The Peter Principle, a concept developed by Laurence J. Peter in the 1960s and later published as a best-selling book, says that “Employees tend to rise to the level of their incompetence.” They continue to be promoted until they reach the position in which they aren’t competent enough to be promoted further.

Peter’s theory was based on the practice, common now as well as in his day, of promoting an employee to a new position because of his or her ability to perform in the prior position.

That, in and of itself, may not sound like a bad idea. The problem is that the requirements of the new position often have little in common with the requirements of the position the employee is leaving.

A very common example is the promotion of a leading sales person to sales manager. The person’s success in sales is thought to equip him or her to lead a group of salespeople effectively.

Unfortunately, many times the opposite is the case. The company loses the great sales that the employee has generated, and the individual experiences great frustration going from a successful position to one that requires very different skills and approaches.

The second problem is that it is often difficult for an individual to step back from management into a sales role because it may look and feel like a failure.

As a business owner, you do your company and your employees a disservice when you practice the Peter Principle. Your motives are good, no doubt, but the results are often tragic.

So how can you keep your company from falling into the Peter Principle trap?

1. **Know what each job requires.** It is important that you evaluate the jobs in your company and identify the duties and responsibilities, as well as the skills and experience that are needed. Write up a clear job description, and update it regularly because jobs change over time. When a job comes open, evaluate candidates, internal and external, based on those current job requirements.

2. **Develop an interview/screening process for each job,** and put all candidates for the position through the same process, whether they are internal candidates or external ones. Use behavioral questions that evaluate a candidate’s ability to think through and handle situations that are common in the position. Don’t short circuit the process just because you “know” the internal candidate. Remember, good performance in the current job does not guarantee good performance in the new job.
3. **Value every job in the company.** If your company promotes an attitude of “up or out,” good employees may feel compelled to strive for positions in management. This will be true even if employees don’t really want to manage people, or if they aren’t sure that management is the right place for them.

Both the attitude in the company and the pay scales can communicate that going into management is required for growth and advancement. Where possible, identify dual tracks – one for super producers and one for managers. Don’t encourage your employees to set themselves up for failure by pursuing a management position they don’t want. Appreciate them for the contributions they make throughout your company.

4. **Provide training in management and leadership.** Perhaps there are people in your company who haven’t managed people yet, but they may have an aptitude for it. Those people can have a chance to learn more about what it takes if you provide training on management concepts and practices.

There are skills involved in being a good manager, and exposing your team to those skills may help you identify people who do have what it takes to be good at managing. It may also provide some self-identity as people realize they would rather continue to be a producer than to become a manager.

As a good business owner, you want your employees to be successful and to feel successful. By defining success in a way that allows people to pursue the path that is best for their skills and behaviors, you’ll encourage their success and job satisfaction. That’s good for everyone.