

Executive Summary

Holacracy: A Complete System for Agile Organizational Governance and Steering

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report at [www.cutter.com/
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Agile software techniques fundamentally shook the software development industry by changing not only the practices of software development, but also our understanding of how to think about the process in the first place. This shift has taken a firm hold in the industry due to the significant results reported by those successfully implementing agile methods, including greater productivity, improved quality, higher morale, and products more aligned with market needs.

Now, business leaders are looking for ways to apply the success of agile thinking to organizational management and governance. This is often quite difficult, as modern business structure is built on an industrial age, predict-and-control model, which resists change rather than embracing it. Unlike a software development group that is able to take advantage of specific methodologies like Extreme Programming (XP) and Scrum, executives and managers applying agile principles to organizational governance haven't had many specific practices to draw upon, which forces them to rely on individual heroics instead of repeatable process. Existing governance approaches that may look more agile, such as consensus-based decision making and flat hierarchies, often fail to achieve true agility on top of other costly downsides — from efficiency and scalability problems to enhancing corporate politics. Thus, without an organization-wide methodology to replace traditional organizational

governance processes and structure, the command-and-control model is often the best an organization can do.

HOLACRACY

This *Executive Report* explores holacracy, an agile approach to whole-organization governance and steering. (Download the complete report at www.cutter.com/offers/holacracy.html.) Holacracy is a next step in the evolution of human organization. It includes a set of interwoven models, principles, practices, and systems that enable a fundamental transcendence of virtually all aspects of modern organizational dynamics. Holacracy embraces everything we've learned about organizations so far and at the same time represents a quantum leap to a higher order of organization, one capable of artfully navigating in a world of higher-order complexity and increasing uncertainty.

Holacracy includes many aspects, though the *Executive Report* focuses on those core aspects that relate to organizational structure and governance, including:

- **Circle organization** — the organization is built as a “holarchy” of semi-autonomous, self-organizing circles. Each circle is given an aim by its higher-level circle and has the authority and responsibility to execute, measure, and control its own processes to move toward that aim.

- **Double linking** — a lower circle is always linked to the circle above it via at least two people who belong to and take part in the decision making of both the higher circle and the lower circle. One of these links is the person with overall accountability for the lower-level circle's results, and the other is a representative elected from within the lower-level circle.
- **Circle meetings** — each circle meets regularly to set policies and delegate accountability and control for specific functional areas and roles.
- **Decisions by integrative emergence** — policies and decisions are crafted in circle meetings by systematically integrating the core truth or value in each perspective put forth until no one present sees additional perspectives that need to be integrated before proceeding under the then-current proposal.
- **Dynamic steering** — holacracy transcends predict-and-control steering with dynamic steering. Most modern decision-making and management structures are based upon attempting to figure out the best path to take in advance to reach a given aim (predict) and then planning and managing to follow that path (control). Replacing most up-front predict-and-control management with incremental adaptation in light of real feedback provides many benefits, including significant efficiency gains; higher quality; more agility; increased ability to capitalize on ideas and changing market conditions; and perhaps most ironically, far more control.
- **Integrative elections** — people are elected to key roles through an integrative election process after open discussion.

Organizations are increasingly adopting agile software development practices because of their ability to harness feedback, adapt rapidly to changing realities, and navigate successfully amidst greater complexity and uncertainty. While

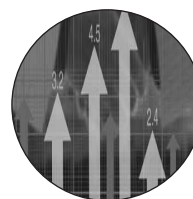
agile software development practices forge ahead and gain industry momentum, the corporate governance structures they exist within lag behind. Until recently, there have been relatively few cohesive whole-organization systems for harnessing agility. Holacracy is a complete and practical system for achieving agility in all aspects of organizational leadership and management and includes concrete processes and practices that fully embody agile values and principles. It integrates seamlessly with existing agile software development methodologies, filling in gaps in process control and decision-making systems not directly addressed by most agile methodologies.

Although holacracy as a whole is a relatively new model, it is largely an integration and extension of existing models, many of which have rich histories. Much of holacracy is a refinement of sociocracy, an organizational governance system originally envisioned in the Netherlands in 1945 as a way to adapt Quaker egalitarian principals to secular organizations. Sociocracy was refined for corporate use in the 1960s by Gerard Endenburg, a Dutch electrical engineer who enhanced the model with principles from cybernetics — the science of steering and control — and used it to successfully manage the Endenburg Electrotechniek company. In addition to its roots in sociocracy, holacracy incorporates ideas from numerous other models and processes as, including Elliot Jaques's study of "requisite" patterns and an understanding of natural "holarchies" from the work of philosopher Ken Wilber.

As movements like holacracy gain momentum, the pioneers at the forefront of this next sociocultural evolution will face new challenges and tough problems, ones there are no answers for yet. Fortunately, they don't need to have all the answers in advance; they just need to hold the question and be present in mind, body, and spirit. Then it's not a matter of creating the right

answers, but of listening to what they already are. It's amazing what emerges through us once we get out of our own way and truly start listening. Holacracy helps us do just that.

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