

PERSONNEL NOTEBOOK

For Your Most Important Resource

INVERSE PROMOTIONS

REMEMBER “THE PETER PRINCIPLE”?

Do you remember “the Peter Principle,” that 40-year-old phenomenon that caused a decades-long, thinking-outside-the-box revolution? For many company executives of the time, it was a realization of a long-standing mistake that management, particularly in large companies, had been making as long as they had been in business. That same mistake is still plaguing many companies today. At the time there was one solution that was usually applied but seldom worked. We know now that there are in fact several solutions, but let’s start with the basics.

What is “the Peter Principle”?

In 1969, Canadian educator and author Laurence J. Peters wrote in his book *The Peter Principle: Why Things Always Go Wrong* of a new concept or realization about management. He stated that in modern companies or organizations, employees will continue to be promoted until they reach their level of incompetence, and there they will stay, incompetently managing people or systems and always making things go wrong. He described a pattern of management that went like this: When one employee did a job better than others, management assumed that employee was the likely candidate to be promoted up to

the next level. So, when the opportunity arrived (or was created), that employee was promoted. It was the way to recognize and reward good performers. Employees agreed with and expected this pattern.

If the employee did well in that higher position, then he or she was considered someone “on the rise” and later would be considered for the next possible move up. Depending on the size of the company and the availability of open slots, this pattern could be repeated a number of times. However, some employees, at a given point, found themselves in a position so demanding and so complex that they were unable to function effectively. They couldn’t handle *this* job and could no longer be promoted. They had reached their level of incompetence, and there they would stay.

No one was comfortable with the notion of returning the employee to his or her old position. That could be embarrassing for all parties, so the solution most companies applied was to leave the person in the new position, expect less from them, learn to depend on someone else, and take steps to prevent this situation from reoccurring.

Even though they would swear never to let this happen again, it often did.

The Peter Principle, although flushed out 40 years ago, is still very much alive and active today. Is management handling it any better? Actually it is. Performance evaluation systems are more precise today, and management knows a lot more about and is more willing to provide effective training. However, that's no comfort to the executive who promoted her best staff member up a notch and got hit with the Peter Principle.

What are the solutions?

There are five solutions to the Peter Principle in general practice, and some are better than others. But before starting on the solutions, let's refocus on the problem. What went wrong? What results did we expect in the new job that we didn't get? What did this new job require that the old one did not? What skills, talents, experiences, or personal characteristics did this person not have that could have made this job successful? Why didn't we succeed? The results of this analysis might guide you in choosing your next step.

Following are the five solutions to consider:

1. Leave them where they are and live with the results.
2. Do a lateral transfer to another position of equal stature.
3. Promote them to a specially created job where they can do less harm.
4. Terminate them.
5. Demote them to a position where they can perform well — the inverse promotion.

Essentially, stay in the spot, move to the side, move up, move out, or move down.

1. **Leave them where they are and live with the results.** This is actually the definition of the problem as opposed to a good solution, but for many companies, this will still be the end result. Some companies may live with this problem for years, hoping an opportunity for a better solution will present itself; others may actually add another staff person to bolster the weaknesses of the boss; and still others will merely reassign essential responsibilities to another area. All can help but none are good solutions.
2. **Do a lateral transfer to another position of equal stature.** This solution is becoming more common in today's business environment. The concept is sound. This individual is obviously talented and by now knows a lot about the workings of the organization. Rather than waste all that talent as well as all that time, money, and effort, keep this person, but determine what would be the best use of his or her abilities.

Moving the individual to another department or a new function altogether has many advantages. The employee gains the broader experience and knowledge and can become more valuable; the company keeps a good employee and often saves the cost of a full new hiring process.

3. **Promote them to a job where they can do less harm.** To promote them to an even higher position that is designed to be of little impact is only prolonging the problem. For every

employee who is not at least of equal value to what he is being paid, you have that much more of a burden every other employee will have to carry just to keep you even. This solution is often used in very large corporations for many different reasons; some are pretty good:

- a. If, for example, the individual has earned the respect of the other employees, they may see this promotion as being the company's mistake and feel the company should carry some of the burden.
- b. If the employee has been loyal and successful up to this point, as in No. 2 above, management may want to design a position where his specific talents, skills, and experience can be better expanded.
- c. If the political or social impact on the company is potentially damaging (possibly in the public eye), then creating a specific but useful position as a promotion to protect the reputation of the individual and the company might be in order.

With very few exceptions, however, promoting someone even higher to save embarrassment or to avoid having to deal with a mistake *is* a mistake.

4. Terminate them.

Not a good choice, but often inevitable. Sometime, it's the employee that will choose to leave. Ego, self respect, and pride can be shattered in the face of a failed promotion. Some employees will feel they have to leave even if relationships are good. Sometimes, it's the company who realizes that unhappy employees are not top producers or that the rest of the company can no longer see success in this person. Termination is a

difficult and unpopular result and says pretty clearly that everyone, — employee and management — failed.

In any case, if termination is the decision, it should be done in a professional manner, affording respect and support. This may mean providing severance pay, a good reference that focuses on the employee's successes, and/or an opportunity to resign with assistance in seeking new employment.

5. The Inverse Promotion.

Most people feel an unrelenting pressure to move upward or forward that often forces them into positions they don't want and can't handle. Few employees are wise enough to see they don't want the position they are being promoted into. But most will end up accepting it and finding out later it wasn't the best choice.

Those who were smart enough to decline the inappropriate promotion may also face difficulties. There will be constant questions and comments from coworkers: Why didn't you get that promotion? Why didn't you want that promotion? Look what happened when you didn't accept that promotion and they gave it to Linda instead. There may even be repeated offers for other inappropriate promotions. The real problem, however, lies with those who should have declined but didn't. Maybe it was because they didn't know it was beyond their capabilities or because they wanted it so bad. The prestige of a promotion provides a lot of temptation.

Let's not overlook one key factor; that is, many, if not most, employees will *not* hit the floor running in their new position. They will need some time to adjust and orient to the new responsibilities. They

may struggle a bit and most will be offered some additional coaching or training. But, if and when you reach that point where the Peter Principle is obvious — when both you and/or the employee knows he or she is doing a poor job, is costing the company money, and is hindering the development of others — it's time for you to do *your* job. The employee needs to be returned to the level at which she was a great employee. Usually that will be the position from which she was promoted.

The word “demotion” has a very negative connotation. Companies are reluctant to demote people because the companies themselves lack the skill, training, or the courage to do it. Employees will not likely volunteer to be demoted, and, if they are demoted and their egos bruised, they will probably quit. The fact remains that moving the employee downward is the appropriate thing to do.

How do I handle this and what about the money?

Address the issue with the employee by discussing the success he or she had in the previous position and how much they enjoyed it. Stress how valuable the individual was in that position and how the company expects they will be again. In large companies, the employee should be transferred to a different unit if possible. They should be given time to think about the change, not just have it sprung on them as it's about to happen. Let them have a chance to picture themselves back in a successful position and to consider how to handle the negative feelings.

The money issue is difficult. If the employee has been the catalyst shooting for the position and assuring you of his or

her competence, then it will be easier to take the pay back to where it was before. However, recognize that the promotion is most often a mistake made by the company as much, if not more so, as by the employee.

If the pay difference is not really big, or if the pay scales or ranges overlap, then no pay drop should occur. If the difference is one that would normally be achieved within a few good performance reviews, then keeping the employee at the new rate can be addressed with the understanding that there would be no further increases until his earned increases reach that level, which may take a few years. Realize that the double whammy of a demotion and a pay cut might lead to an employee's resignation. And consider that the cost of recruiting, hiring, and bringing the next candidate up to speed might be very expensive, and you would also be losing a good employee doing the job he does best.

The inverse promotion or demotion is not for everyone, but it's the right thing to do when the Peter Principle raises its head. It saves money, increases the productivity of the entire workforce, removes barriers to promotion for qualified employees, removes incompetence from the organization, and puts an otherwise disgruntled ex-employee back into high performance.

Incompetence is a major handicap in any company. When found, it needs to be removed, but in a cost-effective manner with the least amount of damage. In such cases, the inverse promotion is often the best step to take.

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