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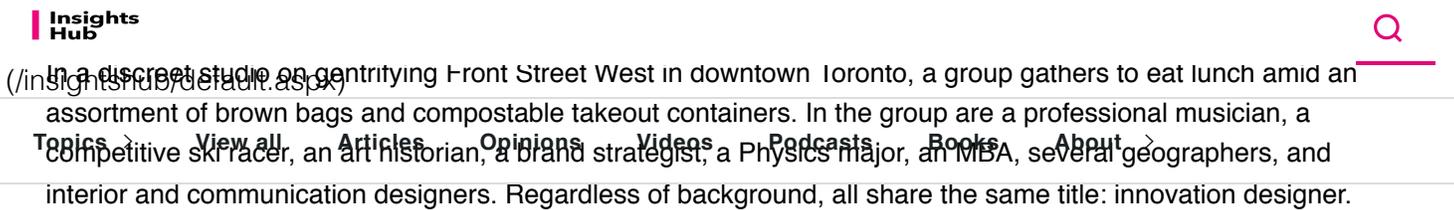
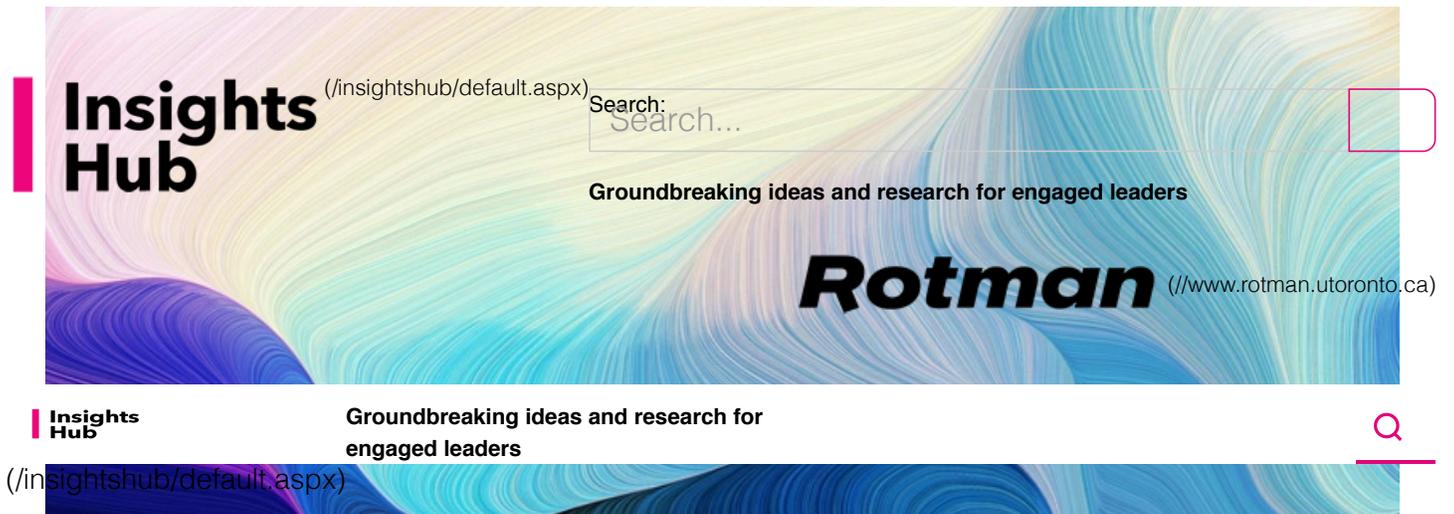
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From Hierarchy to Holacracy

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As organizations learn how to navigate an ongoing global health and economic crises, it's a good time to focus on better understanding the internal forces that power them. Welcome to The Moment, a Toronto-based innovation studio where purpose, not any one person, is boss.



Welcome to **The Moment**'s studio headquarters, where purpose — not any one individual — is the boss. And in this case, that purpose is to design a thriving future for us all. Project teams of employees (dubbed Momenteers™) organize work themselves, from start to finish, with no managerial oversight. Days are punctuated by structured routines (status reports and stand-up project check-ins) and social rituals that include story sharing (first Monday of the month); empathic agile scrums ('HR-focused Thriving Team circles'); and strategy and new business thought experiments ('MoDays').

When The Moment faced possible layoffs in the first months of the COVID-19 pandemic, its survival plan wasn't devised by its co-founders. A team was formed with preassigned roles, and a solution was delivered: All employees would take a temporary pay cut so that no one had to be laid off. "We put the team first because we understood that our team is made up of human beings," says one Momenteer. "Yes, I had to take a cut, and yes, it was tricky for my family. But I never once questioned the intention."

The Moment promotes itself as a purpose-driven organization that works with business leaders to, build innovation capabilities and execute projects focused on enabling a sustainable path to positive change, now and in the future. On the surface, it seems like many consultancies flogging trendy design-thinking services in the cause of business transformation. But upon closer examination, it is clear that it boasts a willingness to experiment where most traditional consultancies dare not.

Founded in 2011 by **Dan Rose**, **Mark Kuznicki** and **Greg Judelman**, the firm is passionate about driving positive change and helping teams and organizations ready for the future. Part of its value proposition is its joined-up team model: While other consulting companies approach projects as outside observers, designing strategies or solutions in a vacuum, Momenteers explicitly saddle-up alongside clients as team members — often occupying a dedicated working space at the client site.

Co-founder Rose embodies the firm's mission: "I believe that we are here to leave the world in a better place than we found it. I also believe that the world's purpose-driven creative and innovation design professionals are critical to shaping a better future for us all."

Holacracy: A Tool for Purposeful Business Design **Rotman** ([//www.rotman.utoronto.ca](http://www.rotman.utoronto.ca))

Inspired to design a better way of working, the co-founders of The Moment, with the help of their team, have set

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 (/insightshub/default.aspx) authorities of a traditional organization, replacing redundant and over-structured processes with short cycles or

Insights Hub (/insightshub/default.aspx) The Holacracy Constitution (holacracy.org/constitution) is the foundational document or manifesto that organizations including The Moment lean on for the redesign of their hierarchies into self-managed systems. It acts

as a guidebook and introduces organizations to a new package of systems with its own unique jargon. Traditional managers become lead-links who guide and coach their project teams, referred to as role-fillers. Together, they self-organize and evolve their processes based on the project and related context. Both lead-links and role-fillers share responsibility and accountability for tasks, outputs and success measures.

Circles offer the perfect metaphor for holacracy-powered organizations, which operate within a set of nested circles representing roles — like cells within larger cells. The holacracy colour palette reflects **Frederic Laloux's** evolutionary organization types ranging from red ('survivor'), to amber ('controller'), orange ('competitor'), green ('patron') and teal ('adaptor'). The Holacracy mindset favours green and teal as it directs people to organize around the work and serve a greater purpose beyond themselves. The system also requires a custom-designed employee handbook and toolkit, featuring branded applications such as **Glassfrog, Holaspirit, Nestr.io, Sobol** and **Loomio**.

Putting it all into practice is very much a work in progress. According to one Innovation Designer: "This is not for the faint of heart. I've heard The Moment described as the most amazing playground with no adult supervision, and that feels very apt. There's a lot of opportunity to challenge yourself to try something different — to hang upside down and look at the world in a completely different way."

There is growing evidence that holacracy is a much better fit for certain types and sizes of organizations than others. It is the unrelenting pursuit of self-management that intimidates most companies and tires some practitioners, who can describe the experience as a heavy cognitive

load. The approach requires participants to make smart decisions all day long. That can be an enormous challenge for certain individuals because

- all team members must exercise their voice and power daily;
- participants are agents of their own personal change and enable the change or transformation of others; and
- leaders must continually relinquish power, as teams assume it.

This burden can be too much for some — which was apparent when Zappos offered its employees an any reason buyout in 2015: Of the 18 per cent of employees who accepted the buyout, one third cited the company's adoption of holacracy as their main reason for leaving.

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The concept of the evolutionary organization' is the foundational thesis for holacracy

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A Transformational Journey



The concept of the evolutionary organization is the foundational thesis for holacracy. These organizations embrace

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([sign up for any training](#)) inside or outside of the company, as long as they believe the costs can be justified. People choose their own development path and explain their rationale to the team in the cause of growing a culture of

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([sign up for any training](#)) founders wanted to retain consultants who love doing the work, but who don't expect to manage every project or to be told how to do it by a senior VP. They desired a flatter organizational structure that would attract and retain a mix of strategic, tactical, creative and analytical mindsets. And they were driven to experiment on themselves before applying or recommending innovative strategies to clients.

The firm's purpose-based alignment requires that it question the goals and needs of their business—and their clients businesses. Client expectations need to be re-wired around everything from the absence of hierarchy and traditional titles, to terms of engagement.

“At other places I've worked, most of the time the relationship or the power dynamic was in the hands of the client, and we were just servicing them,” explains one Momenteer. “Here, we are all equals, and this is evident in the way we initiate engagements with our clients. That sometimes throws people off.”

Zappos decided to embrace the holacracy operating system because as it grew, it realized it was putting on procedural weight and adding employee layers — slowing its ability to sense and respond to customers. The company's leaders saw holacracy as a tool to enable every employee to quickly respond to customer feedback, and to secure a consistent customer service experience. Zappos is quick to point out that it has evolved and customized its original holacratic structures to reflect its people-centred culture.



What is Holacracy?

Holacracy originated from sociocracy, first introduced in the 1960s as a new organizational hierarchy of semi-autonomous circles revolving around trust as a central tenet. Building upon the idea of self-management, a term popularized by social psychologist Leta and Leta Stetter in the 1970s and 1980s, the concept of participative management appeared in the 1990s, highlighting the need for stakeholder involvement at all levels for prob-

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preneur Brian Robertson, who recognized the need for companies to be more agile and move away from the "of the people, by the people, for the people" mode

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Holacracy is named after 'holarchy', a term coined by the writer Arthur Koestler in his 1967 book, *The Ghost in the Machine*. Today, Holacracy is gaining popularity as an agile organizational operating system where work is designated to roles, not specific people, and where decision-making is distributed rather than centralized. Employees have the flexibility to take on various tasks and move between teams freely.

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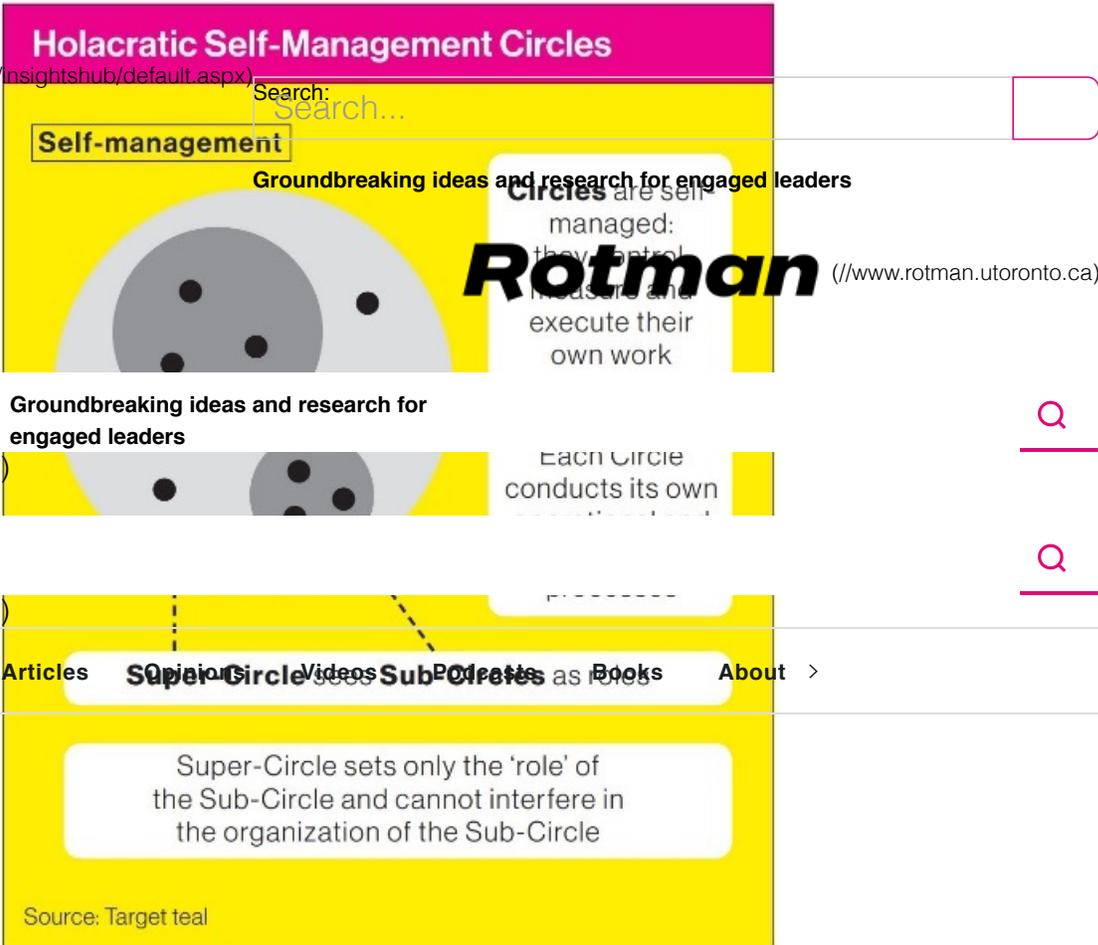
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The Moment did something similar, applying holacracy rules then adapting processes to suit its culture and the needs of team members One thing is certain: Complacency in a holacratic workplace can't survive. The idea of bringing your whole self to work, every day, is encouraged and expected. Meetings are designed to promote and reinforce the desired horizontal culture, but the type of meeting (i.e. tactical or governance) needs to be made clear, and guiding principles for maximizing efficiency and collaboration followed closely.

We all love heroes who save the day—but what about all the people who keep the day from needing to be saved?

Some critics of holacracy maintain that the absence of an official hierarchy can make decision-making and approvals confusing or even dysfunctional. The Moment is not immune to that challenge. "I've personally struggled with that in terms of what's almost the lack of authority," says one Momenteer. "Sometimes it equates to a lack of accountability and lack of action. It's gotten me into hot water a couple times. Just trying to navigate that dynamic has been tricky."

One of the co-founders recognizes such struggles, and says the firm is still establishing and tweaking its norms and practices. "Asking and inviting everybody to self-manage a business when not everybody has a business education or background is a challenge because there are different levels of capacity, knowledge and capabilities with respect to the core functions of business," he says.



The screenshot shows the Insights Hub website interface. At the top, there is a search bar with the text "Search:" and "Search...". Below the search bar, the main heading is "Holacratic Self-Management Circles". The article text includes "Self-management", "Groundbreaking ideas and research for engaged leaders", and "Rotman". A sub-heading reads "Circles are self-managed: they control their own resources and execute their own work". Below this, another section is titled "Groundbreaking ideas and research for engaged leaders" with the text "Each Circle conducts its own...". At the bottom, there is a navigation menu with "Topics > View all" and a list of categories: "Articles", "Super-Circle", "Videos", "Sub-Circles", "Podcasts", "Books", and "About >". A highlighted article snippet states: "Super-Circle sets only the 'role' of the Sub-Circle and cannot interfere in the organization of the Sub-Circle". The source is cited as "Source: Target teal".

Lessons from the Holacratic Journey

Employing between 12 and 20 people at any one time, The Moment is reflective of the size and type of organization that makes up the majority of current holacratic organizations. Generally, key characteristics associated with successful holacratic organizations include the following:

SHARED TRUST. Almost nothing about the inner workings of The Moment or client work that can't be seen by all members of the team.

RESPONSIBILITY THROUGH SELF-MANAGEMENT. Each individual is accountable to the promises made, and the responsibilities they hold.

WHOLENESS THAT REFLECTS HUMAN-CENTRED DESIGN PRINCIPLES. This includes equal worth across roles, education and skills; a safe and caring workplace; interconnectedness with other natural or organizational ecosystems; and, continuous learning.

The Moment's success stories to date speak for themselves:

- A 50 per cent customer adoption rate of paperless services for one of the biggest insurance providers in Canada;
- Designing and accelerating the launch of a new global donor program, resulting in a 200 per cent increase in repeat giving for one of the world's largest charities;
- Engaging and retaining high-net worth clients for one of Canada's leading banks, helping them achieve their goal of offering the best customer service in the industry;

Increasing total mobile subscribers by 21 per cent in 2019 for a large Canadian telco by validating and launching a new market opportunity for an underserved audience; and,

Uniquely offering clients a joined-up team approach to collectively solve problems that matter to customers, and The Moment.

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As indicated by holacratic organizations like The Moment and Zappos, when purpose is the over-arching principle, profits — and happy customers — often follow.



Holacratic Organizations by Country

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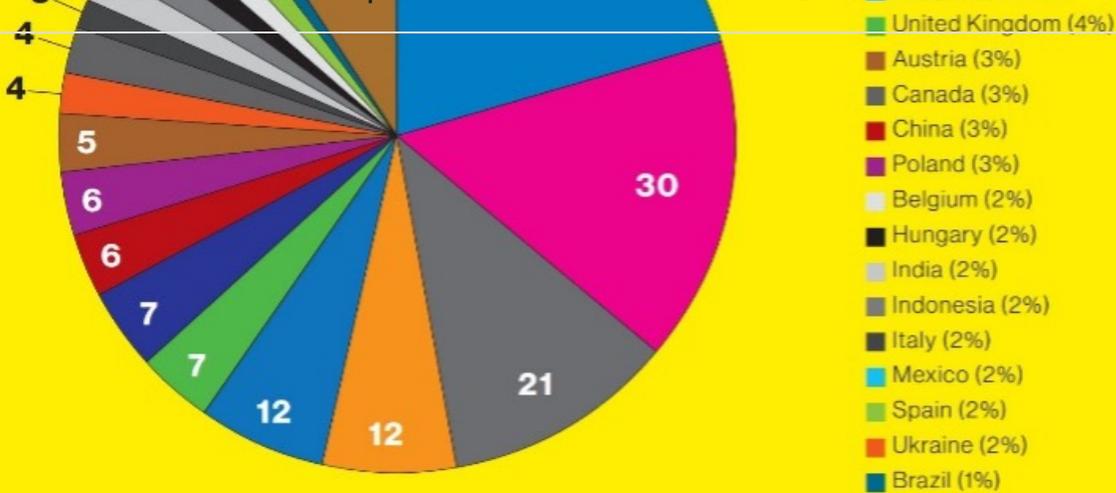


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In closing

As organizations learn how to navigate an ongoing global health and economic crises, it's a good time to focus on better understanding the internal forces that power them. "We aren't a family business, but I feel like we interact like a family," says one Momenteer. "We have shifted the dynamics in a way that honours our people, our purpose, and the business itself."



This article first appeared in the Spring 2021 issue of **Rotman Management** magazine. Published in January, May and September, each issue features thought-provoking insights and problem-solving tools from leading global researchers and management practitioners. [Subscribe here](https://www.rotman.utoronto.ca/Connect/Rotman-MAG/Subscribe-or-Renew) (https://www.rotman.utoronto.ca/Connect/Rotman-MAG/Subscribe-or-Renew).



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