

Holacracy®: Creating Conscious Organizations

Businesses today thrive on innovation. If your company isn't moving forward every day, it's already falling behind, beaten by competitors that are more agile, more nimble, and more adaptable to an economy driven by constantly changing technology.

So what's killing your team's great ideas? When competition for the best and brightest is a top challenge for today's companies, why do many strong corporate leaders end up stifling the very creativity they've sought out?

According to Anna McGrath at WonderWorks Consulting, who gives businesses across the globe the tools they need to restructure their leadership models, the problem doesn't lie in bossy bosses or nit-picky micromanagers, but in the typical top-down structure of corporate hierarchy itself.

“Strict hierarchies kill innovation and engagement,” says McGrath. “It's time to hit the reset button and think about making a fundamental shift in the way we structure our organizations.”

Even as our ways of working—and the work we do—has changed radically in the past two decades, our corporate hierarchies have stagnated. Too often, businesses with all the decision-making power concentrated at the top lack the courage to let team leaders take full start-to-finish responsibility on their projects. Instead, workers end up rewarded for keeping the boss happy, “playing politics” and protecting their own positions by avoiding risk, responsibility, and real engagement.

Team leaders who try to innovate can discover that their power is a yo-yo string, allowing them to go only so far before being yanked back. The result? Innovation overruled, decisions delayed, opportunities lost and employees increasingly left frustrated and disengaged—leading, of course, to increasing staff turnover. The millennial generation, in particular, don't thrive in such an environment, but who does?

The good news is that many smart organizations are moving away from a strictly top-down leadership structure. One alternative that is revolutionizing how we think is The Holacracy® operating system and governance structure that distributes leadership, and is designed to make the most of every employee's talents and strengths.

WonderWorks came to Holacracy® as a client first. Wanting to build increased flexibility and productivity into the practices of her executive leadership and consulting firm, McGrath learned about and then began to implement Holacracy's distributed-leadership model. Impressed by the results, Wonderworks became the first North American Company licensed to implement what Holacracy® describes as its “real-world tested social technology” for achieving effective distributed decision-making.

It's not always an easy sell, admits McGrath. Most successful leaders are natural decision-makers who feel responsible for the fate of their company, and are less than willing to give up that sense of control. Letting go of the power and responsibility they've pursued and accrued

over the years can seem like a tough challenge. However, if leaders want to continue to develop their skills and increase their capacity in today's market, they have to learn to face these decisions.

According to McGrath, CEOs are motivated to make this radical leap into consciously decentralized leadership by a variety of reasons.

“CEOs who have achieved a level of success ask themselves, ‘And now what?’ Sometimes they want more freedom to focus on other, longer-term aspects of their business, areas that are more fulfilling and beneficial to the organization's overall growth. Some want to pull back from the day-to-day operations and re-integrate all aspects of their life effectively,” says McGrath. “Even the most visionary leader can realize that there are not enough hours in the day to be effectively immersed in the details. It might be that productivity is stalled by outdated structures and processes, and they want to harness the practical benefits of clear governance.”

“Other times,” notes McGrath, “the business is growing and they want to be able to scale up with a system and structure aligned to the employees of the future. They understand that the marketplace is changing at such a rapid pace that all voices must be heard in a systematic way for their organization to survive and thrive. They realize that everyone is a leader in their role, and they want to find a system to assist in transitioning everyone's behaviors to match that worldview. They're committed to harnessing the full talents of all their employees, instead of just a few at the top.”

“After implementing Holacracy® tactics and governance meetings at Colman Knight, we experienced decreased confusion about who is doing what, a deepened commitment to the Colman Knight purpose, increased efficiency in meetings, and an engaged and enlivened Working environment.”

Gayle Colman – Co Founder of Colman Knight Integral Wealth Advisory Services

For many CEOs, the first step towards distributed leadership comes through exercises that take them back to thinking like an employee. While their goals may be different, the needs and wants of bosses and employees are more similar than you might think. Most people want to enjoy their job, have an optimal level of autonomy, stress and challenge in their roles, experience a level of clear accomplishment each day, and see how their achievements add to the organization's evolutionary purpose.

How much do static job titles and job descriptions contribute to job satisfaction? Not much. No matter how many hours you spend crafting job descriptions or determining titles, such markers can be obsolete by the time the employee has been a month on the job, as projects change or jobs are consolidated.

In a distributed leadership structure, employees develop and dynamically steer their roles and accountabilities instead of having static job descriptions and titles. These create a structured system to explicitly clarify and set out what each employee is responsible for on an ongoing basis, as well as any constraints or policies that will impact how he or she performs the job. Such governance records can provide accurate, valuable guidelines for shaping and

determining effective job performance.

Few teams share identical decision-making approaches within their group of employees. When there is more than one viable solution to a given problem and the decision-making structure isn't clear, circular arguments arise, frustration erupts, and trust erodes. After too much wasted meeting time, the situation is often resolved only by the most senior member "pulling rank" and making a decision by fiat, leaving the rest of the team feeling left out or unheard.

The alternative is a governance structure and operating system that gives each person in the room a clear role and specific accountabilities and authorities that are transparent and accessible to the whole company. Job roles are divided so that each person has decision-making authority over a certain aspect of a project. Employees will still gather and integrate all the necessary information and perspectives they need to make the best decisions on their own part.

Meetings like this are productive and valuable, since no time is wasted trying to influence, convince, or coerce others into accepting one choice over another. At the same time, breaking down decision making in projects like this allows an overall system of checks and balances that keeps wilder flights of fancy (or unfettered risk-taking) in check, and allows employees to satisfy their need for autonomy while working together towards a common goal.

As McGrath clarifies, the Holacracy® operating system and governance structure isn't just another way of delegating decision-making. Using Holacracy's processes and practices, decision-making power is shifted from an individual leader and distributed throughout all employees. Within each role and accountability, each employee becomes a leader, following a process with clearly stated rules everyone can see and follow.

A system like this is designed to promote engagement among all employees. According to a recent SHRM survey, 94% of HR professionals view employee engagement as "important" or "very important." Says McGrath, "The feedback I get from people at all levels of organizations is that they want to have the ability, a.k.a. power, to do their job effectively."

When employees are engaged, they care about the direction the company is going. They want their ideas and feedback to be heard. Instead of a few brave souls acting as the canaries in the coal mine, the entire employee base can be the "sensors" for the organization from moment to moment, raising "tensions" to dynamically steer priorities and decision-making. Anything sensed by anyone anywhere in the organization can be rapidly and reliably processed into the organization's evolution, whether in governance, strategy, new projects or simply next action steps.

Once an organization has implemented Holacracy® their employees now have autonomy within their role, excellent meeting practices and a new way of thinking. This creates an ideal environment to embed on-going employee development into their daily experiences. As employees learn how to participate in generating governance for their functions and roles, they begin to learn, grow and become increasingly confident as they dynamically steer their

future and the company's purpose.

Employees who thrive in this type of environment can increase their strategic thinking abilities, problem solving skills and gain confidence as they shape their roles and accountabilities. With this kind of dedicated ownership, they are focused on the company's evolutionary purpose, rather than on pleasing a particular boss or leader.

Because each employee enjoys a level of explicitly stated real authority and autonomy, personality clashes exacerbated by what can feel like a struggle for scarce resources becomes balanced by mutual respect, productive problem-solving, power-sharing, and focus on the organizations evolutionary purpose.

With co-created governance (using an integrative decision-making process), trust increases day by day as employees realize they have a voice and an ability to dynamically steer the organization through their own roles. Instead of inputting trust into a system, trust becomes the output as the whole organization commits to the governance process and practices.

“Having focused for years on introducing conscious behavioral practices and principles to leaders and their employee, I have now experienced the power of incorporating a system and structure that evokes consciousness and leadership on the part of the whole organization,” says McGrath.

“Consciousness grows over decades, while systems and structures can be implemented in six to nine months. So, you may ask, which comes first? We've found that wanting to distribute leadership demands a certain level of consciousness in a leader, yet without an effective system and structure to support it, consciousness has its limits. With consciousness driving the structure, everyone can build a more effective and resilient organization.”

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Short Bio:

Anna McGrath, President and Founder yWonderWorks

Anna McGrath Founder of yWonderWorks has been a pioneer in bringing transformational business practices to leaders and organizations for over two decades. Her mission is to support leaders and their organizations to love living and fulfilling their purpose, through conscious behavior practices and the Holacracy® Operating System and Governance Structure.

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