

IN THE EYE OF THE BEHOLDER

AVOIDING THE MERIT TRAP



Chief Executive Women

Women leaders enabling women leaders

MALE CHAMPIONS **OF CHANGE** 

Paul Anderson
Chief Executive Officer,
Ten Network

Glen Boreham AM
Non-Executive Director

Elizabeth Broderick AO
Convener, Male Champions of Change

Gordon Cairns
Non-Executive Director

Lieutenant General Angus Campbell DSC, AM
Chief of Army

Shayne Elliott
Chief Executive Officer, ANZ

Kathryn Fagg
Non-Executive Director

Stephen Fitzgerald
Non-Executive Director

Meredith Hellicar
Chief Executive Officer and Managing Director,
Merryck & Co

Cindy Hook
Chief Executive Officer,
Deloitte Australia

Jayne Hrdlicka
Chief Executive Officer,
Jetstar Group

Alan Joyce
Managing Director and Chief Executive Officer,
Qantas Airways Limited

Elmer Funke Kupper

Greg Lilleyman

John Lydon
Managing Partner,
McKinsey & Company

Kevin McCann, AM
Non-Executive Director

Chris Moraitis
Secretary, Attorney
General's Department

Lieutenant General David Morrison, AO (Ret'd)
Non-Executive Director

Ian Narev
Managing Director and Chief
Executive Officer, CBA

Sir Ralph Norris
International Ambassador, Non-Executive
Director New Zealand

Dr Martin Parkinson, PSM
Secretary, Department of the
Prime Minister and Cabinet

Andrew Penn
Chief Executive Officer,
Telstra

Michael Rennie
International Ambassador,
McKinsey Dubai

Simon Rothery
Chief Executive Officer, Goldman
Sachs Australia and New Zealand

Mike Smith, OBE

Dr Michael Spence
Vice-Chancellor and Principal,
The University of Sydney

Diane Smith-Gander
President, Chief Executive Women,
Non-Executive Director

Andrew Stevens
Non-Executive Director

David Thodey
Non-Executive Director

Peter Varghese, AO
Chancellor, The University
of Queensland

Dr Ian Watt, AC
Non-Executive Director

Geoff Wilson
International Ambassador,
KPMG Hong Kong

Gary Wingrove
Chief Executive Officer,
KPMG Australia

Dear Colleague,

Chief Executive Women and the Male Champions of Change 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 are 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 letter 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.



Chief Executive Women

Women leaders enabling women leaders

MALE CHAMPIONS OF CHANGE 

WHAT IS THE MERIT TRAP?

When we use merit as shorthand for a package of admirable qualities that we innately recognise, we devalue '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 male dominated environments 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 recent 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.

– Lieutenant General Angus Campbell, Chief of Army

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-vague-feedback-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; and
- Expand business opportunities by taking advantage of diverse thinking, perspectives and experiences.

VALUING DIFFERENT MANAGEMENT STYLES

Australian research⁴ has debunked the myth that competing work-home priorities 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; and
- 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

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, broad-mindedness, ability to operate in an unknown environment.

– Shayne Elliott, CEO ANZ

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 is 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 women. Similarly, considerate behaviour in men is seen as ‘rounded’ and in women 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; and
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 cohort?
- Is the impact of bias, assumptions and stereotypes in talent processes unexamined?
- Does your organisation struggle to retain diverse recruits?

CHECK YOUR IDEA OF THE 'BEST' CANDIDATE:

- Are you labelling 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 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

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 undervaluing 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 possess
- 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, Chief Executive
Women, Non-Executive
Director

ORGANISATIONS TACKLING THE MERIT TRAP

CASE STUDY

ANZ: ROLE REQUIREMENTS BASED ON FUTURE-FOCUSED CAPABILITIES

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.

– Lieutenant General Angus Campbell, Chief of Army

ORGANISATIONS TACKLING THE MERIT TRAP

CASE STUDY

ARMY: BALANCED PROMOTION PANEL COMPOSITION

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 male-dominated 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 responsibilities)

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 Managing Director, Merryck & Co

ORGANISATIONS TACKLING THE MERIT TRAP

CASE STUDY

KPMG: SYSTEMATIC REVIEW OF PROMOTION PROCESS

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



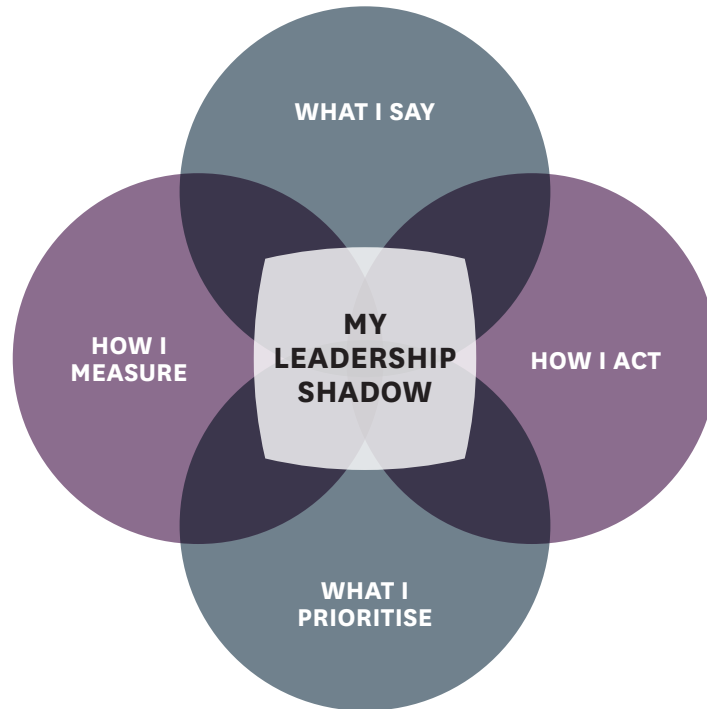
We make small changes to the system because no one believes it’s broken. But if we only tweak, we never get change. To move 180 degrees we have to have someone holding up the mirror at every stage of the process asking ‘why do we think that?’

– Jayne Hrdlicka, CEO Jetstar Group

DOES YOUR ORGANISATION EXAMINE THE USE OF MERIT?



WHAT YOU CAN DO TO AVOID THE MERIT TRAP



WHAT I SAY

- 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 gender equality?

HOW I ACT

- Am I sponsoring female talent 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 *50,50, if not, why not?*
- Do I insist on 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?

WHAT I PRIORITISE

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

HOW I MEASURE

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

ABOUT CHIEF EXECUTIVE WOMEN

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

ABOUT MALE CHAMPIONS OF CHANGE

The Male Champions of Change is a coalition of CEOs, Secretaries of government departments, Non-Executive Directors and Community Leaders. The Male Champions of Change believe gender equality is one of the nation's most significant societal and economic issue.

Established in 2010, by then Australian Sex Discrimination Commissioner Elizabeth Broderick, our mission is to step up beside women to help achieve a significant and sustainable increase in the representation of women in leadership.

www.malechampionsofchange.com

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



Chief Executive Women

Women leaders enabling women leaders

MALE CHAMPIONS OF CHANGE 

