Incompetence rules

So your organisation is managed by people who couldn't run a burger stand? Here's why

IN THIS season of goodwill, spare a thought for that much-maligned bunch, the men and women at the top of the management tree. Yes, the murky machinations of the banking bosses might have needlessly plunged millions into penury. Yes, the actions of our political leaders might seem to be informed more by dubious wheeler-dealing than by Socratic wisdom. And yes, the high-ups in your own company might well be the self-important time-wasters you've always held them for.

Don't blame them, though. It's not their fault. There are good reasons to expect that bosses can't help but be incompetent – adrift on a sea of troubles they neither understand nor can control. Better to take pity on the poor souls: there with the grace of the promotion committee go all of us.

The idea that high-level incompetence is inevitable was formulated in the 1969 best-selling book *The Peter Principle: Why things always go wrong*. Its authors, psychologist Laurence Peter and playwright Raymond Hull, started from the observation that while jobs generally get more difficult the higher up any ladder you climb, most people only come equipped with a more or less fixed level of talent that corresponds to their intelligence, knowledge and energy. At some point, then, they will be promoted into a job they can't quite handle. They will, as Peter and Hull put it, "reach the level of their own incompetence". And there they will stay, fouling up operations until they either retire or some egregiously inept act gets them fired.

The problem is what they get up to in the meantime. "They end up distracting us from their crummy work with giant desks," says Robert Sutton of the Stanford Graduate School of Business in California. "They replace action with incomprehensible acronyms, blame others for failure, and cheat to create the illusion of progress." Meanwhile, Peter and Hull concluded, the actual work gets done by those who have not yet scaled the summit of their own incompetence. That would be you and me, then.

Pervasively inept

The "Peter principle" undoubtedly appeals to the cynic in all of us. It is also quite possibly true, if subsequent academic studies are to be believed. The longer a person stays at a particular level in an organisation, the more most measures of their performance fall – including subjective evaluations and the frequency and size of pay rises and bonuses. It is a finding entirely consistent with the idea that people eventually become bogged down by their own incompetence.

Economist Edward Lazear, also of Stanford, is one person who has tried to pin down why. His suggestion is that it is down to chance. People mostly get promoted because they have performed a particular task unusually well. That could be because they are generally competent, but equally they might just by fluke have been well-suited to that one job.

Lazear postulated that every worker's ability to do his or her job well is determined by their basic competence plus an additional transitory component determined by circumstance. There is no guarantee that this transitory component will be maintained after a promotion, especially if the new position requires different abilities. An electrician doing excellent work on the factory floor might not have the interpersonal skills needed to manage a team of electricians. A skilled and sensitive doctor might flounder when faced with the multitudinous difficulties of running a hospital. A cabinet minister prudently managing the finances of a nation might not necessarily be the best choice to step up and lead it.

In other words, following promotion a person is likely to regress to their baseline competence, losing that extra something that prompted their rise. That baseline might be above or below the degree of competence demanded in the new, high-level job. If in a particular workplace the staff who are promoted consistently fall short in this respect, promotion can become the dominant force driving pervasive ineptitude, Lazear's mathematical models showed.

It is a view underpinned by simulations of promotion dynamics performed in early 2009 by physicist Alessandro Pluchino and colleagues at the University of Catania in Italy (*Physica A*, vol 389, p 467). They started by accepting the conventional notion that people who do well at one level will do well at the next one up. If the employees who are most successful in their job are always selected to move up the ladder, then the organisation rapidly fills with competent individuals, especially at the higher levels.

But what happens if the conventional idea is false and employees' ability to perform at higher levels has no link to their competence at lower levels? The result is profoundly different, as you might expect. Promoting the best-performing employees merely takes people out of positions where they are doing well and pushes them upwards until they arrive at a position for which they lack the requisite skills. Their promotion history then comes to an end: the Peter principle wins out.

"The system locks incompetence into place," says sociologist Cesare Garofalo, one of the authors. "This might happen in any organisation where the tasks of the different levels are very different from each other."

As he points out, companies often try to avoid this outcome by giving employees extra training before a promotion, in the expectation that this will supply any missing skills. But the new analysis suggests that there may be another way to achieve a similar end: subvert the seemingly inescapable logic that the best should always be promoted, and at least sometimes promote the poor performers too. By removing people from jobs for which they have low competence, such a strategy increases overall organisational efficiency, measured as a weighted average of employee competence, with higher-level positions counting for more.

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Of course, such a strategy is not without its dangers. Doing your job badly is all too easy, and a promotion paradigm that obviously rewards underperformance would spell disaster. Garofalo suggests how to work round this problem and still use promotion to release poorly performing employees from jobs unsuited to their skills. "This is obviously counter-intuitive," he says, "but the best promotion strategy seems to involve choosing people more or less at random."

"This is a really interesting alternative approach to looking at the Peter principle," says Rajiv Mehta, a professor of marketing at the New Jersey Institute of Technology in Newark. "But it would turn on its head almost every established theory of human behaviour and would face a multitude of problems."

Among other things, random promotion seems certain to undermine the morale of staff who work hard at their jobs. "I think you'd have dissatisfied and alienated employees with low commitment," says Mehta. "They'd be disloyal corporate citizens and from there it's only a hop, skip and a jump to conclude that there'd be high rates of dysfunctional employee turnover." A better way to stop people getting locked in jobs they do badly, he suggests, would be the more conventional strategy of regular job rotation.

With no obvious solution in sight, perhaps we should just resign ourselves to being ruled by supposed betters who are in fact hopeless incompetents. At least – and here's a thought to take into the new working year – it means that when things go wrong at the top, it is most probably a cock-up, not a conspiracy. ■

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