PHYSICIAN EXECUTIVES FORUM NEWSLETTER

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Defeating the Peter Principle

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"In a hierarchy, every employee tends to rise to his level of incompetence."

(*The Peter Principle*, Laurence Peter; Raymond Hall, 1970)

For those unfamiliar, the Peter Principle is a management concept in which individuals are promoted to successively more senior positions in an organization until they reach a level where they fail. Consequently, employees then stop being promoted once they can no longer perform effectively. As physicians venture beyond clinical practice into leadership and management

positions typically held by seasoned non-medical or allied health professionals, they can easily fall prey to the Peter Principle. For physicians moving into administrative roles, the skills and talents that make for the best physicians can be counterproductive to success in an administrative role. These are often high-visibility failures with costly ramifications.

At times, the Peter Principle is seen as a testament to deficiencies in a leader's emotional intelligence, or overdeveloped ambition and underdeveloped managerial skills. Senior executives often turn to the Peter Principle to explain the failure of a new leader or program. Furthermore, the organization then looks externally for replacement leaders, fearing that existing staff might have the same ceiling of competence. Ambitious leaders may heed the warning and over-manage personal goals to avoid the risk of becoming the newest illustration, potentially limiting career progression and personal fulfillment.

As derived by Peter and his coauthors (see "Recommended Readings," below), however, applying the Peter Principle is detrimental to human potential and points a fault-finding finger in the wrong direction.

The Peter Principle Defeated

We believe the Peter Principle is a serious misconception. Instead of selecting a new leader based on performance in his or her current role, the institution and candidate share responsibility for wise promotion based on the potential for the intended role. Both must understand the need for identification of appropriate roles and intentional professional development. With thoughtful career planning and leadership development and alignment of a leader's natural talents, energies and key motivators with the appropriate roles, the Peter Principle is not inevitable.

Special Considerations for Development of Physician Leaders

There are numerous approaches to leadership development that can defeat the Peter Principle. Let's examine three of these tactics with special considerations for physician leaders.

1. Prepare physicians for specific new roles rather than an undefined future role.

   To address the need for physician leaders who will guide healthcare to a more sustainable future, many institutions have established structured programs to develop their own physician talent. Master's degree programs in hospital or business administration are other common pathways for leadership development. It is rare, however, for institutions to define the specific roles these potential leaders might one day occupy, and there is usually no explicit plan for movement of individuals into such positions.

The cultivation of new leaders at General Electric (GE) under Jack Welch, as described in *Jack: Straight from the Gut*, is a remarkable lesson in thoughtful leadership development. At GE, aspiring leaders study formal curricula, but more important, they are assigned to work in various defined roles in GE's five companies in both domestic and foreign offices under the tutelage of a variety of managers. A formal, semiquantitative evaluation process is used for advancement. The Boeing Company, Microsoft and other global organizations take a similar approach to developing high-potential leaders.

There are difficulties in extrapolating the GE model to the development of physician leaders. Healthcare organizations are not multinational corporations with large numbers of management positions, and physicians are not highly mobile. There are financial issues to consider. However, it should be possible to recreate the GE model on an appropriate scale. For instance, senior leaders in pharmacy and nursing are highly effective operators, and physicians could gain real-life operations experience under their formal guidance. The same could be applied to the hospital CFO, union negotiator and COO. An intentional approach would be required to achieve this strategy.

Cost issues could be handled through stipends from a foundation focused on physician development. The time away from practice can be limited through concentrated tutelage. Potential physician leaders must realize that some decrease in compensation is part of an investment in a future leading to more leverage on healthcare.

This approach differs from the physician-administrator dyad, which often emphasizes separate roles rather than redundancy, but the dyad model could be created in a way that produces cross-training for the physician.

2. Create multiple pathways for physician advancement.

Given that many physicians who aspire to leadership roles do not want to run hospitals or medical groups, promotion into a managerial pathway should be only one option for advancement. Universities promote faculty along the pathway of instructor to full professor. Such a structure for advancement is rare in nonacademic hospital settings, but perhaps this is an unrecognized opportunity for leadership development. Clinical acumen and seniority could be two of the criteria for advancement. Income brackets and other rewards of achievement could be defined.

Leadership in a medical staff role is another avenue for physician advancement. This differs from hospital leadership because of the much smaller number of constituencies and because the skills are better known to physicians. Senior leadership would need to communicate significance and respect for these roles.

3. Help physicians navigate leadership transitions.

New skill sets are usually required for new positions. The authors of *The Leadership Pipeline* lay out a concept of the new skills, values and approach to time management that must be mastered as one moves through progressively higher levels of leadership. Although the details of the positions may vary in the case of physician leaders, the consideration of the transitions is a worthy exercise.

Mastering Transitions (From *The Leadership Pipeline.* Lists of the skills required at each level can be found in the book.)
Managing others (line manager) ➔ Managing managers ➔ Functional managers (vice president) ➔ Business manager (president) ➔ Group manager (president) ➔ Enterprise manager (CEO)

Development of the skills needed for these transitions requires real-life practical experience, but awareness of the differing needs and potential gaps can be a strong aid for those who wish to be prepared. Senior leaders could focus on the level of skills exhibited by the people they seek to develop and find opportunities for development of the skills required for transition to the next level as appropriate. This is an important application of mentoring within organizations.

Executive coaching for physicians who are stepping into an expanded leadership role is a proven strategy for increasing the likelihood of success. Formal education in leadership and management offers the theoretical framework for leadership, but years of experience are required to learn how to put theory into practice. An executive coach provides a safe, just-in-time sounding board to help the leader apply theory to practice when faced with a new challenge. Executive coaching shortens the learning phase and greatly decreases the risk of failure.

Conclusions

The development of physician leaders requires a proactive approach that begins with the belief that people are more capable than Peter assumed. Given the tools, mentorship, and nudging in the right direction, physicians have the potential for solid contributions that far exceed the limitations suggested by his principle.

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Recommended Readings

Here are five solid books that bear on the Peter Principle subject. Four of them deal with defeating the Peter Principle.

- *The Peter Principle*, Laurence Peter, Raymond Hull. 1970, 2011. Harper Business. Explores the original treatise with its somewhat amusing cluster bombing of human potential.
- *Primal Leadership*, Daniel Goelman, Richard Boyatzis, Annie McKeee. 2002, 2013. Harvard Business Review Press. In some ways, the opposite view from the Peter Principle. Focuses on the emotional intelligence needed by leaders who want to succeed and how to develop it.
- *Jack: Straight from the Gut*, Jack Welch, John Byrne. 2003. Business Plus. GE's intentional approach to talent development is a fascinating case study.
- *Presidencies Derailed*, Scott Tractenberg, Gerald Kauvar. 2013. Johns Hopkins University Press. A university president deals with multiple constituencies such as the board, faculty senate, alumni and students. Although different from the experiences of hospital leaders, these case studies of failed university presidents provide important lessons.
- *The Leadership Pipeline*, Ram Charan, Stephen Drotter, James Noel. 2001, 2011. John Wiley & Sons. Conceptualizes six basic passages for leadership development.