

ALLOWING EMERGENCE: HOLACRACY

We have seen with Buurtzorg how management roles are distributed among individuals in a circle, eliminating the need for a specific CEO title, for management, and organizational departments (HR, sales, administration, etc.). This has been achieved at a low level of complexity. We can now move to more complex organizational models, where the roles will be distributed among a larger number of units than the single team. Like Sociocracy, Holacracy aims at recognizing and integrating the reality of an open system, at seeing the organization in constant relation with a changing environment.

Definitions

Literally speaking *Holacracy* breaks into the idea of “holon” and “cracy,” the term for governance that we know in democracy, or sociocracy. A *holon* is a term that has come in vogue in describing an autonomous entity (a whole in itself) that is part of a larger whole. In nature, a cell is a holon that is part of an organ. The organ is a holon that is itself part of the body, which we can term a *holarchy*, which in turn interacts as an open system with larger orders of reality.

The above example of holons will serve as an analogy that we will find expressed in how Holacracy overcomes traditional structures that apply to closed systems. In Holacracy an ensemble of holon/roles overlaps with the holon/circles, which are nested within the larger holarchy of the organization, itself an open system. Holarchy aims at rendering the organization a reality that is more than its individual components, therefore independent from them. It simultaneously honors *autonomy* and enables *self-organization* at every level. The organizational holarchy looks a like a series of nested circles, rather than the typical tree.

As we will see from the details, Holacracy is an ensemble of processes and governance ideas that completely bypass and replace top-down hierarchy and need for management. In a thought-provoking statement, Brian Robertson, the major architect of the system, calls it “governance of and by the organizational holarchy; *through* the people, but *not of or for* the people”¹

¹ Brian Robertson, “History of Holacracy; The Discovery of an Evolutionary Algorithm,” July 28, 2014, <https://blog.holacracy.org/history-of-holacracy-c7a8489f8eca>.

(emphasis added). The official website defines Holacracy as a “new way of structuring and running your organization that replaces the conventional management hierarchy. Instead of operating top-down, power is distributed throughout the organization, giving individuals and teams more freedom to self-manage, while staying aligned to the organization’s purpose.”²

The Still Evolving History

Brian Robertson recognizes that what is now called Holacracy is indebted to a great variety of thinkers and social experiments. In his research he credits the initial sources of Jim Collins, Peter Senge, Barry Oshry, Patrick Lencioni, and Linda Berens. Among later sources are David Allen’s Getting Things Done method (GTD) and the writings and teachings of Kent Beck, Ken Schwaber, Jeff Sutherland, Mike Cohn, and Mary Poppendieck, among others.

From a practical perspective, Robertson found that he had to hold these ideas, as well as his own preferences, lightly in order to let best design practices emerge from a continuous movement of experimenting, testing, recording feedback, and adapting, so that in retrospect he could say, “I did not *create* [the Holacracy ideas]; the process was more like discovering some basic laws of physics, through a lot of experimentation.”

Robertson inquired in many directions toward established theories and practices. One of the critical pieces of the whole came from the “Manifesto of Agile Software Development,” which was published shortly before Robertson started his own Ternary Software company.³ It was natural to turn his attention to the agile software development approach, which predicated recourse to self-organizing teams that devise their own ways of working. This type of software development relinquishes extensive predictive analysis and planning in favor of repeated iterations with rapid feedback and adaptation to changes, which will let the software evolve in collaboration with the community of users. It was only natural to want to extend this approach, not just to the development of software, but also to the whole organizational culture. This approach gave the impetus for many more years of experimentation and adaptation.

As ideas started to coalesce, Robertson and his team found the need to come to clarity with group facilitation and decision-making processes, the natural complement to all governance ideas, in order to integrate a multitude

² <https://www.holacracy.org/what-is-holacracy>.

³ <https://agilemanifesto.org/>.

of perspectives. At this point he turned to the *Facilitator's Guide to Participatory Decision-Making* by Sam Kaner, and in time for the crucial encounter with Sociocracy.

In Sociocracy the evolving Holacracy found to some extent the key concepts of consent rather than consensus, but most of all the idea of double-linking—in short, a natural way of conveying feedback across layers of complexity and in all directions. Sociocracy offered the fuel for new practices and for quite some time. Still Robertson saw its limitations in its dependence on hierarchic structures. He wanted to further emancipate the roles from the individuals and of those from the organization, increase autonomy and distribute authority at every level, acquire greater orientation toward organizational purpose, and increase decision-making speed and evolutionary capacity. He wanted to avoid concentration of power in individuals or its dilution into the group, by placing organizational purpose full center.

As a champion of adaptability, Holacracy has reached at least its fourth version for the present, and Robertson further imagines that “its future evolution will be driven more and more by its larger user community.”⁴

How It Works

Holacracy wants to place the organizational purpose above personalities, even that of its founder(s). The purpose is the highest manifestation of organizational potential, which needs to be found in relation to objective needs of the world. This can only be discerned through listening and adapting, and Holacracy places this goal above all others and at every step of the way. People in the organization will come and go; the organization's purpose will endure.

Among its most important components Holacracy counts:

- autonomy of the organizational circles and a definition of the roles and accompanying responsibilities that people absolve within the circles;
- unique processes for detecting what roles are necessary, and how they should evolve;
- specific meeting processes;
- dynamic steering; and
- an evolving, living constitution, which captures all of the above.

⁴ Brian Robertson, “History of Holacracy; The Discovery of an Evolutionary Algorithm,” July 28, 2014, <https://blog.holacracy.org/history-of-holacracy-c7a8489f8eca>.

Circles and Roles

Starting from the simplest level, the greatest innovation of Holacracy is not the function of the individual, but of the role an individual fulfills within a circle (equivalent of a team). "Holacracy aspires to result in a natural hierarchy focused on work [roles] instead of individuals."⁵

An individual can fulfill more than one role in more than one circle. The roles are nested in circles and these are nested in the larger circle, which Holacracy calls the "anchor circle" (or "super circle") containing the whole organization. The roles and circles are like the cells and organs (holons) of the organizational holarchy. The circles themselves are subdivided in sub-circles (figure 30).

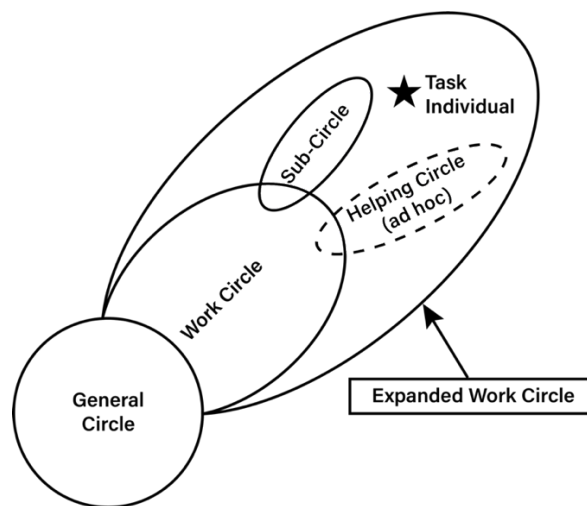


Figure 30: Basic circle structure

The circles are self-organizing teams. They have to naturally emerge and evolve over time; so do the roles. The individuals themselves no longer have job titles; they simply assume roles that can change over time. This separation of individuals from roles is what Robertson calls "separating role and soul."

⁵ Pepijn van de Kamp, "Holacracy—A Radical Approach to Organizational Design," in *Elements of the Software Development Process: Influences on Project Sources and Failure*, edited by Hans Dekkers, Will Leeuwis, and Ivan Plantevin, 9 (University of Amsterdam, 2014). https://www.researchgate.net/publication/264977984_Holacracy_-_A_Radical_Approach_to_Organizational_Design/link/53fa346a0cf27c365ceed4fe/download.

Step by step the process of evolution is recorded in a constitution that defines the domains of action, responsibilities, and limitations of roles.

An emphasis on self-organization and empowerment of the roles encourages those with managerial experience to let go and other employees to step forward. What is often seen as mutually exclusive becomes a matter of fact; initiative/autonomy and collaboration are mutually reinforced. Leadership is assumed everywhere in the system, since there is no real top.

Roles contribute to the aims of the circles and the organizational purpose. Each role has several qualities:

- A purpose that explains what the role wants to achieve. An example of role in a small company could be marketing or accounting.
- One or more domains over which it exerts power: the domain is the area of autonomy over which other roles will not interfere. In the case of marketing, some domains could be online orders, social media accounts, or website contents and upgrades.
- Accountabilities over which the role has complete control; these are specific activities that the role is intended to perform. Accountabilities for online orders could include promoting services and/or products on the website, or maintaining and expanding presence on social media.

The domain is the general area of action of the role. The accountabilities will break down targeted areas of this specific role: the how, when, where, and what. The individual will have specific authority over the whole of the role. In the day to day, a role will enter in creative tensions with another role, for example in overlapping areas of action. Individual leadership addresses the tensions, and Holacracy has developed efficient processes for addressing them.

Everyone in the organization is a leader in his role(s) and a follower in all other roles, thus distributing responsibility over the whole organization. And roles will emerge from need over time and dissolve when and if their purpose is fulfilled or no longer functional. The founders have their own roles defined by respective domains and accountabilities and cannot overstep their boundaries. The constitution serves as the safeguard.

Facilitation

Holacracy purports to have a focus on one tension at a time; it aims at most successfully addressing tensions with the minimum investment of energy for

the sake of the role. Individuals are encouraged to discern and address tensions in their roles to better address organizational purpose. These tensions can appear in either of operations/strategy (the processing of the work) or tensions on governance (impacting organizational structure). (See Figure 31)

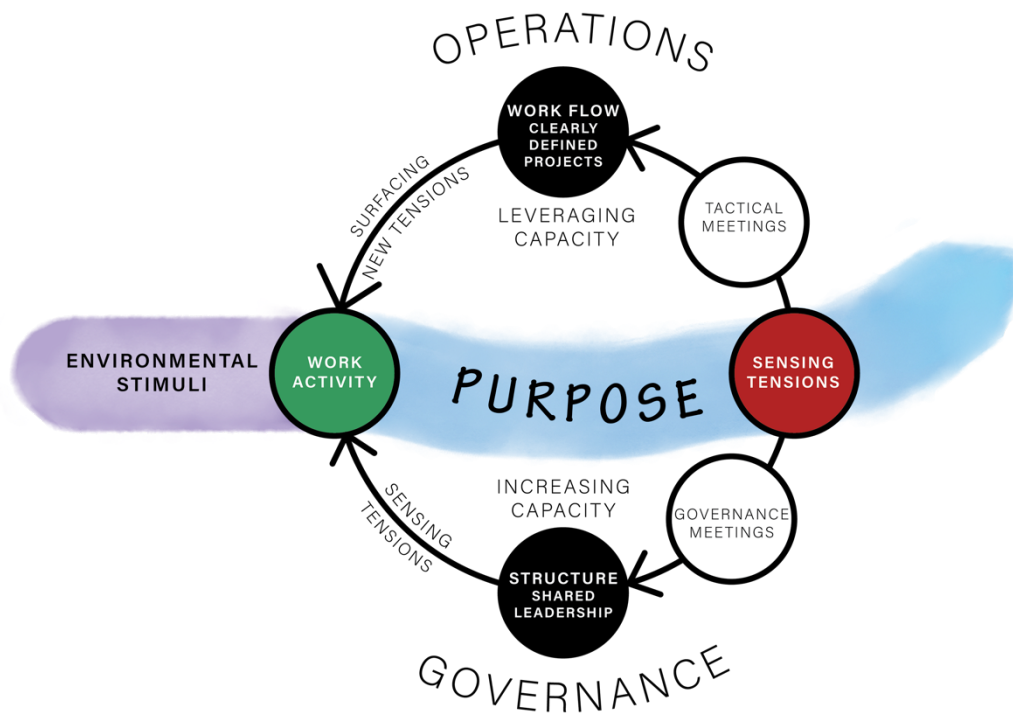


Figure 31: Operations and Governance in Holacracy
 (Source: <https://www.topmanagementdegrees.com/holacracy/>)

Operational meetings, most often called “tactical meetings,” involve minimal and fast-paced facilitation in what is called the “integrative decision-making process.” Here too we can recognize the stages of Open Mind (clarifying questions), Open Heart (reaction round, objection round), and Open Will (integration round). Governance meetings, as in Sociocracy, address policy decisions and also the evolving description of roles. Addressing governance means slowing down in order to gain clarity, but this is done in order to speed up operations. Good governance stimulates good intrinsic motivation in the fulfilment of roles.

Double-Linking and Dynamic Steering

Holacracy has evolved and refined features we have already uncovered in Sociocracy and in the example of Buurtzorg. From Sociocracy it has adapted double-linking.

The so-called lead link and rep link act like two channels across a membrane cell. The lead link is chosen within the super-circle to represent its needs within the sub-circle. The rep link conveys the needs of the sub-circle within the super-circle. They are simultaneously present in both circles, providing complementary views and feedback: the lead link has authority to remove a person from a role, though not to fire; the rep link relates the tensions he sees to the super-circle in order to free energy for the roles. The two reps are chosen through what is called an "Integrative Election Process."

Not unlike Sociocracy, important decisions are based on consent and are tested through rapid feedback, in what is called "dynamic steering." There is no need for thorough prescriptive planning but rather adjustment to external variables through rapid feedback. This is particularly important for matters concerning organizational structure, which can continuously be improved based on experience.

Recourse to strategic planning would limit ability and readiness to sense the tensions and adapt to evolving trends. The goal is to reach workable decisions and let reality inform the next step, rather than follow a road map and risk resisting reality in the name of long-term goals.

There is a medium-term strategy that is framed around sets of polarities, both defined in positive terms. The group as a whole decides which direction seems more desirable in the present circumstances. Through the Integrative Decision-Making Process each person, with input from the whole, can see how they can adapt their role to the strategy.⁶

Holacracy is a relatively young organizational form that has received positive reviews in academic circles and has been applied in small and medium-sized enterprises. Of late it has shown positive results in larger ones, such as Precision Nutrition and Zappos, to which we turn next.

⁶ Robertson, *Holacracy*, 132, 138.

Success Stories

Precision Nutrition

Toronto's Precision Nutrition defines itself as "the home of the world's top nutrition coaches: coaching clients and certifying professionals since 2005."⁷ And it adds, "Over the last 15 years, through our Men's and Women's coaching programs, our in-house coaches have helped over 100,000 men and women get into the best shape of their lives."⁸

In 2012 cofounders Phil Caravaggio and John Berardi decided to implement a transition to the Holacracy model in the organization. The change yielded results even in its first year. In an interview with Brian Robertson, Caravaggio explains that a motivation for innovation was his distaste for commodity work, the work-for-paycheck exchange.⁹ Added to this was the very successful growth of the company from its inception, which generated a tension between holding on to its core values, growing in numbers and volume of business, and adapting to a rapidly changing environment. The founders did not subscribe to the idea of limiting growth as a way to hold on to what made the organization special, but knew the risk that comes from rapid expansion.

Caravaggio observes that Holacracy has extended entrepreneurial spirit and leadership, though not in a managerial sense, since there isn't really a top to the business. In fact a big change has occurred at what was the top.

Before the change, due to the company's amazing growth, Caravaggio found himself doing all the important and urgent tasks in the company—he was the leader and decider, and felt he could manage less and less. It was a demanding task to step back and let other talent and leadership emerge and to trust it, to the point of realizing that the company could go on without needing as much from him. And he knows that he cannot overstep his boundaries and have the last word, because the Holocratic constitution just doesn't allow him. However, he still has a unique role in it, as he specifies: "[Holacracy] gives you, as the custodian of that [organizational] specialness, enough to keep it. You're not going to delegate that part of the organization. As the founder, that's my primary role and task."¹⁰

⁷ precisionnutrition.com.

⁸ <https://www.precisionnutrition.com/our-story>.

⁹ <https://www.holacracy.org/precision-nutrition/>.

¹⁰ <https://www.holacracy.org/precision-nutrition/>.

Noticing that the company has continued to grow in people and revenue between 25 and 50 percent per year, Caravaggio is sure that this has only been possible by moving whole-heartedly into the new paradigm, not just doing a halfway transition.