

Staatliche Berufliche Oberschule für Wirtschaft

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Thema: Flat hierarchy and holacracy – how organizations without managers succeed

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Introduction:

Most companies always structure their company the same way. You all know the tall hierarchy with quite a lot of management layers. But what about trying something new and different? Have you ever heard of flat hierarchy or Holacracy? It's a new trend that seems to be successful and becomes more and more popular. That's the topic I'm going to be talking about today.

1. Flat hierarchy

1.1 Definition:

A flat hierarchy is an organizational structure. Contrary to tall hierarchy there are very few or even no layers of management between the employees and the top management. In some cases there is only one manager that all employees need to report to. Therefore the span of control of the manager(s) is very wide.

Most of the companies that have changed their organization to a flat hierarchy are small companies or companies that need to be adaptable.

But success shouldn't be taken as a matter of course. You need to do it right, otherwise it could lead to confusion at the workplace and cause dissatisfaction among customers. Correctly used you can make sure to keep customers content and employees happy.

Another very important thing is to trust your employees and to allow them to be creative and to make their own decisions.

1.2 Advantages:

- Better communication between managers and employees
- Ability of cutting costs because there are fewer people to pay
- Flexibility is increased
- Employees are more motivated and work better

1.3 Disadvantages:

- Managers are probably not able to cope with that much authority
→ it's difficult for them to keep their team organized and productive
- As soon as the organization becomes larger, it might not be possible to maintain this structure
- Employees often have more bosses what might cause confusion because there is no specific manager to report to
- Specific functions might not be clear since there are a lot of generalists but no specialists

2. Holacracy

2.1 Definition:

Holacracy is another organizational structure that was developed by Brian Robertson and functions without a boss and even without managers. There is no hierarchy. All power and authority is allocated to different defined roles so there is a lot of flexibility and self-organization possible.

2.2 How it works:

Describing how Holacracy works isn't that easy. There are many expressions like roles, circles, governance meetings, transparency, etc. that we probably wouldn't think of when talking about company structures.

In Holacracy people have defined roles, even multiple roles in several teams (circles). Each role has certain tasks and aims as well as so called "accountabilities" that make clear what is expected of them. Furthermore the role descriptions can be redefined or amended any time considering the current needs of the team. The focus is on the role that needs to be filled and not on the person that fills the role.

The teams are called circles. Holacracy is actually made up of these circles. Each circle contains many different roles that have specific functions in common. There is one super-circle which includes all other circles or also sub-circles, which develop when a role isn't able to handle its responsibilities and has to divide into sub-roles. Every single circle is allowed to manage and organize itself but also needs to synchronize with the others, in order to avoid confusion.

To be able to communicate among each other, each circle chooses one representative and sends him to other circles.

In Holacracy governance is executed by every single circle. Each month there are governance-meetings within the circles to discuss problems or overlooked opportunities in terms of roles, their tasks and duties, their aims and what they can decide on.

Rules, role definitions and governance records are transparent which means that everyone of your circle always knows everything about the other roles, all changes and what is going on.

Every week a tactical meeting takes place. The purpose of these meetings is to make sure that circles are always organized and efficient. During such meetings attention is aimed at finding a feasible solution for different issues that works for the moment because as soon as it turns out to be a bad idea it can be reviewed or adapted immediately. That functions a bit like trial and error, since the members can actually implement the decisions, analyze how they work and learn from the outcomes. This can support fast growth of the organization.

All the rules and processes are written down in the Holacracy constitution.

2.3 Advantages:

- There is a constant evolvement
- It is possible to adapt and change the structure, conditions, rules and processes any time
- Allows to react to problems immediately
- Leaders don't have to make every decision anymore → reduces stress
- There is no gap between leader, managers and employees → better communication
→ as a result there are no longer that many conflicts
- Leads to higher motivation and productivity of members → increased competitiveness

2.4 Disadvantages:

- Restructuring a company to Holacracy is quite time-consuming
- It is not possible to adapt this organizational structure to every company
- You won't get rich (in terms of money only)

3. Successful organizations

Like the name already tells you, flat hierarchy does not completely eliminate hierarchy. There are often still managers or CEOs. But it is a step in the right direction. You can have success with a flat hierarchy, but only when you do it right, like Valve or Morning Star for example.

Organizations that use Holacracy are for example Zappos, Medium and the David Allen Company. More and more organizations start to wonder whether there is a better possibility to structure their company.

3.1 Premium-Cola

Another example is Premium-Cola that works a bit like Holacracy. Uwe Lübbermann is the 'moderator' as he calls himself. There are roles as well. All people receive a fix salary and can work from wherever they are since there is no office. Tasks and duties to be fulfilled by the roles can be changed any time. Decisions are made during online-meetings.

But what is really special about this organization is that it does not only focus on itself.

Mr. Lübbermann managed to set up a huge system in which everyone (his organization, producers, haulers, distributors, consumers, etc) is connected to each other. And this system functions without contracts. Communication has to work very well in order to keep this system successful. In order to be able to communicate with everybody an online platform was created and meetings take place regularly. Premium-Cola invites every contact they have to attend these meetings and whoever wants to come can do so. At the meetings important aspects and suggestions are discussed until every single person is satisfied. There must not be anybody who does not agree! Decisions and agreements therefore are made by the whole system to make sure that everybody knows what's going on and to avoid confusion. Thus the aim of Premium-Cola is not mainly the profit but to keep all people included in the system pleased and happy so that everyone stays with the organization.

Now some questions about the risks and legal aspects like insurance might occur.

Well, of course there is a risk of somebody abusing the possibility of free access to the capital. But the probability of this happening is very low. The people working at Premium-Cola are very content with how they are treated. The trust is very high. Why would you steal money from someone who pays you even if you're not able to work for a while? Because that is what Mr. Lübbermann does. He would never desert someone who is in trouble and that's the reason why there is so much trust in this organization. In 14 years there have been only 2 people that tried to steal money. It was noticed and both were dismissed. This works like every other decision making process. A person speaks out on the suspicion but needs to prove it so that everyone is convinced because there must be no single veto (the person under suspicion cannot veto). Otherwise the person under suspicion is allowed to keep working for the organization. Furthermore you could just open more accounts and give each person access to only one of them. Like this you can prevent your organization from losing too much money in such cases.

Legally, Uwe Lübbermann is the founder and owner of the organization. And the organization is a

company so everything works like we are used to. He is liable for everything and has taken out insurance.

But Mr. Lübbermann actually sees himself not as a manager or CEO but as a moderator. In case of need he has the final say, what means that if they are not able to agree on something at a meeting he can decide what to do. That happened twice in 14 years.

Premium-Cola proves very well that Holacracy and companies without managers in general can be successful. It is sustainable, it is more flexible, it can reach many people and it offers more freedom.

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Leider habe ich zu diesem Thema keine Literatur in den Büchereien gefunden. Aus diesem Grund musste ich auf Internetquellen zurückgreifen.

Eine weitere Quelle war das Gespräch mit Uwe Lübbermann. Ich habe über diese E-Mail Adresse Kontakt zu ihm aufgenommen:
tv-beitrag@premium-cola.de