

MIE459 - Organization Design

Executive Summary - Holacracy: Fad or Future?

Team 18 Executive Summary

Holacracy is an organizational structure, from the more general class of flat structures, pursuing decentralized management and organizational governance. In Holacracy, authority and decision-making functions are distributed throughout self-driving and self-organizing teams. Our mission was to complete a critical evaluation of Holacracy from the organizational design perspective, and provide our view and recommendations on its benefits, drawbacks and implementability as a new ubiquitous system of governance.

Holacracy was developed in the early 2000s by a CEO of a software startup looking to push the envelope of self-managing teams prescribed by the agile method. Introducing a “Circle” structure, it aims to dynamically distribute authority throughout the organization. The Circle structure is similar to combinations of vertical functional structure and team-based structure, but is neither pure flat nor vertical structure. Authority of decision making is assigned to each Circle, the role of “Lead Link” must authorize to make a decision valid.

Holacracy was in part born out of the evolving dynamics of the external environments that companies live in today. E-commerce and software companies with simple, but dynamic environments have been the early adopters - Zappos, an online footwear retailer is the most prominent example. Holacracy works better in smaller companies that have a less formalized authority structure. Reforming into circles can be more easily done when a company is in its entrepreneurial or collectivity stage, as they are just developing divided roles and responsibilities. Zappos recovered from a potential decline when implementing holacracy, as the CEO recognized that a decline was oncoming and took prompt action to avoid it.

A culture of adaptability and open mindedness is key to implementing and sustaining Holacracy. The culture must foster creativity, and empower its employees. This was the driving force in Zappos implementation of Holacracy. Identified benefits of implementing Holacracy include a lean and adaptable organization, highly effective meetings, clearly distributed authority, and purpose driven work. Holacracy has historically been successful Undercurrent, August and ARCA, which are all adaptable organization cultures in their collective phase of the lifecycle. The main drawbacks of holacracy regard its flawed assumptions about sociocultural undercurrents in corporate organizations. In particular, there have been instances of malignant power structures developing in companies who have implemented or experimented with holacracy.