

## A REVIEW OF THE CONSTRUCT OF HOLACRACY™™

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#### **Abstract –**

The construct of VUCA world is a reality. Societies and economies are experiencing complexity and uncertainty since the new millennium. The global shutdown due to the pandemic has hastened the processes. Such world would require a shift in the management thoughts as well. This calls for managers and academicians to search for new solutions which work on collaboration, respect for others and a sustained dialogue. Organisations of the future will have to give high importance to individuals and create an environment of continuous improvement. Holacracy™ is a concept to enable this new organization management paradigm. In the new world the organisations would have to rapidly scale up the size and operations and also be agile like a startup. This paper deliberates on the construct of Holacracy™ and the challenges to the same. The paper identifies that the concept does create an environment for an individuals to succeed.

**Keywords:** Holacracy, Circle, Management framework, Hierarchy less organization

Holacracy™ is a governance framework for organizations. The framework the traditional organization structure and operations practices like, unit of command as given by henry feyol or the top-down hierarchy of the organization. The concept also challenges the premise of need for management. In fact the concept promotes the now acceptable norm of lean organization. It promotes effective yet distributed authority and focus on purpose driven work.

So what is Holacracy™, It is an structure without managers. It is a governance process which is based on the autonomy, responsibility and ambition of employees. That terms whole is used to explain the circle or cells which collectively form the larger group. This can be also described by drawing a parallel to human body. 1) Holacracy is the registered trademark of Holacracy One, L.L.C. of Spring City, PA, USA.

The concept was first introduced by Arthur Koestler. He explained the connection between the circles as against the traditional liner hierarchy. Brian Robertson expanded the Koestler's

concept and introduced the term 'Holacracy<sup>TM</sup>' for the concept in the year 2007. According to Brian Robertson (2007), the concept is based on sociocracy. The concept of sociocracy was developed by Dutch entrepreneur Gerard Endenburg in the 1960s. The concept provides a framework which explains the process to bring agility to the operations of an organization and is expected to complement the agile practices being adopted by organization.

As per the concept the holon (circles) does not have the traditional superior subordinate structure. Rather all the circles cooperate and collaborate. Each role in the organization has clearly stated objectives and work descriptions along with the needed authority and responsibility. The organizational decision-making is spread across. The employees are allowed to take decision to act on situations they experience in their operations. Information flows through the organization which provides for a structure for operational and overall governance.

The concept got popularized about ten years back when Zappos the billion dollar online shoe and fashion retailer announced a shift to Holacracy<sup>TM</sup>. Since then the concept has been gaining popularity not only in business and in academic discussions. A quick survey of Indian business landscape shows that such concept of structure and governance is visible in mostly technology driven and/or small and medium-sized companies.

### **Emergence of Holacracy<sup>TM</sup>**

As stated earlier, is the form of self-organization structure. The concept provides the employees the required flexibility to create own job roles. The emergence of concept of Holacracy<sup>TM</sup> goes back to 1950s. London based Tavistock Institute of Human Relations conducted research to study the effect of new technology on coal mines production in England in the post WWII period. The study also identified those employees of the organization who are able to have impact on their work design are able to better control their performance. Such employees were seen to be satisfied in their work.

Until now, from an academic and scientific perspective, little is discussed about Holacracy<sup>TM</sup>. Empirical evidence on the concept is difficult to find and very difficult to collect. The authors of this article have investigated what is known presently on Holacracy<sup>TM</sup> and its connection with other academic theories along with the benefits and challenges of implementing the same in managing organizations.

### **The characteristics**

The Holacracy<sup>TM</sup> is defined as: “a real-world-tested social technology for agile and purposeful organization. It radically changes how an organization is structured, how decisions are made, and how power is distributed.” <https://www.HolacracyTM.org/>

The Holacracy<sup>TM</sup> is an organization form without managers. At the core is the company's mission. And employees are to enthusiastically contribute to its success. For achieving this, the interaction of employees has to be shaped by following rigid decision-making processes. While the focus and aim of bureaucratic organizations is to have predictability through the rigid pre-defined systems and processes. A holacratic organization structure creates predictability

through organic and adaptive systems. We can say that such organisations are self-organized without any rigid hierarchical structure.

**Holacracy™ promises the following:**

1. Lean and adaptable organization
2. Highly focused and effective meetings
3. Distributed authority in the organisation
4. Clearly defined goals and goals-driven work
5. A whole company which is self-managed and disciplined

At the foundation is the concept of sociocracy. It means control by the 'socios' (the community). Sociocracy propounded principles for individual development and focus on collective objective achievement. The collective is crucial, but it should be able to be influenced by individuals. As discussed earlier the Sociocracy is a form of self-management and it is based on following principles,

- 1) Prepare organization structure in form of circles
- 2) Higher circles are represented by a double link
- 3) Representative links are elected
- 4) Principle of 'no objection, where decision-making is based on consent

**Working of concept**

In Holacracy™ the organizational structure is a holarchy of self-organizing teams called as circles. The concept of circle evolves over a period of time as a process. The aim of Holacracy™ is to lead an evolution of natural hierarchy focused on work.

The unique feature is that there are no management titles. The concept believes that the job titles are more status-related rather than being related to the work of the employee. In the concept the role purposes are clearly defined so as to contribute to the overall organizational goals. The concept clearly defines when a role is not aligned with the overall to goals, the role is withdrawn. Roles serve a defined purpose and it includes the responsibilities and authority. "Everyone becomes a leader of their roles and a follower of others".

Holacracy™ aims to define the work to be performed in a clear way by eliminating job titles and with clearly defined roles. By clearly defining authorities and responsibilities for each role and creating distributed decision making.

**Process**

Holacracy™ aims to be an open system by distributing leadership across organizations. In such a system the employees are more aligned to the dynamic market environment. In a Holacracy™ environment an individual sense opportunities for improvement, they are called as 'tensions'. The tensions are classified in to following categories:

- 1) Tensions on operations (the processing of the work)
- 2) Tensions on governance (structure of the organization)

**Meeting of circles**

To expedite the execution of opportunities for improvement (tensions), the employee members

of a circle conduct a meeting. These meetings are conducted regularly to develop and establish the circle's governance process so as to discover the roles that are needed to achieve the goals. The different circles coordinate information sharing by using the concept of double linking. A member is elected as lead link from super circle and one member is elected from each sub circle as rep link. The lead link and the rep link conduct a meeting. Such meeting is attended to ensure that the circles decisions are aligned to the super circle needs and views of sub circles. Each circle is represented in the next higher circle.

1. It is responsibility of the lead link to coordinate activities within own circle and the own circles' alignment with the overall goals. It establishes an environment where each member can contribute to the circle. The lead link also acts as a sweeper. That is to say that the lead link is responsible for job not taken up by any member. Unlike the traditional manager the lead link does not have any authority to direct the subordinate's activities.
2. Rep link or representative link is to communicate circle's views to higher level. It reports imbalances that can't be solved by circle. Rep link is elected for a fixed period by the circle.

Decisions are not made on consensus but on consent. In Holacracy™ the rapid decision making concept is based on data to enable quick feedback is called Dynamic Steering.

Once the member of the circle experiences a tension or imbalance, the member reports the issue in a meeting. The procedure is strict without any scope for discussion. Other members of the circle only listen. Only after the holder of the imbalance or the presenter has presented the other members of the circle can ask clarifying question. Comments, objections, or suggestions are permitted only in the next phase of consultation. After the presentation by the member, the facilitator of the circle would ask the presenter for solution to restore the balance in the process. The comments, objections, or suggestions by members have to be related to removing the imbalance. After all objections and suggestions by members the holder of imbalance would address them. At the end, the chairman confirms the agreed conclusion with the tension holder. The tension holder is free to address the issue and restore the balance.

The procedure may seem very rigid, but it actually saves on time wasted on discussion. The key focus is on efficient sharing of information and problem solving. The role related decisions are also known as tactical decision-making or informal consultation.

At the start of the operational meeting, the facilitator invites members to register with personal declarations related with work or private issues. The idea is to identify if members are facing any difficulties. After members declaration the facilitator (chairman) checks if any member wants to add any agenda item, including imbalances or tensions.

### **Does Holacracy™ Work**

To identify the functional utility of Holacracy™, let us look at the concept from three perspectives.

1. The Holacracy™ and existing management theory
2. The perspective of practitioner
3. The perspective of company

### **Holacracy™ and existing Theories**

To understand if the concept would or would not work the authors have considered some of the recent and prominent theories in this section for discussion. Attempt has been made to describe the theory is brief and how its concepts or practices are present in the Holacracy™ concept.

#### 1. Agile

The Agile concept emerged due to the need for alternatives to the traditional advance plan based waterfall software development approach. While the waterfall method is extremely predictive the agile is highly adaptive. Thus agile is able to respond better to dynamic environment. At organization wide level this can be compared with the dynamic steering.

#### 2. Integral Theory

The Ken Wilber's theory has been incorporated in Holacracy™. Ken Wilbur explained the holons as an entity that is a whole and at the same time also a part of a larger whole. In Holacracy™, the circles are the holons and their hierarchy is called holarchy. The traditional concept is when a few people dominate the overall will of an organization. Holacracy™ is opposed to such traditional system of few leaders' dominance. To break such dominance it proposes distributing tensions (opportunities for improvement) across the organization. This allows for an environment for continuous learning and innovation.

#### 3. Sociocracy

As discussed earlier, this is a governance structure. It is based on a hierarchy of circles. For an organisation a circle is a policy-making unit of people.

The following practices of sociocracy have been incorporated by Holacracy™,

1. Focused and directed meetings
2. Elections by consent and not consensus
3. Double-linking of circles to achieve synchronization.

#### 4. Requisite Control Structure theory by Elliott Jacques

In traditional theory, the hierarchy is an efficient form of organization. Organization structure that is weak leads to employees not able to work at full potential. Organisation hierarchies that are aligned to the complex situation faced by organisation are able to unlock energy and improve morale and creativity. Through dynamic steering, Holacracy™ allows for development of the requisite structure on a continuous basis, as more is learned from experience.

We could say that Holacracy™ is likely to be of utility for better results. The dynamic steering concept is revolutionary for organizations to become more aware of the dynamic environment and be adaptive to it. This is achieved by improving organizational learning and by defining work in clearly and goal driven way, better effectiveness could be achieved.

Holacracy™ would let the structure of organization evolve and distribute authority within the self-organizing teams.

#### From the Perspective of a Practitioner

Early adopter of Holacracy™ was the content platform called Medium established by Twitter founder Evan Williams. When compared the traditional top down structure at twitter with Holacracy™ a manager at medium identified that in a typical traditional management situation the tensions felt at the top are made to be addressed by lower operational level and similarly the

tensions felt at the lower levels are not at all considered.

### **The perspective of company**

Businesses are established with the purpose of developing, producing sales and earn profits. They are also focused on the issues of not harming the society and the planet as possible. The goals of businesses are not set in stone. Also what leads to achieving the goals is often unclear. In practice of Holacracy™ there is a person with requisite role authority to answer such questions like what leads to goal achievement.

The principle of "no objection" is at the core of Holacracy™. The principle refers to the power to stop a person's freedom of action. If a person believes that a suggestion is affecting their own role, the person can raise an objection with sound reasons for the objection. If the reasons are accepted as valid, the objection would lead to suspension of the action.

### **Roles**

At the core of the construct is the focus on goal achievement. The employees define their roles, their tasks, authority and accountability. Related roles are grouped into circles to bring synergy. Holacracy™ concept promotes putting roles in focus and not people in focus. Here the people are the role-players. Their knowledge and skills matter so as to fulfil their roles. The employees are only agents and they play the roles in context of the circle.

Holacracy™ is about an organization by the people for an identified purpose. Role fulfilment creates personal relationship. The roles are either distributed or created. Holacracy™ gives option to refuse a role. It allows people a change or shift to their careers, as far as such change does not come at the cost of career of others. Employees can create roles and independently execute them.

### **Some advantages of the concept**

1. It provides for focus and space to roles rather persons
2. It promotes autonomy for employees
3. It creates a clear structure for decision-making
4. It creates a unity of purpose and result

### **Some disadvantages of the concept**

1. It typically works well where projects are executed.
2. It requires ambitious, independent, enterprising and responsible employees. This is a challenge in traditional human resource environment.
3. The role requires employees to have initiative and willingness to accept responsibility.
4. In the concept the power is in the role and not the person. But the managers are not willing to let go of power easily. In it the power in an organisation is distributed.
5. The strategy of the company can be the facilitator or can damage also.
6. The focus on individuality is a big cultural challenge and in Indian context this is a challenge.
7. In a traditional structure, it is difficult to align the Holacracy™ with the organizational processes. This calls for a complete overhaul rather than quality improvement.
8. Scaling up a Holacracy™ companies is presently an uncharted area and has major challenges.



## Conclusion

Holacracy™ creates an environment that allows people flexibility. From this view the concept is the best way for organisations, as it consists of empathy, connection, clear communication.

The concept focuses on processes and structure. It provides objectivity and the way and means to achieve the goals. The present day challenges of large egos of people, the menace of nepotism or old boys' network that serves the interest of select few are broken in Holacracy™. The system promotes flexibility and growth by regulating roles, authority and responsibilities.

Holacracy™ could replace the traditional top-down hierarchy of the organizational design and increase effectiveness. In Indian context the concepts of collaboration and role based leadership rather than positional importance has been present in the social order and in business philosophy. The social structure has been more focused on the role and not the leadership position holder alone. The traditional Indian approach to business has been customer centric and organizations were structured and operations were designed with the circles of operations rather than the straight line reporting structures.

The authors feel that the Holacracy™ would be very useful in businesses like IT. There is a doubt on the efficacy of the concept at lower level of the organization and people who are not yet proficient in self-organizing. The article is only an introduction to the concept to assist in forming an opinion. Attempt has been made to look at the concept from various perspectives. From an academic perspective there is a urgent need for research to gather empirical evidence to support the claims of the concept.

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