On the Essential Characteristics of the Innovation Oriented Management Mode: Holacracy

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Abstract. Holacracy is an innovative, integrated management model. Its core contents include flexible organic organization, governance process and operational process driver by tension, integrated decision-making process and an evolutionary mechanism to be embed. The essential characteristics include thinking for purpose, process approach, autonomous autonomy, organic organization with evolutionary designed, working intelligently. It provides an integrated management solution for organizations to pursue improvements, innovation and sustainable development in a rapidly changing and uncertain environment.

Introduction

In 2015, after years of personal research and practice, Brian J. Robertson, an American entrepreneur and a researcher on management, officially released his book: Holacracy-the New Management System for a Rapidly Changing World. It provides people with a new organization and management system. It is described in the Holacracy official website as a complete, packaged organization self-management system that replaces traditional bureaucratic management with a new peer-to-peer network." This system enhances the organization's Transparency, accountability, and agility. In Holacracy, a transparent rules system, a tested meeting process is adopted to decentralize power throughout the organization, and authorizing each employee to take the leadership role and to make meaningful decisions. [1]

Now more than one thousand organizations in the United States and Europe have put Holacracy into practices, for example, Zappos, David Allen, Precision Nutrition, Google, Springest, etc. [2] "Holacracy has shocked my world" said David Allen, author of the book. Tony Hsieh, CEO of Zappos, who pioneered the successful implementation Holacracy said:" We turned from a conventional bureaucratic structure to a system called 'Holacracy', so that employees can act more like entrepreneurs, self-managing their work, rather than to the past, tell them how to do the manager's report." [3]

The Core Contents and Architecture of Holacracy

Analyzing and Integrating what Robertson said in the training courses and what he writing in his book and investigating the practice on Holacracy. The core contents and key points ware summarized as shown in Table 1 [4].

As shows in the table, the Architecture of Holacracy constructed by the basic rule of an organization, Core operation process and a technology base to operation. The details will follow.

(1) Holacracy Charter—as the general program to determine the basic code of conduct and activity procedures, to build the "operating system" of an organization and the way moving forward.

(2) Flexible Self-Organizing System and Self-Management Team - modeled on the relationship between cell and human body to design the most organic "Role-Circle-Link" organization structure. A role in the organization is defined by independent activities and functions, Purpose, clear accountabilities, power domain. The Link is the basic functional unit of the organization, used to complete specific projects and tasks; the Link is a role to connect the circles, and making the
organization a whole. The organization has built a "living" evolutionary mechanism driven by tension (the feel of the difference between ideal and reality perceived by everyone, usually an opportunity to improve or innovation, a contradiction or worry).

3) Carefully Designed the Operation Process of the Organization. It including the process of governance meeting, the process of tactical meeting, and integrated decision-making process. It running by a carefully designed unique organizational governance and operational procedures, to establish convergence wisdom, to integrate individual vitality by the integrated decision-making process.

4) An Action-based online information system, as a technical basis for supporting the organization operations decision and communication, and ensures that the organization is fully transparent and dynamic.

Table 1. The Core Contents and Architecture of Holacracy.

<table>
<thead>
<tr>
<th>Basic Rule : Holacracy Charter</th>
<th>Core Operation Process and Organization Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic Flexible Organization</strong></td>
<td><strong>Efficient Meeting Procedures</strong></td>
</tr>
<tr>
<td>1) Clear Roles and Accountabilities; 2) Throughout the Organization's &quot;Purpose-Chain&quot;; 3) Peer-to-Peer Network Structure, to Eliminate Bureaucratic Level; 4) Completely Transparent and Open; 5) to Eliminate &quot;Corporate Politics&quot;; 6) Organic Growth, Continuous Evolution.</td>
<td>1) Conference-Oriented Projects and Actions to Eliminate Over-Analysis and Seek Recognition; 2) Strict Distinction Between Governance and Operation to Avoid &quot;Group Decision-Making Inefficient&quot;; 3) Tension Drive to Focus on Improvement and Innovation; 4) Systematic Check In to Ensure Efficiency and Execution; 5) Timing Closed and the Meeting Will Be Outside With the Rules, and so on.</td>
</tr>
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</table>

The Essential Characteristics of Holacracy

Holacracy, as a management model, transforms the core idea of knowledge economy and information age organization management into a complete system, by rethinking the essence of management, defining the management purpose, and it has becomes a new model for organization and management innovation. Analyzing the concepts process and methods in Holacracy, observing its architecture and practice, it can be found the basic characteristics of innovative management model.

Thinking by Purpose

In Holacracy, each of the role circle has its purpose; circles connected through the lead Link to ensure that the purpose of the supper circle to be implemented in his sub-circle. In the core process, whether a proposal is effective, whether an objection is effective, whether a next action and a project is chosen by the role, and some adjustments of accountabilities or the developing a new policy, all of them are judged by whether it meets the criteria of "contribute to the purpose" or "harmless to purpose of a role". In a Holacracy organization the organizational structure, roles, and activities are connecting by the complete Link of tasks.

In Holacracy, the fundamental purpose of thinking ensures the consistency of the organization
and the alignment of actions, and more importantly, it sets the "Right" criteria for the organization, anchoring the direction and values for all improvements and innovations, so as to ensure the direction of innovation and evolution. Thinking by purpose also laid the foundation for the sustainable management, to ensure the long-term development of the organization.

**Process Approach**

The core of the process approach is to manage and operate the organization as a system of activities. In Holacracy, the definition of a role, the assignment of accountabilities are based on "what to do", and need to description use a verb, in order to ensure that all based on activities. The role of is a center in an organization running Holacracy. All of works are design to according with the process; each process is divided into detailed steps, each step of the activities have detailed requirements, and with regular inspection of performance indicators. In Holacracy, All of the output of meeting and integration decision-making process must be "actions" or "project". So the process approach is used thorough a Holacracy organization, and design the evolutionary operating mechanism, to improving the organization in the process.

The process approach made the organization has "dynamic and agile" state, at the same time, it is the process approach that not only overcome the dilemma or disadvantage of "position link to individual" in a traditional organization, and fundamentally guarantee the power of execution, but also to eliminate the existence of space of " corporate politics ". More importantly, since any improvements is the improvement of a process, any real innovation needs to "change a function of the production" - in essence, is to change the process or process operation method. So the process approach has found the point to launch an improvement and innovation in an organization, and integrates improvement and innovation with the organization operations.

**Autonomous and Decentralization**

Organization “flattened”, "empowerment", "decentralization" is not a new concept, but the empowerment and decentralization is a partial decentralization, temporary decentralization or "false decentralization" in the traditional organization (such as the need to report, Separate approval, filing, etc.). It has not given a complete decision-making power and autonomy to the subordinate. In Holacracy, the traditional "boss", "manager", "leader", "CEO" has not exist; all of the management, leadership, decision-making, action rights are fully assigned to each role, so that everyone " Manage by himself ". This is a complete and thorough decentralization of power, what the role to do, how to do, when to do, in addition to requirements from the rules of the Holacracy charter, accountabilities, domain and purpose, no longer subject to higher external power. In addition, Holacracy it is the activity-based organization design, that made the "job description" , which written on paper, hidden in the cabinet in a traditional organization, really implemented in action, and in the organization completely transparent, so that to made the power, performance and even salary synchronize, align and integration.

It is autonomy and decentralization, the new organization structure, as well as working, accountability, responsibility, the embed mechanism of operation that achieve the activation of everyone, the liberation of the manager, to promote human physical and intellectual full play, to promote growth and development themselves, which may be the fundamental purpose of social development, as the nature of human beings.

**Organic Organization**

Fierce competition, rapid change, requires organizational agility, organic and flexible. This is the important direction and actions of management change in the last 30 years. Then, what is the most organized organization in the world? Obviously it is known that the body of organism. So how to apply to organizational governance and operation, how to design and implementation? People have explored for more than 30 years, it is Robertson provide Holacracy to "cash it" firstly. Holacracy is design to according to the structure and function of the organism, as shown in Table 2. Not only in the structure and function of the corresponding, but also in the operating mechanism, but also the use of organic evolution of the design. In addition, Holacracy's organizational design also takes into account the purpose and meaning of human being!
It is the completely organic structure design that can really show the organic, live function. This kind of live function, through the complete decentralization, the process approach further unfolds and enhanced, so that the organization truly becomes a living organization, a human being organization.

**Design by Evolutionary**

Firstly, in Holacracy, the organizational structure the organic design is built-in, and driven by tensions, it is not only solve the contradictions, anxiety, seize the opportunity to improve and innovation, but also adjust the accountabilities, power and structure in organization operation process, so that organizations continue evolution.

Secondly, in Holacracy, since there are only a few of basic rules and procedures determined by the charter, a number of specific requirements and methods, which run the organization, are form by continuous improvement and evolvement in the course of governance processes and tactical process. It is not the traditional managers designated all the goals, requirements, systems, procedures, performance indicators and methods, but improvement and evolutionary mechanism embedded in the core processes of operations. It is each of the role that face to "infinite rich and dynamic new reality", aware of tension, through the circle running automatically generated the most appropriate rules and methods. To made evolve really in the operation process.

The evolutionary design in holacracy makes it possible to make change, respond to change, organize learning, review and test the basic way of working, make the organization and business process improvement, innovation become a daily work and built-in mechanism in an organization.

**Get Things Done Firstly**

Management should be focus on results and create value, and it should not manage for management; organizational forms, rules, processes and methods must support the organization creating value. When developing Holacracy, Robertson learning and absorbed the core idea of "Get Things Done", and designed Holacracy's organizational structure, core process, operation mechanism, decision-making method, and even concepts selected, according to the idea of "get things done firstly" to made it simplify. In a training lectures In the training lecture, Robertson revealed that he had a profound philosophical foundation, values and core ideas, but at the time of writing his book, he was "disdain" statement of the" virtual things" which rooted in the management model, but straight to the point, directly to the local development of its essence. Of course, behind the "minimalist", Robertson and his development team at Hoalcracy One have opened a series of training and consulting projects from junior Holacracy to senior coaches.\(^{[10]}\)

### Table 2. The Organization Design Of Holacracy Vs an Organism of Life.

<table>
<thead>
<tr>
<th>Basic Element</th>
<th>Organism of Life</th>
<th>Holacracy Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Functional Unit</td>
<td>Cell</td>
<td>Role</td>
</tr>
<tr>
<td>Intercellular Substance, Cell Membrane</td>
<td>Lead Link, Representative Link</td>
<td></td>
</tr>
<tr>
<td>Physiological Systems</td>
<td>Super-Circle</td>
<td></td>
</tr>
<tr>
<td>Body</td>
<td>General Circle, Organization</td>
<td></td>
</tr>
<tr>
<td>The Meaning And Target Of Life</td>
<td>Purpose And Purpose-Link</td>
<td></td>
</tr>
<tr>
<td>Higher Pursuit</td>
<td>Tension (the Improvement or Innovation Opportunities)</td>
<td></td>
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</table>

The superb design, the sophisticated approach and GTD principle in Holacracy, All of them precisely the management quality of the manager, who run an organization in the environment of rapid change and full of uncertainty, that is to say, it is the Holacracy that provides a systemic management solution or an ideal model of management in this time.
Conclusion

Obviously, based on the management purpose and essence, have analyzed of the success experience and lessons in last 30 years organization management practices, studied the human nature, human work, lifestyle, and make fully use modern information technology, Holacracy is developed a new management model. It is the Holacracy provide a systematic solution and the ideal organization and management model for the organization to pursuit purpose in the era of knowledge economy, intense competition, rapidly change, full of uncertainty.

References

[10]See [1].