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Holacracy and the Zappos Case: Can management survive without managers?

Supervisor

Ch. Prof. Andrea Pontiggia

Student

Fabrizio Lo Iacono

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872410

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Introduction

The changing pace of the world is increasing day by day. Organizations have to cope with this new global environment: market forces are changing, and the speed of the market is enormously higher than the past. This is the heart of a new revolution: customers are able to surf the internet gathering a greater variety of information at a very lower cost, compared to last decades. Hence, companies are struggling day by day to meet customers demand and expectations, with increasing worldwide competition. The IoT and 4.0 revolution have broken through all the standard practices and procedures of daily businesses, forcing organizations to look for alternative source of competitive advantage. Simultaneously, the globalization which has been taking places in the last decades together with constant deregulation from different geographical nation has undermined the traditional processes of the organizations. Hence, it is not enough anymore owning exclusive access to financial capital, labour, market, or another primary productive factor. In this new and fastest world, companies have to rethink the way their business is conducted, to build a new source of competitive advantage which is strong not for his scarcity or possibility to exclude other companies in obtaining, but because it is so deepen inside a company and so unique that is extremely difficult to reproduce it elsewhere. Competitive advantage from a structural point of view may be built by applying new and different organizational structure to experiment, learn and adjust in order to find the perfect fit for the single organization in the specific industry. Capabilities and competences are the heart of the new revolution, and they need a perfect organizational model to exploit their full potential and thrive: organizational structure has to be seen as a resource at the disposal of the company that can embrace and drive the change.

In this hyperdynamic and competitive environment, Holacracy is to be set. The goal of this research is to show all different philosophies and methodologies which have brought together to the rise of the model, considering they are all still be used singularly. However, Brian Robertson, the inventor of Holacracy, has been touching each and every single component who brought holacracy to life in order to soak the positive aspects and trying to contrast the downsizes looking for the perfect expression. Chapter 1 is dedicated to the explaining of the 3 main components of Holacracy: Agile movement, Sociocracy, getting things done Philosophy, and the breaking down into different subcomponents when

necessary. In chapter 2 the essence of the model is developed along with example to provide further clarity. All the different rules and procedures of Holacracy, from the structure to the way of running the model in its systems and processes is shown with strictness and precision according to the Holacracy Constitution, which is the official document explaining the rules of the game. Chapter 3 is dedicated to the analysis of advantages and disadvantages provided by the model in the actual word, with a specific focus on the difficulty of implementation of the model from the empirical experience of Holacracy coaches and companies which have shifted to the model. Particular attention is given to the Medium case study, which is summarized in this thesis, since is one of the most famous case of a company turning back his decision of adopting Holacracy after 3 years, with an analysis of the reasons behind the withdrawal. In the end, chapter 4 goes empirical with a case study of the most famous and biggest company which has adopted holacracy as a whole so far: Zappos. Due to online literature case studies and witnesses from the inside, together with my personal company tour had in December 2019 plus the coaching of the zappos Insight team, I have been trying to show who Zappos is, with his background and culture, why and how it turned a 1500 employees' company into Holacracy, which challenged it had to face and how the whole system reacted and sorted out all the problems related to the change, as hiring and firing and compensation into a self-managed system with distributed authority. Different problems have arisen with the implementation of the model, since the constitution is not providing procedures or hints on how to handle human resource practices: Zappos has been the biggest company so far which disclosed how they empirically handled the model. The researches ends with a summary of the case study from an internal, structural and external organizational perspectives together with my conclusion in which I will explain my opinion about the factors that mostly impact the probability of success for the model to take place, providing empirical evidence or statistics when possible.

Limitation of the study

As most of the managerial researches, this study present limitations too.

Firstly, Holacracy is relatively new for management literature: more companies then the world knows are adopting it, but few of them are willing to speak and tell their story. It is not for selfishness, but it is a strategic move: Holacracy is to be seen as a source of competitive advantage nowadays, because it is an optimization of the resources at the disposal of the company. As mentioned before, resources have to be intended as a broader word, since it is not a classical raw material of access to financial market. As a competitive advantage, few companies are willing to share their interpretation of the model unless they have not well established it, otherwise they could lose their benefits as first movers. Hence, the first limitation can be considered the small number of practical case study available to reference. However, this is mostly bypassed thank to emphasis I put on Zappos and their availability and enthusiasm in sharing their story. But I would not be surprised to see and hear in the following year new cases from different companies, even bigger than Zappos or in different countries.

Secondly, I wanted to provide financial indicators of Zappos to understand the impact that Holacracy have had on the economy and profitability of the company. However, I am only able to provide data until 2008/2009, because as Zappos got acquired by Amazon, the new parent company stopped disclosing any data related to the company, as group organization policies. Hence, I will provide interpretations and experience of the company, while I'll use descriptive statistics in the conclusion to provide additional proofs of my interpretation, thoughts and opinions about the model.

Chapter 1: History of the Model

1.1 Roots and Idea beyond Holacracy

''*Before I started my own business I was often frustrated when I sensed something that wasn't working or that could have been improved, only to find that there wasn't much I could do with that awareness, at least not without an heroic effort in the face of bureaucracy, politics and long, painful meetings. I didn't just want to complain – I wanted to help*'' states Brian Robertson as author of Holacracy, The New management system for a rapidly changing world. He describes in his book all the steps that were needed to be undertaken in order to create Holacracy as it is defined nowadays.

The idea that generated the first effort toward the foundation of the model was originated from the incapacity (or more often, impossibility) of people to show their disagreement and concerns related to the business in which they are working. They have to relate with all the bureaucracy and organizational structure, implying lots of time and knowledge efforts. The emphasis is placed on the dangerousness that could originate if those feelings of uncomfortableness were ignored. More specifically, the term *sense (*Robertson 2015) is pointed to specifically define this kind of concerns and disagreements.

Since everyone is unique in terms of perceptions and actions, they can notice different signals from multiple sources of *senses,* which could lead to different consequences and danger to the organization, if ignored. ''*The human capacity to sense dissonance in the present moment and see the potential for change strikes me as one of our most extraordinary gifts – our restless, never satisfied, creative spirit that keeps us always reaching beyond where we are*'' (Robertson 2015) , referring to the difference of how the activity is happening at the moment and how it could be better developed into the future, considering the impact of ignoring the sense. According to the author, this difference, properly defined as *tension,* is the concept which mostly impacted the arise of Holacracy: A mechanism which allowed every individual of an organization to quickly and easily show his or her tensions in an efficient way was needed.

As stated in the Holacracy Constitution *: ''You are responsible for monitoring how your Role's Purpose and Accountabilities are expressed, and comparing that to your vision of their*

ideal potential expression, to identify gaps between the current reality and a potential you sense (each gap is a "Tension")." (Holacracyone 2015b), and this is the only technical definition elaborated to describe what a tension is. Interpreting this definition, a Tension is not something that an individual thinks about, is more a feeling that goes through the whole body, since "It's possible to think something is a problem but feel no tension"(Cowan, 2018), meaning that it can be assumed there is a problem but not feeling any disruptive consequence in the future, and that is not a tension. On the other hand, the subconscious can feel a tension for something that people don't think is a problem, because feeling is something specifically human and they are not always fully aware of it. The only way to help people to separate those 2 scenarios and avoid confusion is through experience and practise inside the organization. In addition, is worth mentioning tensions themselves are not a problem, they signal problems and make people aware of the gap, allowing everyone to feel uncomfortable of their current situation, either in positive or negative way. Hence, tensions don't have to be conceptualized as a strictly negative feeling since they can also be hugely positive, providing excitement and they could be carrying incredible potential of becoming even better in the future.

Tensions have now been defined. And a tension has to be processed for addressing the feeling and put the effort into the right fuel, to be positive for the whole organization. Information plays a crucial role in the addressing of a tension, because it can dissolve them, even if nothing changes it can eliminate the tension, since it may happen that some tensions are generated by a lack of information about daily business, activities and everything related to roles and circles. The tension can be dissolved mainly because the problem that it signals doesn't exist; it is generated due to a lack of the vision of the whole picture of the organization by individuals. And since everyone is unique in terms of human feeling capacity, nobody can feel someone else's tension: it explains why you cannot object to proposal in governance meeting on behalf of someone else's role. However, sometimes a tension can also be broken down into different smaller tensions, also called sub-tension, because they may hide and signal a problem that is way bigger than what is sensed. Hence, it can be useful to divide a tension in different parts and discuss them separately, in order to be sure of sorting the problem out in its whole.

Processing tensions one at a time is, among others, a crucial point in the implementation of the model, because this is unnatural when it comes to groups, due to the nature of

combining different human being together. It often creates confusion, and the only way to counter it is with discipline. Too successfully process tension without wasting time, it must be done through rules, discipline, experience and practice in taking turns to discuss.

In addition to the endogenous causes (tensions) mentioned above, there is a new set of challenges which is threatening organizations from an exogenous perspective, referring to the external environment: complexity increasing, growing transparency needs, higher environmental interconnection, developing of short term run, environmental instability, flexibility need and fast growing new markets. The clash among those new necessities and the vertical hierarchical structure led to the arising of the need of a new organizational system which could allow both the agility and flexibility needed for the survival and the business development in this new rapidly changing environment.

1.2. History

The beginning of the research for what is nowadays known as Holacracy started back in 2001. Brian Robertson is the man who discovered and captured the rules of the model, which are nothing abstract or created from the bottom, but just theorized from the basics as it could be for physics, biology, almost every science. He was looking for a flexible structure both to easily process the tensions and to keep up with the speed of the software development industry, in which everything started. ''To realize my goal, I had to give up on my ideas of what the system would look like, and what principles had to show up in it. I had to let go of my answers to better pay attention to my question. And my question was simply: In the context of working in an organization, what gets in the way of sensing something that could be better, and acting on that awareness to move things forward? And then: How can we evolve the fundamental system design to remove that obstacle? Without presuming an answer, my job became simply to experiment — to hypothesize an answer, test it in reality, get feedback, and then adapt the system further as I learned what worked. Rather than building "my idea" of how companies "should" run, I was searching for the most natural way to structure a system for processing individual tensions to express an organizational purpose.'' (Holacracyone 2015d)

In 2001 Robertson left his previous job to found Ternary software, a company that he was going to use as a laboratory to experiment new ways of conducting business, getting one step ahead for the theorization of the model, pursuing the research of better ways for

gathering people working together. The experiment process was initially focus of how to integrate different cultures to exploit the synergies of this ensemble, but after a couple of years it became evident that he needed to consider structure and process level as well. The company was growing, and the lack of clarity about rules, system, governance and structure was becoming increasingly harmful. In addition, the industrial paradigm of '' predict and control'' that was used until early 2000s, was not sorting the desired outcome due to a fast increase in market turbulence that it could not keep up. Robertson wanted to bring evolution inside, anticipate and embrace the change. This can be considered a crucial point in the development of the model, because it is 2003 that Ternary Software decides to apply the fundamentals of Agile Software Development movement (See 2.2.1). The application of the movement's principles seeded a consequential deepening into the Getting Things Done philosophy (see 2.2.2), which, together with the Sociocracy model (2.2.3), are the 3 main ancestors that originated the Holacracy model. Here is an overview of the ancestors:

1.2.1 Agile Software Development Movement

 The Agile Methodology has been developed as a reaction to the traditional method used until late 90s in the software development industry. According to Samuel S. Conn (2004), those classical ways of conducting business were mainly grouped into 3 methodologies:

1. **The waterfall Method (1970)** is recognized as the first structured approach to systems development. ''We would get the users to tell us once and for all exact what they wanted. Ewe would design the system that would deliver those features. We would code it. We would test to make sure those features were delivered. All would be well''(Beck,1999). It lists all the critical activities of the software development process in a sequential order, from analysis to design, implementation and test, considering the interdependences among the activities.
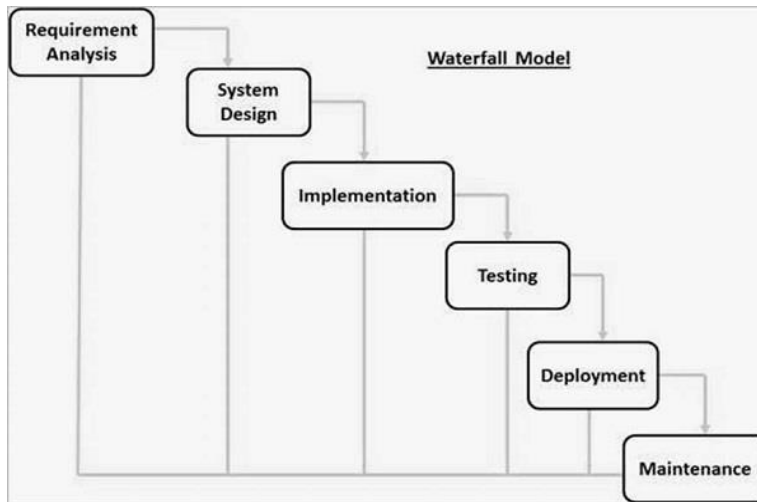
Fig 1.1 *The Waterfall Method.(https://www.tutorialspoint.com/sdlc/sdlc_waterfall_model.htm)*

Even if it theoretically provides fairness and accuracy in linking the platforms one after the other, there is little evidence in applying this model in real life development, since it is used in a recursive manner, resulting in a very long and chaotic flow because there is usually more than one link to each platform. On the other hand, users often did not know what they really wanted and used to change their mind, which meant increasing time spent on a single project, in order to adjust it according to new user taste's. Incremental and iterative techniques were used to decrease development times by dividing the projects into overlapping increments. However, due to the previous pitfalls, a second traditional model has been developed later.

2. **The Spiral Model** was developed by Barry W. Boehm in 1986. It creates a risk-driven approach to the software process, rather than a strictly specification driven, incorporating the strength of the Waterfall method while overcoming some difficulties. It is made up by different spirals which identify the objective of the part of the product to be elaborated, the alternative ways of implementing the part of the object and the constraint imposed on the application of the alternatives.
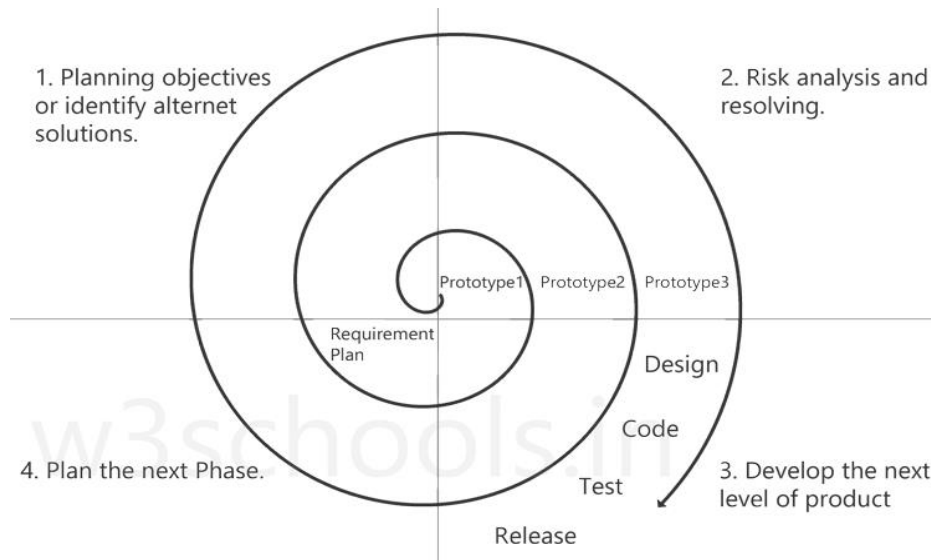
Fig 1.2 *The Spiral Model. (https://www.w3schools.in/sdlc-tutorial/spiral-model/)*

What happens after those 3 phases is the most relevant and innovative point of the model: the risk evaluation of each alternative, regarding the amount of resources dedicated to each alternative and how to optimize them, considering the level of uncertainty. This uncertainty and the overall risk can be mitigated by simulations, prototyping and questionnaires. Risk is reduced mixing together different approaches, from specification oriented to automatic, transformation oriented and the already mentioned prototyping and simulation. A final evaluation considering all the people involved in each spiral (or activity) is performed in order to understand whether the project should be terminated or not, due to risk percentage. However, this model is not pitfalls-free too. While it accommodates strategies for the reuse of existing programs, it focuses on deleting alternatives which are not useful and convenient and the moment. Even if it enables iteration and go backs and forth through every single project in order to terminate it in case it becomes inconvenient, there are some downsides. It is suitable for internal software development, but it is not enough flexible to dive into the external world of software development, since it is not able to provide certain degree of freedom and flexibility without losing accountability and control. The other concern relies on the people- dependent approach of this model, so higher degree of subjectivity. Hence, the Spiral model process steps need further elaboration to ensure that all

the participants in a software development process are operating in a consistent context. (Boehm, 1986)

3. **The prototyping model** states that a prototype needs to be built, tested and then reworked until an enough good prototype is achieved. It started right after the spiral model was sufficiently wide because it aims at involving the final user into the process in order to achieve higher efficacy and efficiency. It is a six-step process that works when the project's requirements are not known in advance, since it is based on interaction with the customer, trial and errors. Thanks to the use of ''mock-ups'' which simulate the final system to the user, the producer was able to make change accordingly to the final client tastes and refine the final product to align with the final user's requirements while the development was occurring.
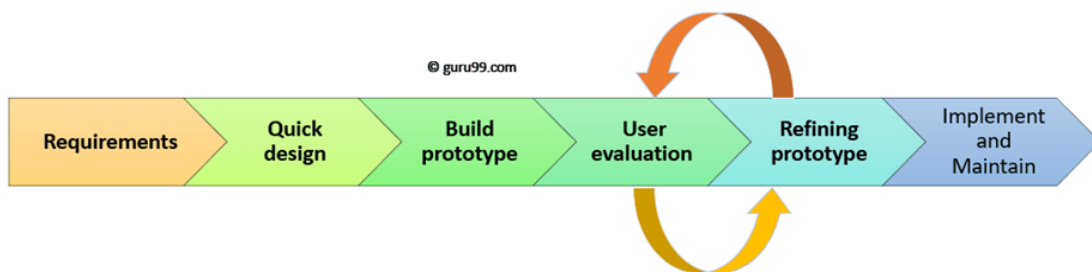
1. **Fig 1.3** *Prototyping model(https://www.guru99.com/software-engineering-prototyping model.html)*

The traditional methodologies mentioned above where used until the early 00s as the way to conduct everyday software development business. However, due to the growing speed of change in the market, customer tastes and technology impact that is twisting each industry, the need of keeping up with those changes, and being able to embrace them, not only respond to, was becoming more and more evident. This is the reason why different companies and people started to develop their own response to the ''traditional'' ways of conducting business: 17 of them hence, after years of experimentation, came together in the famous meeting of Snowbird 2001, in Utah. The most important components of the ''lightweight methodologies'' which mixed together where the main influence of the agile manifesto are the following:

- **Scrum:** it is a process that considers the unpredictability of the development. The term is borrowed from Rugby:'' Scrum occurs when players from each team huddle closely together… in an attempt to advance down the playing field'' (Highsmith, 2002). It is a framework widely used in project management operations and

breaks down the development process into four different cycles, called ''Sprints'', which are in charge of setting a certain set of features as deliverables.
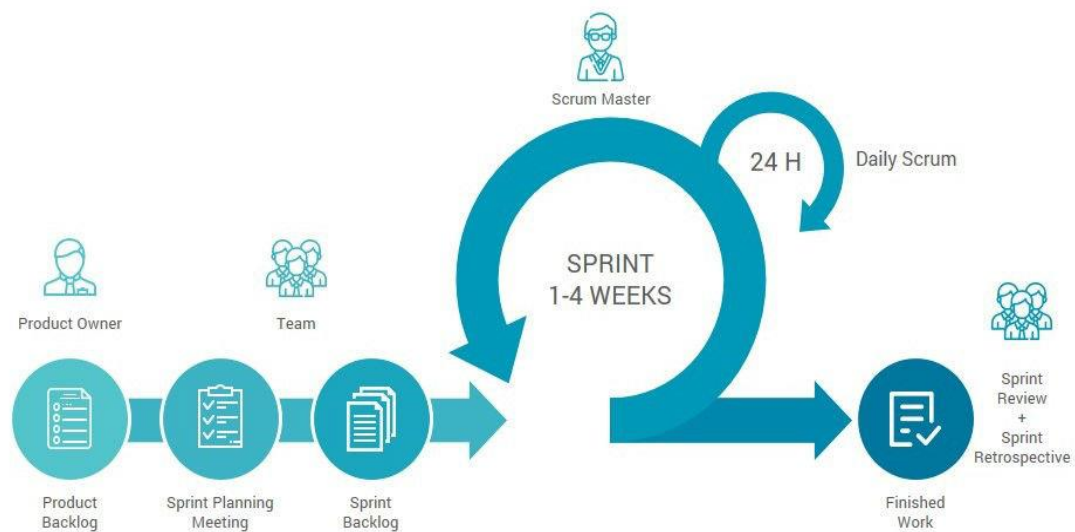
Fig. 1.4 *The Scrum Methodology (https://habr.com/en/company/hygger/blog/455022/)*

The peculiarity of this framework is the daily 15 minutes meeting for ensuring coordination and integration, a novelty considering the time where it was developed (Early 00s). It also defines the perfect size of a team, which is seven, breaking down the components that have to be built and clearly assigning the task to the people, providing constant testing and documentation. The scrum master is in charge of ensuring that all the team members have fully understand the scrum method, acting either as a leader and a supporter, helping also in realizing whether an interaction can add value to the project or not. The sprint Review is an informal meeting that take place after the product is done, in order to assess the respect of the action decided in the sprint backlog, and undertake others if they can add value, while the sprint retrospective is performed right after, in order to understand what has been good or bad in the product, what and how it could have been improved.

- **DSDM:** The Dynamic Systems Development method has been firstly used in the UK in the mid-90s. It is a methodology made up by nine principles that guide the user through the development life cycle. The key concept of the principles consists in the user involvement in the process, team empowerment in decision making, rapid interactions, reversable decision, testing and collaboration. Due to the particular

mindset necessary to be applied, training and documentation has to be provided to team members in order to dive into the methodology. (Voigt 2004)

- **Crystal Methods** where developed to overcome the poor communication in the product development, also called people centric. "To the extent that you can replace written documentation with face-to-face interactions, you can reduce the reliance on written work products and improve the likelihood of delivering the system. The more frequently you can deliver running, tested slices of the system, the more you can reduce the reliance on written 'promissory' notes and improve the likelihood of delivering the system" (Highsmith 2000). Highsmith adds: "[Crystal] focuses on people, interaction, community, skills, talents, and communication as first order effects on performance. Process remains important, but secondary" (Highsmith, 2002). Every member of the team (called Crystal Team) is assigned to a work that fits his or her personality, attitude and job skill.

- **Feature Driven Development, or FDD**, Is a minimalist approach with respect to process. It is a five steps cycle (overall model developing, Feature list building, planning by feature, designing and building by feature) where each step is precisely but shortly summarized and documented, with highlighted key roles. It has been used in very big project with more than 50 developers. (Conn, 2004)

Fig 1.5 *Feature Driven Development (https://habr.com/en/company/hygger/blog/455022/)*
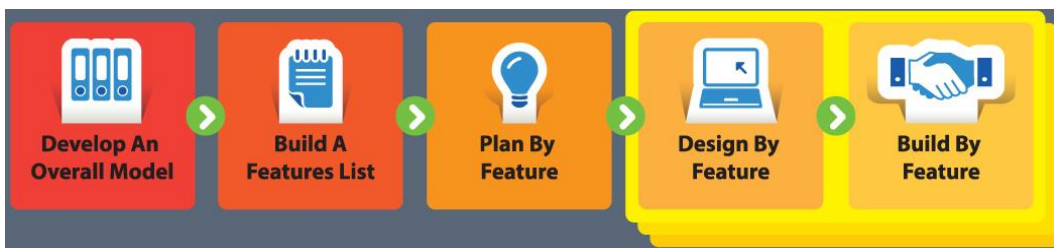
- **Extreme Programming** has been widely proved as one of the most spread methods regarding large-scale telecommunications projects, especially in Europe. Based on four main values (Simplicity, courage, feedback and community), it is made up by 12 different phases, from planning (with customer iterations), to simple design and test with final user on site in an open space, without overloading of work the employees (no more than 40 hours). It has also developed a different organizational approach towards change, where it can be considered as a positive force, and can lead good results through the organization if managed correctly (Conn,2004)

- **Lean Development** was started by Bob Charette and is based on the success of the Lean manufacturing, a new way of conducting business and activities developed into the automotive sector in the early 1980s. Even if all the other Agile methodologies came directly from the software sector and were employed into the software development process, LD is a philosophy exported from the automotive industry since Charette believed that to be truly Agile you need to change how companies work from the bottom to the top. This is the reason why the 12 principles of LD focus on management strategies (Lubchenco, 2016). They includes satisfying the customers as highest priority, provide the best value for the money, success relies on active customer participation, every LD project is a team effort, everything is changeable, solutions not point, complete instead of construct, better less solution today than more solution tomorrow, minimalism is essential, determine technology is needed, growth is considered in term of features, not size and never push LD beyond its limits(Highsmith, 2002 in Cohen 2003). The five values that drives Lean Development have been proved to potentially benefit each sector through their implementation, as the main reason to import them into software development: everyone benefits from continuous improvement, waste elimination, creation of value for the customers, optimization of value streams and people empowering (Ebert 2012)
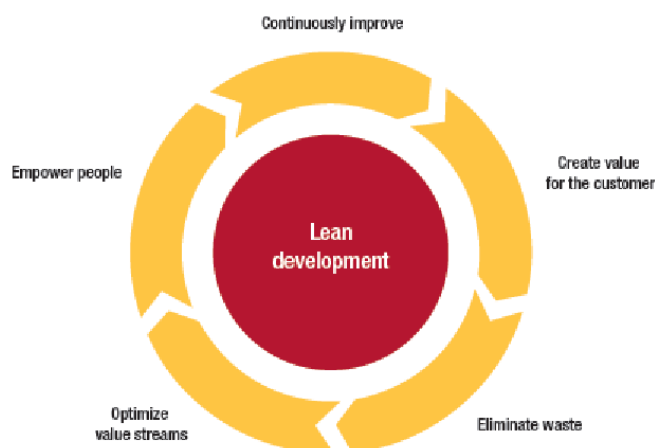
Fig 1.6 *Lean Development Principles*
(https://www.researchgate.net/publication/235665426_%27Lean%27_Public_Participation_GIS_towards_a_sustainable_tool_for_participatory_urban_planning/figures?lo=1&utm_source=google&utm_medium=organic)

After having defined the main Agile ecosystem of the time (Scrum, DSDM, Crystal, LD, Extreme programming, FDD), there is evidence that there are similarities among the differences of each methodology. In a 3 days meeting, 17 people, experts and practitioners of the main agile systems, gathered together from all around the world at Snowball in Utah to write down what is nowadays well known as the **Agile manifesto.** During the meeting, the key item of focus where the definition of what each member stood for, the research for a better name since ''light'' was still used, and finding the synergies into the group: the goal was to unite all the experts under the same movement, which had to be created by the similarities among the ecosystems. It was also an opportunity for different realities all around the world to strengthen their competences and grow. The meeting ended up in agreement about the main 4 values of the Agile Movement, but the twelve principles took some extra time to be written down. The Agile manifesto was an emblem of the collaboration and the discussions focusing on how to discover better ways of developing software and help others to understand how to do it. They all started from the pitfalls of the heavy/traditional methodologies and how they have been ineffective in the past, later focusing on which values they had in common. The four main values where **individuals and interactions over processes and tools, working software over comprehensive documentation, customer collaboration over contract negotiation and responding to change over following a plan**. The word over is used to signal that, even if they were aware of the value residing into those activities, there was something more important. They founded the agile alliance, writing down the 12 principles of The Agile Movement:

1. **Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.** Customers do care about the working software delivered to satisfy their needs, not about documents or UML diagrams.
2. **Welcome changing requirements, even late in development. Agile processes harness change for the customer's competitive advantage.** This approach brings organizations to embrace the change, looking at it as an opportunity over a threat, since it cannot be ignored. The growing unpredictability of the future is the most challenging aspect of the economy, and the main cause of change and innovation.
3. **Deliver working software frequently, from a couple of weeks to a couple of months, with a preference for the shorter timescale.** It is the predominant practise for agile projects, even if there is evidence that it can be difficult to put in

practise due to the nature of some projects to produce deliverables in a wider span of time.

4. **Businesspeople and developers work together daily throughout the project.** Transactions are changing, so is the way of developing business: rather than specific set of requirements disclaimed at the beginning of the project, features are subjected to frequent changes. Consequently, interaction between businesspeople and developers must occur more often than in the past, using the world daily to emphasize the frequency of the interaction and commitment.

5. **Build projects around motivated individuals, give them the environment and support they need and trust them to get the job done.** People are the most important factor and the source of competitive advantage: tools, processes and technologies go to the 2nd step when it comes to contribution to the final product. But trust is hard to give and to be gained, it requires knowledge of the situation and willingness of giving up some authority to let the staff take decision about their activities.

6. **The most efficient and effective method of conveying information with and within a development team is face-to-face conversation.** Agile puts more emphasis on understanding rather than documentation, using conversation as more direct technique to ensure comprehension of the project and work. You cannot transfer tacit knowledge by taking it out from people's head and putting it into paper (Dixon,2000). To transfer it, you need to move the people which carry the knowledge around since it is created by personal reinterpretation of facts and competences and cannot be merely copied due to its nature. Therefore, communication is preferred over documentation.

7. **Working software is the primary measure of progress.** Stressing the testing phase is crucial to understand whether the product will be delivered on time: it is not enough to be punctual with the requirements and the code, since unpredicted event and errors can stretch the testing phase and cause delays.

8. **Agility relies upon people who are alert and creative and can maintain that alertness and creativity for the full length of a software development project.** People need to find their working pace and balance it to preserve their health through the whole working time (no more than 8 hours a day).

9. **Continuous attention to technical excellence and good design enhances agility,** which changes the standard phases of the projects: for example, the design goes from a standard pre activity phase to a continuous action through the whole project, using different style and techniques (6 ecosystems) to enhance it.

10. **Simplicity—the art of maximizing the amount of work not done—is essential,** because a simple approach is usually the easier to change with less effort and damage risk, and it is less complicated to add something whether the approach is easy, rather than an articulated one. Providing a simple number of rules will be likely to develop better outcomes rather than imposing complicated and strict regulations.

11. **The best architectures, requirements and designs emerge from self-organizing teams,** stating that the best design is not decided from a top down perspective, but it is created together by continuous interaction with few processes' rules.

12. **At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behaviour, accordingly.** Hence**,** there is no best process that can be decided early. An agile team has to redefine and reflect as is goes along, adapting and improving its practices in its local circumstances. (Fowler,2001)

Software engineering was one of the first industry which experienced obsolescence in the traditional hierarchical structure, since either the world was changing too fast, or did not allow the exchange and constant interaction and competences that derives from it. (Van De Kamp 2014) The market speed forced Robertson to look for other ways of conducting business, and the application of the Agile principles had a positive impact on the company, enhancing speed and flexibility. However, Agile was not an organizational structure by itself, but an approach to daily business, a philosophy, and the vertical pyramid was not exploiting his full potential due to the centralized authority. After a couple of years practising Agile, there was evidence of a need of focusing both on company's culture and a new organizational form to allow even more flexibility and agility: after some experiment, Sociocracy was discovered.

1.2.2 Sociocracy

To better understand what sociocracy sociocracy nowadays is worth to briefly analyse its history. Its main root can be found in Quakerism, a religion that became known into the business world due to the efficient and peaceful way of organizing and managing both work and people, even with hundreds gathering together. In 1926 Kees Boeke started a residential school based on the Quakerism philosophy, focusing on the consent principle: this allowed everyone to participate in the governance of the school, both teachers and students. Later, In the late 1970s, Gerard Endenburg took sociocracy on a higher level, implementing it in his family's business and allowing the model to become more famous. However, it is only in 2007 when john Buck and Sharon Villines launched their book '' We the People'', that the model began to be known worldwide. The reason of the contained fame of the model relied on the language of the articles: before 2007, everything was taught and explained only in Dutch. After the release of the book, which was English written, it migrated to other languages too and gained worldwide access. In addition, this language switch allowed other people and expert began to modify and apply sociocracy due to the needs of their organization or industry. Today, due to the meeting of Sociocracy with agile principles and the lean movement, the new version of sociocracy which integrate those three ideas is called Sociocracy 3.0, and it is freely available worldwide to be consulted, applied and improved. In 2014, the principles and instruction of sociocracy were put under a Creative Common Free Culture License, for people who wants to learn, apply and tell others about Sociocracy 3.0. (Priest, 2020).

Sociocracy offers a solution for self-organized companies to help businesses fostering trust among people without putting lots of control mechanisms in place, stating that the structure too can enable the self-organization, not only the people. (Eckstein 2016). Nowadays, the practical guide of Sociocracy 3.0 says ''it *is a social technology for evolving agile and resilient organizations at any size, from small start-ups to large international networks and multi-agency collaboration.* '' The word Sociocracy derives from both Latins, Socius means ''companion'' and Kratos, from Ancient Greek, which means both power and rule. It is a model thought to empower people and facilitate autonomous team to work together in the most flexible, efficient and fluent way. The First version of Sociocracy, which later inspired Holacracy, was based on four main principles:

1. **Decision making is shared and based on consent.** To understand this value, it is worth mentioning the basic ways in which organization usually make decisions. Using the **Chaotic way**, people usually just wait and see what happens without taking decision: If on one hand nobody can be blamed for the decision, on the other there is a big lack in control since whatever happens has nobody to be accountable for it. The **magic way** is similar to the chaotic, since the decision is taken by using something random to decide, which can be rock-paper-scissor, throwing a dice, or other ways that show the same pros and cons of the chaotic way: still, no one is going to control and be responsible for any decision. Using **consensus**, everyone decides. It could sound as the perfect solution since everyone would oversee any consequence, but it takes a huge amount of time to be elaborated. The **democratic way** tries to overcome this pitfall, where the majority decides and acts. However even if it is faster, it ignores minorities. Lastly, the **Autocratic way** is the most adopted, where a single person is in charge of taking decision, where it is fast in the act of taking the choice, but it can be slowed down in the implementation due to a lack of understanding by the people in the organization.

   After this preamble, sociocracy uses a completely new way of taking decision, by **consent**. It may sound like the consensus, but it is way different once put in practise. When an organization decides to take decision by consent, it means that all the people that are involved into the decision (only them) are asked if they agree or not with the decision. In case of a negative answer, people must motivate it, explaining which could potentially be the consequences of that decision and why they would be harmed by them. So, the no in the answer cannot be something strictly related to personal opinions, the objection has to be proved by facts or scenarios. This can also involve the whole group to look together for a jointly solution, whether the objection has a solid and reasonable foundation.

   In the end, deciding by consent is not a mutually exclusive way of decision making: a group can decide to delegate just a portion of the group (Democratic), one person (Autocratic), or even a magic event to take the decision: it is a method that governs the other decision making methodology, not fighting them.

2. **Circles as Semi-Autonomous units.** This principle can be easily and directly found into Holacracy, since it is where it came from. A circle is every group of people which gets together for a common goal, from the board of director, to a

corporate function. The difference from a normal group relies on the rights that are assigned to the members: everyone has the same rights within the group. There is no separation of power oh hierarchy level when it comes to a circle. Policies are used to govern it instead of any kind of power. Policies are set of rules that state the circle's way of daily working. They define guidelines and boundaries of the group to ensure the group can work together. Consequently, this kind of structure cam be naturally combined with agile principles, since it is used as a tool to foster self-organization at each corporate level. (Eckstein 2016)
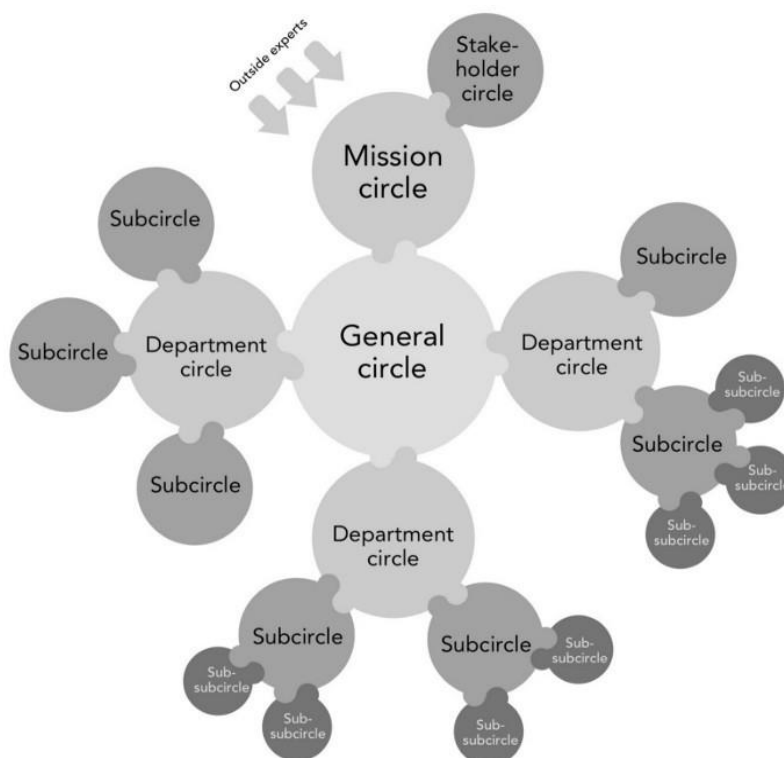
Fig 1.7 *Circles (https://medium.com/@Harri_Kaloudis/a-brief-introduction-to-sociocracy-a0770f220937)*

3. **Double Linking Circles,** to understand how circles interact among them. A main difference with Holacracy must be enlightened here: A hierarchy do exist in Sociocracy. Even if the double linking principle will be later recovered in Holacracy, it will be modelled and evolved. Instead, in Sociocracy the double linking is referred to the circles that are right above and beyond your circle. What is different from a normal communication mechanism however, is the presence of an elected member from the lower circle into the upper circle, in order to bring up

the needs of the lower circle and to be involved in decision based on consent, which will be likely to impact the activity and daily business of the lower circle. Hence, it is double linking because the usual top-down communication from the managers are still in place (top-down), but at the same time a bottom-up communication is put in place thanks to the elected member of the circle. Those 2 roles linking the same circles to two different hierarchical level, cannot be covered by the same person, otherwise a feedback short circuit would happen, blocking the feedback loop that is set to happen.

4. **Electing people to functions and tasks.** This principle may be misleading nevertheless the name, since there is no proper election as it can be imagined in every democratic society. However, after having stated what kind of position needs to be fulfilled (roles or tasks), a person is elected in order to cover the position, and there is a predetermined process developed to determine who is going to oversee the new role. It is structured as follows:

- The first step is dedicated for clarifying and identify the needs that have to be satisfied;
- In the second step everyone is asked to propose someone to cover the new role generated by the first step. In this moment, everyone just has to signal the name of a person without stating the reason behind the choice;
- Third step is when the facilitator collects and reads out loud all the proposal;
- In the fourth step, everyone is told to explain the reason behind his choice, why a specific personal has been nominated;
- After having heard all the proposals and the reasons, everyone is asked if they prefer to stick with their previous choice or switch to another person;
- The sixth step is the most crucial and the one where the difference between a standard election and this type can be easily observed: the facilitator collects all the final proposal, and, after that, he summarizes them and makes the final proposal based on what has been going on in the meeting. Hence, it is not always the person with most votes that is addressed as the chosen one, since it is the rational of the facilitator which decides;
- In the Final round, everyone is asked about consent on the proposal or whether they want to raise a reasonable objection. In this Final round, the proposed person is always asked last since he or she may acquire much more confidence

in himself while listening to the other's opinions about him. It is worth pointing out that the proposed person is not always the best solution, but it is usually the good enough solution, the one that can fulfil the role and is available in a reasonable time without impacting the business. (Eckstein 2016)

After these four main principles, it is worth to highlight some differences and similarities among Holacracy and sociocracy. The most important difference has already been mentioned above: while sociocracy is built on an existing hierarchy, Holacracy completely eliminate it. I repeat it once again since it is the reason why Robertson decided to take inspiration from sociocracy, but did not implemented it completely: he was convinced that the still existing vertical structure was limiting the true potential of self-organization, and kept on believing in further researches. Another different point between the models is the emphasis given on people and roles, which is was more stressed on Holacracy, where the role definition is way more elaborated and a person can cover different roles: Holacracy constitution defines what a role is and how much detailed the job description has to be. The job description is very emphasized in Holacracy since it defines accountabilities, domains and more specifically the boundaries of a roles' authority, to understand in a faster way who is in charge of doing what inside the organization, eliminating the confusion of vague and not updated job descriptions.

The similarities among the 2 models are clearly recognizable: the circles elaborated in sociocracy are the basic of the Holacratic model, and the double linking principle is very articulated, with different election processes and definition of the two, sometimes three, link among circles. The decision-making process in Sociocracy seeded the more elaborated governance process which is put in place in Holacracy: however, the influence of the Agile principles and the Getting Things Done philosophy allowed to give birth to the evolved meeting structure that can be find in Holacracy.

1.2.3 Getting Things Done

The Getting Things Done methodology was used by Robertson to enforce the model he was developing at the time (not called holacracy already), fostering clarity and discipline to ensure liberation and delegating authority. It was one of the main drivers into the dive for a better organization model, along the journey. The GTD philosophy was elaborated by David Allen in his book, which consisted in focusing on the concrete actions which will bring the organization closer to its goal. It is a method based on keeping the task as small as possible in order to accomplish them in a short amount of time, without having to memorize them or using excuses to procrastinate, providing clarity and focus (Niebuhr 2017). Here is the list of the main concepts that make up the GTD method:

- **Process instead of storage.** The growing complexity of the business environment and the faster market speed can easily overwhelm individuals with more and more task to do, without a precise defined order. In this process, the human brain would merely become a storage device with all the action to be accomplished. This would prevent every individual to totally use his potential and competences on action to fully get things done. People need to focus as much as they can on physically things to do, not just think. Hence, GTD suggest creating a bucket, whether it can be physical or a digital cloud, where all the important things that are not needed in the moment can be put. In doing this simple but powerful exercise, people will start putting order into their minds, dealing with important things at the right time, queueing them so that they will be successfully accomplished. However, the bucket needs to be cleaned on a regular basis. To be efficient, it has to contain only important and useful information which may change from time to time, so that the brain can trust the collection box.

- **Projects and lists.** Due to the nature of the task, it can be optimal to transform it into a project if it is enough complex. For simple activities, the to do list is still ok. The project is something that requires more than one action, can be turned into a project list and should be able to be described in once sentence its outcome. There can be different types of

lists, but some of them are more important than others. **The next action list** is with no doubt the principal list that must be done, where an action is defined as every physical or visible behaviours on every open loop (Allen,2001). Next action list should always be paired up with calendars, which create awareness of the deadlines. Each calendar should contain information about meetings, specific actions and information of the day. **The waiting for List** is very helpful when working in teams, since it contains everything regarding team components, inputs and deadlines of the group. All the components write down everything they are waiting from other members, so that it can be easily noticed whether somebody is not punctual in his deliverables and remind him**. The Maybe list** is the place where to put all the ideas that have not come to a concrete conclusion yet. They are not listed by importance, but there is no time now to think about them, considering they could be very important in the future, whether it comes to brainstorming activities.

Other key point underlined by the philosophy are the comfortableness of the workplace, where all the important information is easily available and the employee feel both physical and psychological safe, so that focusing on the next actions will be more natural.

The combination of those 3 elements (Agile, Sociocracy, GTD) allowed a huge improvement toward the goal of elaborating the new management system, but there were some pitfalls. ''It offered us some great pieces of our puzzle and a nice next-step, yet it was limited to a management hierarchy wrapped with a consensus-like group decision-making process'' (Holacracyone 2015d), and the need for more autonomy started to arise, with distributing authority among people. This constant research flew into the original first theorization of the model, Holacracy 1.0 in 2006, with the first version of the Constitution. In the following years, Robertson left Ternary Software to create Holacracyone, a consultancy management company which will help, tutor and guide the other corporations in implementing Holacracy. Simultaneously, he kept on experimenting and evolving holacracy through direct and indirect experiences, practise and learning, with other versions of the model coming out as 2.0,2.1,3.0, and the actual Holacracy 4.0 version which is the one in place nowadays

Chapter 2. The Holacratic Model

2.1 Structure

Traditionally, the organizational structure has widely been defined. 3 of the most common definitions are:

- **Formal structure,** the combination of job description and organizational charts. One of the crucial points that differs holacracy from the traditional organization relies in the frequency with whom people look at job descriptions. Usually, most of the employees do not know where to look for someone's job description, meaning they became obsolete, irrelevant. In Holacracy, software and tools which will be deeper explained in this chapter are used to allow anybody in the organization to consult all the job descriptions, to know who is accountable for what and eliminating any implicit expectation.

- **Extant structure,** the one really in place. As mentioned before, the formal structure is often far away from the reality, while the extant structure is the operating one, worked around by people to get things done. It is usually shaped by personal relationships and policies. As people work together, the implicitly bonds among them create and shape cultural norms that are accepted and valued by everyone, even if not written.

- **Requisite structure** would be the best one for the organization, the one that perfectly fits its work and purpose, the desired one every organization should aim for.

Through the governance process, holacratic companies can remodel and shape the organization easily, by creating or dismissing new or obsolete circles and roles. This allows the model to catch the internal tension felt by the people and the external needs due to the speed of the market. Moreover, it can deal with what leaders need most from their organizations nowadays: adaptability and reliability.

In practise, **adaptability** can be found in the shift organizations must undertake, such as production adjustment to meet customer demand and local needs, or bigger strategy changes. Through modularity, Holacracy is allowed for more plug-and-play activities through the company than in a vertical structure where people sit in singular units. Teams and roles are adapted as a need of change is perceived, so whether a new goal arises, individuals create new roles or circles (if there is enough complexity) to tackle it. As all Holacracy rules, they are regulated by the constitution which set the rules to create, change or eliminate roles and circles. Hence, team are able to design and govern themselves, inside the boundaries defined by the constitution.

Reliability as well can be declined in multiple meanings, from the creation of predictable and stable returns for shareholders to the fulfilling of customer expectation and maintaining an acceptable level of employment. The aim of Holacracy is to reach adaptability and reliability through a flexible structural design which allows reinvention and changes at the lower cost. (Bernstein 2016)

As for the word Holacracy, it is made up by 2 separate terms: ''Holon'', which has been created by Arthur Koestler in his book ''The ghost in the Machine'', published in 1967, meaning ''a whole that is a part of a larger whole''. This created a ''holarchy'', connections among the holons, as for example the human body. The end of the word derives from the Greek ''Kratos'' which means power, and the combination gives the word Holacracy. When put into organizational contest, it means the shift of the power from the top management to the different Holons, giving power to the roles inside the circles, enhancing flexibility. This is a crucial point of the model since the emphasis is shifted to the process, not to the people: as will be described in the following paragraph, people usually uncover many roles, so they are free to self-organize themselves in order to accomplish all their responsibilities. Roles are the building blocks of Holacracy, which combined create different circles, added up together to form the whole organization.

2.1.1 Roles and Responsibilities

The fundamental key for a full comprehension of the model is in the question that everyone asks himself when it comes to holacracy. It shifts from ''Who's counting on me?'' to ''What are they counting on me for?'' which is a change that turns upside down the managerial logics: it gives clarity and freedom about tasks and responsibilities due to the roles that a person is filling, not due to the person that is accepting a role. Nevertheless, it may seem counterintuitive and unnatural, but the organization benefits from the focus on roles, since implicit expectations on other members are completely taken down. It is thanks to the precise specification and explanation of all the task of every role, allowing individuals to align themselves to the organization purpose and act towards it. Roles are created through the governance process, the process in charge of elaborating rules and responsibilities, being the eliminator of expectations. As Robertson said in his book, The New Management system for a Rapidly Changing world, whoever uncovers different roles during his life, making a comparison between people's routine inside and outside the workplace. Hence, in the beginning roles were defined considering both external environment of the organization and the talent pool of each single company, to ensure that the right person was going to uncover the right role, or, alternatively, stressing the selection and recruitment process if needed.

Roles definition in Holacracy is enunciated in the constitution, A *"Role"* is an organizational construct with a descriptive name and one or more of the following:

- A *"Purpose"*, which is a capacity, potential, or realizable goal that the Role will pursue or express on behalf of the Organization.

- One or more *"Domains"*, which are things the Role may exclusively control and regulate as its property, on behalf of the Organization. They are attributed to the role itself and to the person, which is filling the role, similarly what happens with an individual entrepreneur with his own company,

- One or more *"Accountabilities"*, which are ongoing activities of the Organization that the Role will enact. They are expectations placed on role for doing something, and are usually expressed by the suffix -ing, meaning they are activities that go through time. They represent expectation placed on roles for doing something, considering they do not give any extra authority on other roles: it is explained in

the domain (HolacracyOne 2015b). Since in Holacracy every role and circle conduct business as they prefer, ensuring it is aligned with corporate target, the accountabilities' goal is to catch the best practise of doing business and turn them into written accountabilities, considering the authority's limit of each role. There are different verbs that are usually paired with accountabilities, as verbs starting with enforcing or ensuring, used to set a target and only then is up to the roles how to achieve it, even though more specificity would provide more clarity: for example instead of "ensuring +20%" could be replaced by " Creating more demand for our products and closing deals" (Compagne,2016). Other accountabilities may imply collaborating with or working with someone, which is a mistake since if a role needs to work with another role to accomplish its goal, it is a domain and not an accountability. Those would be errors that could harm the overall clarity.

Sample Role

Purpose:
Provide an exceptional experience for website visitors.

Domains:
ExternalWebsite.xyz, InternalWebsite.xyz

Accountabilities:
Gathering and updating all website content.
Developing new services by working stakeholders.
Maintaining the security and stability of websites.

Website Developer

Fig 2.1 *Roles in Holacracy (*https://www.govtech.com/state/What-if-Government-Embraced-Holacracy.html*)*

In addition, some responsibilities are transversal and common for each role, and every role filler will have to follow them. Those universal responsibilities include processing tension, monitoring how the purpose and the responsibilities of each role are expressed, and compare it to your own vision to sense and process each gap, to solve them out. As a role filler, each individual is in charge of enacting both roles and responsibilities by defining either **next-actions**, which are actions useful to be execute immediately in absence of compelling priorities, and **projects, "**which are specific outcomes that require multiple sequential actions to achieve and that would be useful to work towards, at least

in the absence of competing priorities.'' (HolacracyOne2015b). **Tracking** is a responsibility strictly linked to next-actions, projects and tensions, since it requires capturing both next-actions and projects and reviewing them on a regular basis to keep the database updated, to ensure trust and reliability of the role. Last responsibility is directing attention and resources, stating that whenever a role filler has time to dedicate to his next actions, he must undertake the ones which are likely to add more value to the organization among the subset of alternatives.

Roles can be assigned in two different ways:

- Through **Election:** The Constitution states that three different roles must be appointed by election, that are universal and transversal through all the organizations running Holacracy, regardless the industry in which they are operating (as for the responsibilities). Those 3 roles are the Rep Link, the facilitator and the secretary. This last one must smooth the meeting process, keeping the focus on the phase of the meeting in place and taking notes of solutions and actions coming out of it. He must ensure the right development of the meeting with the pre-established rules, ''combining the neutrality od a referee with the curiosity of a detective'' (Bouraoui 2016). The election process and both facilitator and secretary roles will be developed in detail in the governance meeting.
- Through **Assignment:** all the other roles in Holacracy are filled by allotment from the Lead link, which act considering both individuals talent and organizational needs. Sometimes, if the role is too complex for one person, a new circle can be created with multiple roles filled by different people.

Every role has to manage different actions, plans and tension coherent with the goal he has been assigned to accomplish from organization. It has the authority to control each domain expected from the job description, being able to accept or deny all the choices of others which could influence his domain. Moreover, there is another characteristic that both roles and circles have in common, which is regulated in the constitution as well: the **policies.** It is a grant of limit of authority to impact the domain of a circle or role, which can be set through a governance meeting in order to allow other roles to impact his domain or avoid other roles to be impacted. A policy can be considered as an authorization, that can be continuative or desultory, which must be published somewhere

that allows everyone to notice the rule, in order to be fully effective. (HolacracyOne 2015b) Nevertheless, even if there is an evident increase in clarity thanks to the role definition and policies, urgent situation where there is no time to request a certain role to impact his domain can happen. Whether they take place, there is a norm to overcome the rules, called **individual action.** An organization member can go ahead of the authority of his roles, undertaking an individual action, as long as: he believes that doing that action will sort out more tensions than he will potentially create; there is no time for asking permission to impacted roles or circles; the individual action will not engage more resources or asset of how many he is authorized to commit. In addition to the previous duties, the individual actor has to undertake all necessary actions to restore the normal domain of all impacted roles and circles, explaining the motivation of his acting outside his own domain. If asked by impacted members, he must cease all the action impacting their role. Lastly, if the individual actor repeats it routinely, he can request that particular action to be included in his domain at a governance meeting in order to do not impact anymore other's role or find another way to undertake it without harming others in the organization. (Robertson 2015)

Flexibility is enhanced through the differentiation between roles and souls in Holacracy: they are dynamic, changing over time through different tensions arising inside the organization day by day. Governance meeting, which will be developed in the following paragraphs, are a useful tool to bring the attention of the organization as a whole together to show the need of eliminating a weakness discovered by a member of the organization, calling out for the right person to be appointed for the new role. This gives the company a big chance of adapting to the market needs and speed. '' Organizational clarity creates an authentic distribution of power, freeing each of us to be a good leader when we are filling a role and need to balance input with expediency, and a good follower when another roles own a decision and shuts down a discussion to make a judgement call'' (Robertson 2015).

However, the creation of new roles through this method has some downsides too, of problems and costs. Role proliferation, as defined by Bernstein in the Harvard Business Review, carries on three different matters, all related to human capital:

- **Doing the work** gets more complicated, due to fragmentation. The more roles a single person uncovers, the less is likely going to be efficient on each task, since the struggle on focusing on which tasks have the priority is real. The coordination with all the other uncovered roles is a problem too: At Zappos, on average a single person has at least 7 different roles on average, with more than 25 responsibilities per employee. To deal with this complexity, Zappos is experimenting a system called People Points, where each circle gets some points from the Anchor circle or Lead Link. Those points are set considering the importance of the circle into the organization, to let member understand which circle is more important, in order to cast their attention on it and help prioritizing tasks.

- **Compensation** gets more and more complicated. Salary determination is one of the main issues Holacracy struggles with: each person uncovers a unique combination of roles, and without a market benchmark it is difficult to elaborate and provide clarity of a fair compensation structure.

- **Hiring** gets more difficult too. When people are hired to fill a specific role due to the lack of internal competences or availability, and after the selection and training process they go through, it is very common that they start adding other roles to their portfolio, as it is core part of the Holacracy methodology. However, this leads to not giving the right attention on the role they were called to fill at the beginning. To address this complexity, Zappos uses a digital tool called Role Marketplace, where members can post open roles and manage application, with the lead link having the last word on who fills which role. This system allows people, together with people points, to find, apply for, be assigned to and start working on a role within a single day. (Bernstein 2016)

As it has been shown, Digital tools as Marketplace and People Points are the best way to keep up with Holacratic practise, especially with new people hired that have to get into the system quickly. Other tools will be described and discussed later in this paper whether they help fostering the system and fighting complexity.
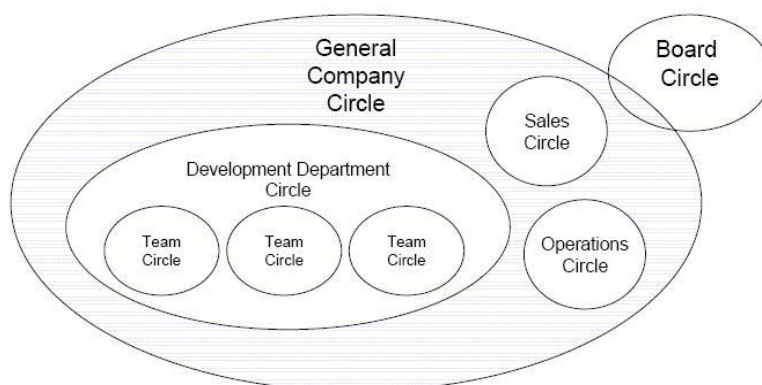
2.1.2 Circles

As mentioned before, Holacracy is made up by a series of nested circles. A circle is defined as a building block for each organization running this model, where different roles with similar purposes are grouped together to achieve the circle's goal. Many roles grouped together form a circle, and many circles grouped together form the overall organization. A circle must contain at least two or more different roles. In order to be a self-organized team, a circle has the same features as a role: a purpose, which is the goal of the circle, a domain which states the authority of the circle and its own accountabilities. Circle's features have a wider breadth of scope than roles, since more human beings collaborating. (Robertson 2007) Indeed, it happens that a circle is created as a result of a governance meeting whether a single person shows his tension about an overload of accountabilities: when a role is fulfilled with too many tasks, it can be broken down into different roles and turned into a circle. For example, a marketing circle of a small company can begin in the start-up phase with a single person in charge, and a role called ''marketing manager'' as it can be in a traditional hierarchy. However once the company starts growing, the marketing role gains more and more tasks and needs to be broken down into different roles (Marketing manager, social media manager, Communication manager, and so on), all contained into the marketing circle, and as time flows and the company grows, each of this roles could be broken down into other roles (Social media manager with web developer, Facebook manager, Instagram manager, and so on), which would be contained the social media circle, defined as a Sub-circle. Moreover, it is also possible to have the reverse process, collapsing a circle into a role, whether some accountabilities are removed, and it becomes enough simple to be held by a single individual. The governance process is responsible of delivering or collapsing roles or circles as an output: whether a circle is divided into different sub-circles, the main one becomes the super-circle while the others are the sub-circles. However, there are two types of circles, which are transversally common through all Holacratic organization regardless size, that have been defined as follow:

- **The Anchor Circle (**also called **General Company Circle),** is the biggest circle of an organization, the one that contains all the circles, sub-circles and single roles of the organization. It embodies the purpose of the organization as a whole: the most powerful creative potential that can be shown to the external environment,

considering all the constraints and availability of information to it, including history, corporate culture, tangible and intangible assets, and all the important resources and factors. (Holacracyone 2015b) This circle has a peculiarity from all the others in the organization, aside for the dimension: it is the only one regulated and authorized by the constitution allowed to not have a Lead link. All Lead link decisions are shifted to the governance meeting as governance outputs.

- **The Board Circle** oversees bringing to the organization all the needs and features of the environment, so that purposes of the overall company can be wisely defined. Simultaneously, it can carry out the picture and the image of the company in the market, thanks to the position in which it is set. (as it is shown in the picture 2.2 below, it is not entirely incorporated inside the organization). It is made up by all the people which carry an interest toward the organization, which can vary from economical, to social and environmental. Nevertheless this huge variety of shareholders, there is a fixed component in each Board Circle: the part elected by the company to represent the organization's interest and voice inside the board. The representative part is extremely important because it can understand the direction of the market and to sense the need of creating new roles, editing or deleting existing ones, thanks to the integration of different goals, context and needs. This allows every organization to be extremely flexible, shaping itself in order to become what the market is requiring at that specific moment. (Robertson 2015)

Fig 2.2 *Ternary Software Circle Structure (Robertson 2007)*

Individuals inside an Holacratic organization have three different duties as circle members, which are added up to the ones previously mention as role fillers. The duties are enounced in the constitution, described as below:

1) ''Duty of **Transparency:** when asked by any member of the circle, you are required to provide transparency in the following areas:
    a) **Projects & Next-Actions:** You must share any Projects and Next-Actions you are keeping track for your Roles in the Circle;
    b) **Relative Priority**: You must share your opinion for the priority of any Projects or Next-Actions tracked for your Roles in the Circle, vs. any other possible activities competing for your attention or resources;'' (Holacracyone 2015b)
    c) **Projections**: You must share a sketchy estimate of whether you will be likely to end a project or a next action, considering current environment and availability of information. You will not be bonded by this projection unless Governance says you are in changeable scenarios too;
    d) **Checklist Items & Metrics:** If asked by other circle members, during tactical meetings you must report about metrics and checklist items to the lead link and to your fellow circle members;

2) Duty of **Processing:** You are required to promptly process messages and requests from your fellow circle members as follows:
    a) **Requests for Processing**: whether another member of the circle requests you to process an accountability or a project, you have the duty to process it into a clear next-action or motivate what it will be waiting to be processed. (Robertson 2015)
    b) **Requests for Projects & Next-Actions**: if a member of the circle requests you to assume a specific project or next action, you must take it on if it fits and is included in your accountabilities;
    c) **Requests to Impact Domain**: Whether another member of the circle asks to impact a domain you control, you have to consider the request, accept it if it is not going to damage your domain or provide a clear explanation if it is harmful for your role;

3) **Duty of Prioritization**: This duty regards time, focus and resource's management of each circle member:
    a) **Processing Over Execution**: Processing messages from your fellow circle members has the priority over undertaking new actions. However, you can ignore

them if you have found a more efficient way to process more messages at a time, if this come in reasonable timing without excessive delays. ''Processing means engaging in the duties described in this section, including considering the message, defining and capturing Next-Actions or Projects when appropriate, and, upon request, responding with how the message was processed. Processing does not mean executing upon captured Next-Actions and Projects, which is not covered by this prioritization rule.'' (Holacracyone 2015b)

b) **Requested Meetings Over Execution**: You must prioritize attending meetings when asked from another circle member. But you can decline the invitation if there were already plans in place or the meeting itself would not be enough to process the other member's tension (whether the problem is linked to a series of pattern of meetings instead than that specific one)

c) **Circle Needs Over Individual Goals**: when managing how to organize your time, focus, and other resources to your tasks in the circle, you have the duty to prioritize the circle's priorities or strategies already designed by the Lead Link. (Holacracyone 2015b)

2.1.3 Links

Role and Circle's definition has shown how autonomous can they work after having set the boundaries of their authority and the purposes. However, each circle is not totally independent from the others. Being in the same organization means that even the most far circles will always be together included into one bigger circle (as the GCC for example). Whether it is up to conduct daily business or undertake governance process, it has to be ensured there is communication among all the circles that would be impacted by that decision, providing constant feedback and tension processing. To ensure the right degree of communication is achieved through the daily business life, 3 roles have been designed by the constitution to fulfil this need and smooth the governance process, without having to include all members of all impacted circles. Those roles are called Links and have the authority of attending meetings of the circles they are referred to. Their tasks, accountabilities and domain are defined by the constitution as follows:

1. The **Lead Link** is indicated by the governance meeting of the super-circle and has the duty of aligning the circle with organizational goals, needs and strategies of the super-circle in which his sub-circle is embodied. He has to ensure that communication and feedbacks from the upper circle are fluidly shared with the lower one. Although it could be wrongly interpreted as a manager role, there are key differences representing a completely new role inside the company. As every role, it has specified accountabilities and domains, and alignment purposes. His domain is indicated as being in charge of role assignment inside the Circle, meaning that at the end of every governance meeting whether a new role or circle is indicated as solution of a tension, the lead link has the duty of nominating the person he has decided to fulfil the role. Whether there is no one in the circle capable of uncovering it, he will add the new role to his ones until another individual is appointed or, in case of necessity, hired. There is a list of accountabilities stated by the constitution for the lead link. He is accountable for building up the governance of the circle to promulgate its purpose and accountabilities and has always to stay alert for any lack of clarity within the circle, which is the main cause of creating governance meetings. In a new circle, it is duty of the Lead link to structure it, with different approaches and experiment to find which one fits best and adapts it on the behalf of the circle's purpose, as an entrepreneurial role. He is responsible of trying to understand the tensions raised by his circle's members and filter the ones appropriate to be processed into the super-circle governance meetings. He has to establish priorities and strategies for the circle and assign resources among the different projects and roles of the circle. It has to be underlined that, even if he has the authority to define a priority list of the circle, he has no power on imposing how to do a certain task. The lead link can suggest a way of conducting an activity, but the role filler will always be empowered to decline the advice and do it on his own if he thinks his was will be more advantageous. Once people get fit into their roles and accountabilities are assigned, he can't control anything else. As mentioned before, the Lead link is accountable for '' Assigning Partners to the Circle's Roles; monitoring the fit; offering feedback to enhance fit; and re-assigning Roles to other Partners when useful for enhancing fit'' (Holacracyone 2015b). If it has to enact the circle goal and accountabilities, he can remove constraints within the circle to the super-circle.

The key difference between a manager in a traditional company and a Lead link in Holacracy can be summarized with the following statement: ''A Lead Link may be able to remove someone from a role, but he has no authority to fire someone, determine compensation, or define new roles and expectations for people outside of the governance process'' (Robertson 2015)

2. The **Representative link** (Or **Rep Link**) is a role elected by the circle members and is in charge of representing the sub-circle needs in the super-circle's governance. It is a role created after the lead link to take away some tasks and duties that were overwhelming for a single individual to accomplish. It has to build a healthy environment in its circle, bringing key perspectives and feedbacks to the upper circle's governance meetings. It is complimentary to the Lead link, since there is no importance order but two sides of the same whole: the Rep link has a deeper understanding of the daily life of the lower circle, so he's in a better position to understand which tensions have to be brought to the upper circle governance meetings. The purpose of the Rep Link stated in the constitution is that ''within the Super-Circle, the Rep Link holds the Purpose of the Sub-Circle; within the Sub-Circle, the Rep Link's Purpose is: Tensions relevant to process in the Super-Circle channelled out and resolved'' (HolacracyOne 2015b). He is accountable for removing all the constraints outside the circle that limits it, inside the organization. As the lead link, he is accountable for filtering tensions. However, he has to differentiate the ones that can be processed internally inside the sub-circles, and the ones which needs to be brought at the upper circle's level. Lastly, he has to report checklist items or metrics assigned to the sub-circle, providing space and visibility of the super-circle inside the sub-circle.

Linking Circles
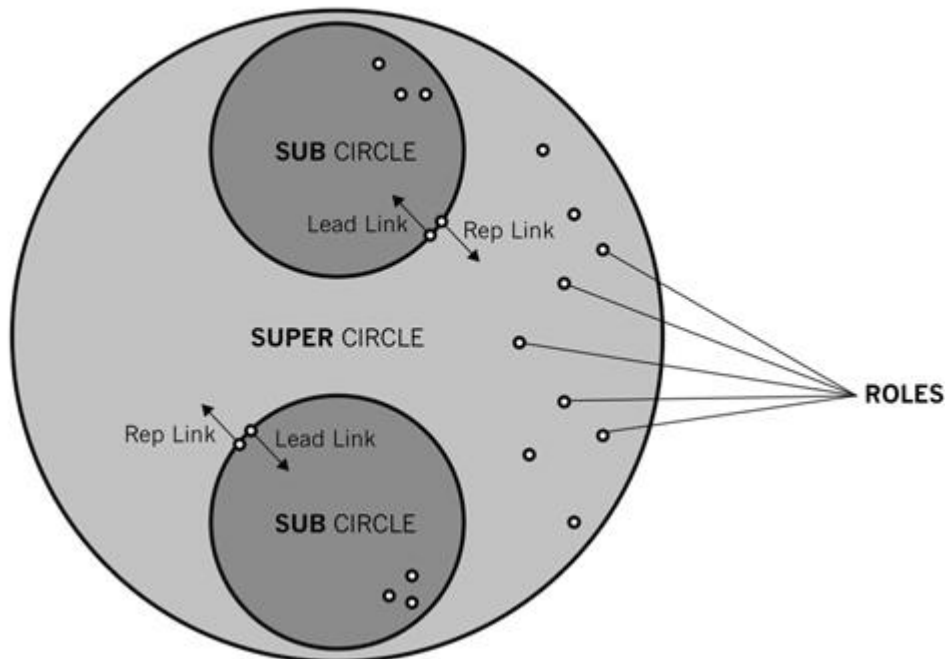
Fig 2.3 *Linking circles* (Robertson 2015)

3. The **Cross Link** was later developed in the holacracy studies, and differently from the previous ones, it is not compulsory to have it in each circle. Rather, it is a rare figure which can be very helpful in specific scenarios. As it can be deduced from the Lead and Rep links descriptions above, they are focused on sub and super circles, whether there is a bigger circle containing the smaller one. The cross link is able to directly connect two circles, in order to process tensions between those two circles even if they are set apart in the organizational holarchy, avoiding going through all the lead and rep links. Even though circles are always embodied into the general company circles, so there will always be a way to follow in order to connect two circles inside the organization, the cross link may allow huge time and effort saving whether a strong interdependence between 2 circles is created. This can take place when 2 different circles interact so often that a direct communication channel would benefit both circles, or whether for a specific project there is an organizational need to instantly connect two circles which are usually far from each other. It is possible to observe in new organizations running holacracy that cross links are not needed, but, as time and practise goes through, it is common to see some necessity of placing cross links inside the organization. However, there is an exception. Another difference worth to be pointed out is the possibility for a circle to develop cross link policies, in order to invite any circle to

be part of another circle's governance process and operations. The invited group becomes the linked entity, being either internal or external from the organization, while the inviting one is called target circle. Once the policy is set, the linked entity can assign a representative to attend the meeting: if it's a role it becomes the cross link role filled by the cross link, while if it is a circle, a cross link role is automatically created by the target circle, using whatever process it already has in place for allotting people to uncover defined roles, and set between the target and the linked entity. In this case, the cross-link acts exactly as the rep link, with the only difference being the referring circles which will not be super or sub circles, but linked entity and target. Hence, he will be accountable for processing tensions related to the target circle and limit the linked entity. Acting similarly to the rep link, the cross link can have addition or removal to his domain or accountabilities by going through governance meetings of the target circles. When choosing the linked entity, if it is contained within another circle, this circle has the authority to indicate another role to fill the cross link role if it is resulted by the governance meeting that another person is more capable of uncovering that role.

2.2 Running the model: the meeting processes.

Holacracy works as a football team playing a match: after people start practising, they will no more think about the rule of the game, they just go, embracing every day's activities mastering the basics of the game. Everyone knows what to do and when, by nature, without wasting time in thinking. It is not rare that practitioners of this new way of conducting business feel stuck once they start running the model, but, right after constant and diligent practice, they will be forgetting rules and will be able to marvel at the fluid, spontaneous and efficient tension-processing system which is enhanced by Holacracy. There are two official types of meeting that routinely occurs inside Holacratic organizations, the governance meeting and the operational meeting. Additionally, a third type of meeting is to be held with lower frequency: the strategy meeting. All the kind of meetings will be developed in the following sections.

2.2.1 Governance meetings

The key and most important innovation brought to life by Holacracy: the core process through which authority is taken out from the top of the organization and distributed among the roles and circles. Governance meetings usually occurs every month, but they can be called by anyone as soon as there is a perceived tension. All the members of the circle are required to be present on the meeting, including lead, rep and cross link whether it exists. In addition, members of circles that could be affected by the outcome of the governance meeting are also invited to join. The constitution sets the boundaries of the governance meetings' outcomes, so that roles can focus on the real outcome allowed of the governance without wasting time in decision that could find little or no application in real life due to limits and domains. More specifically, governance meetings have 4 detailed and allowed activities:

- ''Creating, amending or removing roles within the circle
- Creating, amending or removing policies governing the circle's domain
- Electing circle members to fill elected roles (Facilitator, secretary and rep Link)
- Creating, amending or dissolving sub-circles'' (Robertson 2015)

Adding or removing accountabilities from a role is the most basic output from the governance meeting. As the activities flows is not happing smooth as it is supposed to be, a meeting takes place to address the issues. In order to be effective, a meeting has to follow a strict process detailed in the constitution, and two elected roles are fundamental to ensure the correct execution of the meeting. As already mentioned, the **secretary** has to assist and ensure stability of the circle's formal records and record-keeping process, and his domain regards all constitutionally needed records of the circle. The accountabilities implies managing all the circle's meetings, from scheduling time and location to notify all the circle members about them; Taking notes of the outputs of the circle's required meetings and keeping a compiled view of the circle's checklist item and metrics; ensuring that constitution is respected by interpreting it upon request. It has to ensure that the meeting is happening through the rules described in the constitution and taking notes of the important facts and decision within the meeting.

The other role previously mentioned is the **facilitator**, who has to ensure that both governance and operational meetings are aligned with the constitution, and as an accountability it has to facilitate the circle's constitutionally needed meetings and ''Audit the meetings and records of sub-circles as needed. And initiating the restorative process defined in the constitution upon discovering a process breakdown'' (Robertson 2015). The facilitator role is challenging in Holacracy. It has to be as much impersonal as it can: the role filler has to protect the process, not the people, since it is the process that automatically takes care of the member of the circle, protecting the proposer from anything that is not related to a concern or a result of the tension. Informally, the facilitator has to be ''rude'', meaning that he has to immediately cut off, as soon as someone starts speaking, anything that is not related to the phase of the meeting in place at the moment, as for example a reaction during the proposal presentation. The process is all that matters, and a facilitator does not have to care about anyone's feelings, because personal feelings will be dissipated by the process as the circle goes through it. Although it is unnatural and can be quite painful, it becomes a relief once everyone in the organization understood how the process works.

Both roles will be elaborated in practise as the governance meeting process is described step by step. As soon as the secretary has given notice of a governance meeting with

reasonable time ahead, there is no quorum to validate the output of a meeting unless it is stated by a circle's policy, and everyone who is not attending the meeting will be considered agreed with the proposals raised, with no objections.

The Governance meeting process is made up by 5 steps:

1) **Check-In Round**: introductive phase, where everyone is called and stimulate to share what has caught his attention. It does not have to be business related; it can be also physical misfunctioning or a particular emotional state for something recently happened. The goal is to bring the attention together and if someone is not 100% at the top, giving a context or a way to understand the cause. Putting on the table what is on everyone's mind is a powerful way of canalizing the attention together. This phase is challenging for the facilitator, since it has either to cut off all the cross talks, to protect the sacred space in which everyone is called to share his thoughts without worrying about replies, or to resist the instinct of showing empathy to the others: governance is not the place for that;

2) **Administrative concerns**: a short and specifically administrative space where all the matters regarding space, time and length of the meeting are faced. The facilitator gives space to discuss only related factor worth of attention;

3) **Agenda building**: it is dedicated to listing all tensions to process in the meeting, and then goes through each item once at a time, in order to prevent the creation of cross talk and confusion. This is not the phase for sorting each problem out: here, very short description of one-two words each for tension are suitable for being put on the list, without excessive or superficial descriptions. Once all the tensions have been written down, it is time for the facilitator to process each item once at a time

4) **Integrative decision-making process:** it is a full detailed and regulated process by which all the tensions are addressed and methodically resolved. It is made up of several steps:
   - **Present proposal:** here the proposer (the person who felt the tension at first) is invited to present and describe his tension, his proposal and his way of sorting it out. Here, no cross talk allowed, and the proposer can call for discussion just for helping in elaborating a proposal. For a

proposal to be valid, the tension behind it must be placing a limit on a role covered by the proposer, and the goal of the proposer has to be resolving it (not only sharing). The proposer has to be able to provide examples of how the tension is limiting his roles, otherwise the facilitator is able to reject it, since he would not have evidence of how the removing of the tension can allow the proposer to better perform his tasks and accountabilities. This rules are placed to avoid two types of proposals in which companies would otherwise incur often: first group of proposals would be the attempts to try to improve everything, which would cause a shift in the attention, harming the overall circle, while the second group of proposals would be attempt to serve the proposer personally, not for the sake of the role he his filling, but for his own needs as a person, as for example compensation systems or vacation policies: governance meeting are not the place and the process for those kind of discussions.

- **Clarifying question:** in this phase anyone is allowed to ask questions for the only goal of having a better comprehension of the proposal or tension. This is not the step for discussion or reaction, so the facilitator has to immediately cut off all the people speaking which are only expressing their point of view or a reaction, since it would harm the sacred space of the proposer. In addition, the proposer can also decline some question saying ''not specified in the proposal'', so there will be no pressure in providing answers to everyone.

- **Reaction Round:** here is the moment to show feelings and thoughts about the proposal. Any out-of-turn comment or attempt to involve other people in exchange of any type will be cut off from the facilitator: there is no place or time for cross talks.

- **Amend and clarify:** after having heard opinions and thought about the proposal, the proposer is allowed to share comments in react to the previous round, where the facilitator stimulates the proposer to focus on the constructive thoughts he heard in the previous round, the ones which will help in crafting a better proposal. The goal of this phase is to provide whatever change can help to better address the tension, no

need of integrating everyone's perspective: the comments which do not add any value to the proposal have to be ignored. On the other hand, this is a further occasion to explain something to the circle that may have been misunderstood earlier. The only people allowed to speak in this phase are the proposer and the secretary, which must capture the amended proposal.

- **Objection round:** once the proposal is modified, it is time for raising objections about it. The facilitator asks everyone, each at a time, if they see any objection on the proposal, with an objection being ''a concrete reason why adopting the proposal would cause harm or move the circle backward'' (Robertson 2015). Hence, it has to be linked to a role filled by the objector, which has to explain how one or more of his roles would be hurt by the adaptation of the proposal, with regard to its accountabilities. This helps keeping out the emotions and personal feelings: each thought has to be proved and related to something about the roles, since emotions are not a criterion which can be used for decision-making. This is the most crucial phase for a facilitator, which is accountable for testing the validity of each objection. The 4 criteria which all have to be respected are the following:
  - The Objection has to lower the circle's capacity to express its purpose AND
  - The objection is to be created after the proposal acceptance (meaning that is not generated by an already existing tension) AND
  - The objection could cause enough harm that later adaptation would not be enough to heal the damage it is not enough safe to be adopted) AND
  - If the proposal had already been adopted, and it is limiting one of the objector roles.
- **Integration:** if there is a valid objection, here is the phase to adjust the proposal to do not hurt anybody's role

5) **Closing round**: as the meeting gets closer to its scheduled end and all the tensions have been processed, the facilitator gives each attendee of the meeting

the chance to share a closing thoughts ore reflection regard the meeting. No cross talking allowed.

To provide a better comprehension of the process, here is a practical example of how a governance meeting works. Suppose there is a company working in the retail business, specifically producing travel accessories (luggage, backpacks, mobile chargers). The organization is small, so inside the General Company circle there are only few sub circles: the marketing circle and the production circle. Other roles exist inside the GCC, without having been broken down into circles: finance, website design and manager, product design and customer support, sales. Hence, this meeting is to be attended by lead and rep links of the circles, and all the roles mentioned before. The meeting starts with the check-in round, with everyone telling what's on their mind in order to canalize the attention of the group in the meeting. As reported before, everyone can say anything about their personal life, or maybe sharing concern for some deadlines. It is a sacred space safeguarded by the facilitator with no cross talks. Then, it moves to the second phase, the administrative concern, where the facilitator states the logistic boundaries of the meeting. Suppose it is to last 90 minutes, and there is the website designer and manager who has to leave early. The next step is the agenda building, where everyone has the opportunity to bring out some tensions: no cross talk allowed, and the facilitator cuts off any needless description of the tension, two words are enough for the secretary to be written down. The product designer raises a tension about the feature of a product he is working on, so he wants to involve the marketing circle to better understand which is the need they want to fulfil with the new product. All this description is cut off, and the secretary writes down ''product feature'' in the agenda. The Sales role adds a tension about the price of the leather luggage, feeling it is too high for the market. ''Luggage price'' is added in the agenda. When all the tensions have been captured by the secretary, the integrative decision-making process starts. For the sake of this example, the ''luggage price'' tension is to be detailed processed. The sales role speaks as the proposer, stating his feeling about the price of the luggage, which is too high for the market, but he does not know what to do. After having called into the marketing and production role, the proposal is to cut the price of the luggage by 40%. As soon as the proposal is written down, finance role states that it is foolish and unreachable, but he is completely cut off by the facilitator, since no cross talk and reaction are allowed here. The next step is the clarifying questions where

all the attendees of the meeting can ask questions to better understand the tension or proposal: No reactions, either declared or hidden as questions. When the production lead link asks if this tension is to be applied to all the leather luggage or only to the carry-on ones, this is a clarifying question. The proposer can choose between giving an example or stating that it is not mentioned in the proposal, skipping the question. Once all the questions are done, it is time to let everyone express their feelings about the proposal: Reaction round. Here, the finance comment about the proposal is welcome, and no cross talks, just air to the reactions. Once all the reactions are done, the meeting moves to the amend and clarify step, where the sales role is the only one allowed to speak. He decides to specify which product lines of luggage will be affected by this change in price. Moving on to the most crucial phase, the objection round, all the attendees are allowed to raise objections, with the facilitator controlling the validity of each following the constitution criteria. All the objection about the strategy are taken down since it is not an issue that can be addressed in a single governance meeting, except for one raised by the facilitator himself, an objection which is the heart of the governance process: "Not valid governance output". And it is perfectly right, since governance has the duty of dealing with editing, deleting or creating roles, policies and circles. Governance cannot do anything about operational or stategical issues: there are other types of meetings suitable for this kind of tensions, and that is the place for this output. In this case, the tactical meeting would be the place to deal with pricing issues. However, even if this is not a valid governance output, the validity of the input is certified, and the proposal has to be adjusted to meet the constitutional required output. The proposer goes back on his tension and realises that there are no roles which are accountable for pricing issues. Hence, he modifies the proposal, creating a new role, the pricing manager, which is in charge of verifying the feasibility of the actual pricing and searching for better pricing model according to the marketing direction. The role is placed into the marketing circle due to the interconnections among them. Once the proposer modifies the proposal and no more objections are raised, the other agenda items are processed the same way and the meeting is done. Once holacracy has been practised and mastered by the organization, it is quite common to end meetings before the scheduled time. When operational issued are raised inside a governance meeting, the facilitator usually does not cut off immediately, since there can always be a governance solution to an operational issue. By using this powerful

tool, the organization is shaped day by day to embrace the change of the market in a simply, but powerful and cost-efficient manner.

Once governance meetings have been examined in detail through all the facets, the constitution provides a specific type of governance meeting: the election process. This process, better defined as the integrative election process, is used for the election of the 3 roles expected by the constitution as the rep link, the facilitator and the secretary. As the governance meeting, it is composed by different phases, one below the other:

- **Describer Role**: facilitator explains why the election is taking place, appointing the role to be elected, his tasks, and all other information relevant for the role's sake and full comprehension;
- **Fill out Ballots**: in this step everyone has to write down in a ballot the name he thinks is best suitable for the role, among all the other candidates. In addition, anyone is allowed to write down his name too, but nominating just one single person. No cross talk allowed;
- **Nomination Round**: Once all the ballots are filled, the facilitator takes them out and reads loud, once at a time. For every ballot, the nominator has to explain why he thinks the nominated person is the best for filling the role, with the facilitator cutting off every comments or speech not related to the preference;
- **Nomination change**: Once all the nominations have been revealed, all the attendee have the chance to switch their nominations for voting someone else, explaining the reason behind the change.
- **Make a Proposal**: Once all the votes are set. The facilitator has to make a proposal for the person who received more votes. Whether there is a tie, the facilitator is allowed to: a) randomly select one of them by chance (throw a dice, blind select); b) if one of the selected is already filling that role, just renew him; c) if any of the selected has nominated himself, choose him or d) ask anyone who nominated someone else who is not in the tie to pick a tied candidate, changing his nomination.
- **Process proposal**: This part is slightly different from the integrative decision-making process. Nevertheless, the name states that the proposal has to be processed, the facilitator goes straight to the

objection round, asking the candidate as last person if he wants to raise an objection. If valid objections are raised, the facilitator can choose between processing them as usual, or discarding the proposal and go back to the previous step, selectin another candidate through the prior step rule (The second with more preference will be proposed). (Holacracyone 2015b)

Holacracy uses governance to fight and eliminate wasted time occurred in the traditional organization, the ones using the what-by-when approach, empowering workers by providing autonomy to work toward motivation and getting things done. People are stimulated to embrace best judgment to energize their roles toward organizational goals, or, in case it is not possible, to find the best temporal fit until a new governance meeting take place to arise new tensions.

According to Cowan 2018, his experiences lead to a series of facilities for smoothing the governance process. He said everything relies on present the proposal and testing the objection: all the other phases are just supporting the main two. In addition, he puts even more emphasis on the facilitator role, which has to stress and emphasize the objection round instead of the reaction round, even if the latter could be more human to give attention to. However, reaction round does not add anything important to the proposal, just produce time waste. The author provides advices he has elaborated through his experience practising holacracy, broken down through all the phases of governance meeting. Two different perspective for each phase are summarised in the table below, where the first scenario refers to new holacracy's practitioners, while the second is dedicated to experienced people which have mastered holacracy's basis:

Present Proposal	
Scenario 1	**Scenario 2**
- Tries to get a ''good'' proposal. - Hands-off energy – waits for the magic word, e.g. ''I propose that..'' - Too easily allows discussion, or doesn't allow at all	- Doesn't care about quality of proposal as long as the proposer says it solves the tension (might even prefer invalid proposals). - Greases the wheels, eg. "Finish the sentence, "I propose that..." "Do you have any idea that would solve your tension?" - Clarifies discussion is only if you do not have any idea at all.
Clarifying Questions	
Scenario 1	**Scenario 2**
- Preventing reactions is more important than surfacing information. - Assumes they should judge whether it is a question or reaction (and that it is either one or the other). - Protects Proposer by trying to prevent reactions and/or chastising people for reacting. - Assumes the distinction is clear and people should stick to it.	- Surfacing information is more important than preventing reactions. - Knows they often cannot know, so educates and redirects. - Protects Proposer by: 1) repeatedly offering proposer "Not specified"; 2) "Anymore clarifying questions?" - Still addresses obvious reactions but educates rather than criticizes. - Assumes the distinction is murky and takes time to learn for oneself.
Reaction Round	
Scenario 1	**Scenario 2**
Assumes this is the place to share ideas and have the	Understands that this space is mostly for others to get things off their chest and/or sense into

Scenario 1	Scenario 2
Proposer consider integrating them.	whether or not they'll have an objection.
• It is a good idea for the Proposer to take notes because they cannot get help in Amend & Clarify	• The Proposer should not care about the reaction, because only a potential small upside for big potential downside (eg. you should solve my tension).

Amend & Clarify

Scenario 1	Scenario 2
• Hands-off energy even when a Proposer seems stuck. • Personalizes the choice; eg. "Having heard those reactions, do you have any amendments or clarifications?"	• Greases the wheels when a Proposer looks stuck. • Depersonalizes the choice; "Remember, this is optional. If the proposal still solves your tension, then just leave it and we will move on."

Objection Round: Part 1 – Framing

Scenario 1	Scenario 2
• Feels anxious and lacks confidence about moving into the Objection phase - just hoping to survive it. • Assumes a subtle competition – • Framing does not emphasize importance of objections. • Framing makes it seem like there is a high bar for objections (eg. "Objections do not mean you do not like it, objections mean a reason the proposal 'causes harm'.")	• Feels comfortable handling objections and questions. • Framing makes it clear objections are valuable. • Framing lowers the bar for raising objections (eg. "If you do not like it, raise an objection! It may not be valid, but we will figure it out together.") • Explains objections are simply, "Requests for integration." • Grounded in the Objector Encourager energy.

• Still holding onto the Proposer Protector energy.	

Objection Round part 2 – Testing objection's Validity

Scenario 1	Scenario 2
• Motivated to protect the proposal (ie. prove/ show the objector fails one of the criteria). • Repeats "Do you see any reason why this proposal cause harm or moves us backward?" but fails to emphasize the word "any". • Does not want people to object, so likely to unconsciously make it harder (eg. going quickly, not giving time to think). • Relies mechanically on the card and is constantly worried they did something wrong.	• Truly motivated to collect any valid objections and treats an objector almost like a proposer (eg. first just writes down whatever the objection is). • Prompts with "Do you see any reason…" or variation (eg. "Would you like to try an objection?"). • If someone is not sure, tell them to raise it and talk it out. • Has integrated the criteria and can fluidity test objections, and trusts that if they do not know, just chart it and take it to integration.

Integration

Scenario 1	Scenario 2
• Since they rarely get to this step, provides no framing and often unsure of how to facilitate it (and consequently are too loose or too rigid). • Hesitant to help too much, because Facilitator "wants people to come up with their own solutions." • Process feels kind of sloppy because there is not a sense of structure.	• Clearly distinguishes it as a discussion distinct from the rigidity of the other steps (eg. "We are now in Integration, so if anyone has ideas please feel free to contribute, but I will start first with the Objector…"). • Not hesitant to get hand dirty and proactively make solutions when needed. • Selects the appropriate objection to start with, and confidently engages others as appropriate.

	• Maintains a sense of control by; 1) resolving each charted objection one-at-a-time; and 2) sticking to "Does this remove your objections?" and "Does this still solve your original tension?".

Table 2.4 : *A Better Way to Facilitate Holacracy® Governance Meetings. Cowan, C., 2017.* (https://blog.holacracy.org/a-better-way-to-facilitate-holacracy-governance-meetings-c0929f1ff90f)

2.2.2 Operations: tactical meetings

Operations happen outside governance. Once the design is shaped by governance meeting, operations are usually used to fulfil the roles and get things done practically. Whether getting things done implies relying on someone else role, Holacracy provides some tools to immediately check who is somehow limiting your authority, how far they are from the goal and what to expect from them. Aside from circle member duties mentioned in par 2.1.2, which is a powerful tool provided by the constitution to set boundaries and expectation thus helps in doing the job practically, there is a common shared space where everyone keeps track and shares the status of each action expected from his roles. This common space can be a physical board with papers hanging, a virtual room in a corporate cloud or a web app. Whatever form it takes, its goal is to provide everyone the possibility to check instantly the progress of the member of the circle.

The constitution provides simple and clear definition for some key words of operations, as a project is an outcome to achieve and a ''next-action'' is the next step which can be undertaken now if there are no other urgent priorities to be processed, in order to get closer to the end of the project (Holacracyone 2015b). This definition can sound familiar since the heart of the operations and consequently tactical meetings is rooted from GTD philosophy by David Allen (see 1.2.3) The key to get things done is breaking down projects into next actions. For example, suppose a perfume shop hires a warehouse worker for the first time. Surely the warehouse has been a mess so far, and first task of the new hired is to clean, manage and reorder the warehouse. However, if reordering the warehouse is the

project, it says nothing about how to do it. Breaking it down into next-actions, the worker can start by throwing away all the expired products. This is a clear example of how to elaborate a next action for a project. After that, the products can be catalogued, the shelves can be tagged by product or brand, keep on going until the warehouse is completely renewed and the project is done.

After having provided an example of the essential of operations, the second meeting format of Holacracy is to be explained: tactical meetings are '' fast-paced forums to synchronize team members for the week and triage any issues that are limiting forward process. They enable to discuss operational issues, get updates or projects that other roles are working on, give updates on your projects and ask for help when needed.'' (Robertson 2015). Tactical meetings are the place where operational decisions are created, and they are made up of different steps:

- **Check-in round**: it is specular to the governance meeting, catching the attendee's attention is the goal, no cross talk, just thoughts.
- **Checklist review**: from this phase the differences between the format of meeting become evident. A checklist is a list made up by all the different activities that every member of the team undertakes on a routinely basis. The goal of this step is to provide each member of the circle with an overview of the state of each recurring action, considering the time frame in which it is to be completed (weekly, monthly, yearly). Checklists can be created by each role themselves, or by other members which required any role to add one or more action to their checklist. This powerful tool is used to provide confirmation that all the recurring action have been fulfilled each period. It is a step created for getting data easily and fast, so no cross talking is allowed: tensions will be processed in the right steps.
- **Metrics Review**: a metric can be considered as any relevant data for a role to be shared with the other group members. Metrics vary for every role and are assigned by the lead link: finance can use the standard KPI to provide a picture of where is the circle economically speaking, while the website manager can share the numbers of click or website hits for week. Customer support can share the number of problems solved over the unsolved, and so on for each role. Clarifying questions are welcomed in this phase, since they can be helpful for uncovering more important data for the whole circle. As for the governance meetings, the facilitator

role is crucial since he has to ensure the meeting goes smoothly, following the constitution rules. He has to cut off all the reactions or questions which are not clarifying.

- **Progress update**: The facilitator starts this round by reading out loud each and every project the team is tracking, and ask every role holding one or more projects to share updates with the attendees. Only updates have to be shared, in order to save time and be able to end the meeting in the scheduled time. Whether a role is undertaking a long-term project, he can simply state ''no updates''. Clarifying questions are allowed, just for better understanding: the phase for sorting out problems and analysis is not there yet.

- **Agenda building and triage issues**: The agenda building is the same as governance meeting, while the triage issue is a completely new step. After having listed all the tensions of the meeting, each tension carrier has the chance to explain the problem and involve other roles in order to move the project forward, which is the goal of the meeting. It can be done by understanding the cause of the stop and addressing one or more next action to other roles within the circle. This process starts with the facilitator listening to the tension (a proposal is not required or expected as in governance). However not all the tension will be resolved in the tactical meeting. Sometimes, the tension rose in a tactical meeting has its own solution in the governance meeting because there could be no role accountable for doing something to address and eliminate the tension, so a new role or accountability will have to be created, and that is a governance output. Tactical meetings have their own outputs as well. For example, suppose a company as hired new intern for expanding their business. Even though they are very prepared for the tasks they are performing, they have not mastered holacracy basis. The HR role raises a tension about providing new interns with some basic holacracy training, which is not in his accountabilities. Website designer says that he is able to create a small video which can easily explain holacracy basis for all the newcomers to the organization. The Hr role accept this solution until a new governance meeting is held in order to add this new accountability for ''training newcomers'' to any role or create a new role for this task as well. This is an example of how a tension is addressed in a tactical meeting: maybe the video will be very well done and explicative that there will not be any need of a new accountability

or role, the new interns will just watch the video and understand holacracy from the scratch.

- **Closing Round**: after all the items have been processed, all the next action for adding new accountabilities on the next governance meeting or for getting things done are captured, the closing round with everyone sharing opinions about the current meeting indicates the end.

Tactical meetings are focused on speed and focus on the goal, no time waste, and the more the organization becomes familiar with holacracy, the less time they will occupy since role filler will already know what is tactical or governance by heart. The facilitator is crucial in both meetings, it is embodying the constitution and has to ensure that the discussion remains focused on the topic without falling in superficial details. An innovative aspect worth to be underlined is the total abrogation of internal deadlines. Both tactical and governance meeting have not mentioned any deadline to comply with. Deadlines can be used to create trust and commitment through times, increasing confidence through time, and is a common approach nowadays. However, Holacracy is aware of the downsizes of this approach and tries to overcome them, since in a tactical meeting people are creating commitment by definition by voluntarily track the action, constantly review the action among the others they could undertake to shape the direction where focus and energy are addressed and consciously do the action among the others whether it becomes the most important to do considering all the others. When people decide to comply with deadlines, they are unconsciously making a priority scale in their mind, but is it built considering all the next action among the possibilities? This is where the pitfalls of the what-by-when paradigm comes to place. The role filler is the best to know what needs to be done by when, without exercising even more pressure aside the one deriving naturally from the external environment. And, the Holacratic approach avoids 3 specific downsizes of the what-by-when approach:

- It is possible that people end up looking for commitment rather than actually prioritizing their actions and work on the most important thing to do, since sometimes been assigned to an action does not mean that action is the most urgent to undertake;
- Commitment can generate rigidity, consuming time and energy to be held: deadlines add up stress and stuck people on the task decreasing productivity;

- What-by-when approach unconsciously teach people that reality can be predicted and managed, but the environment is speeding so fast this is not true anymore.

However, external deadlines cannot be deleted as internal one in Holacracy. They will not change, but people will better know how to handle them and what to expect by others when they have to handle joint deadlines. How? By using the three duties of circle members, where the duty of transparency will allow information to be spread quickly, the duty of processing will help in request some key action or process and the duty of prioritizing will help involving the lead link to move in a specific decision and align the rest of the circle member with this decision. Holacracy holds people accountable not for deadlines, but for the choices people do in order to move toward the goal, because it is with no doubt that people are in control of their choices.

1.1.1 Strategy meeting and formulation

Holacracy uses strategy as a tool to ensure that each team and circle is aligned with the organizational purposes, providing help to engage in better day-by-day choice and giving criteria to decide what has to be prioritized and the paths which should be operationally chosen. The traditional concept of a deliberated strategy is completely put aside in an Holacratic context since there is nobody accountable for deciding the organizational goal. Hence, it is no more a goal to achieve and a plan on how to do it. Emergent strategy is a concept which can be considered closer from some point of view, since holacracy also tries to capture the status of what is actually going within corporate's wall. However, the concern is more focused on providing a rule of thumb of how people should undertake their decision with regard of their circle and the overall organization. The standard way of thinking of goal setting has a big downsize: it assumes that the organizations are able to predict and control everything is on their path. This is not true anymore, since the reality is more complex and unpredictable than before: breakthrough innovations, industry status, overall economic trends are some among the factors which increase uncertainty and eliminate any attempt of predicting and control. Embracing this paradigm nowadays would only cause unfilled expectations and waste of time and energy on prediction attempt, in addition to hinder the ability to sense and respond to the present reality, getting stuck to fight reality to align it with our expectation.

Holacracy gives up the predict and control paradigm embracing the dynamic steering one, which is suitable for the model structure and purpose. It allows small and constant shaping of the design and the task considering changes in the environment, which creates a truly organic and emerging path to follow up. Instead of trying to predict something which may or may not happen in the future, holacracy faces the present and adapt continuously, as the way the get more in control of the organization. There are still few predictions in place, but they are not used anymore as a control mechanism, rather a useful error. The new dynamic steering paradigm is encoded into holacracy's basic rules and process, as for the governance meeting and its output: it is a workable decision that can be revised any time, without being irreversible. It is all about testing decision and see which one works better, and consequently shape the organizational form until it is aligned with market needs.

Hence, there is no prediction of an outcome to achieve with a perfect path: in this context, strategies switches into useful guidelines and principles to orientate people in making decision. It is "an easy-to-remember rule of thumb that aids moment-to-moment decision making and prioritization" (Robertson 2015). It is also defined as heuristic. It is used to express strategy compared to some other values of the organization to provide the entity of the decision: In HolacracyOne for example, there has been a time where the strategy was to pursue standardization over pursuing new opportunities, since there was high uncertainty and a big load of work at the beginning, that the organization needed to standardize the existing processes and format before being able to embrace new challenges. The standardization principle can be applied through all organization running holacracy and more, since it is the first step companies needs to undertake to embrace new challenges: rather than prediction, organization uses projection, and to understand where the company is going, people firstly need to have a clear understanding of where they are at the moment, being grounded on the present to throw forth on the future.

Strategy meetings are way different from the previous governance or tactical ones. Firstly, they are not regulated by the constitution, since the only mandatory rule is the setting of the strategy by the lead link of the circle. However, almost all the lead links which are quite skilled with holacracy will start any sort of brainstorming to do not lose any perspective and bring together the circle members, since a shared perspective gets

accepted and practised faster than a deliberated one. Strategy meetings fall among the tool, or processes used as way to accomplish this goal by grouping together the organization. They are the most complex and articulated, but more universally recognize, specifically for GCC strategies. In case the circle is small or well-articulated, it can set a policy for strategic decision.

Strategy meetings usually are held once every six months, lasting about half a day (4 to 6 hours), with the overall purpose of create a draw of the history and current situation of the circle, to orientate everybody, and then choose together the best strategies to dive in the future. No plans are created, just rule of thumbs for making decision. Here is the process:

- **Check-in round:** Same as governance and tactical.
- **Orientation:** The facilitator reads out loud and underlines the circle purpose, domains and accountabilities as well as any strategy presented in the eventual super circle, to bring everyone consciousness of the identity of the unit, the goal and the context.
- **Retrospective:** this phases' goal is to allow everyone to reflect on how the organization got where it is and what the current scenario looks like. Everyone is called for writing down notes about it and post the on a wall, which will be later organized in natural cluster through related points. Once the notes are all clustered, the facilitator starts asking, one at a time, for comment, clarifying questions or reflection about the current status, Meanwhile, the secretary writes down every possible tension.
- **Strategy generation:** now everyone is asked to reflect on what makes sense to put emphasis on in order to address those tensions. It is not required to provide a proposal or solution, just a rule of thumb which can applied in multiple context. In addition, there is no limit on how many rules a person can propose. For example, in a marketing circle's strategy meeting can be ''attract customers over chasing'', meaning that the organization has to focus more on his product and features rather than commercial relationships. This is usually the longest part of the meeting, and once it has arrived at a natural alignment, the leak link ends the discussions and raises some specific strategies, which will be process with the Decision-making process (see 2.2.1).

- **Unpack the strategy:** After having decided which strategy will be adopted, all the attendees take some time to reflect on which action they can undertake in their roles to enact the new strategy, record them and share them with the group, where cross talking is allowed to provide further inputs.
- **Closing round:** final reflections.

Practising strategy meeting helps switching from the predict-and-control paradigm to the Heuristic one, taking engagement and committed practise to embody the shift through the whole organization. This is what heuristic is about: finding a good strategy with simply and clear rule of thumbs. As the whole model is representing, a good strategy is enough since holacracy is not aiming for the best, but for the one which is good enough in this moment. It is intrinsic in the model: the more effort is put into the research of the best, the more reluctant will people be in switching to anything else. Since the whole system is about constant and small changes to embrace adaptation, a deep research for the best would struggle with the environment. However, even if it is still difficult to claim and state which is a perfect or even good strategy in Holacracy, since each strategy has a different adaptation grade and outcome on any organization, it is possible to provide statements on what is not a good strategy:

- Anything tied to Compensation: as mentioned before, compensation is still one of the most struggling facets of the model. This is why using strategies to set a level of target and then relate somebody's compensation to its reaching is mistaken strategy: whether it is possible to define a rule of compensation, it happens that what pays people the most is not always the most important thing they should be working on. Compensation would be likely to drive them in a personal direction instead of toward organizational goals.
- Any setting of long-time horizons: they struggle with the nature and the assumption of the model. Setting a two, three, or even five years horizons will only turn into a waste of time and effort: small constant changes are likely to shift the goal in a smaller amount of time, setting limitation to innovation that could take place at the moment. Holacracy is focused on the here and now, not compressing people potential into time horizons.
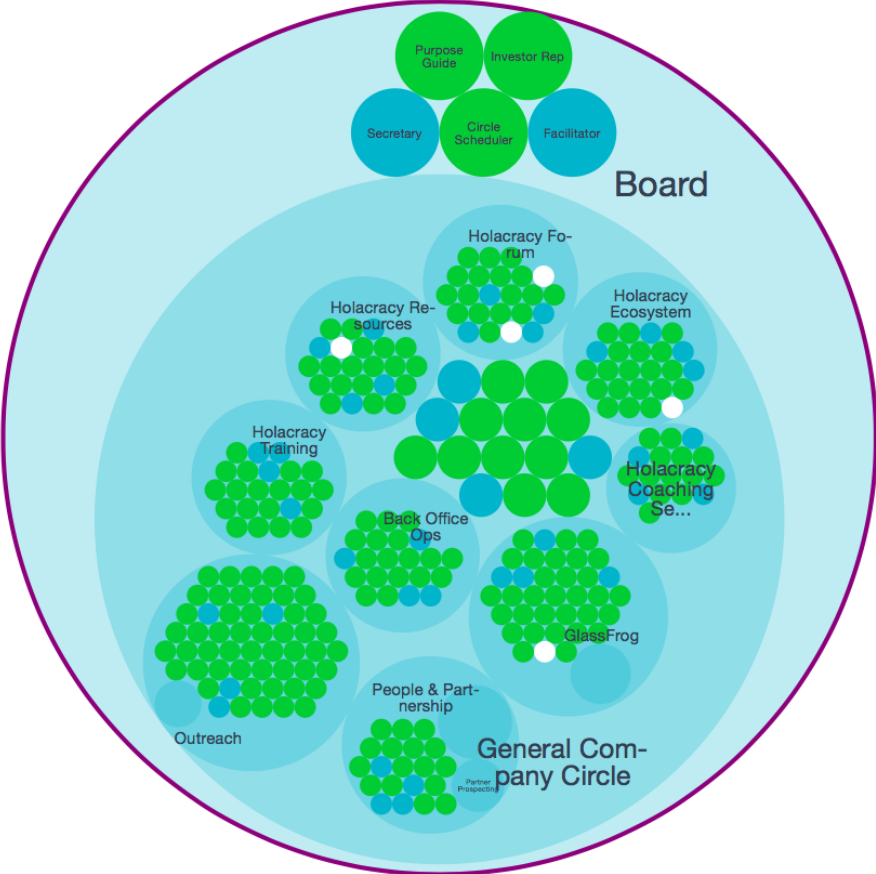
- Anything related to company's culture: company's statement about core values and culture of the organization cannot substitute a good strategy. They can help crafting a new strategy, because they are able to describe the actual situation, but cannot prescribe a guide on how to behave in the future. (Cowan 2019) In addition, values can sometimes limit the effort put in actually doing tasks, since whether the company is focusing on some main core values, there are other subset of energy that could be used but get ignored and overshadowed by the value. '' For example, valuing "adaptability" means they are de-valuing whatever we think of as its opposite. Yet while it is often thought of this opposite negatively (e.g. "rigidity"), the same energy it is rejecting can come out with a useful expression as well (e.g. "stability"). And the energy behind the "adaptability" is valued can also come out negatively, which is more likely when it's overused, without the balance of the opposite we've dismissed — too much "adaptability" without a balancing focus on "stability" easily becomes wheel-spinning chaos. When we drive the organization with human values, we are usually systemizing an imbalance of polarities, and harnessing just a subset of the energies an organization could otherwise integrate.'' (Robertson 2013)

2.3 Running the Organization: Introducing Glassfrog

After the whole explanation of the model and how it works, here is an example of an organization running holacracy, with specific interest and detailed description of a tool used to smooth every day's business. Glassfrog is among all the others, one of the best software developed for supporting the implementation and the ongoing business of all the organization running Holacracy. It started as a web-based platform offered and developed by HolacracyOne and is now a multiplatform tool to monitor and update the daily business of each holacracy-power company. HolacracyOne purpose and strategy is all about spreading the word of Holacracy and Glassfrog, which has an entire circle dedicated inside the company. It allows a

fast and easy management of the organizational design, which be changed with just one or two clicks from the roles in authorized of doing it, whether a governance meeting ends up with the creation of new roles or circles. In addition, it allows all the member of an organization to instantly check who is accountable for what, since it contains all the updated holacratic job description with roles, domains and accountabilities.

Fig. 2.5 HolacracyOne's organizational design uploaded on Glassfrog (*https://support.glassfrog.com/support/solutions/articles/9000138975-getting-started-with-your-glassfrog-organization*)

The picture above is showing the shape of HolacracyOne in august 2019. The board circle is showing the essential roles needed to connect the company with the external environment, with standard facilitator and secretary. Other roles are the circle scheduler which has the duty of scheduling the meeting of the company's lead link (filled by Brian Robertson, the founder) with the board circle. The investor representative is in charge of ensuring the company looks attractive for the investors, while the purpose guide has to guide the organization to its higher goal, which the support provided to other organization to switch as quickly and comfortably

as possible to a self-sustainable structure of business (Holacracy). As shown in the picture, the company was made up in August 20219 by 10 circles, and some other single roles. Among the 10 circles it is worth mentioning some of them since they cannot be recalled or somehow related to the standard organizational department which are overall common through different companies: the holacracy forum circle is a fundamental tool in which the company is believing and which has been growing in the last year. It implies about 20 different roles in its inside, with the overall goal of bringing together practitioners of Holacracy from all over the word to exchange experiences, information and best practices for mutual benefit. The Holacracy training circle is an innovation by itself, carrying out the word of holacracy through the globr and being responsible for the training of customer and entrepreneurs in order to ensure a correct implementation of the process. Worth of mentioning is the Glassfrog circle, one of the biggest inside the organization, comprehending 2 sub-circles (product design and glassfrog web), and one of the most profitable since glassfrog is not free to use. However, the goal of the circle is to incubate and accelerate the process of becoming a self-organization through the use of the software.

However, there are other feature which makes the software one among the best for the Holacracy running. It is with no doubt the most used for now, since it is very easy and intuitive. Glassfrog is interactive, and whether a circle or a role is clicked, it is possible to easily have access on all the information about a role or circle.
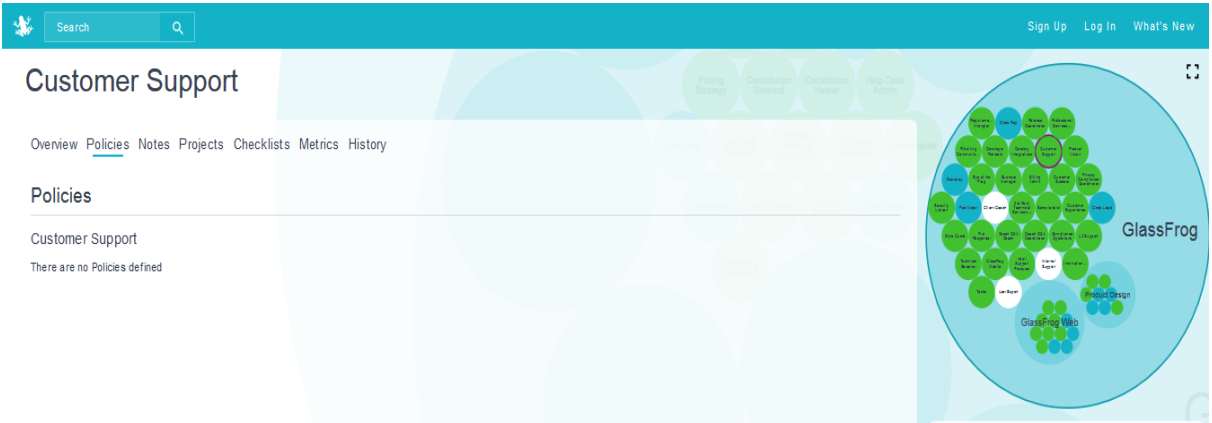
Fig 2.6 Customer support information on Glassfrog *(Fonte: https://app.glassfrog.com/organizations/5/orgnav/roles/25214/policies)*

The picture below is displaying the customer support role inside HolacracyOne, placed inside the glassfrog circle. For every role, the main features are shown, as overview, policies, notes,

projects, checklists, metrics and history. In this case, the role has no policies in place. In addition, with one click it is possible to see the overview of the role, including domain, accountabilities and purpose. The strategy of the role is also placed in the overview side, together with the name of the person which is covering this role in that specific time. Projects in place, things to do and indicators are all available to anyone in the organization. A customer support's project is to update FAQs about glassfrog for example, and the metrics are usually related to customers, such as response time, time spent to help them. The history also embodies all the people which have covered that specific role so far, and it is possible to click on the name of a person to see all the roles he is filling. Everyone in the organization is able to consult every role and circle anytime. Moreover, it is extremely fast and easy to understand and check if any role is constraining an authority or an action is needed by someone else to get through the daily work, and glassfrog's goals is to cut off research time and speed up the organization.

Chapter 3: Analysis of the Model

The previous chapters have been dedicated to the detailed history and explanation of model and how it came to life. This one will be focusing on advantages and disadvantages of the Holacracy. Nevertheless, some points of strength have been already enlightened in the research so far, it is worth summarizing them and add up some other useful perspectives that they model could potentially show inside organizations. At the same time, weakness and difficulties of implementation of Holacracy will be provided, since a critical analysis is needed: it is not a universal solution and presents some pitfalls. The downsides of the model will be divided into disadvantages of the model which have already been shown through different empirical cases (Medium is the most famous and will be described), and difficulty of applying the model correctly to absorb all the potential benefits it can bring and underline the critical steps companies will be likely to face once implementing Holacracy

3.1 Advantages

The first driver which pushes people toward Holacracy and generate curiosity is the ability of the model **to foster innovation.** The delegation of the managerial authority to roles allows employees that cover the roles to gain a full understanding of the job they are doing and task they are accomplishing. Throughout this standardization, they are able to catch at once the need for change and have the tools and instrument to provide new ideas and ways of exploiting their task, without being overwhelmed by the tradition bureaucracy process of going up and down towards the vertical hierarchy. This generates an increase in creativity and problem solving of each single employee which is able to control, understand, plan and improve his daily tasks. The result of this innovation supports the interest of each stakeholder of the company, from the Board of Directors to staff and customers, providing a combined synergy of efficiency and effectiveness. Hence, the practical output of this process is the creation and delivery of high-quality product and service, able to satisfy customer needs in a precise manner which engage them in the brand or organization they are dealing with. This result is a combination of both innovation just mentioned and **flexibility,** which is an additional benefit. It is boosted by the elimination of the bureaucratic system of approvals implicit in the vertical hierarchy, where more management layers implies natural delay in responds. This is crucial when it

comes to fast changing environment where time to market and adaptation are key to success, or even to survive in certain industries. With distributed authority, employees and circles can immediately adapt to changes and deliver the modified products and services without having to wait form supervisors' approval. This change is able to bring the organization to a further level, whether governance meetings can be scheduled by every member of the organization though the lead link and have the power of shaping the organization day by day. This perspective is able to achieve a level of adaptation and flexibility which would be hugely harmful and expensive in a traditional structure, which is nowadays suffering from rigidity. In Holacracy, roles and circles are modified, destroyed and created without laying off anyone.

Holacracy is able to **save costs**. Specifically, slow time to market and bureaucracy costs have previously been mentioned. In addition, time savings of the meeting have been experienced throughout all the organizations running the model, since Holacracy is able to transfer the tension (so, the problems) into a specific process plan which has been thought and developed to provide a tool for solving issues in a productive way, hence reducing time wasted on lungful and unproductive meetings. Cost awareness is spread through the whole company since everyone is the ''manager'' of his activity and has acknowledgement of its own boundaries, and budget limits. Empirical studies also show that sick leave permission and burnout chances have decreased in self-managed companies due to people empowerment. (Buck 2012)

In addition, **employee engagement** has been proved to be increased inside Holacracy. With the possibility for each human being to cover multiple roles, the result is a better placement inside the organization, allowing self-realization of the people. Everyone can fill the roles which best suits his or her personality, competences and passions. Moreover, the motivation for sticking with a company becomes a better output delivered to the organization and the customers, as work results and performance accomplished. People gets empowered by the model by definition, where they all receive the authority and the power to perform the task expected by their roles without constraints. They become entrepreneurs of each role they fill, distributing their time among different roles defining priorities and moreover focusing on the ones perceived as most important. This is another factor increasing motivation: employees are able to see the effects of their decision-making process almost immediately, and mostly, are able to act and react to the perceived

stimulus thanks to distributed authority, ensuring a better and faster way to undertake decisions.

The specificity used to describe roles, accountabilities and purposes in Holacracy allows another advantage which is **Clarity**. Inside an Holacratic company, everyone is able to know in each moment who is filling which role, and what this role is accountable for. Multiple platforms exist with the purposes of ensuring clarity and constant update inside the company, as Glassfrog explained in chapter 2. The purpose of the model together with the right IT support is able to eliminate any expectation people could create on a role: there are no implicit expectations on people which can be supposed, only written. Differently from traditional organizations where job descriptions are rarely read and updated, in Holacracy employees know exactly what to expect from who and how. And If a need of more accountabilities is perceived, the governance meeting is the right tool to face this expectation. Implicit expectations cannot be created of survive in Holacracy thanks to the process which is developed to foster clarity and allow people to focus on their job.

Lastly, there is another advantage which has been carefully monitored by the researchers and professional of organizational management and HR: Holacracy is suitable for **attracting millennials.** Millennials or Generation Y, which is the actual workforce and talent on the labour market, are digital naïve which present multiple different characteristics from the previous generations of workers. They understand, catch and live the digital transformation we are facing nowadays, indeed they are source of competitive advantage and talent among companies which should be looking for them. However, they are not only interested in career ladders availability or compensation, which could summarize the main drivers of the previous generations. Deloitte performs every year a survey and research about millennials to provide leaders useful inside of the new generational change. According to their surveys, millennials looks for a workplace which enhance flexibility, collaboration, involvement, entrepreneurship, learning and development, trust, communication, leadership and autonomy. Flexibility is enhanced either through the model itself, or the authority delegated to each role: employee can be flexible in entering and exiting the worktime until they accomplish their daily goals and update their Glassfrog sections. Collaboration is enhanced and fostered in holacracy since people are able to cover multiple roles and collaborate with different employees from

many circles inside the organizations, and communications is fostered by speaking about tension and having constant feedback from their peers and the job itself. Trust is built-in the model: Holacracy trusts employees in his basics, to let them take decisions, which is also central for the involvement: employees are the core of the decision making process which impact the company, and it's a cyclical process that foster millennials engagement. Freedom and entrepreneurship are shaped by the model since employee can choose hoe to develop their daily tasks without constraints, making them entrepreneur without restrictions of their own job. The possibility to fill multiple roles fosters learning and development, since each role will have unique combinations of accountabilities and domains: the career ladder in Holacracy is made up by personal achievements of learning as much as possible from different sources, roles and circles. Leadership is build-in too, since every personal lead his own roles.

3.2 Disadvantages

The aim of this paper is to provide a description of the model as much complete as possible, developing also a critical attitude and perspective to ensure full comprehension of Holacracy is delivered to the reader. Disadvantages and implementation difficulties will be largely shown. Firstly, with regard to the media Hype and hysteria which hit the US in the middle 2010s about this model and the articles provided, there is a misunderstanding which as to be underlined. Although in this research many authors that define holacracy as totally non-hierarchical and no structured organization have been mentioned, there is **a structure in place. A**ccording to Romme, '' A truly non-hierarchical structure is a scary prospect for most businesspeople, and for good reason: a lack of a hierarchy leaves an organization without a clear sense of who is accountable for what.'' (Romme 2015) What changes in Holacracy is the power relation relying at base of the hierarchy, which is not a subordination one-to- one as the meaning of the word hierarchy stands for, but is a power which goes back and forth to any direction of the company or circle in relation to the domain of each part of the organization. There is for sure a structure in the organization, which is not vertical, and it is not flat as a whole: it is an Holarchy, an ensemble of many circles linked together on the same management layer. '' the hierarchy helps the organization determine how many circles should exist, identify which circle should decide on a particular idea or proposal, and create links between circles.'' (Romme 2015). As the author points out, this can be defined as a circular hierarchy where the power is shifted to the process and the structure itself and regulated by the constitution.

There is a paradox which hovers over Holacracy: although it has been statistically proved (see conclusions) that the smaller is the organization, the easiest is to switch to holacracy from the previous organizational model, smaller companies are the ones which usually underestimate the model the most. This is due to the feeling that a smaller enterprise as a lower need of running holacracy since it has fewer management layers and people working by definition are more flexible, since less bureaucracy is in place in a small firm. The environment also plays a crucial role in this distinction: the fastest and strongest are the market forces which drive changes (as consumer tastes, technological innovation), the more likely will be that companies will start looking for organizational models which better suits their needs and allow organization to surf the chance instead of being locked in their inertia.

Moreover, **Holacracy is not for everybody.** While I will explain in detail in the conclusion paragraph why I think Holacracy is not suitable for all the companies, at least under certain conditions, from an organizational point of view, in this section I will shift the focus on people. There are some kinds of personalities that may struggle more than others in adapting to Holacracy, because the model itself challenges the most prevalent roots of the management which has been taught until now. The corporate ladder is completely revised, and the model stimulates cooperation and multi-tasking activities. Hence, people who are reluctant to give up their usual habits, traditional job title holders and employees which are usual in doing one things at a time will be more resistant in switching to the model. According to McClelland, there are 3 types of needs which people needs to fulfil inside an organization:

- **Achievement need**, the need of affirming themselves by comparing with excellences, parameters of personal success, realizing mesmerizing performances. Whatever relations is established inside the company is just a tool for self-realization and affect sides are an obstacle. (McClelland 1961) Since in Holacracy each person fills a unique combination of roles and tasks, there is little evidence that they will be able to compare their performance to another. The need will not be satisfied so achievement searchers will be more likely to not stick with an holacratic organization, and leave;

- **Power need**, the need of influence the other, addressing their behaviour to satisfy a personal need. It shows the necessity of confirmation of the capability of social domain. Inside an organization it expresses the need of controlling the own job and the others, exercising a visible authority. (McClelland 1961). Power need people will be likely to leave the organization shortly since they cannot influence anyone inside the organization, they have authority only on their tasks and job, but they cannot control what the others do and cannot be controlled by anybody else.

- **Affiliation need**, the need of creating, maintaining or recover an affection relationship with another person, of verifying the positive emotion of a situational relationship. Holacracy is by definition a suitable model for this kind of people: the possibility of filling multiple roles allows each employee to develop an increasing number of relationships with peers from different circles, according to their needs and passions. (Costa 2014)

Another component which has to be considered is that Holacracy may **increase costs.** Even if it has been mentioned as an advantage of the model, it can still happen that an excessive amount of expenses is registered while adopting Holacracy. Those costs are related to the opportunity costs of adopting the model: people will have to concentrate and apply themselves into this new logic, allocating more time on the study and the implementation of the model rather than the job itself. This could be crucial in specific business which relies on human capital and concentration. Careful planning and training in new concepts will require both monetary and non-monetary costs: monetary costs due to the Holacracy consultants and coaches which will help the smooth of the implementation and time spent as non-monetary.

In addition, it is hard to estimate a time span by which the Holacracy transition will be ultimate. According to Robertson, in order to gain the full benefits of Holacracy, it could take ages to them to show up through the whole organization. Not only the benefits by themselves, but also the implementation time would be different: in the conclusion empirical and statistical evidence will be provided about the direct relationship between size of a company and successful chance of implementation/ time spent in implementing the model.

Other disadvantages of the model are the **lack of structured process about hiring, firing and compensation.** In the next chapter the Zappos case will be analysed, and their solution will be provided and described, but the Constitution does not provide any rule, procedure or standard format to handle those process. This is crucial since there are no benchmark in the market due to the unique combination of roles that each employee would fulfil. It is all up to the single organizations adopting the model, and it is expensive and dangerous since HR practices will be the first aspect with whom employees will have to relate because they directly relate to them. Researchers and companies are still experimenting and trying to come up with a sort of common model that can be applied universally but there is nothing sufficiently proved and applied to be considered as a standard.

According to Bernstein and par 2.1.1, **role proliferation** makes more difficult to actually doing the work, other than the previously mentioned compensation and hiring, because people could be struggling with where they should focus their attention among all the roles they are covering. The more roles a person covers, the higher will be the probability of not filling each of them at its best, because of time allocation and prioritization struggling. (Bernstein 2016) The same principle applies to circle proliferation: according to Robertson, some companies tend to overestimate their circles needs by overcharging the organization of different holons also when the different roles within one could reconducted to the same person. A circle needs to take place when a role is overwhelmed by the complexity and number of tasks, domains and accountabilities so that, to perform efficiently, it is more useful to break the single role down into different ones which act inside the same circle. Do not place circles every time people work together, because they are not meant to be for this purpose: all roles in holacracy are already implemented considering they will need to interact with each other.

3.3 Experience in practise: critical aspects for Holacracy Implementation

Once companies have made a balance among advantages and disadvantages of Holacracy, whether they decide to opt in, it is time to actually put it in place. The zappos case is a huge example of how this process goes and will be developed in chapter 4. In this section, different perspective and real obstacles and challenges faced by different companies will be evaluated, thanks to Robertson and his experience as not only the Holacracy inventor, but the head of HolacracyOne, consultant agency which offers support and training for organizations implementing the model.

Organizational inertia is one of the most critical aspects when it is up to the adaptation to a new structure. According to Gilbert, organizational inertia is the tendency for a company to stick with its current direction and trajectory without taking into account other forces and factors that can vary (both inside and outside the firm) and that could need a further adaptation and manipulation to survive in the market. Gilbert recognize 2 different and mutual components of organizational inertia: Resource rigidity and routine rigidity. The former expresses the unwillingness of an organization to invest in further resources or technologies of every kind outside of the company, while the latter is the inability to modify or change the pattern and systems underlying those investment. For the sake of this research, the routine rigidity will be contextualized. (Gilbert 2005) According to Robertson, 3 cases of different routine rigidity have been usually faced when implementing Holacracy.

The **willingness to give up power** is by far the first obstacle.

Every organization will have someone who is accountable for maintain the power inside it, whether the model is applied to a whole organization at once, or just a department. There are different ways which can be used for letting the power go, defined as power burden in this context, but all are related to the same principle: in order to be an effective transition, it has to start from the withdrawal of the higher level management. It is important to make the whole organization or department aware of the new change, because it is the first step to involve everyone on board in this new adventure: whoever is giving up authority and power will have to respect the same rules as the other employees, and will not be above the constitution. (Robertson 2007) '' Many attempts to introduce distributed management fail because executives and directors take themselves

out of the equation. They assume that the change affects only operational and middle managers and that their own discretionary powers will remain intact. They don't grasp that holacracy represents a fundamental redistribution of power and authority throughout the organization.'' (Romme 2015) Hence, it happens that leaders which give notice to the whole organization of their ''declaration of adoption'' of Holacracy, may continue to act and behave as nothing happened. This is either critical or natural, since power is not the only thing who has to be transferred. High level managers had spent years of their lives studying and putting effort inside organizations to get where they are, and even if they sound enthusiastic of the new model, they might hesitate to due natural routine rigidity and risk aversion: they are going to undertake a new pattern of behaviour which will sound unfamiliar at the beginning. The problem in an Holacratic context is that the incoherence between the managers willing to transform the organization and behaving as they have ever done, will be noticed by the rest of the company: holacracy enhances transparency through the explicit rules it has set with the constitution. At that point, once everyone is aware of the dissonance, the higher management has just 2 choices: committing to act and behave according to the rules of the model, or just go back to the previous model they used. Contemporary literature has different cases on organizations which tried to implement Holacracy and then came back to the previous model: there is no universal model which is the best fit for each existing organization.

Another obstacle likely to be faced is the resistance by the middle management. Once the leader is on board, it may happen that the immediate lower hierarchical level of management will show resistance to the new model. By far, this has not to be considered as a negative aspect. Nevertheless, it is an obstacle for holacracy: it shows the worries and care that the management is placing toward the organization, and to be overcome, it will need the leader to play a crucial role. The implementation can be considered as a step-by-step consequential process, beginning by the withdrawal of power from the CEO and top management, which will have to swap their leadership style in order to accommodate and support the Holacracy implementation. To overcome the middle management resistance, top executives will need to become mentors, and coaches of their organization, transferring the meaning and the reasons beyond the adaptation of Holacracy to the middle layer, using a combination of clear messages and charisma, to help them understanding how the work will be developed in the new model, how it works within the rules and structure, and adapt all the internal interfaces to the new reality (information

system, internal communication, software). Once the majority of the middle layer is onboard with holacracy, the few subjects which will still show resistance will fall for peer pressure, mostly. According to Robertson, this scenarios are more likely to appear in less cohesive companies where they feel they have room for resisters to go in the opposite direction of the company, while organizations with better cultural and cohesive fit will stick together and work for the implementation. However, as already mentioned, it can happen that the model is not the right fit for the company or differently, the company has still to work on its cohesiveness and trust before moving into a self-managed direction: it is a matter of timing.

According to Robertson, overcoming obstacles is a process made up by 3 different steps. Once top and middle managements are on board, the last trap is that **an implicit vertical hierarchy still takes place.** It usually happens once the basics of holacracy have been practised and it is time to demolish and rethinking the old systems and practices. The change starts to disappear, people do not consider anymore governance and tactical meetings' outputs, employees are still looking for feedback and confirmation (or authorization) from their managers and they keep on behaving as Holacracy never took place. The work is not managed by Governance meetings, but simply formalised, where agreements are undertaken one-to-one before the meeting. In this obstacle lies one of the crucial points of the model. Holacracy tells organizations they have to rethink their old systems and practices such as hiring, firing and compensation. But the constitution does not explain how to change them, neither providing different models among to choose or giving guidelines. It leaves freedom to companies to self-managed themselves. And, according to Robertson, this is the point where most of the companies fail in implementing the model and slowly (sometime unconsciously) return to their oldest practices since they have shown to be effective. By doing this turning back however, most of the system fails because managers still have authority to choose who to hire and fire and how to set compensation, meaning that one of the previous obstacles had not been overcome. New holacracy practitioners will not take their responsibilities for their work but rather show they are doing the work instead of focusing on it: breaking old routines and schemas and taking risks embracing authorities is the essential of Holacracy's power shift.

3.3.1 The Medium case

The Medium case is one of the most emblematic studies that is triggering researchers and scholars worldwide, since it is by far once of the most famous companies which has adopted holacracy and then rejected it. It has been founded by Ev Williams, co-founder of Twitter, and Jason Stirman. They started running the company but as Stirman was put in charge of a team, he began to understand how the standard hierarchical mentality worked, and he was not fitting with it at all. "Management perspective looks at reports as resources–like how you can get the maximum value out of this person," Stirman says. "But when I think resources, I think like natural gas or coal mines. Thinking about a person's life that way just seemed really dehumanizing." (Vvaa 2015). So, he started to care about his team as people and not numbers of resources. He started to confute all the traditional management advice he received. According to leadership theory of Likert, Stirman was a manager oriented to the employee instead of the production, being collaborative, democratic and reasonable, giving guidelines on how to manage the work but also freedom of acting (Costa 2014). He started looking for other theory of management, which could encompass his leadership style and experience of being more emphatic. He got to know the SCARF approach, which meant:

- '' **S**tatus-oriented employees can be motivated by a possible title change, or having their name attached to more important projects.
- **C**ertainty-oriented employees are motivated simply by the reassurance that their job is important, and they are excelling.
- **A**utonomy-oriented employees may need the ability to work from home, or simply slip on their headphones to tune everyone else out.
- **R**elatedness-oriented employees are energized by opportunities to socialize with their co-workers — happy hours, softball games, etc.
- **F**airness-oriented employees want to know the playing field is even, and they aren't being exploited or cheated. They need to hear it consistently.'' (Vvaa 2015)

With further researchers, Medium adopted Holacracy in 2013, defining it as an operating system but for a company. According to his witness, it was a way to keep the link among his work, the organization purpose and his team, and to fill multiple roles and shape the organizations with regard to the job which has to be done. He was positively involved into

Holacracy due to the flexibility and innovation.'' "The difference between Holacracy and traditional management is that when you have people at the bottom and people at the top, it's always the people at the top trying to figure out their tensions, then they have the people at the bottom resolve them," Stirman says. "No one considers the tensions, ideas, issues felt by the people at the bottom. They spend their days resolving tensions they don't have and may not even understand." (Vvaa 2015). Specularly to what can be seen in Zappos, Stirman stress the cultural fit in the hiring process too, preferring cultural fit over skilled talents. "So many people fall into this trap of hiring highly skilled people who are bad culture fits. And I'd argue that's the worst kind of hire — even worse than a poorly skilled person. If they're as skilled as you think they are, they'll gain power, influence and get more deeply enrooted in your technology, process and product. Then, when the honeymoon of your justifications is over and reality sets in, you're seriously stuck with this person." (Vvaa 2015) However medium did come up with a fallacy in the system: there was no human feedback as they were used to. A series of roles with the domain of giving regular feedbacks to employee about their jobs have been assigned: they had no authority, but they could mentor and coach employee in improving their performances.

So, everything was great in medium, with Stirman able to escape the managerial logics he was not comfortable with, experimenting new philosophies and ways of running his company in a unique and inclusive way. However, Holacracy stayed in place only until 2016. There are a couple of difficulties which Medium faced during those years which pukked the company back from the Holacratic model. It experienced hard times in coordinating effort at scale, since the company was getting bigger. According to Doyle, it is a useful system when there are autonomous unit that works inside the same company, but the difficulty arises once it is up to transversal coordination among functions, which could be time-consuming if not supported by the right technological infrastructure. Another factor was the commitment and rigid punctuality required from holacracy in updating and recording things and governance. The Job-Role-accountability paradigm well stained in holacracy is clearly modelled for transparency ensuring. However, what it does not consider is the time required for discussion. In addition, '' we found that the act of codifying responsibilities in explicit detail hindered a proactive attitude and sense of communal ownership.'' (Doyle 2016), meaning that everyone was only doing what his job required to, without having a wider look inside an organization or maybe helping another employee in need because it was not implied in his role.

Moreover, another issue which was more busting and hitting the whole organizations was the brand image. As mentioned before, news and media were way more sceptical than nowadays when it comes to self-management. Title like ''Here's how Zappos' wacky self-management system works'' from businessinsider.com or ''The Holes in Holacracy'' from the economist were echoing through the society. The effect of those media pushing in that years was an increase confusion added up to the misconception already in place, giving voice to spread more the pitfalls and downsides of the model rather than the benefits. Recruiting was an issue too, since more experienced candidates were either worried or reluctant to work for medium due to the idea of being a manager in a manager-less company was actually a hole, with being hired for doing nothing. And, since medium was one of the few companies who had announced their shift to Holacracy in 2014, they decided to step back, both for preserving the brand image of the company and because the idea that the society was making up of holacracy was not how medium wanted to be perceived. '' We are moving beyond it because we as a company have changed and want to make fundamental changes to reflect this. Many of the principles we value most about Holacracy are already embedded in the organization through how we approach our work, collaborate, and instigate change. Beyond that, the system had begun to exert a small but persistent tax on both our effectiveness, and our sense of connection to each other.'' (Doyle 2016) They decided however to value the experience of trying holacracy and some of their principles, undertaking a governance style which was more people centric rather than process centric. Here the 6 principles the company decided to apply:

1. Employees can always stimulate and create change.

2. Authority is distributed, though not evenly or permanently.

3. Ownership is accountability, not control.

4. Good decision-making implies alignment, not consensus.

5. The system is structured to be adaptable.

6. Corporate transparency, driven by technology. (Doyle 2016)

In these six steps the holacratic influence is shown in each line. They got rid of the constitution and the rules, maintaining the meeting format in order to maximize efficiency without giving up on the human side of the work which was the main concern for Stirman.

They went a step forward with adopting holacracy for evolving the organization in a more innovative and efficient way, being pioneers in discovering new models and systems to run their company.

Chapter 4. Zappos Case Study: The biggest Holacratic transformation so far

4.1 Zappos: Background and culture

Zappos' creation began in 1999 when nick Swinmurn visited the office of a venture capital investment company called Venture Frog Investments. He brought the idea of creating a single place where people were able to find a huge variety of shoes at once. This necessity arose after he felt frustrated with the conventional shoe shopping. He was never able to find the right size or perfect colour fit, so he started elaborating a hassle-free solution for customers to find the right size and fit in one easy place. (Burke 2016). Tony Hsieh and Alfred Lin, where quite sceptical about the proposal, since they believed no one would ever by shoes without trying them on first (Hsieh 2010b). As Hsieh told in his book, Delivering Happiness, Swinmurn had brought consistent evidence, documentation, proofs and statistics that the idea would work:

"Buying a pair of shoes shouldn't be so hard, I remember thinking…(1) So I thought, why not create a single place online that people could come to find exactly the shoe they want in exactly the right size, and have it show up on their doorstep in a few days?...(2) I went ahead and reserved the domain name Shoesite.com…(3) Even though I'd never bought a pair of shoes through mail order, statistics proved there were a ton of people doing it. I stopped thinking, Hey, this is a good idea, and started believing in it. Somehow, I had to make it work."
– Nick Swinmurn (Hsieh, 2010b).

Hsieh and Lin were persuaded, so Nick and his co-founder Fred Mossler a few weeks later gave birth to the company today knowns as Zappos.com.

The initial plan was to invest enough money to allow Zappos growing in one year, and later on start looking for additional funding. However, the burst of the internet bubble caused Zappos the inability to generate the expected revenue, so a harsh shortage of cash hit the company. Some employees were laid off while others decided to stay even though this would imply a pay cut. Hsieh himself joined Zappos full time in 2000 and sold 11 of his properties in San Francisco to keep Zappos alive. (Rourke 2017) The company kept growing in the following years, opening its first warehouse and developing partnership

with strategic companies such as UPS. However, the income generated was not enough to make it profitable and finding constant and prepared personnel for customer service was a problem in San Francisco, because it was generally seen as a temporary job. Outsourcing was not considered to be an option, since it would have caused the transfer of the customer service, source of competitive advantage and key element of the strategy. For these reasons, Hsieh moved the company to Nevada in 2004, were rental where cheaper and people could afford to invest their work career just in Zappos, as it could never happened in the Bay Area due to the higher cost of living(Hsieh, 2010a). Surprisingly, 70 out of 90 employees decided to move to the desert as well (Zappos.com). At that time the culture became increasingly important in Zappos: having to cope with an unfamiliar town and unfamiliar people pushed Zapponians to stick together and create new and deeper bonds. Zappos culture was arising, and it was so strong that Hsieh realised it was becoming a real thing, so decided to acknowledge it by publishing the Zappos culture book, and establishing a monthly newsletter called ask anything, in order to allow employees to share every critic they wanted to. Culture became so important that being technically competent was not enough to get a job: the cultural fit was even more important. All employees were gathered to develop the 10 core Zappos value, which will be better developed in 2006.

In 2007, Zappos has developed 365 and overnight shipping, as well new partnership with established clothing brand such as Nike and New Balance. The company started to become profitable, exceeding the revenue expectations year by year, and catching Amazon's attention. Back in 2005, Amazon made an offer for acquiring Zappos, which was declined by Tony Hsieh in order to keep the company independent and preserve the culture. Amazon countered the negative reply with its own online retail platform called endless.com, which was not enough to harm Zappos success. However, in 2008 the Great recession of 2008-2010 hit the company very hard, so that they had to look for outside investors. In July 2009 Tony Hsieh had to allow an all-stock deal where Amazon bought Zappos, a 1.2 billion worth deal. It was mutually beneficial since Amazon had finally acquired the company it was looking for, due to the common vision of customer orientation that both company shared, and Zappos received the needed liquidity to protect the business but most importantly, the deal allowed Zappos to protect the culture by working independently. Thanks to amazon, Zappos was able to learn how to manage

the warehouse operations more efficiently, using the right metrics, and could extend his market from shoes to the whole clothing sector (Hsieh 2010a).

In 2013 the organization moved downtown in Las Vegas to find a better place to work and Tony Hsieh decided to buy the whole Area where the building was set in order to rebuild the neighbourhood and make it more safe for employees to get to work and to help the local community. The Downtown project as it is called, includes 300 building for 60 Acres, and a net value of 350 million of Hsieh' money (Hodge 2015).

To provide a fully understanding of who zappos is and how big was the growth it experimented, the scheme in fig 4.1 shows the centricity of the customer experience in their business model, as well as how it is directly related to the core values and organizational culture.
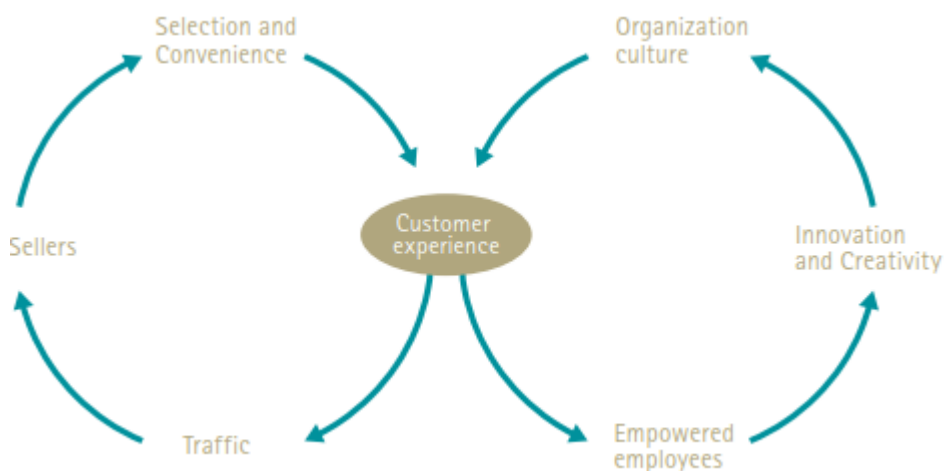
Fig 4.1 *A Systemic view of Zappos' growth model (Thomas 2015)*

Being a pioneer of the attention and care posed on customer at the time allowed Zappos to exponentially grow. In Fig 4.2 is show the gross sales of Zappos from 2000 to 2008. Nevertheless, even if the company was not profitable at all in his first years of operation, it is worth having a look to develop a clear picture of how far they had gone with this new customer-oriented approach.
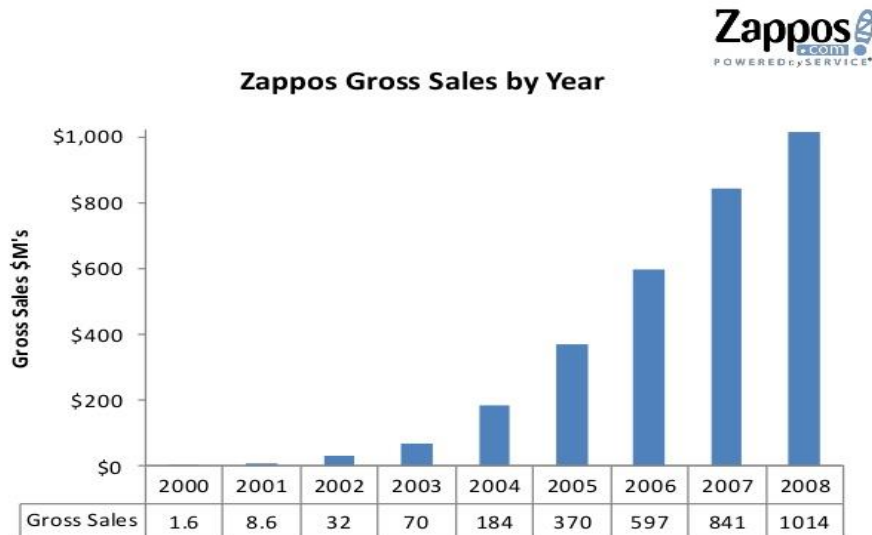
Fig 4.2 *Zappos gross Sales by Year* (Zappos.com)

As mentioned before, organizational culture is one of the most important assets when it comes to Zappos. The particular history of the company combined with the commitment to customer service created a unique pattern of artefacts and values which aim at delivering the best customer experience ever combined with the constant happiness research. Organizational culture is ''a pattern of shared basic assumptions that the group learned as it solved problems of external adaptation and internal integration, that has worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems'' (Burke 2016). Corporate culture can be declined in two different faces: artefacts and values. Related to artefacts, physical objects which recall the culture, Hsieh made Zappos his own tribe, making it has fun and positive as possible. Unofficial dress code of jeans and t-shirt, large tattoos, high fives and hugs, and severed neckties are hung on the wall at the entrance, freeing from the stuffed-shirt visitors. Zapponians, which is the name everyone identifies himself in the company, are divided among monkeys, which are the executives (when there was still no holacracy in place) and ninjas, which are all the other employees. Zapponians talk a lot about work-life integration instead of work-life balance: it is not unusual to have a meeting at 10 pm on the rooftop while the company band is playing at the bottom floor of the Headquarter. The Headquarter is filled with dinosaurs

everywhere, a big reunion room with a stage for performances, and even a gym and a relax room.

As for the values, they have been elaborated as the company moved to Vegas. They stand with the vision of the company, shaping the culture and explaining what the organization values the most, and are useful to state the identity and personality of the company outside its boundaries, smoothing the decision-making process and driving the selection process. The matter is simple, and it returns periodically: whether the company was hiring new people and expanding, how was it possible to preserve and maintain Zappos culture aligning the newcomers to the existing values? Scalability was the right term to address this problem, and back in 2004, values were still not well defined even for already hired Zapponians. Hence, Hsieh started to think about which employees he wanted to clone because they represented the essence of Zappos' culture, and reflect on the values they were carrying out. Meanwhile, he also thought about the people who left Zappos because they did not relate with the culture and what they were carrying out, to understand value disconnecting. Writing down Zappos core values was not a process undertaken by Hsieh himself: he has involved the whole staff of the company to make sure all the different perspectives were incorporated. '' I was surprised the process took so long, but we wanted to make sure not to rush through the process because whatever core values we eventually came up with, we wanted to be ones that we could truly embrace.'' (Hsieh 2010c) The core point of value elaboration was the research for something true, something that could be declined in the everyday life of the business, not just a list of fascinating sounding words which are learned the first day of the job and then put aside. ''We wanted a list of committable core values that we were willing to hire and fire on'' (Hsieh 2010c). In the end, the company came up with the list of the 10 core values which are published on the company website (Zappos.com) and created the framework in which all the decisions are undertaken. Employees in zappos are expected to represent all the 10 core values in how they conduct daily business, from interpersonal interaction (suppliers, customers, business partners) to how the physically manage the work. They have become a natural and instinct way of thinking and language (Ramakrishnan 2017).

The 10 core values are the following:

1. **Deliver WOW Through Service** – By delivering WOW It is meant to accomplish daily business in order to provide a positive shocking feeling to the person which came in contact with you or are affected by your work, amazing them. Tasks needs to be undertaken in an innovative and unconventional way to deliver Wow, to client, stakeholders, vendors, with the ultimate goal to create an emotional impact on everyone interacting with you. (Christoffersen 2017)

2. **Embrace and Drive Change** – Being part of the Zappos family means needing to be aware of constant changes that will happen every day, and embracing change is one of the main drivers which will signal the degree of fitting in zappos. Static and close-minded people will be more likely to leave the company since they can't personally stand all the driving forces which act upon zappos. Employees needs to go one step beyond change awareness: they have to welcome it, feel it and stimulate it. Because the change signals come from the customer service, which is the main business driver of zappos and the front line because it is more exposed to external environment, they need to be fully open minded and instantly ready to drive change and bring it inside the organization. From a traditional perspective it is possible to say the change is bottom up driven. In zappos, the frontline will be more likely to pick up change signals. Feeling comfortable is seen as a negative status in Zappos: it means that there may be unconventional change signs which are ignored. (Christoffersen 2017b)

3. **Create Fun and A Little Weirdness** – nevertheless each company is unique due to the combination of values which create the organizational culture, some of the are more recognizable than others. In Zappos, being fun and bring humour to daily work is a rare value, quite uncommon to find in other organizations. With all the employees being fun and a little weird, this feeling is transferred into the organizational personality, which is how they want Zappos to be perceived from the outside, fun and weird. This is how zappos creates commitment by his employees to the daily tasks, and those feelings and have some positive effects

which have been widely shown, since bringing weirdness allows to think out of the standard and look for creative solutions, engaging people in what they do.

4. **Be Adventurous, Creative, and Open-Minded** – In Zappos, people are motivated to be brave without being inconsiderate, embracing risks. Learning by doing is fundamental in Zappos: people need to face risks to do mistakes, and mistakes are the best way to learn new things and be creative in elaborating solutions. As mentioned before, the status quo has to be triggered and challenged in order to push yourself beyond the limit: discovering new solutions shows a feeling of adventure and excitement which creates synergies with creativity, whether people are open minded and ready to face new challenges. (Christoffersen 2017c)

5. **Pursue Growth and Learning** – Learning by doing in zappos gets an incremental definition: not only employees are required to learn by their daily business, but they have to constantly push themselves beyond the limit and not getting stuck in what they learn. The growth has to be both professional and personal, in order to free the full potential of each individual: constant and continuous improvement is the key. '' It's vital to challenge and stretch one's self, and not be stuck in a position where they don't feel like they're learning.'' (Christoffersen 2017d)

6. **Build Open and Honest Relationships with Communication** – It is the only way you are able to build an environment of mutual trust and honesty, which is a source of competitive advantage. To improve communication, people need to be good either at listening or speaking, and it is important to be friendly and loyal to each other to nurture healthy relationships. When relating with each other, it must be kept in mind that zappos is 100% committed in diversity and inclusion, of opinion, background, culture, ethnicity, gender and religion. It becomes much more difficult to relate to each other: however, this heterogeneous cauldron is able to enrich everyone in the organization due to mutual confront and growth. (Christoffersen 2017e)

7. **Build a Positive Team and Family Spirit** – As mentioned before, Zapponians are more than just a team, they consider themselves as a family. To do so, the

environment inside the company is warm, friendly and welcoming, where ''managers'' (lead links) have to remove all the obstacles which could harm this atmosphere. Speaking with Zapponians it has been shown that best teams are the ones which have eliminated all kind of negative influence and barren criticism, and also interact among each other outside the company. This leads to a series of bonds which go beyond the normal co-worker relationship and can be considered a valuable intangible asset which provide competitive advantage.

8. **Do More with Less**: incremental improvement is fundamental in zappos, undertaking extra effort to magnificently accomplish daily goals, since there is always space for getting better in everything they do. Innovation is the key to stay ahead of the competition, while there has to be found a balance between the urgency of making improvements and the status quo which is ''good enough'' and has to be triggered, because it is considered as the opposite of great.

9. **Be Passionate and Determined** – Passion is the everyday fuel which makes everything work in Zappos, together with perseverance and determination. This values together create a positive attitude of optimism and realism which inspire people to always chase for good opportunities which can be feasible and really accessible in order to stimulate others in doing the same: No is not an answer. (Christoffersen 2017f)

10. **Be Humble** – Which means being polite and respectful to each other, keeping in mind that people have to be treated as you would like to be, and there is no need to show off: characters will be displayed by themselves in the long run. (Christoffersen 2017g). ''It is probably the core value that ends up affecting our hiring decisions the most. There are a lot of experienced, smart, and talented people we interview that we know can make an immediate impact on our top or bottom line. But a lot of them are also really egotistical, so we end up not hiring them. At most companies, the hiring manager would probably argue that we should hire such a candidate because he or she will add a lot of value to the company, which is probably why most large corporations don't have great cultures. Our philosophy at Zappos is that we're willing to make short-term

sacrifices (including lost revenue or profits) if we believe that the long-term benefits are worth it. Protecting the company culture and sticking to core values is a long-term benefit.'' (Hsieh 2010b)

4.2 Going all out: why and how Zappos moved to Holacracy

4.2.1 Reasons behind the transformation

Zappos is the biggest company which has moved to holacracy so far. Even if it is not the only one and other cases will be mentioned on this document, it has been one of the pioneers both regards to the time in which it started rolling out holacracy (2013/2014) and the size of the organization. Zappos is one of the lead users of this practise, and in this paragraph the reasons why zappos decided to go all in in this new shift will be explained: it is not unusual that the whole transfer was inspired by the 10 core values mentioned before.

Above all the reasons which inspired this change, there was one urgent problem which need to be addressed: scalability. As mentioned before, Zappos experienced a huge growth in terms of gross profit and sales revenue, therefore a lot of new people were hired to face the exponentially increasing demand, reaching 1.500 employees in 2013. If on one side this is a good result, since the main goal of a company is making profit and in this particular scenario it would also have meant investing in the local community in which zappos was already an active contributor, on the other hand the risk of being stuck in bureaucracy and losing the essence of the organizational culture was getting higher. To solve this trade-off, CEO Tony Hsieh started to look for a way to balance between size and complexity to do not waste all the effort spent in the previous years in culture. His main idea was to look for something which could empower zappos to run as a city: "We want Zappos to function more like a city and less like a top-down bureaucratic organization," (Groth 2015b) Hsieh tells Quartz, saying that when cities double in size they become 15% more productive, but when companies double in size, productivity declines. "Look at companies that existed 50 years ago in the Fortune 500—most don't exist today. Companies tend to die, and cities don't." (Groth 2015b).

With this idea in mind, he started looking for a way to run zappos in order to ensure scalability and preserve the culture at the same time. Once he met Robertson in 2012 in a conference meeting in Austin, Texas, he was dazzled by Holacracy, and after storming him with various questions, he realized Holacracy was the path to follow. In addition, another risk mentioned was the lack of innovation that scalability could bring. As the company was growing, more management layers were added because of the arising complexity, and this moved the managers and experienced people always further from the front line, the market, and the customers. This process would slow down the answering process, inhibiting zappos to be fast as usual. As counterpart, the employees on the front line which could sense the problem would have to face huge bureaucracy to carry them on to the top management level in order to obtain the authority to solve them out. John Bunch, who was in firstly in charge of the team aimed at discovering new ways of working and later on the man responsible for the Holacracy transition at Zappos, stated that when they realised that things they were able to do quickly were taking too much time, that a more efficient way had to be discovered. This is when him and Hsieh got inspiration from cities, to turn upside down the trend of lack in efficiency while getting bigger: their ultimate goal was to make teams more autonomous and flexible, saving time and distributing authority.

In addition, there was another matter which worried Hsieh while he was thinking about changing the organizational structure: he was not happy to go to work anymore. ''The company culture ended up just going downhill, and it ended up being not a fun place to work anymore'', (Yugendhar 2017) being stacked in bureaucracy while the world was changing quickly without being able to keep up, with old mindsets not able to deliver performances as expected. Nevertheless Zappos was already using a flat organizational structure, it was too hybrid to fully empower and turn the organization flexible: there was little freedom in the workplace and people were not able to manage their work as they wanted, since they were still embedded in the system. With Holacracy, the possibility of getting things done in a proper and personal way was able to foster happiness since it provided satisfaction to workers, creating a friendly environment which would turn into better relationship and sharing happiness to clients would develop customer loyalty.

The flat organizational structure Zappos was using before Holacracy had the pitfalls of providing low degree of specialization and formalization, whether the new system would improve the level of authority and engagement for each single employee, allowing them

to act both as a leader and a follower: with holacracy they would be able to formalise and standardize routine activities, in order to use them as a basis to develop newer and more creative and efficient daily solutions.

Other reasons which pushed the organization towards Holacracy were the improvement of meetings' efficiency, using a process to reduce the wasted time and increase the number of problems (tensions) addressed in a single meeting; the transparency reached through holacracy whether Glassfrog was able to provide proof and information about policies and accountabilities throughout the whole company, ensuring reference back and a fully adherence to its 10 core values. Lastly, Holacracy allowed zappos to develop a procedure which made possible all the people involved into the organization could make changes in a fast and efficient way, fostering innovation and empowerment feelings.

4.2.2 Analysis of the transition, the offer and consequences

The huge transformation Zappos has been going through is subject of a lot of studies and researches, since is as fascinating as complex. To provide a detailed framework, let's start from the basis of their implementation. Hence, after the meeting between Robertson and Hsieh, he decided to pull out Holacracy into Zappos. It is March 2013, and despite all the advices from Robertson who specified that Holacracy need to be rolled out in the whole organization to truly understand its maximum potential, the Zappos HR department made up of around 100 people was starting to experiment Holacracy. This implementation team was led by Hsieh himself, together with John Bunch, holacracy implementation lead, Alexis Gonzales-Black, a Zappos former recruiter who is co-leading the transition as the organizational design lead, and Hollie Delaney, the HR department director. John was embodying the statement of the city, willing to let zappos transition to holacracy and let it work as a city with autonomous circles in order to avoid the decrease of individual productivity due to the growing of the company. As Robertson reported, most of the companies he has been working for, reported a hard time at the beginning once they start to study and apply holacracy. Letting go and putting aside most of the things people have been taught since their childhood is never easy. The fear and feeling of having nothing in the hand create a negative sensation of void and anxiety which has to be instantly fulfilled with the holacratic mindset in order to be fully beneficial. '' Delaney and many of her colleagues were sceptical of this new management system as soon as it was introduced.

The company's hierarchy was relatively flat already — there was no "Do this because I said so" mentality, she said — and she wasn't convinced that taking the time to learn an incredibly complex new way of working was worth it.'' (Feloni 2016). Delaney's team refused to let go the power at the beginning after all the effort made to gain it, and Robertson's team goal was to hit the turning point, which is defined by him as the moment whether people start to taste the freedom of letting power go and moving the first real steps towards embracing Holacracy. ''Employees were shocked and frustrated by the amount of mandates and reunions, and the confusion about who did what. Says Christa Foley, an 11-year vet who was a senior HR manager and is now lead link for the Culture—Connecting the Dots circle and the Zappos Insights circle: "I hated all of it, in particular because it was off-the-shelf, so focused on the rules of the game, and it explicitly felt icky without a focus on the people." (Reingold 2016).

It took almost 2 months but when Delaney told a member of her team that he did not need her approval and could go forward because he had the authority to do it, she felt so liberated that she started crying for happiness. This was the turning point, and later on the whole team started to appreciate the Holacracy practise and redesigned their roles along the rules of the model. By the hand of the year Delaney was fully committed to the model, and thanks to the positive feedback of her team, Hsieh decided to roll out the model through the company, in a slowly and peaceful way. Because of the culture of the company, the new change was welcomed by most of the organization with enthusiasm. According to Gonzales-Black however, welcoming the change and being able to put it in practise has a huge gap which is not immediate to fill. For example, people where enthusiast about being able to bring to governance and tactical meeting all the issue related to their daily jobs and what was wrong with their supervisor. However, once they showed up at the meeting, they would not talk because of the consequences and reaction they could incur if they started speaking about their managers in the wrong way: they did not understand and realise the protection the model gave them, being trapped in old hierarchical schemas which would not allow employees to go further and really practise the model. Gonzales-Black said that in December 2014 even if the company was rolling out holacracy in around 80% of its department, people where mentally not even close to half of the transition. Nevertheless, both Hsieh, Bunch and Gonzales-Black where thrilled by the potential of the model, to the extent by which on March 24 of 2015, Hsieh sent out a long outstanding email called the offer. Zappos CEO was announcing the full transition and commitment of

the company to turn into an Holacratic structure by the end of the following month, and was offering a deal for all the people who were not aligned with the model and the company, a 3 month salary allowance (or a month for each year worked for the company) to leave the company, with the possibility of returning back for 12 months. The full text of the email can be read on Appendix 1. Here is a shortcut with the key passages:

'' We've been operating partially under Holacracy and partially under the legacy management hierarchy in parallel for over a year now. Having one foot in one world while having the other foot in the other world has slowed down our transformation towards self-management and self-organization. [...] As of 4/30/15, in order to eliminate the legacy management hierarchy, there will be effectively be no more people managers. In addition, we will begin the process of breaking down our legacy silo'ed structure/circles of merchandising, finance, tech, marketing, and other functions and create self-organizing and self-managing business-centric circles instead by starting to fund this new model with the appropriate resources needed to flourish. [...] we're also looking forward to seeing what new exciting contributions will come from the employees who were previously managers. All former managers who remain in good standing will still keep their salary through the end of 2015 even though their day-to-day work that formerly involved more traditional management will need to change. [...] As previously stated, self-management and self-organization is not for everyone, and not everyone will necessarily want to move forward in the direction of the Best Customers Strategy and the strategy statements that were recently rolled out. Therefore, there will be a special version of "the offer" on a company-wide scale''
(Feloni 2015)

Zappos is not new in offering allowances for people to leave the organization: according to Hsieh, having people not fully aligned with corporate values would be more harmful than the amount of money they would grab to leave the company. New hires are offered a month of Salary allowance to leave the company after they complete the monthly training required by the organization, and back to 2004 there was another offer made by Zappos to all the people who would stick with the company once it would have moved to Nevada.

Before analysing the turnover data, it is worth mentioning the IT department, which at that time was working on a huge project called SuperCloud, regarding the outsourcing of the whole digital infrastructure of Zappos to the parent-company Amazon. This

department had a different deadline from the rest of the company: they had time until the end of the year due to the complexity of the project they were carrying out.

The turnover was around 210 people by the end of April, 14% of the company, which became 260 (18%) by the end of the year, with 50 people from the IT department adding up through the months. Some former and actual Zapponians have released their thoughts and reasons why they decided to stay or accept the offers and leave.

Brian Kirby, Software engineer in Holacracy, was working Supercloud team, which experienced a big loss compared to the rest of the organization: 21% of the team left the company taking the offer. He found a lot of resistance in his colleagues for the model implementation, while he was very happy and passionate about this new change, perfectly aligned with his individual freedom. Nevertheless, the compensation system was a labyrinth at that time (it will have a dedicated deepening in this chapter), Kirby decided to stay, but he would have had to leave the company if Holacracy was to reduce is salary. A former colleague of Kirby, Chris Coy, accepted the offer and left the organization. He was hired in 2014 as a use experience designer in 2014. From his point of view, the company's culture was not ready to experience such a huge transition, since they did not feel comfortable to speak yet (as remarked by Gonzales-Black). The Supercloud project had already got most of his time and attention, and the website he was supposed to be working on before the amazon transition had been basically frozen for years, with minimal update and maintenance. With either the lock of his routine job on the website or Supercloud, once holacracy came into place, he left the company because of a huge degree of confusion he could not stand.

Rachel Munich, change agent at Zappos, spent a lot of time thinking whether taking the offer or not. Even if she was very critical about the new implementation, and how zappos was stepping in it, she decided to stay. Her opinion was made up by the thoughts that there had not been enough clarity in the previous months and people would not have known how to react: it is September 2015 and Munich declared that the company was slightly entering in which in her opinion was the right path to undertake for a correct holacracy implementation.

Jean Dunning is a former supervisor in Zappos which I had the pleasure to talk to while having a company tour in December 2019. She decided to accept the offer because she did

not see herself in the near future with a self-managed team. As a supervisor she felt she was going to have nothing in her hands, so she took the money and tried to look for something else. However, once she started working outside Zappos, she realised she was not happy anymore since the core values Zappos gave her became part of her mindset, as personal values. Due to the constant research of happiness, she decided to come back to Zappos for her last years of working before retiring. The return in Zappos would have meant she had to start again from the customer service (or better called customer loyalty team). Nevertheless, it is unusual to restart from the same company from where everyone starts, she felt so happy and engaged that she was moved to the company tour guiding circle after some months in CLT.

Alexis Gonzales-Black, which was previously mentioned as one of the leading members of the transition, left the company in March 2015. It may look strange and unclear that she left the company right when the offer was out, but she left for personal reasons and decided to invest her life to fund an holacracy power consultancy agency in San Francisco which would focus specifically on implementing Holacracy in other companies: she was so passionate about the model that decided to give her professional life to it.

Derek Noel, which was previously working in the customer service, did not take the offer. He wanted to join the Zappos' culture team but his boss would not allow him to, and as soon as holacracy was started to roll out, he realised he could finally join the team he wanted, carrying out the projects and events we most desired. ''My worst day at zappos is still better than my best day anywhere else: I can't imagine going back to hierarchy anymore'' (Reingold 2016)

Summarizing, and according to Hsieh, less people than he was expected left the company for Holacracy: he had estimated almost a half of the company leaving, instead of less than 20%. In addition, not all the people who left were unsatisfied by Holacracy: other employees were just not in line with the organizational values from time, because of the negative effect that can generate the idea of always being happy and hiding all the negative thought and feelings that can be hidden but not eliminated. Those employees were not aligned with the company values and belief: there was a motivational gap between individuals and the organization which was stressed and pushed by the offer. When this motivational discrepancy took place, it was a win-to-win situation for both the company and the employee: the organization would spend his resources focusing on

employee which were happy to come to work, whether happy employees bring happy customer, and the employee who accepted the offer would be free to look for a place to work with a better personal fit.

Other people were seeking for opportunities of developing their own business ideas and models, so they took the offer as a budget and financial starting point for their entrepreneurial activities. In addition, not everyone has the confidence to self-organized his job: some people lack the entrepreneurial spirit at work and need someone to explain them how to conduct daily business, which is reconducted to personality traits rather than values.

However, there were some unsolved issues, holes in the model which needed to be addressed. Since it was the biggest transition so far, it is not unusual to notice more difficulties even for skilled and experienced consultants. How was zappos going to replace the human capital and resources which had left the company? How is it going to ensure the newcomers are a good fit for the company's culture and model? How was it going to determine a fair salary which could be easily communicated to employees in order to ensure safety and an honest work-life balance and lifestyle?

4.3 The Holes in Zappos: HR practices

Zappos implemented Holacracy. And among all the doubts gripping employees' minds, both who left and who decided to stay, there are some holes, or issues, which have not been addressed on this paper yet. As for the perplexities for people who feared to be left without nothing in their hands, it is all up to the capability of the individuals to turn their previous tasks and titles into roles and accountabilities, which is subjective based on the person itself and the organization. Delaney for example, became the lead link of the HR circle, as well as a member of different circles inside the circle. Other 2 issues which are common throughout most of the organizations and which have not been officialised or standardize by HolacracyOne or the Constitution, are the following: Hiring and firing inside Holacracy, and the compensation system. Little or nothing has been elaborated about those two topics due to the innovation and the novelty of the model, but Zappos has made some attempt in this and it is worth analysing its effort and elaboration on hiring models, firing policies and compensation systems. The distribution of authority has

created these holes which are the natural consequences of the shift from the traditional conception of power, which are now remodelled in the self-management practise.

4.3.1 Hiring and firing

First hole addressed by the Holacracy implementation was the turnover of the employees. According to Boushey, it usually costs 20% of a workers' salary to replace it, for middle management workers. It gets higher for executive levels manager, going up to about 2012 (Boushey 2012). When salaries are ranging from 50,000$ to 200.000$, the replacement cost can add up to 400,000$. Components that make up this amount are the recruitment and selection process, from advertising to research and screen, the training cost of dedicated time to teach the new hire how to actually do the stuff and set into the company, all the opportunity costs of new hiring, and lost productivity and engagement due to the previous employee's leaving. For these reasons, Zappos has started his own hiring process which is heavily focused on the culture. Holacracy takes places in this process during the interviewing and training session, since the new candidate is able to taste what it looks like and how it works, in addition to the usual experience provided in zappos. Zappos' Hiring process is a slow one, with a long series of steps undertaken to determine both the technical and cultural fits of the newcomers inside the company. Due to the Holacracy transition experience, Zappos has heavily emphasized the cultural fitting commitment: people have been let go even if they were able to instantly add value to the company if they were not a good fit within the organizational 10 core values.

Every contact point between the company and the newcomer is fundamental to assess the cultural fit: it all starts from the online application in the career website. Potential applicants can send their resume together with a cover letter, but they are encouraged to present themselves in a more creative and funny way, as a video. After they have been selected, the phone screening takes place with a member of the hiring team: in this phone call strange questions may be asked such as ''Who is your favour superhero'' or ''How lucky do you feel you are from a scale of 1 to 10?''. According to a study mentioned by Christa Foley, which is also lead link of Talent acquisition circle at Zappos, people which score high on this scale would be more open to innovation, new opportunities and think outside of the box. If the phone screen goes through, newcomers are invited on campus for a daily tour, in which they are shown the campus, the way the company manages its

daily business, and a culture assessment. If it goes well, the company handles the offer and they start the monthly training in zappos. Training for commitment is the most crucial part since the trade-off of short-term replacement in the team versus the long-term motivational fit within the organization has to be balanced. It lasts four weeks and new people have the chance to dive into culture, values backend system, customer service expectations. Every person who joins the company has to spend time on the phone on customer service delivering the Wow level that distinguish zappos among the competitors. This is the fastest way to ensure people are aligned with the company style. When newcomers start their training, it means that both the cultural and technical assignment were passed, and the expectations of what they job is going to look like are set. The last step for newcomers to fully join the company comes at the end of the training, whether the special offer is made: consists in a month salary offered at the end of the training before starting the real job in Zappos, the final act to ensure cultural alignment within the company. Since the whole hiring process is slow, detailed culture is predominant in each and every aspect, it is no novelty that less than 1% of new employees accept the month salary offer: people know exactly what they are going to experience.

''Hiring slow, firing fast'' is the Zappos motto for HR: as opposite to the hiring process, firing is way easier. However, since firing is one of the most common way to express a position of power and predominance over somebody, it comes naturally to ask: who has the authority to fire in an Holacracy based company? The constitution says nothing about HR practices, leaving fantasy and field experiment to the single companies. In Zappos, firing is a project which gets together the lead link of the circle in which the employee is set, and some sub circles within the HR department. It starts with the peer evaluation which is periodically conducted inside each circle: when the lead link notice that there may be signals of misalignment with core values or business performance, it goes talking with this employee to understand if and what is the problem, and starts the termination process in zappos. It is a process to ensure that both the employee and the lead link together with the HR do anything possible to ensure clarity in what is the cause of the eventual misalignment and how to solve it. It is made up by different step, starting from a 1 to 1 talk between lead link and employee to ensure the expectations for the role the employee is covering and company's value are still clear, and after having evidence of the problem, they have to set together a performance or culture improvement plan joined by the Hr, which gives enough time to the employee to show he has learned and overcome

the problem. In addition, everything has to be documented in order to provide data and proof of evidence: whatever decision will be taken, it has to be no surprise. Whether the outcome is positive, the employee keeps working as usually, while whether is negative, there will be no need of further explanation because the employee will already know everything which surrounds him. As for Holacracy, the switch from traditional management can be seen in who as the authority of firing: the project. It is not a manager, not a single person, but is a joined project made by different people which usually changes with regard to the circle that is experiencing the lack of expectations meeting. However, as reported by Kristen Anderson, Admin Guru and culture and company tour Guide, there have been cases where people have been fired instantly without entering the termination process: it happens when one or more values are violated simultaneously. For example, once a zappos employee used promiscuity during a phone call with a customer, and that being recorded, was a proof of violation of value number 10, be humble. So, he was fired immediately, because phone recording was a proof of the misalignment.

4.3.2 Compensation system.

The compensation system as well gets completely revised in Zappos. Since there is no more any kind of compensation' scale or hierarchy which would justify discrepancies among different salaries in the same organization, a new compensation system has to be set in the company. Self-management compensation systems are a hot topic in this decade since there is few literature about any kind of generally accepted model: different self-managed organizations are experimenting systems to attempt the recognition of a valuable one. Zappos for example, once Holacracy was established, had no idea on how to transform and make generally acceptable the new differences in the old compensation system. Compensation in zappos can be divided in two different parts: the monetary and the benefit one, which are both integrated.

The monetary part is the hardest to be defined. Hence, Hsieh declared that for all 2015 and 2016, while the company was remodelling itself around holacracy, all the salaries would have remained constant, without any cut of any type. In Zappos however, differently from other organization, the first attempt of creating a new compensation logic was disconnected from the firm's ability to generate profit in the market, so no

performance or results rewards. Instead, Zappos created a series of badges, which would be a proof of an employer particular skill of ability. This badging system was developed by the Zappos Compensation System, and they could be of different types and level, showing which skills and how experienced a person is in mastering that particular skill. It could be compared to a gaming and levelling up: the more you master a skill, and more skill you master, the higher raise you can get. This system has been created because of the lack of benchmark in market Zappos experienced due to the absence of other large companies implementing the model. In a badging system like this, The Compensation circle has different duties, as for example doing market research to appoint a value to a specific skill, so a badge. Within this logic, it is way easier to rebuild the monetary part of the compensation. ''In order to get a bump in pay, employees must apply to the compensation circle, a team of employees responsible for pay. Once the system is built, Jewett said, the company hopes that earning a compensation badge will automatically trigger a raise in pay. The badges will be displayed on a digital system, public to all company employees, and will be issued by a "validator" after some proof of proficiency, be that an assessment, a rubric or an interview.'' (Rothberg 2015) With a structure badging system like this, zappos ensures its core values fostering growth and learning. The badges are nowadays tied on technical skills and capabilities, with people pursuing learning and growth by mastering their roles and adding new roles thanks to the marketplace and glassfrog (see cap.2), which both show the available roles in the organization and needed skills. However, it is worth mentioning, for hiring purposes, that Zappos still uses standard job posting when there new hiring is needed. However, after the training, the newcomers are already aware of the Holacracy mechanism and add the roles that composes the task of the job they applied for. Some roles have already predefined salaries, since they may perform one or two tasks which can be easily reconnected to the market: all the people working in Customer service, or Customer Loyalty team, will earn a salary for call center and customer service operators. On the other hand, Zappos is quite known for not being rigid or low on salaries: market researches show that once the average income for a task is discovered, the organization decide to give a slightly higher compensation. For example, if the standard customer service employee salary is 13$ an hour, in Zappos people will be more likely to earn 15-16$ for hour.

The other part which makes up the total compensation relates to benefits, and Zappos aim at being a leader in the employee-care. The list of benefit the company offers is quite substantial and they vary from both physical and mental health, wellness and financial benefits. The list is hung on the wall in the Headquarter and is reported below.

EMPLOYEE BENEFITS

MEDICAL
>> FREE EMPLOYEE PREMIUM
>> FREE PRIMARY CARE & GENERIC PRESCRIPTIONS
>> 24 HOUR TELEMEDICINE
>> LIFESTYLE MANAGEMENT PROGRAMS
>> MATERNITY PROGRAM
>> WELLNESS COACH
>> INFERTILITY BENEFITS
>> ON-SITE HEALTH SCREENINGS
>> MEDICAL SECOND OPINION PROGRAM
>> WEIGHT LOSS SURGERY BENEFIT

DENTAL
>> FREE EMPLOYEE PREMIUM
>> FREE EXAMS AND CLEANINGS
>> ORTHODONTIC COVERAGE

VISION
>> FREE EMPLOYEE PREMIUM
>> FREE EYE EXAM
>> CORE AND BUY-UP OPTIONS

FITNESS
>> ON-SITE FITNESS CENTER/STUDIO/SHOWERS
>> ON-SITE & VIRTUAL FITNESS CLASSES
>> ENDURANCE EVENT REIMBURSEMENT PROGRAM
>> COMPANY SPONSORED FITNESS CHALLENGES
>> ON-SITE PERSONAL TRAINING

NUTRITION
>> ON-SITE WEIGHT MANAGEMENT PROGRAMS
>> HEALTHY FOOD OPTIONS
>> ON-SITE BISTRO AND CAFE
>> MEAL PREP OPTIONS
>> NUTRITIONAL COUNSELING

ADDITIONAL PERKS
>> EMPLOYEE ASSISTANCE PROGRAM
>> ADOPTION BENEFIT
>> REWARDS, RECOGNITION & INTERNAL MARKETPLACE
>> ON-SITE GOALS COACHING
>> NAP ROOM WITH NAP POD
>> EMPLOYEE LIBRARY/AUDIBLE
>> BENEFITS & WELLNESS FAIRS
>> ON-SITE SERVICES
>> TRANSPORTATION INCENTIVE PROGRAM
>> ON-SITE JOB/PERSONAL DEVELOPMENT CLASSES
>> TEAM BUILDING AND COMPANY EVENTS
>> FULLY EQUIPPED MOTHERS' ROOMS
>> VOLUNTEER OPPORTUNITIES
>> ERGONOMIC WORKSTATIONS
>> INCENTIVE BASED WELLNESS PROGRAM
>> BACK-UP CHILDCARE
>> ON-SITE CHIROPRACTOR
>> ON-SITE HUMAN AND PET CPR TRAININGS
>> ON-SITE MASSAGE CHAIRS
>> DOG FRIENDLY WORK ENVIRONMENT
>> PING PONG, MINI GOLF & BASKETBALL COURT
>> BIKE RENTALS

FINANCIAL
>> 401(k) RETIREMENT PLAN
>> VACATION, SICK, AND HOLIDAY PAY
>> 100% PAID MATERNITY/PARENTAL LEAVE
>> FLEXIBLE SPENDING ACCOUNTS
>> EMPLOYEE DISCOUNTS
>> PRE-PAID LEGAL
>> DISABILITY/LIFE INSURANCE BENEFITS
>> 529 COLLEGE SAVINGS PLAN
>> ONLINE FINANCIAL WELLNESS PROGRAM

Zappos
BENEFITS + WELLNESS

part of the **Zappos** family ™

Fig 4.3 *Zappos benefit table.*

The numerous benefits the company offers can be considered as a way of retaining the human capital, and a source of motivation to stimulate their employees providing a stable mental and physical health.

Before moving to the next section of the research, there is a balance point between hiring, earn a salary, and firing, and it is called the Beach. It can happen in Zappos that a person is left without its primary role, but this does not mean he is fired. People which are left without roles can go to the beach, which is a ''virtual'' place where Zapponian Coaches are meant to help people redefine themselves around the company. While at the beach, employee works together with the member of 2 different teams, which are Hero's Journey and the transition support. The Hero's journey is in charge of redefining people's perspective and skills to see how they can fit in Zappos, while the transition support is in charge of helping them finding another circle in which they could have a primarily role. A time span of 2 weeks is given to each beachgoer, and unless there is proof of increasing, effort and improving, they are let go. The transition support team is in charge of documenting everything in order to have the proof to show the decision they made is the correct one.

"Some people who got beached found themselves being shunned as if they were contagious," Hodge writes. "These were people who, for whatever reason, were not successful at manning the phones, for example, but perhaps could make a contribution elsewhere in the company. It's not that they were suddenly bad people. They just needed help." (Feloni 2015b)

It works as an internal placement agency which also helps people in finding their way inside or outside the company: as long as they show proof of improvement, additional weeks at the beach can be added up to 3 months of ''inbound placement''.

4.4 Future perspectives

As expected, Holacracy in Zappos has continued evolving in an intriguing way. The company ended its full transition to Holacracy in 2016, but, as the innovative culture of the company may predict, they did not settle down. Holacracy was and it is still a mean to another ultimate goal: becoming a Teal organization. Teal organization is a concept developed by Fredrick Laloux in his book Reinventing organizations, 2015, in which he describes organizations of 5 type, using 4 different colours, based on the degree of authority and vertical integration. The fifth type is the pure Teal organization, in which employees are capable of self-controlling, with few supervision, and managers act as mentors. The organization is flexible, and the commitment and management are based on mutual trust, enhancing knowledge and learning. (Wyrzykowska 2020). Hsieh's goal from the beginning was the transformation into a Teal Organization: this is why a teal badge (which is not yet related to any raise or compensation) has been elaborated by the compensation circle, rewarding employees which would have mastered the culture of teal. However, John Bunch (previously cited as one the Holacracy rollout leaders in Zappos) has declared that one of the pitfall of the model was the internal focus too emphasized. For an organization who has always been on the edge for its extraordinary customer service, it clashed with the actual system in place. By March 2017, Zappos shifted his strategy to recover the customer centricity. It has silently backed away from the rigid meeting format of Holacracy and adopted the teal interpretation of managers, with coaching instead of managing. As for the circles, Zappos kept retaining his circular structure until nowadays. However, the constant research of innovation has brought the company to turn the circles with zappos to ''internal small business'', whether the teams are incentive to compete one against each other to gather financial resources for their project's budgets, even the ones which are not revenue-focus as R&D. The circles will interact one with each other with market internal market rates, as a mechanism similar to internal transfer pricing among big corporations. But in this case, they will be selling skills and services on to each other, to match the budget of every team. (Groth 2020) The overall Goal for Hsieh is to turn the organization into an innovation Hub where each circle is able to innovate how it manages daily activities to provide an even better service to the customer. Zappos was inspired by the work of the Amazon Web Service which worked as

an incubator for start-ups, and Hsieh wanted to diversify the business with fresh and innovative idea coming from its employees. '

- *To help employees vet and build out their ideas, Zappos provides an internal "48-hour founders" service that includes coaching, mentoring, and education based on the principles of lean-startup methodology. Promising ideas receive $5,000 in seed funding. The hope is that a year from now, the company will have many new lines of business. "If every circle by the end of 2020 increases revenue by 5% more than what it is now, without increasing expenses, that's $100 million to the bottom line for the company," Hsieh explained in April at the Zappos conference. "That's very doable for everyone." – (Groth 2020)*

Case Summary

The attempt of this summary is to collect all the important information about the Zappos case to provide a standardized framework in which different organizations experiencing the same transition can be analysed. It would be developed listing and briefly describing the external, internal and organizational factors. Thanks to this approach, it will be possible to develop a synthesis of the scenario in which the company is set, and how it has changed its perspective according to the shift from hierarchical management to self-organization. The information used are a combination of historical and literature review together with case studies about the company, paper and researches, witnesses from articles and personal interviews I had the chance to do thanks to a company tour and further contacts.

Internal Factors.

Motivation

it gets renewed in Holacracy. Traditionally, managerial and psychological literature has been referring to it as the source and relation to satisfy psychological and safety needs, such as Maslow's pyramid. This involved a series of additional factor based on payroll, career ladder opportunities, safe working environment, and additional top-level needs as self-actualization and self-esteem, which are directly related to employee engagement, in order to create and steam motivation.

In Zappos this last part of needs flows directly from the culture and the values of the company by implying the distributed authority to have full control of their work, hence fostering self-realization by the work itself and teams affected by the work of a single role/circle. According to Robertson (2015), the structure of the model regarding roles is able to enlarge the responsibility for self-management, creating an entrepreneurial sense and ownership over the work, the ''individual organizations''. This is paired with a great variety of benefits as mentioned in the chapter before, adding up to the motivational sources. In addition, and even more after the holacracy shift, the detailed hiring process and practices that zappos has shaped during the years allowed, thanks to a series of

different steps, to hire people which were intrinsically motivated to be part of the organization.

Work-life integration

According to Tannenbaum (1974), the original perception of work life balance was a need satisfied with providing holidays, day offs, maternity leaves and other not monetary benefit. However, this is a classical definition of a work-life balance need. In Zappos as it has been shown, it gets a new perspective, as the culture shaped by the values of the company created a family spirit with ''fun and a little weirdness''(zappos.com). Hence, the company has applied several different benefits that have been shown in fig 4.3, not only to provide physical and mental health support to his employees, but to foster the community spirit and happiness through the workplace and increase the engagement level of employees. The company has also remodelled his HR circles to ensure fairness from the monetary point of view of the compensation: They are no longer using badges for compensation. As declared by Amy Stewart from the zappos insights team, employees are just focusing on the work without caring of allocating their time or showing their competences: the People compensation circle is in charge of doing constant market researches for the values of the skills showed at work. The downsize of this approach however relies on the high amount of time and commitment dedicated to the company which can hurt the personal sphere of each individual, absorbing free time to commit it to Zappos.

Internal values, adaptability, and communication.

According to Tannenbaum (1974), the classical hierarchical organizational culture and values are represented by a written document which is bestowed by the upper level of the pyramid, used as regulator of company's cultural traits and organizational form, by giving attention on the control and fairness of job execution. The same management level regulated all the changes which may happen inside the organization through a top-down approach, with the main goal of providing clarity of the change without impacting at all the operations and daily business of the company. However, it has been shown that the more management layers are added inside an organization, the more difficult it becomes to ensure and foster coordination and communication inside it: it is one of the main

reasons why Robertson decided to give up with traditional hierarchies and started looking for alternative models.

Zappos had a reverse approach on its inside. As mentioned before, culture and values were not imposed by the management. Instead, it was a collective process where the upper management was only trying to get through and summarize which were the values and beliefs already in place at zappos, subconsciously carried out by the member of the organization in the first years of the company in Vegas. As a result, the 10 core values of zappos became a brand itself and the culture of the company is now considered as a source of intangible competitive advantage.

However, downsizes of this approach have to be mentioned. Firstly, even if Zappos is not caring at all, this particular attachment to the culture can potentially dodge and miss to catch some useful human resources which could help the company, as a boomerang for the cultural enthusiasm. In addition, some employees have reported that when zappos used to be more vertical managed, the executives had more control and attention on the culture and its perception, while nowadays with holacracy the constant happiness showing can become a source of distraction during work, leading to lower productivity. But mostly, the self-managed direction the company has taken could lead to common misinterpretation or further adaptation and modification of the culture which were not planned by the old management. Finally, employees are worried that the culture could lose his ancient and powerful meaning turning into something unpredictable due to loss of control in self-management.

Adaptability

It is fostered in Zappos thanks to holacracy, by definition. This is true from a structural point of view. However, from an internal point of view the problem relies at the human level. One of the most dangerous downsizes of Holacracy adoption is the adaptation of the employee to the new system: training in order to mentor them in finding their new path, elaborate and rearrange the old jobs to new roles and tasks with domain and accountabilities is by far the most challenging step in switching to the model. This process can be pushed by proper training and coaching: however as had been described in this research, not everyone is suitable to work in Holacracy. The key of success is to find the

right balance between benefit of the model and people leaving the company and understand if it is worth it, by replacing old human resources with new ones.

Communication is now easier in Zappos compared to the traditional hierarchies due to the structure itself and the IT technology in support of Holacracy as Glassfrog, enabling fast and clear communication among roles and circles without bureaucracy impediments.

Decision-Making Process

The traditional decision-making process is a top-down approach in which the top management act as the hub of decisions. Executives are in charge of all the decisions, both operational and strategic, and the lower management layers have to accommodate to the deliberated strategy. Authority is not distributed but centralized, on different levels with regard to the specific organizational form: functions are more concentrated on the highest level while division have relatively more autonomy due to the different structural approach and design. However, the lower ranks are always left with barely any decision autonomy, executing the guidelines and directions from all the management layers hierarchically above them. This is completely reversed in Zappos, where the Anchor circle can only decide which are the goals for the year and upcoming years, financially and operatively. However, decisions are completely delegated to each employee, with regard to the role filled and domains and accountabilities. The main difference is the clarity of the decision making process in Holacracy and Zappos: as reported in Par 2.2.1, it is well written and explained how to get to decisions in holacracy so that anyone who will be impacted by the decision is able to be part of the process without any surprise. This is a particular point since Holacracy is subject to change quite often, hence it can be hard to keep up with the speed change, but the integrative decision making process is a tool to foster this adaptability to change and allow people's mind to be more elastic and proactive.

Organizational Factors

Aside from the decision-making process, which can be considered both from an individual and a structural point of view, there are at least other 2 aspects which are worth to be analysed, since Holacracy is all about the organization. The core shift is transferring the power from the people of the top management to the structure and the processes which have been explained in this research and is even more regulated from the constitution itself. First factor to be mentioned is the authority, which goes from delegated to distributed: in traditional hierarchies the authority to act and react is given by the superior, supervisor, manager, whatever category is placed above the employee on the organizational chart, allowing an almost inexistent level of engagement in the daily business decision, as operations, and more complex as strategical ones. As mentioned before the decision-making process is all on the top on the pyramid, and employees are organized based on their tasks and responsibilities so that they are unable to provide any contribution to the organization which goes beyond their position. (Thompson 1968) Zappos has completely reverted this approach by empowering each employee to be fully accountable of his job and have control over his domains. But the engagement process started years before they moved to holacracy, when the whole organization was involved around 2005 to concretize the organizational values and culture that was already taking place inside the company. Employee engagement was one of the main drivers for Robertson when he was discovering new ways of working. Hence, Zappos empowered his employee by delegating authority for decision making, goal setting and accountabilities for each role available inside the organization. This created a greater self-realization inside the company thanks to the larger amount of competences each individual was able to acquire. But the transition was not extremely smooth as explained earlier in the chapter, since not everyone is able to work in Holacracy.

External factors

The scenario in which Zappos is set allows some thoughts on the external environment which are crucial for both the company and the model itself. Firstly, since zappos was established back in 1999, it can be considered a pioneer of the online retailing due to the

internet not predominant in daily life as it is today, and people are nowadays more comfortable in spending online now compared to early 2000s, thanks to the IoT and internet revolution, the ease of usage of the internet interfaces and the trust customers have developed by using their credit to pay online. Zappos had a huge sales increase as shown in par 4.1, which is even greater when compared to the years in which it was happening. In addition to this technology, zappos understood the importance of owning his logistics by acquiring is first warehouse in 2007 as 24/7 and gain higher profit, fostering future development. Besides, Zappos was able to surf the invasion of the internet, because of its focus on customer service and experience. The call centers were and are nowadays the core of its strategy and business, allowing each employee to provide the best service ever according to company standard and values. Zappos had a high rate of technological adaptation to the market, focusing its investment not only in advertising, but mostly on the core of the strategy: the employees and the customers.

Conclusion

The goal of this research is to bring awareness of the new challenges the world is facing nowadays and how holacracy can fit among them. Hierarchical organizations have been greatly managing the industrial age paradigm, but they are now struggling with the heterogeneity of environmental forces of the new era. This concept is reinforced by the huge amount of attempt that different companies are undertaking worldwide to embrace and drive change, not only holacracy, but all the different methodology such as Lean, Agile, Scrum, or structure as sociocracy by themselves are crucial possibility to the process of management trial-and-error for seeking a new global solution. Today's post-industrial world has new drivers, as the peace of change created by grater and faster information flows through internet, faster technological development, greater interconnection, globalization, short time horizons, complexity, transparency, and sustainability. Those forces together have brought companies to look for alternative sources of competitive advantage, as knowledge-based work, new generations to be attracted and maintained with new needs and desires, new meaning given to the place of work with not only career ladder development, but personal meaning and growing too. There is no universal model for embracing the new change, and different attempts have been made looking for any guideline, process or procedure that could be standardized in the 4.0 Industrial revolution. In this hurricane of disruptive novelty, Holacracy is to be set. It is one among all the possibilities management has experienced through the years to lower risk and control the new revolution which is taking place. It is one of the most structured and clear among all. However, it has its downsides and holes too, which have come to life by analysing the Zappos case, with particular attention to employee's turnover and Human resources practices. Since there is no written or generally accepted rule on structuring this process, the Zappos case can be considered as a landmark for the companies which are struggling with the same issues, to be used as example or starting point to build its own solutions.

I personally believe, after the research about holacracy and how organizations all over the world are dealing with the model, that the answer to the title of this script is Yes. Management can survive without managers. However, this is true under some conditions, factors and assumptions.

The bigger the organization is in terms of number of employees the hardest the implementation process will be. Nevertheless, this can be intuitively true, since the bigger is the number of the people which will have to mentally switch to the model, the greater will be the number of employees which will struggle with it, statistically, there is empirical evidence which states this assumption. According to the statistical study of Velinov and Denisov, (2017) taking a population with 88 companies adopting holacracy, with size mean of 77 employee, standard deviation of 34.41, with the minimum being 5 employees and the maximum 150 employees, it is possible to conduct an Hypothesis test where H1 Is the positive relation with company performance, and h2 is the assumption where the smaller is the organization, the higher will be the chance of success for Holacracy. The full study is reported in Appendix 2. With Cronbach α=0,61, H1 is rejected and H2 is accepted, meaning that there is still no correlation between company performance and holacracy, but there is correlation between the dimension of the firm and the chance of success: the smaller it is, the easier it will be. Other factor positively related to the model is the employee engagement; the higher it is, the more likely the organization will support the transition to the model.

The Zappos case is emblematic about people needs. With about 210 people leaving the company, the model is clearly not for everyone. McClelland theory of needs can be used as a lecture key for this factor: Holacracy is best suitable for affiliation need's people thanks to the possibility provided by the structure to fill different roles in different circles. It is likely to happen that a certain part of the employees of an organization will leave the company: the organization has to be aware of how big this part will be, and prepare a plan for substituting the resources missing, if it is possible. The key is to retain the most skilled and talented people which will be likely to get a performance boost by the application of the model, and making the model appeal for newcomers and millennials.

Nevertheless, there are company which are still using holacracy, I think that it is going to be always harder to stick with holacracy forever. It is, in my opinion, a necessary shock to unlock most of the organizations which are still locked in old early 1900s leadership style working in static structure which are not able to gain advantage of the new forces of the decade. But it is a mean to a final end .Both Zappos and the medium case have taught me that pure holacracy is hard to maintain: Medium has gone back to a flatter organization that it was before, adopting some key principle of holacracy as its core values, but it

rejected the model and got managers back inside the company. With a different perspective, more like mentors and coaches, but there is still some hierarchical difference, which is useful in order to train newcomers. Zappos on the other hand is doing the same, trying to turn the organization into a fully autonomous innovation hub: this is core value number 5, pursue growth and learning. Holacracy is used as a mean to reach the state of Teal organization.

The business in which an organization is operating is another crucial factor too. If the company is set in a stable industry with little or no innovation, as it can be for primary goods and services (Oil extraction for example), it is likely that there will be no need for such an expensive innovation. Employees will not feel it too, so it would be harder and quite ineffective. On the other hand, dynamic markets with a great need of autonomy for high skilled workers or fast change will be more likely to pursue Holacracy. According to Velinov, Vassilev and Denisov (2018) and their study about company implementing the model, taking a population of 97 companies applying the model, almost half of the population is working on management and consulting industries: 42,1%, where 17.89% is consulting management, training and formation is 12.63%, Startup incubators and IT education 11.58, while another consistent segment is made up by Information technologies and digital marketing (27.37%) with 13.68% working in the Digital, hardware and software systems, 6.32% It and Agile web development, 7.37% digital marketing and advertising. Almost 70% of the company adopting holacracy is working in fields which requires a high degree of customization of the final product by the company to meet customer demands and needs, and it can be provided by the people and consultant that are interfacing the customers, requiring higher degrees of autonomy. (Velinov 2018) The full study is reported in Appendix 3. This descriptive statistic is useful to understand which are the markets where the model is more like to be desirable and have higher chances of success: Zappos is an online show retailer while medium is an online platform for researchers and professional.

In this paper the stress has been put on culture and how it is directly related with holacracy. Companies with a strong corporate culture will be more likely to succeed in the implementation process due to the mutual trust and commitment they have built among them and in respect to their superiors and the choices they undertake. But company culture is not the only culture which will affect the chance of success. Another cultural aspect worth to be mentioned is the local culture. Little is said about this topic so far, since the scholars focus themselves and their researchers on the impact of culture in area such as operations, productivity, or self-management in general. However, what I do think that some cultural aspects and traits are more suitable than others when it comes to implementing Holacracy. According to the Hofstede's cultural value model, there are 2 variables I would like to mention. Power distance and uncertainty avoidance are by far the 2 variables which are more likely to impact the success of the model. Countries which are able to cope with avoidance and have a low power distance will be more prone to be familiar with changes and experimenting new ways of working, together with the pervasive need of power change will be welcoming holacracy as it can be perceived as a solution by more people. And it is no surprise that a country that show low power distance and low uncertainty avoidance is the USA, where the model was elaborated and is by now one of the country with most companies adopting it, even if Europe, which is in the middle relating to Hofstede variables, is already bringing awareness of the existence of the model.

I would like to end this research by recalling Appendix 4, which is the list of the companies that have declared they are adopting Holacracy, taken from the official HolacracyOne website: management will learn how to survive without managers, changing the old conception of how manager have to behave inside and outside the organization.

Appendix 1

This is the full text of the email Ton Hsieh sent to his employee to seal the final transition of Zappos to Holacracy. It has been published by Rebecca Grienfield on fastcompany.com

"This is a long email. Please take 30 minutes to read through the email in its entirety.

We've been operating partially under Holacracy and partially under the legacy management hierarchy in parallel for over a year now. Having one foot in one world while having the other foot in the other world has slowed down our transformation towards self-management and self-organization. While we've made decent progress on understanding the workings of the system of Holacracy and capturing work/accountabilities in Glass Frog, we haven't made fast enough progress towards self-management, self-organization, and more efficient structures to run our business. (Holacracy is just one of many tools that can help move us towards self-management and self-organization, but simply abiding by the rules of Holacracy does not equal self-management or self-organization.) After many conversations and a lot of feedback about where we are today versus our desired state of self-organization, self-management, increased autonomy, and increased efficiency, we are going to take a "rip the bandaid" approach to accelerate progress towards becoming a Teal organization (as described in the book Reinventing Organizations). Something key to note here is that Holacracy just happens to be our current system in place to help facilitate our move to self-organization, and is one of many tools we plan to experiment with and evolve with in the future. Our main objective is not just to do Holacracy well, but to make Zappos a fully self-organized, self-managed organization by combining a variety of different tools and processes. Reinventing Organizations calls this type of organization a Teal organization. You'll learn examples of successful Teal organizations below and in the book. Each of the companies cited below and in the book have different tools and processes to help with self-management and self-organization. We won't necessarily adopt all of them, but instead we will experiment and figure out the right tools and processes for Zappos, using Holacracy as the initial starting point and continually evolving as we dive deeper into the world of self-management and self-organization.

Our immediate plan over the next few months:

– Teal organizations attempt to minimize service provider groups and lean more towards creating self-organizing and self-managing business-centric groups instead. As of 4/30/15, in order to eliminate the legacy management hierarchy, there will be effectively be no more people managers. In addition, we will begin the process of breaking down our legacy silo'ed structure/circles of merchandising, finance, tech, marketing, and other functions and create self-organizing and self-managing business-centric circles instead by starting to fund this new model with the appropriate resources needed to flourish. Functions that were previously silo'ed will be embedded inside these business-centric circles instead — this structure will require fewer roles that primarily manage expectations and drive alignment across legacy silos. We will continue using Holacracy's systems and processes for prioritization and resource allocation, so it'll be extremely important for all of us to keep Glass Frog up to date.

– To be clear, managers were absolutely necessary and valuable to the growth of Zappos over the years under our previous structure. Without managers, we would not have gotten to where we are today. Historically at Zappos the "manager" position contained a number of different responsibilities including people management, overseeing and approving decisions, budgeting, and professional development, as well as direct work on projects and goals for the good of the team. The people management aspects of the manager role are valuable in what the book refers to as Orange and Green organizations, but do not make sense in a self-organized and self-managing Teal organization. While we know that the full role of managers will no longer be necessary in a Teal organization, we're also looking forward to seeing what new exciting contributions will come from the employees who were previously managers. All former managers who remain in good standing will still keep their salary through the end of 2015 even though their day-to-day work that formerly involved more traditional management will need to change. A new circle called Reinventing Yourself has been created to help guide former managers to new roles that might be a good match for their passions, skills, and experience. Hollie is the lead link of that new circle. (On our backend HRIS system, employees will still have "reporting" relationships solely for the purposes of maintaining compliance (e.g. SOX) requirements because we are part of a public company. This compliance requirement will

be largely invisible to most employees and should not be confused with legacy reporting structures which will no longer exist.)

– Self-management and self-organization is not for everyone, and not everyone will want to move forward in the direction of the Best Customers Strategy and the strategy statements that were recently rolled out. As such, there will be a special version of "the offer" to everyone who reads Reinventing Organizations and/or meets some other criteria (outlined towards the end of this email).

– For better context, please read the two articles below first: Misperceptions of Self-Management and Five Crucial Competencies of Self-Management

MISPERCEPTIONS   OF   SELF-MANAGEMENT
Content is from: http://www.self-managementinstitute.org/misperceptions-of-self-management
June   12,   2014
By Frederic Laloux

Say "Self-Management" and almost everyone gets the wrong idea.

Self-managing structures are appearing everywhere, and get increasing attention in the media. They seem to be much more adaptative, agile, motivating than traditional pyramidal organizations, and they appear to achieve spectacular results. But is this a simple fad, or a new phenomenon destined to spread? And why are most people dismissive when you mention the possibility to run organizations "without a boss"?

Even though we are only now starting to get our heads around it, Self-Management is not a startling new invention by any means. It is the way life has operated in the world for billions of years, bringing forth creatures and ecosystems so magnificent and complex we can hardly comprehend them. Self-organization is the life force of the world, thriving on the edge of chaos with just enough order to funnel its energy, but not so much as to slow down adaptation and learning.

Leading scientists believe that the principal science of the next century will be the study of complex, autocatalytic, self-organizing, non-linear, and adaptive systems. This is usually referred to as "complexity" or "chaos theory". For a long time, we thought the

world operated based on Newtonian principles. We didn't know better and thought we needed to interfere with the life's self-organizing urge and try to control one another.

It seems we are ready now to move beyond rigid structures and let organizations truly come to life. And yet self-management is still such a new concept that many people frequently misunderstand what it is about and what it takes to make it work.

MISPERCEPTION 1: THERE IS NO STRUCTURE, NO MANAGEMENT, NO LEADERSHIP

People who are new to the idea of Self-Management sometimes mistakenly assume that it simply means taking the hierarchy out of an organization and running everything democratically based on consensus. There is, of course, much more to it. Self-Management, just like the traditional pyramidal model it replaces, works with an interlocking set of structures, processes, and practices; these inform how teams are set up, how decisions get made, how roles are defined and distributed, how salaries are set, how people are recruited or dismissed, and so on.

What often puzzles us at first about self-managing organizations is that they are not structured along the control-minded hierarchical templates of Newtonian science. They are complex, participatory, interconnected, interdependent, and continually evolving systems, like ecosystems in nature. Form follows need. Roles are picked up, discarded, and exchanged fluidly. Power is distributed. Decisions are made at the point of origin. Innovations can spring up from all quarters. Meetings are held when they are needed. Temporary task forces are created spontaneously and quickly disbanded again. Here is how Chris Rufer, the founder and president of Morning Star, talks about the structure of self-managing organizations:

Clouds form and then go away because atmospheric conditions, temperatures, and humidity cause molecules of water to either condense or vaporize. Organizations should be the same; structures need to appear and disappear based on the forces that are acting in the organization. When people are free to act, they're able to sense those forces and act in ways that fit best with reality.

The tasks of management—setting direction and objectives, planning, directing, controlling, and evaluating—haven't disappeared. They are simply no longer concentrated in dedicated management roles. Because they are spread widely, not narrowly, it can be argued that there is more management and leadership happening at any time in self-

managing organizations despite, or rather precisely because of, the absence of fulltime managers.

MISPERCEPTION 2: EVERYONE IS EQUAL

For as long as human memory goes back, the problem of power inequality has plagued life in organizations. Much of the pervasive fear that runs silently through organizations—and much of the politics, the silos, the greed, blaming, and resentment that feed on fear—stem from the unequal distribution of power.

Interestingly, the interlocking structures and processes allowing for self-organization do not resolve the question of power inequality; they transcend it. Attempting to resolve the problem of power inequality would call for everyone to be given the same power. Cooperatives, for instance, have sought in equal ownership a method to divide power equally. Interestingly, none of the organizations I have researched for the book Reinventing Organizations are employee-owned; the question of employee ownership doesn't seem to matter very much when power is truly distributed.

The right question is not: how can everyone have equal power? It is rather: how can everyone be powerful? Power is not viewed as a zero-sum game, where the power I have is necessarily power taken away from you. Instead, if we acknowledge that we are all interconnected, the more powerful you are, the more powerful I can become. The more powerfully you advance the organization's purpose, the more opportunities will open up for me to make contributions of my own.

Here we stumble upon a beautiful paradox: people can hold different levels of power, and yet everyone can be powerful. If I'm a machine operator—if my background, education, interests, and talents predispose me for such work—my scope of concern will be more limited than yours, if your roles involve coordinating the design of a whole new factory. And yet, if within what matters to me, I can take all necessary actions using the advice process, I have all the power I need.

This paradox cannot be understood with the unspoken metaphor we hold today of organizations as machines. In a machine, a small turn of the big cog at the top can send lots of little cogs spinning. The reverse isn't true—the little cog at the bottom can try as hard as it pleases, but it has little power to move the bigger cog. The metaphor of nature as a complex, self-organizing system can much better accommodate this paradox. In an

ecosystem, interconnected organisms thrive without one holding power over another. A fern or a mushroom can express its full selfhood without ever reaching out as far into the sky as the tree next to which it grows. Through a complex collaboration involving exchanges of nutrients, moisture, and shade, the mushroom, fern, and tree don't compete but cooperate to grow into the biggest and healthiest version of themselves.

It's the same in self-managing organizations: the point is not to make everyone equal; it is to allow all employees to grow into the strongest, healthiest version of themselves. Gone is the dominator hierarchy (the structure where bosses hold power over their subordinates). And precisely for that reason, lots of natural, evolving, overlapping hierarchies can emerge—hierarchies of development, skill, talent, expertise, and recognition, for example. This is a point that management author Gary Hamel noted about Morning Star:

Morning Star is a collection of naturally dynamic hierarchies. There isn't one formal hierarchy; there are many informal ones. On any issue some colleagues will have a bigger say than others will, depending on their expertise and willingness to help. These are hierarchies of influence, not position, and they're built from the bottom up. At Morning Star one accumulates authority by demonstrating expertise, helping peers, and adding value. Stop doing those things, and your influence wanes—as will your pay.

So really, these organizations are anything but "flat," a word often used for organizations with little or no hierarchy. On the contrary, they are alive and moving in all directions, allowing anyone to reach out for opportunities. How high you reach depends on your talents, your interests, your character, and the support you inspire from colleagues; it is no longer artificially constrained by the organization chart.

MISPERCEPTION 3: IT'S ABOUT EMPOWERMENT

Many organizations today claim to be empowering. But note the painful irony in that statement. If employees need to be empowered, it is because the system's very design concentrates power at the top and makes people at the lower rungs essentially powerless, unless leaders are generous enough to share some of their power. In self-managing organizations, people are not empowered by the good graces of other people. Empowerment is baked into the very fabric of the organization, into its structure, processes, and practices. Individuals need not fight for power. They simply have it. For

people experiencing Self-Management for the first time, the ride can be bittersweet at first. With freedom comes responsibility: you can no longer throw problems, harsh decisions, or difficult calls up the hierarchy and let your bosses take care of it. You can't take refuge in blame, apathy, or resentfulness. Everybody needs to grow up and take full responsibility for their thoughts and actions—a steep learning curve for some people. Former leaders and managers sometimes find it is a huge relief not having to deal with everybody else's problems. But many also feel the phantom pain of not being able to wield their former positional power.

Many leading thinkers and practitioners in the field of organizational design focus their energy today on the question of how leaders can become more conscious. The thinking goes as follows: if only leaders could be more caring, more humble, more empowering, better listeners, more aware of the shadow they cast, they would wield their power more carefully and would create healthier and more productive organizations. Brian Robertson, the founder of Holacracy, put it well in a blog post:

We see attempts for leaders to develop to be more conscious, aware, awake, servant leaders that are empowering. ... And yet, the irony: ... If you need someone else to carefully wield their power and hold their space for you, then you are a victim. This is the irony of empowerment, and yet there is very little else we can do within our conventional operating system other than try our best to be conscious, empowering leaders.

If we can't think outside the pyramid, then indeed, as Robertson notes, the best we can do is try to patch up the unhealthy consequences of power inequality with more enlightened leadership. Pioneer self-managing organizations show that it's possible to transcend the problem of power inequality and not just patch it up. We can reinvent the basic structures and practices of organizations to make everyone powerful and no one powerless.

MISPERCEPTION 4: IT'S STILL EXPERIMENTAL

Another common misconception is that Self-Management might still be an experimental form of management. That is no longer true: Self-Management has proven its worth time and again, on both small and large scales and in various types of industry. W. L. Gore, a chemical manufacturing company best known for its Gore-Tex fabrics, has been operating on self-organizing principles since its founding in the late 1950s. Whole Foods, with its 60,000 employees and $9 billion [≈ cost of Spanish-American War] in revenue, operates

its more than 300 stores with self-governing units (the rest of the organization has more traditional hierarchical structures). Each store consists of roughly eight self-managing units, such as produce, seafood, and check-out (central services are run with a traditional, albeit empowered hierarchy).

The Orpheus Chamber Orchestra has operated since its founding in 1972 on entirely self-managing principles. The orchestra, with residence in New York's Carnegie Hall, has earned rave reviews and is widely regarded as one of the world's great orchestras. It operates without a conductor. Musicians from the orchestra make all artistic decisions, from choosing the repertoire to deciding how a piece ought to be played. They decide who to recruit, where to play, and with whom to collaborate.

Virtual and volunteer-driven organizations practice Self-Management on staggering scales. In 2012, Wikipedia had 100,000 active contributors. It is estimated that around the same number—100,000 people [≈ population of Luxembourg, capital city of Luxembourg]—have contributed to Linux. If these numbers sound large, they are dwarfed by other volunteer organizations. Alcoholics Anonymous currently has 1.8 million members participating in over 100,000 groups worldwide—each of them operating entirely on self-managing principles, structures, and practices.

I believe it is because we have grown up with traditional hierarchical organizations that we find it so hard to get our heads around Self-Management. Young people, on the other hand, who have grown up with the Web (variously referred to as Millennials, Generation Y) "get" self-management instinctively. On the web, management writer Gary Hamel notes:

No one can kill a good idea
Everyone can pitch in
Anyone can lead
No one can dictate
You get to choose your cause
You can easily build on top of what others have done
You don't have to put up with bullies and tyrants
Agitators don't get marginalized
Excellence usually wins (and mediocrity doesn't)

Passion-killing policies get reversed

Great contributions get recognized and celebrated

Many organizational leaders and human resource managers complain that Millennials are hard to manage. Indeed, this generation has grown up in the disruptive world of the Internet, where people's influence is based on contribution and reputation, not position. Why would they want to put up with anything other than self-management in the workplace? Why would anyone else, for that matter?

FIVE CRUCIAL COMPETENCIES OF SELF-MANAGEMENT

Content is from: http://www.self-managementinstitute.org/five-crucial-competencies-of-self-management

April 17, 2014

By Doug Kirkpatrick

While there are many competencies that enable effective self-management (excellent communication skills, solid teamwork, good judgment), there are many other, less obvious competencies that impact one's ability to navigate and perform at a high level in a self-managed ecosystem. Here are five candidates for consideration.

1) Taking Initiative. This characteristic is expressly called for in the Morning Star Colleague Principles. It's very hard to deliver constructive feedback to colleagues or cause positive change in processes without a willingness to take the initiative to do so. Taking initiative includes the willingness and ability to speak up when necessary.

2) Tolerance for Ambiguity. Self-management can be messy as new colleagues meet new people, engage with new processes, and learn a new way of working. Negotiating a Colleague Letter of Understanding (CLOU) that clearly communicates one's mission, process stewardships and performance metrics with affected stakeholders takes time and effort. Choices must be made regarding what requests to make of other colleagues and the timing and scope of those requests. Self-management is never as clear-cut as just going up to the boss with a comment or complaint.

3) Consciousness. It takes real effort to locate the energy needed to pursue one's personal commercial mission consistently, every day. It is akin to the energy that entrepreneurs use to create entirely new enterprises out of ideas. Consciousness gives rise to awareness and presence, and is the source of confidence in one's ability to get things done—even in

the face of adversity. Awareness goes right to the heart of the Morning Star Colleague Principles—understanding one's Rings of Responsibility requires a clear scope of awareness, especially in the primary ring.

4) Contribution Mindset. Peter Drucker talked about a contribution mindset in his 1966 book, The Effective Executive. A half-century later, that mindset applies to everyone who wants to be an effective self-manager in a self-managed enterprise. This competency is referenced in the Morning Star Colleague Principles, which create an affirmative obligation for individuals to share relevant information with colleagues even when not expressly requested.

5) Low Power Distance Power distance refers to the concept of deferring to individuals perceived to have more power than oneself. In a self-managed environment (where collaboration is highly valued), there is an unofficial hierarchy of credibility, which springs from experience, trust, communication, and a host of other factors. This is not the same thing as a hierarchy of power based on command authority or control of others. Effective self-managers will find ways to express themselves to anyone in the organization, and will listen to anyone and everyone who wishes to talk with them. To cut off colleagues based on perceived status is to cut off information, the lifeblood of a self-managed organization. Communication is everything.

More information about the above from the author is in this video: https://www.youtube.com/watch?v=Ej4n3w4kMa4

From Tony:
I was on a Skype call with Frederic Laloux, the author of Reinventing Organizations. During our call, he said that as we move towards a Teal, no-manager organization, there are two really important things that we should make sure we have in place to make sure employees still perform and are still accountable to the organization even though there are no more managers.

First, in the human body, there are antibodies that get activated when there's a virus or disease. We need to make sure we have the same thing in our organization. We need to figure out what the antibodies are for when a small number employees take advantage of the freedom gained from being in a no-manager organization, or else it will demoralize the other employees. He said that in general, research has shown that peer-pressure based systems work the best. For certain types of job functions where there are easy metrics to measure performance, a public leaderboard ranking will naturally create peer

pressure by showing which teams are performing and which aren't. For other types of job functions where metrics are more difficult to come by, regular peer-based presentations have been shown to be really effective, where each team presents to the other teams (once a quarter) what they are working on and why it is adding value to the company, and that will create a natural peer pressure. He suggested simply asking employees for their ideas on how to create the peer pressure and to give them the antibody analogy/framework and encourage employees to figure out the antibody systems themselves rather than try to design it from the top down.

Second, as we move towards self-management and self-organization, we need to have a clear process for conflict resolution. There's already a clear system described in the book (meet 1-1, and if that doesn't work escalate to peer council, and if that doesn't work then escalate to the CEO), which seems like an easy starting point that we can adjust as we learn what works and doesn't work. However, conflict resolution starts with the expectation that employees are responsible for taking the first step and having a 1:1 conversation with whomever they are having a conflict with (instead of going to their manager for example). He said the most important thing is the need to have a strong conflict resolution process clearly communicated and clearly understood by everyone so employees know what to do.

As previously stated, self-management and self-organization is not for everyone, and not everyone will necessarily want to move forward in the direction of the Best Customers Strategy and the strategy statements that were recently rolled out. Therefore, there will be a special version of "the offer" on a company-wide scale, in which each employee will be offered at least 3 months severance (and up to 3 months of COBRA reimbursement for benefits) if he/she feels that self-management, self-organization, and our Best Customers Strategy and strategy statements as published in Glass Frog are not the right fit. (For employees that have been with Zappos for 4 or more years, the offer will be 1 month for every year worked at Zappos, along with up to 3 months of COBRA reimbursement for benefits.)

To qualify for the offer, you must:

– Be an employee in good standing
– Watch video of talk by the author of Reinventing Organizations –

https://www.youtube.com/watch?v=gcS04BI2sbk

– Read Reinventing Organizations by 4/15/15 (here is a private link for Zappos employees only to download a digital copy) or email a statement of non-intention to read to Arun and Hollie

– Give notice of your intention to leave anytime during the month of April 2015 if you intend to take the offer (exact last day of work TBD)

– Ensure a smooth transition of your prior responsibilities and accountabilities (as approved by Arun – please note that if you are working on a critical project, a longer transition time might be required)

Arun, Fred, Hollie, and I will be doing Q&A town hall sessions about our strategy statements and our new direction on Wednesday, 3/25/15, at 12 PM-12:30 PM, 1-1:30 PM, 2-2:30 PM, and 3-3:30 PM in the Council Chambers. Please attend any of these four town halls if you have any additional questions.

We won't have all the answers to everything, and there are still plenty of important things for all of us to figure out together, including answers to the questions below (please email me any suggestions or if you'd like to be involved in helping figure out any of the areas below):

– What's the right method for implementing the advice process as described in Reinventing Organizations?

– How is the contribution of each employee assessed and what are the compensation framework/processes in this new world of no managers?

– What is not currently captured in Glass Frog that we should make sure is captured?

– Should we update our purpose statement, and if so, what should our new purpose statement be?

– In light of these changes, should we delay and/or modify the next zPrize competition? (Prize-based competition is an example of another tool that can help accelerate self-organization.)

– What are the peer-pressure "antibody" systems we want to implement for the different types of job functions?

– What is the right conflict-resolution set of processes for Zappos?

– How do we support employee development and growth as a Teal organization?

– How do we ensure that we continue to meet our financial and Super Cloud commitments to Amazon for 2015 and beyond?

While I hope that there will be a lot of reflection around this email and our upcoming changes, we will still need to continue to execute on our Best Customers Strategy and honor our financial and Super Cloud commitments for 2015 and beyond. We still need to execute, so it will feel somewhat like trying to upgrade an airplane while we're still flying in the air.

This is a new, exciting, and bold move for Zappos. Like all the bold steps we've done in the past, it feels a little scary, but it also feels like exactly the type of thing that only a company such as Zappos would dare to attempt at this scale. With our core values and culture as the foundation for everything we do, I'm personally excited about all the potential creativity and energy of our employees that are just waiting for the right environment and structure to be unlocked and unleashed.

I can't wait to see how we reinvent ourselves, and I can't wait to see what unfolds next.

-Tony" (Greenfield 2015)

Appendix 2

Descriptive statistic data studied by Emil Velinov 2017

''According to John Kotter (2014) an organization should apply holacracy in order to increase their success and efficiency. Thus, employee performance and satisfaction are key factors for this success, which could be achieved by implementing flatter organizational structures such as holacracy. In this paper the first hypothesis is based on Kotter's study; that in general, having holacracy as a organizational structure is positively linked to higher company performance.

H1: Holacracy is positively related to company performance.

According to Romme and Endenburg (2006), small and medium-sized companies tend to be more suitable for implementing holacracy models in their organizational structure due to the fact that there is less hierarchy, less coordination is required and decision-making is faster. Therefore, in this study it is hypothesized that the smaller a company is, the more appropriate a holacratic management model will be.

H2: The smaller the firm is, the higher the likelihood of success for a holacracy model.

In Table 1 below the descriptive statistics of the independent and dependent variables are provided:

Variable	Means	Std.Dev.	Min	Max
Company age	12	8.13	4	18
Company size	77	34.41	5	150
Company Performance	20	5.53	1	40
Company Internationalization	23	4.10	1	45
Employees satisfaction	16	5.92	11	22
Employees engagement	12	0.41	7	17

N=88, Cronbach α=0.61   ''

(Velinov 2017)

Appendix 3

Velinov (2018) statistical data on Holacracy divided by business sector:

Industry	Freg.	Percent	Cum.
Development, Aid, Nonprofit	7	7.37	7.37
Digital Marketing and Adv.	7	7.37	14.74
Financial Services	4	4.21	18.95
Hardware and software systems, digital	13	13.68	32.63
IT, Agile Web Development	6	6.32	38.95
Incubator, Coworking and IT Ed.	11	11.58	50.53
Management consulting	17	17.89	68.42
Other	13	13.68	82.11
Retail and Consumer Goods	3	3.16	85.26
Telecommunications	2	2.11	87.37
Training/Coaching/Education	12	12.63	100.00
Total	95	100.00	

(Velinov 2018)

Appendix 4

List of disclosed company applying Holacracy by September 15, 2020.

Organization name:
/me Slashme
4IRE Labs
abiturma
Acadia Global USA LLC
ACCELERIS AG - THE DATA MAVERICKS
Action Verb
Adroiti Technologies
Ahimsagram
AIMMS
Aktiv Sistema
ALQVIMIA
Anonymous
Anybox
ArcherPoint Inc
Arctiq Inc.
Arpa Training & Consultancy
Asesores en Ecoturismo Genuino
Assensia
authentic.consult
Ayurseva
Baltimax
Beratergruppe neuwaldegg
Best Upon Request
Bewusstes unternehmen
Biking Buenos Aires
Biocoop Scarabée
Bol.com
Boldare
Bookd
Booom

Bredenberg Associates
Butterfly Works
Calm Achiever
Chilid Hi-End Web Design
China Holacracy Community
Clarity Upgrades
Convert.com
Coopr
coREACH
CoreChange
Counter Tax Lawyers
CX Agentur OG
David Allen Company
dBs Berlin
Downtown Faith
Dr. Klein Privatkunden AG
Duet
dwarfs&Giants
E-quality Italia S.r.l.
Earth Science Information Partners (ESIP)
Eastpoint Software
Eco-Counter
Effectus Fischman Consultores
EMMA Amsterdam
Empowerment OÜ
Encode.org
Energized.org
Enlivening Edge
Europace AG
Evolution at Work
Feinheit AG
FREITAG lab. ag
Fundacion Teleton Paraguay
Future Considerations
Gem / Engie
goalgirls
Goudsmit Magnetics Group
GrantTree
Green Fox Academy Kft.
Grupa CX
GVM Networks
HappyWork
Heavenly Nutrition Indonesia
Hello Club
Hike One

HolacracyOne
ibo Beratung und Training GmbH
Ibuildings
Icosa Design
iGi Partners
Ikbenfrits
ILM Montessori
Impact Byte
In Excelsis
INDACO
infoWAN Datenkommunikation GmbH
Intrust IT
IPLAND LLC
itdesign GmbH
Ivolve
JDI smart web applications
Jordan Engineering Inc.
Kahler Financial Group
KEBA AG
KM Management
Kolibri
Koteos
Kuehlhaus AG
Lab.Coop
Labster
Leader Radio Technologies
Leadership Innovation Academy
Learning Designs
Liip
Likewise Inc
ManKind Project USA
Me & Company
Mercedes-Benz.io
Netaxis Solutions
Netcentric
NETiKA IT Services
New Black BV
Ngerntidlor
Northbound Golf
Octatube
Octree
Oliv8
Oliver Valves Nederland B.V.
Optify
ostec GmbH

Our Neighborhood Child Development Center
Pariveda Solutions
PARSEC Labs
PlayFilm
Pocket Marche
PR-bureau FNKE
Precision Nutrition
PRIMATE srl b-corp
PRO6 managers
Prodrive Training BV
Proshore
Purely Poultry
Rising systems AG WEBSITE
Rockstart
SANOFI
SAS SCOP Semawe
Seattle Makers
SF2i
Sfeir
Shoots & More
Shortbread GmbH
Smart InsurTech
SmartHOTEL
Social Innovation Academy (SINA)
Sopinet Growing Startups!
Spindle
Springest
Strategy Scenarists
Structure & Process Organisational Development
Swisscom Event & Media Solutions
Sylius
Synertek Industries Inc.
Synnervate
T.E.R.R.A.
Telus Partners
The Centre for Collaboration
The Integral Center
The Refinery
The Scale-Up Group
The Wildflower Foundation
Tochka
Tooploox
Trillium Awakening Operations Circle
Tunapanda Institute
Unic

UnimaQ	
UOOYAA	
UQEE	
Vakil Housing Development Corporatin	
Valsplat	
Van der Burg	
Vattenfall (Batteries team)	
VEDS group	
Viisi Labs	
VillageOffice Cooperative	
Voys	
VSE inc	
Washington Technology Solutions	
Watch-E	
webweit GmbH	
Within Reach Group	
Wonderworks Consulting	
Xpreneurs GmbH	
XSolve	
Youthology	
Zappos.com	
Zup	
Asellion	

Source: HolcracyOne.org

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