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Meritocracy and Innovation: A Synergy for Organizations in Pakistan

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Abstract: Today, in the rapidly emerging globalization process, increasing the organizational competitiveness depends on increasing of their organizational performance. Meritocracy is one of the HRM practices in which the best people and thoughts win into an organization. Also, organizations needs to build and foster engagement among their employees and encourage the top management, should consider adopting a meritocratic approach. The meritocratic approach has to utilize the abilities and competencies of all employees in order to become more innovative which ultimately enhances the organizational performance. Although, there are many mechanisms to effect organizational performance, yet the organizational innovation has turned out to be one of the most widely used methods. Even though it is well recognized that organizational performance from different perspectives in order to make it further efficient. The current study emphasizes the importance of organizational innovation as a mediator between meritocracy and organizational performance. The primary goal of this study is to develop a conceptual framework that may determine whether organizational innovation is effective as an intermediate variable to the effects of meritocracy on organizational performance.

Key words: Organizational Innovation, Meritocracy, Organizational Performance, Pakistan.

1. Introduction

Meritocracy, can be described as, "a system of organizational governance wherein appointments are made and responsibilities given based on demonstrated talent and ability (merit), rather than wealth, family connections, class privilege, friends, seniority, popularity or other historical determinants of social position or political power" (Wikipedia, 2009). Meritocracy constitutes certain proportion of the employee's formal as well as psychological contract with the organization that the prospective growth for their career will be determined by their capabilities verified through their due role in the organization (Sealv, 2010). Hence, the simpler description of meritocracy also appears as the system for the merit being pursued in any organization, whereby the merit can be defined as, possession of necessary attributes of an individual that provide him/her with the "right" to be successful (McNamee & Miller, 2004).

Moreover, recent research studies on personnel management recognize that it is the meritorious recruitment of employees that actually allows the organizations to maintain the human resources retention and development (Salajegh & Tafreshi, 2015). That's why in current era, the issue of meritocracy is one of the most widely raised human resource issues emphasizing the best employees for the best positions. (Salajegh & Tafreshi, 2015). In order to achieve the meritocracy in an organization or system, the managerial part of human resource department needs to execute the theme even in a sub-systems and sub-units of organization by ensuring the competent staff at all levels of an organization. Furthermore, new technologies and increasing innovation today has further amplified the necessity for an intake of even more specialized manpower (Salajegh & Tafreshi, 2015). This phenomenon brings the companies forward to a truly meritocratic system.

Also, one of the main issues concerning this field at the time of appointment, should be follow at appointing employees in appropriate positions, which is adaptable with their abilities, experiences, and capabilities. Such a process can be examined in frame of meritocracy (Esfahani et al., 2014). Nowadays, finding capable employees is one of the most important activities in any organization. Indeed, organizations are competing in finding capable and suitable employees. Meritocracy system can help organizations to achieving their goals and objectives (Barr, 2006). Moreover, in today's competitive world. organizational innovation is considered as one of the main effective factors on the organizational survives (Esfahani et al., 2014). All organizations need new

ideas for surviving. Emergence of organizational innovation enables organizations to achieve and maintain competitive advantage in comparison to their competitors (Dehghan, 2009). Employees' perception of fairness in employment is one of the main effective factors in emergence and development of organizational innovation and encouragement of employees to offer new ideas (Esfahani et al., 2014). Consequently, the behavior or attitude of management followed by the implementation of proper meritocracy approach helps them to use these organizational resources' successfully and professionally which ultimately enhances the organizational competence (Islam & Javed, 2015). Also, this organizational behavior contributes in achieving organizational goals and enhance organizational performance (Cook & Hunsaker, 2001). Recent studies concerning this area, also, clarified that employee competency and its proper utilization is an area of research, attracting efforts to influence the employee development, its knowledge generation (Abou-Zeid, 2002), knowledge development (Bhatt, 2000), knowledge sharing (Sveiby, 2001), knowledge utilization (Bender & Fish, 2000) and organizational learning, innovation and effectiveness (Malhotra, 2000; Esfahani et al., 2014). As a result, the present study is aimed to propose the relationship between meritocracy, organizational innovation and organizational performance.

Unfortunately, Pakistan is deprived of a meritbased recruitment system although one may find some exceptions to this norm (Abro, 2013). Qualifications are not taken into account in an objective way in choosing administrators for specific jobs. Many analysts highlighted the lack of proper testing and interviews. Even if these are conducted, they are often seen as pretended. People with a working exposure to the public sector organizations in Pakistan appear to lament that the government agencies are overstaffed with nondeserving employees hired based on nepotism, (or at some places, understaffed) leading to poor organizational performance, which necessitates the improvement of employment rules to give qualifications a top priority (Abro, 2013).

Nepotism is а major ill plaguing in Pakistan. Moreover, the higher education degree is the most general form of meritocratic transmission found today (Naqvi, 2013). Unfortunately the higher education system of Pakistan is a highly flawed meritocratic screening scheme for various reasons, such as lack of qualification based merit on rather than quota System, deficiency in standards uniformity, lack of scale to scope and include all necessary processes, and lack of trustworthiness or reliability of the university degrees among others. (Naqvi, 2013).

This conceptual paper has its own uniqueness because the propose framework is not familiar in the context of Pakistan. Furthermore, this study will make a contribution to the literature by proposing the examination of the relationship between meritocracy, organizational innovation and organizational performance. To date, no research has been conducted that examines these relationship together. By understanding this relationship, upper level management can implement changes that can improve meritocracy system of an organization followed by the human department move towards resource the organizational innovation and collectively increase organizational performance. The results will also provide an objective insight the organization to plan necessary course of action to achieve and sustain manufacturing or service based competitive advantage. Also, the study will generate information that will be useful for organizational leaders in evaluating meritocracy in their own organizations, in Pakistan, to enhance organizational performance, this study is helpful for both marketing and human resource sector for further research.

2. Conceptual Framework and Literature Review

The theoretical base of this paper is founded by reviewing the literature. In the literature, causal linkages have been identified between meritocracy, organizational innovation and organizational performance. **Figure 1** elaborates all the linkages in a sequential manner.



Figure 1. Conceptual Framework

2.1 Meritocracy

Within the context of global changes at present, it is not enough for the employee competency to merely have attributes necessary to perform their duty such as "knowledge, expertise, skills and abilities", rather it is something beyond that composed of the compatible traits with the advance contemporary mechanisms (Salajegh & Tafreshi, 2015). Henceforth, it is the issue of nurturing human resources at the global level that is at the top of personnel management discussions world over today (Salajegh & Tafreshi, 2015).

Meritocracy is summarized as the merit based process of hiring followed by a steady attraction of forces and ways for managing the individual competencies of employees (Management & Planning Organization, 2003). Meritocracy must not be confined to management level, rather it must be taken into account at all the organizational levels but what is important is that, it should start from the highest level. Also, meritocracy brings up the selection of or management or governance body based on aptitude and merit, rather than financial or social status. Peerce and Tsui (1994), refer to meritocracy as the combination of activities and mechanisms for choosing and accordingly compensating competent people within the organizations. Scholars also further define meritocracy as, "a process that includes items of competency desire, competency imaginary, competency selection, competency measurement, competency assignment, competency training and competency maintenance" (Abtahi & Fereydoun, 2008). In the context of Pakistan, Naqvi (2013) describes meritocracy as, "a political philosophy which holds that the power should be vested in individuals according to their merit".

The phenomenon of meritocracy requires the merit to be assessed in terms of competency and ability, and the most likely measure used to check merit is by means of IQ or other standard achievement tests (Naqvi, 2013). The basis and foundation of meritocracy is to observe social justice in order to nurture talents by compensating best people with best rewards (Golkar & Nasehifar, 2002). Meritocracy is an arrangement that requires to hand over the responsibilities, benefits and job opportunities purely on merit basis regardless of any other attributes possessed by the candidates such as "wealth, social class, race, party" among others (Veisi et al., 2012). Through meritocracy the capable candidates are relatively made eminent for their some personal qualities and therefore those must be benefited accordingly (Salajegh & Tafreshi, 2015). The best people such as "the best author, manager, seller, athlete and tutor" and many other best professionals always have a relative competitive advantage over others in their area of specialization which entitles them for the best compensation in the form of income as well as respect (Golkar & Nasehifar, 2002). Such sort of best professionals must always be at the helm for the organizations to achieve their goals.

2.1.1 Characteristics of Meritocracy in Organizations

Following are the characteristics of meritocracy which is enjoyed by the meritocratic organization.

1. Employees' participation in different organizational affairs and decision-makings is considered as one of the main characteristics of

organizations which use meritocracy systems. In such organizations, managers honor employees' viewpoints (Shannon, 2006).

- 2. In the organizations that use meritocracy system, both managers and employees have counter responsibility toward their activities. As a result, they may be rewarded or punished (Shannon, 2006).
- 3. In order to achieve ideal organizational conditions with meritocracy system, it is necessary to develop new rules, regulations, and manuals for achieving goals and objectives of meritocracy systems (Scott, 2006).
- 4. In the organizations with meritocratic behavior, employees' abilities and capabilities are the determinants of their superiority and promotion (Scott, 2006).
- 5. All of the managerial methods and policies of meritocratic organizations can be criticized at different levels (Shannon, 2006).
- 6. Legalism is one of the necessary managerial issues and found in the meritocratic organizations (Monshedi, 2011).
- Social justice and consideration of principle of fairness at all organizational levels is another characteristic of meritocratic organizations. Indeed, justice means considering employees' rights equally (Monshedi, 2011).
- 8. Consideration of human resource is one of the most important measures in terms of management, control, supervision, and evaluation systems (Kazemi *et al.*, 2011).

2.2 Organizational Innovation

According to Drucker (1985), innovation refers to a change which creates new dimension of performance. From organizational perspective, innovation is exploitation of new ideas. Indeed, organizational innovation is process of creating, developing, and administrating a new idea or behavior. Innovation also is considered as a response to external environment and influencing it (Shahabi & Jalilian, 2011). Organizational innovation is utilization of modern ideas of creativity which may be a new product, service, or even a new solution. Moreover, innovation is a managerial system which focuses on the organizational seeks vision, exceptional opportunities, defines success measures, and seeks new opportunities (Alegre & Chiva, 2008). Drucker believes that successful innovation requires targeted hard working. It is innovation that plays an important role in creating global competition and results in organizational success (Dehghan, 2009). In an organization, innovation may be new ideas and behavior or their acceptance by managers.

Also, organizational innovation may be a new good or service, new production technology, a new operational approach, or a new managerial strategy. Swanson and Wang (2005) considers organizational innovation in the information systems and categorizes them in three groups. These include technical functions and operations, business advocators, and developers of organizational technology core. Furthermore, here are different types of innovation in organizations. The most important distinction of different types of innovation is difference between products and processes innovation. Trade organizations attempt to create values and competitive capabilities for them through different types of innovation (Lin, 2007). Jamie (2007) states innovation plays an important role in the economic development. This has results in many studies and researches in terms of organizational innovation.

2.3 Organizational Performance

Normally it is the actual output of an organization relative to its intended output, which determines the organizational performance. A number of performance indicators can be used to assess the level of organizational output such as operational efficiencies, mergers & acquisitions, levels of diversification, organizational structures, and leadership style" and more importantly the HRM practices observed (Mankins & Steele, 2005). King (2007) points out that a number of factors might serve as the explanations to the organizational performance including certain socially responsible behaviors, international or cross cultural activities of expansion and adaptation, among others. Thus, organizational performance is a multi-faceted variable that is derived by a wide variety of internal and external dynamic factors of the organization, whereby the organizational management can only control and manipulate the internal factors, in order to handle the more dynamic external factors (Kareem & Haseeni, 2015).

Moreover, organizational performance is actually meant to show whether the company perform well in discharging the administrative and operational functions pursuant to the organizational mandate (Kim, 2005). Also, Al-Zu'bi (2010) revealed that the organization needs an efficient manager to ensure improved performance of an the organization. Meanwhile, the individual's perception of the fairness treatment from the organization is also one of the factors that influence the performance (Fernandes & Awamleh, 2006). Also, the innovation could also improve the organizational performance (Moustaghfir & Schiuma, 2013). Based on the factors above, the company will be able to eventually increase the profitability of an organization.

2.4 Relationship between Meritocracy and Organizational Innovation

The theory of "Resource-based view" (RBV/RBT) and the theory of "Ability, Motivation and Opportunity" (AMO) are the two major theories that normally appear in the literature as the most commonly applied theories to test the link between various HRM practices and organizational performance (Paauwe & Boselie, 2005). RBV/RBT emphasizes that employees constitute a very significant resource for any organization to attain a competitive advantage, leading to better long term performance (Barney, 1991). The AMO theory demonstrates that the motivated workers are prone to perform superior, leading to an overall raised organizational performance (Paauwe & Boselie, 2005). HRM practices are very crucial to motivating workers to demonstrate constructive attitudes and conducts, which are necessary to carry out the spirited strategy in the organization (Hiltrop, 1996). Wang (2005) pointed out that an innovative organization treats HRM practices as the tactic to persuade teamwork, enrich organizational culture, and develop customer relations. As a result, it helps them to create new markets for new products (Gupta & Singhal, 1993). Being risk takers, more flexible, and forbearing of uncertainty, the innovative and creative workers are at the heart of every innovative organization to develop and market new products/processes and/or new managerial practices (Chen & Huang, 2009). Thus, it is essential for a responsive firm to employ the encouraging HRM practices to keep employees motivated and stimulated towards innovations. Hence based on the support from the pertinent literature (i.e. Gupta & Singhal, 1993; Jiménez-Jiménez & Sanz-Valle, 2005; Kydd & Oppeneheim, 1990; Laursen & Foss 2003; Shipton et al., 2005; Madeira, 2013), this study considers the meritocracy as a crucial HRM practice to be positively related to organizational innovation.

2.5 Relationship between Organizational Innovation and Organizational Performance

In terms of the relationship between organizational innovation and organizational performance, the innovation gave the positive results or outcomes to the organization (Moustaghfir & Schiuma, 2013). According to Saunila, Pekkola and Ukko (2014), the results were found that the link between innovation and organizational performance has an important existence. However, innovation has not necessarily given the positive effect to the organizational performance. According to Jen Huang and Ju Liu (2005) in their research on "Exploration for the relationship between innovation, information technology, and performance" found that there is no effect on the organizational performance. In some cases, the innovation is not the primary factor to succeed in the organization (Glor, 2014). In fact, the relationship between innovation and organizational performance has still been debated. Balkin et al. (2000), found the negative relationship between these variables. This is supported by Greve (2003), there is no significant relationship between innovation and organizational performance.

In another study, Wright, Palmer and Perkins (2004) indicate that innovation leads to a positive organizational performance merely in an aggressive

atmosphere of the organization but it does not affect the organizational performance noticeably in a compassionate environment for small businesses. The aggressive atmosphere of an organization is featured by deep rivalry among firms with diminishing competitive opportunities. Firms doing business in highly aggressive (hostile) markets are more likely to be flourishing innovators by incrementally launching growing number of new products to meet the latent customer needs thus causing the higher organizational performance ultimately. Therefore, due to the inconsistent and discordant findings, the relationship between innovation and organizational performance appears unclear and needs to be further explored.

3. Research Propositions

On the basis of the above-mentioned thorough review of literature, a new conceptual framework has been proposed which proposes the following research propositions (RPs).

RP₁: Meritocracy positively predicts Organizational Innovation.

RP₂: Organizational Innovation positively predicts Organizational Performance.

RP₃: Organizational Innovation mediates the relationship between Meritocracy and Organizational Performance.

4. Methodology

This study proposes a conceptual framework whereby organizational innovation appears as a mediating phenomenon in the relationship between meritocracy and organizational performance. The methodology adopted in this paper is more theoretical based on a detailed review of literature whereby it tries to synchronize the significant predictors of organizational performance in the context of Pakistan. Several secondary data sources have been studied to build this conceptual model. Moreover, the literature is supported by RBV theory to build the conceptual framework. Also, the review of literature has highlighted the potential gaps found in the past studies which give comprehensive insight for the researchers.

5. Discussion, Conclusion

Human resource is one of the valuable resources in organizations by which achieving organizational goals and objectives can be possible. Such resources have potential abilities and capabilities which can be actualized in the organizational environments. Achieving such a goal requires understanding human perfectly and concrete on the ground for manpower activities. Appointing employees in appropriate positions, which is adaptable with their abilities, experiences, and capabilities, is one of the main issues that should be considered in this area. Such a process can be examined in frame of meritocracy. Nowadays, finding capable employees is one of the most important activities in any organization. Indeed, organizations are competing in finding capable and suitable employees. Meritocracy system can help organizations to achieving their goals and objectives (Barr, 2006).

Also, in today's competitive world, innovation is considered as one of the main effective factors on the organizational survives. All organizations need ideas for surviving. Emergence new of organizational innovation enables organizations to achieve and maintain competitive advantage in comparison to their competitors (Dehghan, 2009) and ultimately enhances organizational performance. Employees' perception of fairness in employment is one of the main effective factors in emergence and development of organizational innovation which encourage employees to offer new ideas consequently, attractive for the customers and increase the organizational performance. This is why that the present study is aimed to propose the effect of meritocracy on organizational innovation and organizational innovation will effect organizational performance. Based on the propositions of this study, it is empirically recommended to study these relationships established in this study and adopt meritocracy system in the organization and utilize their human resources based on their capabilities and abilities.

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