

People Management Skills, Senior Leadership Skills and the Peter Principle*

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January 2024

Abstract

Using personnel records from a Japanese management consulting company, we examine what skills of manager affect the performance of the subordinates and manager themselves. Manager skills are measured by detailed upward feedback from subordinates and downward feedback from superiors. We identify two different sets of skills: people management skills (PMS) mainly observed by subordinates and primarily required for the first-line managers, and senior leadership skills (SLS) mainly observed by superiors and more important for senior managers. We find that (1) only PMS observed by subordinates positively predict subordinate's performance; (2) PMS observed by superiors are not related with the outcomes of both subordinates and managers; (3) PMS of managers and their SLS such as coordination skills and information gathering skills predict the retention of the subordinates; (4) managers' PMS predict their own performance evaluation but do not predict promotion; (5) managers with higher SLS tend to get promoted. The results are interpreted using a theoretical model in which firms make a tradeoff between promoting managers with the right qualities and giving managers incentives to work hard in their current positions. We provide additional evidence supporting key implications from the model.

Keywords: manager, people management skills, Peter Principle, promotion, leadership

JEL codes: J24, J63, M12 M50, M51

* This study is conducted as a part of the Project "Productivity Effects of HRM Policies and Management Quality" undertaken at the Research Institute of Economy, Trade and Industry (RIETI). We would like to thank Sachiko Kuroda for her help in starting this project and for her continuous feedback on our research. We also would like to thank Wouter Dessein, Shingo Ishiguro, Hideshi Itoh, Desmond Lo, Masayuki Morikawa, Suraj Prasad, Raffaella Sadun, Mari Tanaka, Kotaro Tsuru, Tsuyoshi Tsuru, Shujiro Urata, Tatsuo Ushijima, Junichi Yamanoi, and participants in the RIETI DP Seminar, the 2023 Organizational Economics Conference at Waseda University, the Annual Society for Institutional and Organizational Economics (SIOE) Conference, 2023 REITI/Waseda Conference on Top Management Team, Organizational Economics Symposium 2023 at the University of Sydney, and the AASLE 2023 Conference, for their helpful comments. We are grateful to the anonymous firm for providing the internal data and insightful comments. This work was partly supported by the JSPS KAKENHI [Grant Numbers JP19J00295, JP22K20179, JP23H00056].