The Peter Principle and why it matters to every organisation

Author: Newturn Wikirefu . November 2020

Dr. Laurence J. Peter (1969), best known for **The *Peter Principle***, was a Canadian educator and sociologist by trade, taught at the University of British Columbia before becoming a professor of education at the University of Southern California (Taylor, 1969). He concluded that an employee's process of climbing up the hierarchical ladder in an organization can go on indefinitely until the employee reaches a position where he or she is no longer competent and is, therefore, regarded as incompetent. Over and above that, he theorized that in a hierarchy (i.e., any/every type of organization): "every employee tends to rise to his level of incompetence" (Peter, 1969). Peter also stated that as employees move upward through the pecking order or chain of command, they do worse, as managers, than they did before having been promoted. And this phenomenon is not limited in scope. "Sooner or later, this could happen to every employee in every hierarchy—business, industry, trade unions, politics, government, armed forces, religion, and education" (Peter, 1969). More so, his view was that one will advance to one's highest level of competence and consequently get promoted to a position where one will be inept. Peter (1969,) affirmed that: ***"Occupational incompetence is everywhere. Have you noticed it? Probably we all have noticed it."***

His first book, ***The Peter Principle***—Why Things Always Go Wrong, contains many classical world examples and thought-provoking explanations of human behaviour, including: "Every organization contained several persons who could not do their jobs and occupational incompetence is everywhere" (Peter, 1969,). Later, Peter (1985, p. 28) wrote, in a follow-up book, in Why Things Go Wrong, or ***the Peter Principle Revisited***, that: I named it ***The Peter Principle*** because it described a generalization or a tendency and not something inevitable. . . The system encourages individuals to climb to their levels of incompetence. If you can do your job efficiently and with ease, you will be told your job lacks challenge and you should move up. The problem [however] is that when you find something you can't do very well, that is where you stay, bungling the job, frustrating your co-workers, and eroding the effectiveness of the organization.

According to Floyd (1993), the ***Peter Principle*** is a potential problem for all employees, whether professionals or employees at lower levels. And research continues to show substantial evidence of this phenomenon that after workers are promoted some do worse than they did before their promotion (Fairburn & Malcolmson, 2000; Faria, 2000). In concurrence with the above assertion, McCue (2008), summed up the situation this way: When workers perform well in a given position, they are eventually promoted to a higher one, with more responsibilities and challenges. If they perform well in that position, they proceed up the ladder to the next one. This process repeats over and over until people assume a position that they aren't so good at, and that's where they stay.

McCue (2008), further stated the proficiency of an employee is determined not by outsiders but by his or her superior in the hierarchy. At that point, the upward process usually stops since the recognized rules of bureaucracies make it very difficult to demote someone, even if that person would fit in much better and would be much happier in a lower job. The net result is that most of the higher levels of a bureaucracy will be filled by inept people, managers, who got there because they were good at doing a task different than the new one they are expected to do.

Acosta (2010) found that after several promotions, workers at a large U.S. firm were less likely to be promoted than new hires. Medoff and Abraham (1980) reported that workers' performance scores declined after promotion. Finally, Lazear (1992), Baker et al. (1994a, 1994b), and Gibbs and Hendricks (2004) found corroborative evidence across several firms that wage growth, raises, and bonuses fell with tenure, which suggests that workers become less competent at their jobs as they get promoted. Prendergast (1992) argues that the Peter Principle could occur when risk-averse workers seek insurance over the uncertainty about their abilities.

Does the Peter Principle still exist?

The ***Peter Principle*** is a flash of brilliance so profound that examples of it in practice instantly come to mind. It explains every bureaucracy that gets nothing done, every painfully ignorant boss and every failed project somehow deemed successful. So simple, the theory makes you wonder how nobody pointed it out sooner (Gale Academic OneFile, 2009). However, Cohen (2009), President of the Institute of Leader Arts and a retired Major General from the USAF Reserve, feels that one can rise above failure even if the person is let go from that job. Cohen (2009, p. 19) goes on state that: "incompetence should not be tolerated. But before dismissal, ask: Is failure [really] due to incompetence? There are other reasons, even inexperience."

According to Sutton (2009), on the 40th anniversary of the ***Peter Principle,*** the world is ready for the reappearance of a book on incompetence. Even though we cannot give incompetence all the credit for what has gone wrong with the economy. The CEOs at financial firms had no idea what they were doing. Everyone is always at his or her level of incompetence because the system is so poorly constructed. In a study done by Dickinson and Villeval (2012), it has been found that when the Peter Principle is not too severe, promotion rules often dominate self-selection competence of tasks assigned. Results are consistent with an imperfect appraisal of transitory ability and a lack of strategic behaviour.

In 2011, Terry et al., in an article called: Changing the "***Peter Principled"*** culture of health care systems, stated detailed indicators of a Peter Principled culture that include the following:

- Seniority trumps competence — all of us live too much in a circle.
- Leaders in these organizations are promoted based mostly on seniority, and achieving that leadership role almost guarantees life-long academic-like tenure. In general, who you know matters more than what you know.
- employees who simply waited for a long enough time are promoted without being compared to qualified candidates who come from outside the organization. Yet, they may not be the most competent or qualified candidates.

Murray and Fortinberry (2013) stated: Whatever industry it is in, the success of a business lies to a very great extent in the quality of its people leadership. In my observation, the top leaders of many of even the largest organizations do not feel that they need further training-that is for the lower ranks. They feel that the fact that they have reached the top is proof enough of their leadership skills. However, the famous quip derived from the Peter Principle, "a person rises to his or her level of incompetence," holds for senior management as well as for other ranks (Peter and Hull, 1969).

Carey and Useem (2014), in their latest article — How Microsoft Avoided ***the Peter Principle*** with Nadella— stated that: The vital—though not-soon-to-be answered—the question is whether Mr Nadella brings the right leadership talents not only to run the show but also to grow the enterprise at the centre of one of the most turbulent and competitive frays on earth. And that question is likely to be answered in the affirmative if the directors have managed to avoid the ***Peter Principle*** (i.e., . . . companies, having promoted executives to what they were good at, elevate them one time too many. Great at mid-level, the managers were not game-ready for the next level). Ovans (2014), stated that "***incompetence*** is rife." The heart of this argument is this: In dealing with superiors, subordinates must navigate through a minefield of potential disasters.

The ***Peter Principle*** is a concept in management theory formulated by Laurence J. Peter, it contends that the selection of a candidate for a position is based on the candidate's performance in his current role rather than on abilities needed for the intended role. Thus, managers rise to the level of their incompetence (Peter and Hull, 1969).

Johnson (2016), specified in his article called: The Road More Travelled by the Dotis, "As an entrepreneur, I learned that we are all different - not good or bad different - just different. Our skill set is to dream, create, plan and strategize how to build new businesses and make profits. Many of us screw it up by trying to manage our creation by also operating the business (definitely not one of our better skill sets), so then we search for talented operations executives to help us manage our business. Then we frequently discover that hiring and identifying talented executives is not one of our stronger skill sets either. So then what we end up seeing are many initially successful businesses slowly fail as their creators reach the limits of their management abilities". That will be the classic manifestation of the ***Peter Principle***.

Johnson (2016), further stated that then there are the excellent operating executives that can and do manage mature and successful businesses well. They are invaluable and are the lifeblood that keeps an organization humming if it's successful. Both of these types and styles have to effectively mesh with a Board of Directors or Trustees - just another tactical challenge in the strategic quest for long-term success.

In line with the foregoing argument Chan (2018), in a recent study, found that when workers' relative performance information (RPI) is lower after promotion because the promoted worker cannot perform the new job well. This is consistent with the concept of the ***Peter Principle.***

According to the Harvard Business Review (2018), an article titled '***The Best Performers aren't the Best Bosses***", the HBR editors concluded that, even though the Peter Principle is an accepted adage, the

Peter Principle was never empirically tested on a large scale—until a recent study examined whether firms do pass over their best potential managers in favour of employees with superior technical skills. The researchers found that leaders should evaluate the costs of moving their best individual contributors into management positions and consider rewarding top performers with pay rather than promotions. They might also contemplate the use of dual career tracks—one for people with outstanding technical skills, the other for those with strong leadership potential.

According to Lewis (1999), "Before you promote an employee to the next level, ask yourself these questions before making a decision, Is the employee:

· Performing present duties well enough to justify a promotion?

· Experienced and qualified to do at least part of the new job?

· Willing to hand over current responsibilities to a new person?

· Enthusiastic about taking on a new role?

· Familiar with the new position's responsibilities and priorities?

· Proficient in the interpersonal skills necessary to work with others in a new role?

· Adequately trained, or willing to be?

· Prepared to bow out gracefully if the promotion doesn't work out as planned?"

Conclusion

Flowing from the above discussion it is clear that Peter Principle is rife in organisations and will not die a natural death any time soon. Therefore for organizations to avoid ***The Peter Principle*** *they need to spend adequate time training their employees to make them more competent, especially as they move up the organizational ladder.*

Source:

Carey, D. & Useem, M. February 6, (2014). How Microsoft avoided the Peter Principle with Nadella. Harvard Business Review.

Cohen, W. March, (2009). Peter's Principle. You can rise above failure. Leadership Excellence,

Cummings, P. 0. September, (1971). Incompetencies of the Peter Principle. Training and Development Journal.

Gale Academic OneFile. (2009). The Peter Principle: Why things always go wrong. Risk

Management Society Publishing,

Newturn Wikirefu is the Talent Acquisition Manager at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm.

Phone +263 4 481946-48/481950/2900276/2900966 or cell number +0784 597 343 or email: newturn@ipcconsultants.com or visit our website at www.ipcconsultants

https://thehumancapitalhub.com/articles/The-Peter-Principle-And-Why-It-Matters-To-Every-Organisation