"Holacracy"- new exible management systemfor 2020

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Abstract

The dynamic of business environment leads to the organization management, the old paradigm of hierarchy management has been evolved to be more dynamic and more elastic to compete with fierce competition with speed to market. Holacracy theory has been developed to cope with the new dynamic environment. This article is aimed to review and understand the meaning of Holacracy management, the heart of Holacracy management, how does it work and the key element of Holacracy management based on literature review.

Keywords: Holacracy Management, Holacracy Theory

Introduction

Business environment has drastically changed in the last decades almost in all business and private sector locally and globally, the rapidly evolution of information technology that made people lifestyle changed easier and faster. Business leaders are facing whole new set of management challenges. Increasing uncertainty and environmental changes (e.g., global economic stagnation, terrorism, Brexit) must be dealt with to maintain competitive advantage, the widely known and practiced techniques for leveraging physical and financial resources are no longer sufficient. Innovation, flexibility, responsiveness, and the creative redefinition of markets and opportunities new sources of competitive advantage.The widely known and practiced technique, tool and process for leveraging physical and financial resources are no longer sufficient. (Ho Wook Shin, 2017)

Lots of organizations operate in the globalized world and open market, focusing on competitiveness, flexibility, and dexterity has expanded and this required more adaptive

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structures. The organization that has more complexity and less adaptability will lost their competitiveness. (Shahram Mirzaei Daryani, 2016)

Whoever imagine that the gigantic world leading company like Kodak and Sony Ericson become the business legacy in the last decade? What is the key drivers that lead them to the unsustainable growth? What make them losing their competitive advantage? Do they have no strategy business planning process to cope with business and environment change? Don't they know that consumer and business model change?

Absolutely not, the typical strategic business planning process has been executed same as the leading international corporate, in fact the real execution in failed to execute in the executor level. The rapid and radical change is predictable but the flexibility and the adaptability of the corporate to cope with those drastically environmental change become more important, strategic organizational management, strategic organization structure to handle with the change in-time with lean and less hierarchy by frontline staffs become more critical than traditional hierarchy management in postmodern management.

The business challengeslead to the evolution of the new management system for therapidly changing world which directly affect Organizational strategic management. The old traditional tools lead to inefficiencies and unnecessary problems. The theoretical literature anticipates that knowledge work leads to less directive styles of management and require higher autonomy of knowledge workers (Nevell, 2000, Suff and Reilly, 2005, Drucker, 1988, Kelemen, 2010, Mlâdkovâ 2012, Reboul, et al. 1996) Knowledge workers are supposed to be able to decide, manage, to organize and to control themselvesin order to serve corporate purpose. Successful learning organization must implement proactive, innovative approach to unique problems and opportunity, solicit the involvement of employees at all level, and empower everyone to use their full capacity to achieve organization goals.

Introduce the new flexible management system - Holacracy

Bureaucracy has been accepted that it was the best management system to deliver the performance. However, the new corporate culture that enhances real empowerment working process and environment organizational culture basically used to describe the environment in which people work and the influence it has on how they think, act, and experience work. Cultures can vary significantly between and within organizations. They can bring out the best in people, and unite them around common goals and values.

However, they can also be dysfunctional and filled with stress, tension, distrust, low morale, and a lack of support and teamwork. Holacracy by Brian Robertson, is the new evolutionary of strategic management with the

mindset that organization can organize and managed by frontline staffs. Applying the ideal of organization that organize like the body system, like cell function which can self-manage within the body automatically once the body sense of the abnormal system in order to solve the body issue automatically without w8aiting for the direction or demand from the brain. Imagine the organization is managed like to body system, what if the organization which drives by staff can operate and process automatically whenever the sense of the abnormal happened. Staffs has problem solving skills and no needs to wait for the higher boss to order or to act like bottleneck. The ideal concept is the new operating system to survive within the fast dynamic environment, required equal dynamic organizational structure in order to address new challenge and new opportunity.

To cope with wheel of the fast change, the organizational structure and management system itself become bottleneck for processing of everything the staff sense. Hierarchy is gradually become the barrier. The existing underlying structure, systems and culture of a modern corporation do not allow the rapid processing and responsiveness necessary to fully harness the power of every human sense, no matter the top management did the best as leader.

The human has the ability to sense and tension in the organization which can recognize the gap between what should be and what could be in terms of reality and sense of potential. The corporate has a great resource, great talents who passionate to drive change and success, the frustration and tension arise when realize that boss is not able to use human capacity to sense and to respond.

The Holacracy is designed to capitalize the human ability. By doing the concept of manager, it break down the communication and collaboration barrier from Silo traditional structure, to the new collaboration system.

The ideal this game is that today's companies have to survive in the crease in the complex and requires and organizational structure with the new challenge and opportunity the solution. Manager like this new system because they do not have to solve problem to everyone. And also allow the frontline staffs to engage and self-management.

People with different department and different authority, think off nested circle, think about people's role not circle, for example, a company has a marketing, production and finance role, one people can play more than one role, a role become too complexed. Innovation empower employee. Key innovation is that a person who fill a role is empowered to execute an assignment the best way, he or she fits. There is no manager to overwrite that decisions, no one has an authorities not even the CEO. Holacracy create friendly environment that truly distributed the powered with set in the governance meeting or committee, present proposal to the governance committee. The governance set clear direction and reaction towards proposal, the meeting move to on the objection round.

Holacracy separates people from function, assign activities to specific role, adjust role as company, environment evolves and make sure role has great clarity. Holacracy has been designed for the new dynamic management system to cope with the fast drastically environmental changed.

What is Holacracy?

It's a new social technical for governing and operating an organization, defined by a set of core rules distinctly different from those of conventionally governed organization which including the following elements:

- A constitution, which sets out the rule of the game and redistributes authority.

- A new way to structure and organization and define people's role and spheres of authority within it

- A unique decision making process for updating those role and authorities

- A Meeting process to keep teams in sync and getting work done together.

The result is effective communication, effective meetings, less red tape and fewer roads block and crystal clear lines of responsibility and accountability.

"Holacracy" is the new management system, the "Powered Organization" which cover "Structures", "Processes", and "System". It is the practice with experiencing, it come alive in day to day work of processing tensions into meaningful changes.

How to distribute authority in Holacracy?

"When company get bigger, why productivity and innovation per employee generally goes down (Brian Robertson: 2015" The initiative Idea of Zappo Corporation is how can we create the self-organization of the people like in the cities and less like bureaucratic corporations? In the urban, people share space and resources locally, understanding territorial boundaries and responsibilities. There are laws and governing bodies to define and enforce the laws but people don't have bosses ordering them around all the time. Can we apply the same principle for the organization? How can we enable and organization to effective self -organize? How can we have a "System" like "Human Body"- Function efficiently and effectively with not a top-down command system but with as distributed "system"- a network of autonomous self - organizing entities, which are your cells, organs and organs system, has a capacity to take message, process them and generate output, each has a function and has autonomy to organize how to completes that function.

The more forward leader and are all aware of the problems with the top-down, predict and control paradigm, the "improving organizations" approach today is like goods parents seeking to empower their child, which means getting highly developed, wise. The

problem is the formal power structure in most Modern Corporations today is "dictatorship". It is not the real empowered organization that allows staff and manager level to made decision based on their judgement in order to reduce risk and control. Holacracy is the system that reap the true autonomy, also meeting genuine needs for organization "alignment" and "control"? The political and resistant to change organization has a character of attempting to forgo an explicit power structure but ends up with implicit one. The consensus approach is not practical because not many decisions has been made and waste too much time for discussion.

The dynamic and responsive organization need to be given the power to response to issues "Locally" within their domain or work, without having to get everyone' buy in the idea or leader permission. We need systems that empowers everyone and make it alive in day to day business.

The Heart of Holacracy is

- The Core authority structure,

- The process of organization that provide space for everyone in the organization to have and to use their power and do not allow anyone even the boss/ the leader to co-opts the powers of others.

- The space where can have their own empowerment

- A System that protect that space regardless of any actions of any individual, whatever his or her position.

How does Holacracy work?

Holacracy constitution: is a document applicable for an organization to use the method act as the core rulebook, rules and process reign supreme and trump even the person who adopted it. It defines as a seat of authority for the organization as resting in a legislative process, not autocratic ruler. It is about distributing safe practical "responsibility with authority" that allow self-organization.

"Governance" is the ongoing process that assigned power and authority, happens on a team by team, no single leader. The traditional process relies on a CEO or executive team and place them into the process enacted throughout the organization with everyone participation. The "Governance" process distribution authority and clarity expectation. Tension are clarified questions such as "Who makes decision which decision and within what time limited?" Also, expectation?

"Operation is about getting work done, identify outcomes to achieve, making specific decisions, allocating resources, taking actions and coordinating those action with others."

While "Governance" is about how we work - The pattern of how we organize, as distinct from specific decisions we make within the pattern.

Governance is about the structure of the organization's work and the authorities and expectations that go along with it. Both Governance and Operation informed by the "Strategy", guiding theme or rule of thumb for

team to apply as a team navigates in its journey to express the organization purpose with higher flexibility, responsiveness and adaptability. The engagement with governance will make the organization has explicit governance process with clarity and clear process. The governance can help answer the following questions:

What we the ongoing activities we need to pay attention?

Who will own each?

What expectation can I reasonably hold of others and vice versa?

Who will make which decisions, and within what limits?

Which decision can I make and what actions can I take without having to call a meeting?

What policies and constraints will we honor in our work together?

How can we change the answers to those questions as learn better ways of working together?

The Holacracy theory can help uncovering purpose which is a dynamic and continuing process and practical applicability of the purpose by making it alive. Holacracy is the governance process for the organization, through the people, for the purpose.

Organization structure is not a traditional "hierarchy", but a "Holarchy" (Arthur Koestler in 1967 book the Ghost in the machine, defined "Holon" as "a whole that is a part of larger whole" and "Holarchy" as "the connection between the holons", like the cell in human body which can

enable self-managed and self-organized without any permission at any level within. If considered a company like holons and holarchies by assuming the human being were the small holons in the organizational system, embraced by larger holons of teams, department, etc. In Holacracy, we separate autonomous entities who choose to show up and "energize" an organization's functions, organized in various "role". Those roles are part of the company and are the most basic building block of Holacracy structure. Holacracy is about organizing the work, not the people, it leave quite a bit of freedom for the people to self-organize around what role they fill.

Role and Responsibility in Holacracy Management?

Holacracy governance process generates clarity by defining explicit role with explicit accountability which grant explicit authority, and continuously evolves those definitions to integrate learning and align with the organization's changing reality. This removes power from the vague and unspoken norm and vests it in the clear and documented process and the expectation and authority that results. The Holacracy process also help separate emotions about people from emotions about the role they fill, separate our role, expectation and needs from other from personal connection. The organization's structure is defined by the roles the organization need to pursue its purpose, without any reference to the individual in the organization.

Role is expectation and responsibilities, to facilitate clear and concrete role definitions, Holacracy constitution define role as 3 specific elements "A 'Purpose" to express possibly one or more "Domain" to control and a set of "accountability" to enact. A purpose - why the role exist and what it aims to achieve.

A domain - specifies something the role has exclusive authority to control on behalf of the organization Accountability - on going activity that role has authority to perform and manage for the organization.

Role in Holacracy are dynamic, living thing and change over time. Also based on reality of what activities are experienced as useful in the organization.

The Governance process help continual clarification and refinement roles on the basis actual tensions arise, rather than prediction.

Holacracy focus on clearly differentiating individuals from role they fill. The organizational structure is defined by roles that organization needs to pursue its purpose without reference to the particular individual in the organization. The people come in later, to fill or energize their role.

Holacracy role definitions are based on reality of what activities are experienced as useful in the organization and in sync with reality. Holacracy governance process allow for the continual clarification and refinement roles on the basis of actual tension arise rather than of abstract of prediction.
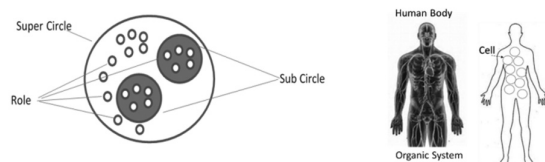
The process

When you fill it's something that you should be able to count on her, you can bring "Proposal" to the next "governance meeting" that the task in question be made an explicit accountability of her role. When we can find the real clarity about roles and the role-ationship at play. We can relief from many common frustrations of organization life. The governance meeting help discuss and decide the decision, as we know what authority we have and what other role we need to involve and why, when engage in a group discussion, we do not need to create the expectation of consensus, because everyone is crystal clear on which roles have authority to make which decision. We also know what we can reasonably respect from others and others expect from us as we go about our works and exercise authority. Organizational clarity create an authentic distribution of power, freeing each of us to be good leader when we're filling role and need to balance input with expediency and a good follower when another role owns a decision and shuts down decision to make judgement call.

Role like cell of organization, organizational structure by which roles are grouped and integrated.

Traditional typical organization chart looks like the upside down tree, while Holacracy organization, like a series of nested circles. Like cell within the organ within organisms.

Basic Circle Structure:

A circle has the autonomy and authority to self - organize and to coordinate and integrate the work of all the roles in contain. Each circle has colon - both a self-organizing entity in its owns right and a part of a larger circle. As a part, it shares its environment with the other function and sub-circles of that broader circle. In Holacracy system, this will be defined the accountability and constraintseach circle must align with and those other circles.

Tony Hsieh, the CEO of Zappos, was determined to build Zappos with the belief that if you get the culture right, most everything else will fall into place. The culture that he built is a unique one (D.D. Warrick, 2016) The Zappos culture is interesting in terms of working environment and culture that create friendly, open and real empowerment and culture. Zappos has grown at an exceptional rate from $8 million to over $1 Billion in sales in just 8 years. Employee turnover has been at about 7% in an industry where turnover averages over 150%. Over 75% of orders are from repeat customers (Ho Wook Shin, 2017).

Fortune Magazine has consistently ranked Zappos in the 100 Best Companies to work for a unique culture and successful ones require a fit between leadership styles at the top, the mission and strategies of the organization, and what the people in the organization will respond to. Zappo is achieved to bring out the best in people, and unite them around common goals and values and minimize dysfunctional, stress, tension, distrust, low morale, and a lack of support and teamwork in the whole organization. The new management system - Holacracy can build a strong culture, which it needs to be closely linked to the vision, values, and strategy of the company and that specific actions need to be taken to build the desired culture and align organizational systems and practices with it.Also it can create real empowerment and independent action by an individual or team aimed at bringing forth a business concept or vision and carry it through to completion (Lumpkin and Dess, 2001)

Holacracy describe the environment in which people work and the influence it has on how they think, act, and experience work. Key success factors that drives the Holacracy system successfully based on the literature review are as follows:

1. **Committed Leaders**: The most important key to building a strong culture at Zappos is to have the CEO and key leaders throughout the organization committed to creating the desired culture.

2. **Top level support**: Support for building a strong culture starts at the top and involves training and involvement at all levels of leadership on how to build and support the culture.

3. **Strategic alignment and deployment:** The desired culture is intentionally designed to help achieve the Zappos strategy.

4. **Communication Extensive:** Culture-related communication takes place using a wide variety of multi-directional mechanisms that encourage input from managers, employees, customers, and suppliers.

5. **Culture feedback:** Feedback is received on how well the culture is functioning through monthly employee surveys and an annual culture book.

6. **Customer and supplier assessments**: Customer and supplier assessments are encouraged through the website and various forms of social media and are responded to quickly by Zappos employees.

7. **Empowerment Information:** Empowerment information is broadly shared and employees are empowered to provide suggestions and make decisions that influence key organizational actions

8. **Customer-Focused Strategy**: Customer service should be a priority for everyone by Enabling Service Reps to solve customer issues without involving a supervisor also do not keep customers who are overly demanding or disrespectful to employees, Don't restrict Service Reps regarding call time, scripts, or sales pitches. 5 Connect directly with customers and make contact information available on every web page. 6 See customer service as an investment, not a cost. 7 Reinforce the culture by sharing great service stories.

9. **Work environment & recognition**: A fun work environment is provided with many social activities to promote friendships with coworkers, lots of and celebrations for employee as well as both individual and company accomplishments. Office environment Employees are encouraged to decorate their work stations as they see fit and to wear colorful clothing of their own choosing. All employees are located in cubicles, including CEO Hsieh, to reinforce the philosophy that all employees work together and are treated the same.

10. **Organizational processes**: Organizational process are central to the development of a successful and sustainable learning organization (Ho Wook Shin, 2017) by

● establishing and communicating a clear sense of direction and purpose

● empowering employees at all levels

● accumulating and sharing internal knowledge

● gathering and integrating external information

● challenging the status quo and enabling creativity

The Future Study for the new flexible management system in Thai Context?

With the change of the environment, the new system will generate self-management, self-organization and self-control that to encourage employees to bring their own unique personality to work; and to create a positive and

unconventional environment for employees to enjoy their work and in turn transfer that spirit to customers, also enhancing knowledge workers and employers for their innovation and creativity within the trust, openness working environment.

It help avoid the traditional "red tape" hierarchy system which need formal decision making process from top down approach. Holacracy - the new management system is a broadly shared idea that knowledge workers require less autocrative, more autonomous style of management (Ludmila Mlâdkovâ, 2015), is suitable for the high competitive market environment to engage with the new dynamic system. The command-and-control model that business took from the military 100 years ago (Drucker, 1988) is not acceptable and viable in this century.

In today's management practices, all business functions try to link their work method and practices with the firm strategy to achieve higher organizational performance (Wright and McMahan, 1992), but few of them achieved the objective. Many corporate achieved the sales target but cannot retain the talent knowledge people due to the stress, tension and frustration. While Holacracy can successful engage and empower real autonomy and authority without any injuries from variable factors such as power and politics (moral suasion, negotiation, and agenda setting), leadership (the role of Transformational and transactional leadership), barriers to learning (lack of know-how, ambiguity over the role, misdirected goals), social process (interpretation and integration).

The new management system "Holacracy" can create organization learning process that generate entrepreneurial spirits through the process, and relative advantage from bottom-up decision making approach (based on frontline experience), which can initiate many dimension of entrepreneurial spirit such as innovativeness (Drucker, 1985), risk taking propensity (Covin and Slevin, 1989), Reactiveness (Venkatraman, 1989), Competitive aggressiveness (Lumpkin and Dess, 1996) and autonomy ((Lumpkin and Dess, 2001).

This article gives the theoretical background for the new management system which has high potential to test and apply with Thai context, where the local Thai culture "Kreangjai" can be disrupted and lead to increase efficiency and competitiveness in Thai cooperation. The future research should explore the key success factors, and create the grounded theory for the new flexible hierarchical management system - So called 'Holacracy' in Thai context especially in high dynamic function such as in the sales management whom we considered as the frontline to proactively interact to serve consumer and customer needs, then further designed the new working process and system for the new flexible hierarchical management system for Thai business enviroment.

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