

## HOLACRACY – NEW APPROACH TO CORPORATE GOVERNANCE

Holacracy is a new way of running an organization that removes power from a management hierarchy and distributes it across clear roles, which can then be executed autonomously, without a micromanaging boss. The work is actually more structured than in a conventional company, just differently so. With Holacracy, there is a clear set of rules and processes for how a team breaks up its work, and defines its roles with clear responsibilities and expectations.

The Holacracy system was incubated at Ternary Software, an Exton, Pennsylvania, company that was noted for experimenting with more democratic forms of organizational governance. Ternary founder Brian Robertson distilled the best practices into an organizational system that became known as Holacracy in 2007. Robertson later developed the Holacracy Constitution in 2009, which lays out the core principles and practices of the system. He also helps companies adopt it.

Instead of job descriptions in Holacracy people have multiple roles, those roles also have their descriptions, but they are constantly updated by the team during working process. Roles and processes are revised in frequent “governance meetings” given what is actually happening in the team. Since roles are not directly tied to the people filling them, people can hand-off and pick-up new roles fairly easily. The traditional hierarchy is replaced by a series of interconnected but autonomous teams, which are called circles. Teams are self-organized: they’re given a purpose, but they decide internally how to best reach it. Authority is distributed among circle-members and decisions are made locally by the individual who directly does the job. That is done in order to allow people a lot more freedom to express their creative talents, and the company to take advantage of them. Rules and processes for the governance and operations of an organization are defined by the Holacracy constitution. Everyone is bound by those same rules, even the

CEO. The transparency of the rules means that team members do not have to depend on office politics to get things done.

Nowadays not so many companies use Holacracy following the full set of its rules and principles. 347 companies around the world use it according to the information from the web-site of Holacracy's software tool, GlassFrog.

At the same time, this fact does not mean at all that other companies don't use holacracy without utilizing the app, mentioned above. For instance, Russian outsourcing "Knopka" company structure is based on Holacracy principles. It is relatively young company, but it grows steadily and enjoys advantages of the flat organizational structure.

From Holacracy experience can be seen that nowadays it fits small flexible companies, startups that cannot afford the managerial layer, primarily in service sector, to be more precise in companies providing services via the Internet.

Holacracy is not a panacea to solve any organization's problem depicted to improving performance by changing its structure. This approach to management, as all others has its own advantages and disadvantages.

The practice of "flattening" organizational hierarchies is a way of improving efficiency by stripping out levels of bureaucracy and cutting costs, but it also has removed from many companies the ability to climb rungs in a corporate ladder, which used to serve as a primary motivation for high performance. Nevertheless, for example, in "Knopka" daily meetings are organized for everyone in company seeing what you have done during the day, and a few people want to be embarrassed by demonstrating poorer performance than their peer.

The next problem stems from the previous: not everybody can work efficiently without external control and given direction. That is why companies that use Holacracy suffer high turnover. People frequently quit or are fired. However, if the company is lucky to get 'the right people on the bus', this organization will enjoy success.

In addition, bosses are scared with distributing power and opportunity to lose it. Nevertheless, they do not need to be so upset; they still have the topmost ability – to abolish Holacracy. So it is worth trying!