicar
> CEO and MD, Merryck & Co
> *2016*

CASE STUDY

KPMG: Systematic review of promotion process

2016

Context

KPMG identified a gap in women in senior roles.

"We need a more diverse team to bring diversity of thought to our clients and build a culture of inclusion"

Problem identified

- Identified root causes of lack of momentum
- Insufficient articulation of the women in leadership strategy resulted in lack of executive buy-in
- No explicit prioritisation or monitoring mechanism to hold executives to account.

Action taken

- After sessions to engage its Australian executive team and Board, KPMG launched a 5-year Diversity and Inclusion Strategy, setting granular targets and laying out a disciplined process.
- KPMG's CEO was closely involved as the program sponsor and, if gender balance was not being achieved, personally intervened to challenge the Partners to 'go back and try again'
- A 12-month development and assessment program ('Path to Partner') was established, and stress-tested for gender equality at all stages.

Impact

- 35+% women's representation of promotions to Partner achieved
- Aligned senior executive team and Board around the case for change, strategy and what it would take.

Lessons Learned

- Granular, systematic analysis of the promotions pipeline is required to understand and address critical barriers.
- Regular, visible and authentic CEO intervention in core promotion process significantly increases likelihood of success.

> We make small changes to the system because no one believes it's broken. But if we only tweak, we never get change. To move 180 degrees we have to have someone holding up the mirror at every stage of the process asking 'why do we think that?
>
> Jayne Hrdlicka
> CEO, Jetstar Group
> *2016*

Does your organisation examine the use of merit

1 Level

2 Level

3 Level

“We have introduced a range of diversity programs but we haven’t seen a big increase in women in senior roles.

“All of our decisions are merit-based.

The meaning of merit is unchallenged

- Many in your organisation fully believe that gender imbalance is explained by actual gaps in experience, ability and potential
- Assumptions about ‘meritocracy’ are preserving the status quo and allowing existing biases to go unchecked
- Candidates are selected based on narrowly defined experiences and a tacit understanding of ‘organisational fit’.

The result? Gender diversity is unlikely to significantly improve.

Some work is being done to challenge assumptions about merit

- Efforts to challenge merit are implemented inconsistently
- Gender imbalance is recognised and the focus is to ‘fix’ women not change the status quo
- Objectivity is called into question (e.g., ‘She got special treatment’).

The result? Glacial improvements, gender imbalance likely to remain.

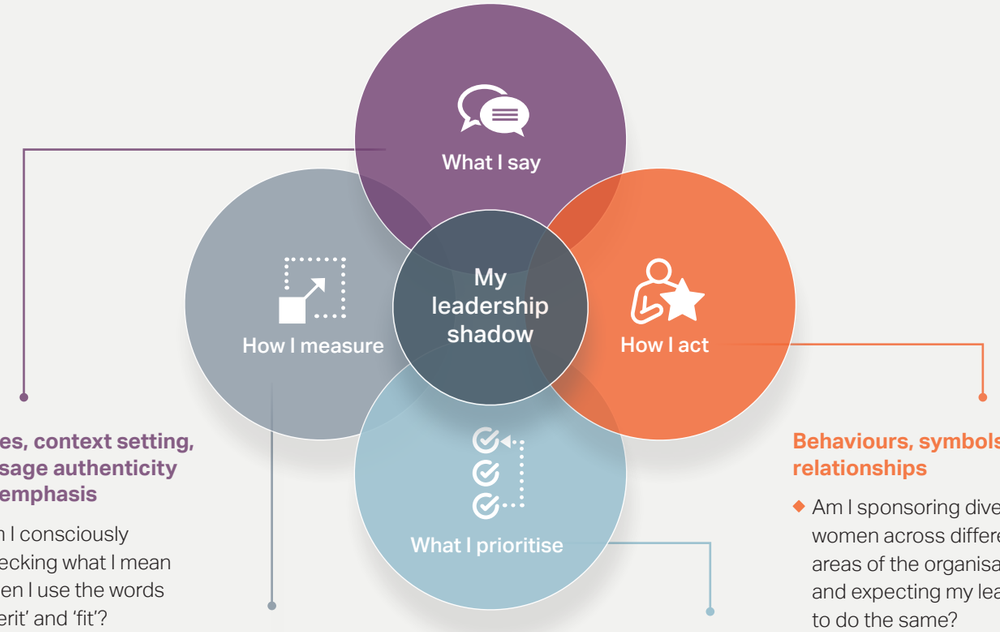
“We are seeing a steady and sustained increase in the number of women in senior roles.

The use of merit is consistently checked to deliver better business performance

- Leaders consistently check for the impact of biases
- Interventions to manage bias are integrated throughout the employee lifecycle
- Attributes, skills and learnings are acquired from a variety of experiences and pathways
- Gender balance is recognised as a business priority
- The link between diverse teams of leaders and better business outcomes is understood and reinforced by leadership.

The result? Problem areas are identified and addressed, results are measured and consistent progress to diverse leadership talent is achieved.

What you can do to avoid the merit trap



Values, context setting, message authenticity and emphasis

- Am I consciously checking what I mean when I use the words ‘merit’ and ‘fit’?
- Do I call out biases, assumptions and stereotyping when I become aware of it in others?
- Do I openly talk about my aspirations and expectations for inclusive gender equality?

Rewards, recognition, accountability

- Have I set clear, measurable gender and diversity targets with accountability and rewards/consequences for my team?
- Do I review regular, granular pipeline reporting across all levels of the organisation?
- Have I integrated discussions about gender balance and diversity into the performance appraisals of my people?
- Do I recognise and celebrate individuals who are building diverse teams?
- Do I measure gender and diversity representation from application to appointment?

Disciplines, routines, interactions

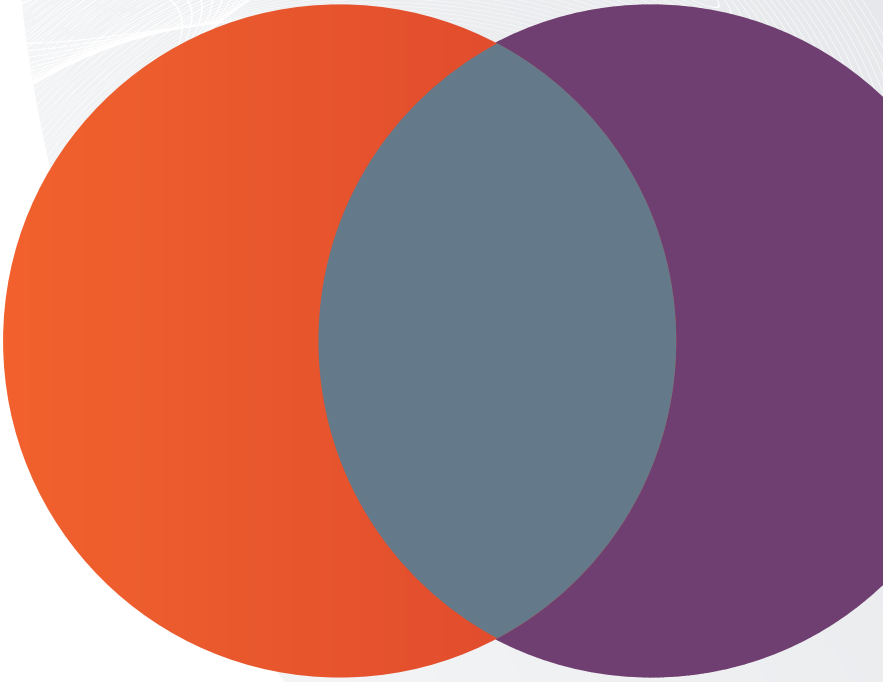
- Do I pause and reflect to check if my own biases are impacting the decisions I make?
- Do I role model selecting my own diverse top team based on both performance and potential?
- How effectively do I sponsor diverse women to help create career-making opportunities for them?
- How much time do I spend on important HR processes/decisions that drive inclusive gender equality?
- Do I take time to onboard and nurture diverse appointments on my top team and ensure all voices are heard?

Behaviours, symbols, relationships

- Am I sponsoring diverse women across different areas of the organisation and expecting my leaders to do the same?
- Am I visible at talent and diversity events?
- Do I personally sign off on appointments one and two levels down, asking 40:40:20, if not, why not?
- Do I insist on diverse gender balanced panels and seek counsel from external advisors when appropriate?
- Do I ensure that a variety of experiences and pathways are valued for appointment to senior roles?

Chief Executive Women is the pre-eminent organisation representing more than 370 of Australia's most senior women from the corporate, public, academic and not-for-profit sectors. Its mission is 'women leaders enabling women leaders'. Through advocacy, targeted programs and scholarships, CEW works to remove the barriers to women's progression and ensure equal opportunity for prosperity. CEW offers innovative and substantive programs aimed at enabling women's participation and future leadership.

www.cew.org.au



The **Champions of Change Coalition** includes CEOs, Secretaries of Government Departments, Non-Executive Directors and community leaders who believe gender equality is a major business, economic, societal, and human rights issue. The Champions of Change Coalition is a globally recognised, innovative strategy for achieving gender equality, advancing more and diverse women in leadership and building respectful and inclusive workplaces.

Established in 2010 by Elizabeth Broderick AO, our mission is to achieve inclusive gender equality across workplaces by 2030 and a significant and sustainable increase in the representation of women in leadership.

championsofchangecoalition.org

We thank **McKinsey & Company** for their support in developing this resource.

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