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ORGANISATIONAL CHANGE TOWARDS HOLACRACY

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A. TABLE INDEX

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1.Introduction

Organisations have changed. Today's state of consciousness has allowed people to better understand the complexity of the environment and organisations have been shaped in order to reach stability. But what if this stability is based on systems that at first look seem to be a disorder, a complete chaos?

Since the beginning of the history of the organisations, it has always seemed a total mess to have an organisation without a formal authority with top-down decisions. The traditional configuration that reduces the decision-making process to a limited number of people within the organisation has been crucial to centralise the power and thus have a complete control over the organisation. But this governance has proved to be unable to make changes and innovate in a short period of time.

Today's advance of technology and the approach to a global world has revealed the existence of a more complex world, where things are constantly changing and there is nothing that can last in the long term without first becoming obsolete. But there is an alternative that organisations have in order to reach constant adaptation to the environment.

Self-management is the newest way of understanding complexity in organisations and it fosters the total distribution of authority through the organisation, in order to make it more sensible and adaptable to changes in the environment. It is a system that gives more freedom than ever to individuals, who act according their needs inside the organisation, taking into account the broader purpose that encompasses the sum of individual needs.

As it was discovered and started practicing during the end of the twentieth century, it is a system that is constantly being adjusted to the needs of the individuals that are part of organisation. For that reason, there is no standardised practice of self-management but every company has to develop the most suitable one to cover their own necessities.

Nevertheless, there exist some practices of self-management that have compiled a set of procedures and norms so that the implementation of self-management can be facilitated rapidly and effectively. Holacracy is the most popular example of this kind of practices due to its complexity, as it covers all the organisational, operational and strategic aspects that an organisation must have.

The purpose of this work is to introduce Holacracy as the most developed form of self-management that we know until now, as well as describing all the different aspects that compose this practice. Self-management is a wide system that can encompass many different practices but there is not any other method that takes into account such a variety of processes that intervene in the functioning of an organisation but Holacracy.

In order to give a clear explanation of self-management, first of all there will be briefly explained the transition that our society has suffered due to the evolution of our state of consciousness, making also evolve the way we perceive things in the environment, and how organisations are shaped according to our mindsets.

Later there is going to explain the concept of Holacracy and all the parts that compose it. All of them compiled inside the core document that formalises the practice, the constitution. In this way it will be showed that this practice enables the company with all the basic necessary conditions for the implementation of self-management within the

organisation. This also will be showed with the study of the Zappos case, where its CEO Tony Hsieh decided to implement this practice in order to make the company look like a city.

2.The evolution of organisations

Over the history of humanity, the journey of people's consciousness has been an object of study of a great number of scholars. It is assumed that we have gone through a series of successive stages of human consciousness. In each of these stages the society as a whole has developed new abilities that have allowed us to adapt to the environment in a more complex and intelligent way.

Additionally, the work carried out by the author Frederic Laloux in his book, *Reinventing Organizations*, shows an organisational insight according to the evolution of humanity. In his work, Laloux (2015) realised that "Every time that we, as a species, have changed the way we think about the world, we have come up with more powerful types of organizations" (p.5). Thus, at the same time that the development in human consciousness has changed the cognitive, moral and psychological abilities, but also the way we collaborate to deal with the world. The author bases on Wilber's and Wade's works to clarify that humanity grows in stages. Rather than growing continuously, humanity evolves by continuous transformations, from some simple and underdeveloped states of mind to other more complex ones. Wilber puts a colour to name each of these states of consciousness and so does Laloux in his book in order to refer to both the states of consciousness and the organizations that join them.

In first place, there is the Reactive-Infrared paradigm, followed by the Magic-Magenta paradigm, the Impulsive-Red paradigm, the Conformist-Amber paradigm, the Achievement-Orange paradigm, the Pluralistic-Green paradigm, and finally, the Evolutionary-Teal paradigm. This last evolutionary paradigm has appeared recently and has supposed the emergence of unconventional organisational practices that can be the solution to many problems of what we actually now about organisations.

The earliest developmental stage of human consciousness, named as Reactive-Infrared paradigm is situated around 100,000 to 50,000 BC. During this period people used to live in small bands or family kinships of over 12 members. At this stage isn't yet any kind of organisational structure. There is no work specialisation, no division of labour, no hierarchy, no chief that leads the band.

This primitive way of living isn't even perceived as a way of organising and it can be surprising for many people that still nowadays exist bands of people operating from this paradigm.

A bit earlier started the Magic-Magenta paradigm, around 15000 years ago, humanity shifted from those bands of 10 to 12 people to tribes of over few hundred people where division of labour and specialisation remained extremely limited that organizations still didn't exist yet. At this stage, elders started having a certain degree of authority over the rest of the people.

The first organizations came around 10,000 years ago during the shift to the Impulsive-Red paradigm. The Red Organizations come from the fully attachment of the ego, making possible the role differentiation. Meaningful division of labour, wide spans of control, centralisation of power, a unique chief and a crowd of soldiers and slaves becoming from neighbouring tribes that have been defeated. This kind of organizations

mostly appear in hostile contexts such as combat zones, civil wars, prisons, or violent inner-city neighbourhoods. Today's most common appearance is in shape of street gangs and mafias, where the leader has achieved power due to his or her status and demonstrates strengths but, every moment that the status is doubted any one can take the position. There is no formal hierarchy, no job positions. Although this organizational structure is perfect for chaotic environments where there is a need of reactivity and there is no time to plan a strategy, it breaks down when the environment is more stable, as the lack of formalisation prevents designing strategies and follow the orders according to a chain of command.

The next evolutionary stage of consciousness, starting around 4,000 BC in Mesopotamia, brings on a new way of understanding the world. The Conformist-Amber paradigm comes up with the emergence of states, bureaucracies, organised religions, civilizations, institutions, and formal structures. In this stage, the level of consciousness has evolved to an understanding of other people's feelings and perceptions. The empathy of this perspective allows the society to internalise group norms and feel the importance of being part of a group. The worldview is static, it's all delimited by norms and societies tend to be highly stratified.

Amber organizations are able to see the medium and long term and to plan strategies to adapt the environment in a further timeline. Having a long-term perspective allows amber organizations to set the processes in order to try to command and control the future events and minimize risks. There is only one right way for doing things and the rest of alternative options are seen as imprudent.

The high formalisation and the rigid structure of fixed hierarchies settles down in a pyramid of formal chains of command with high standardisation, rigid rule systems and top-down decision that led to the apparition of social masks, the use of titles, ranks and uniforms to differentiate from the rest. The Egyptian, the Chinese empire or the Feudal Society is a clear example of the Conformist-Amber paradigm, but the real thing is that a big part of human society keeps performing from this stage nowadays. It is still very present today in most govern agencies, public schools, religious institutions or the army, for instance.

A next step through evolution is the appearance of the Achievement-Orange paradigm. In this stage people start questioning authority and the status quo is submitted to a constant evaluation. The vision of the world inside this paradigm is solidly materialistic, there is no beliefs in spirituality and there are difficulties in believing in something that cannot empirically be proven or observed. In an orange society every individual should be free to pursue his goals in life and there still existing the social perspective of recognition of the rest, which belongs to the Conformist-Amber paradigm. If you become successful in life you have the need to show it so that people can recognise it and admire it.

Today's corporations are the biggest example of orange organisations. Acting from the Achievement-Orange paradigm mostly base their success in three main aspects: innovation, accountability and meritocracy.

The status quo is questioned and many improvements have been made since the apparition of orange organizations, such as internet, telecommunications and many other services. Thus, the aim to innovate has caused a change in how organisations are organised, from the traditional rigid pyramid structure to project driven groups, cross-functional teams and virtual teams.

Management by objectives becomes the most effective way to predict and control the outcomes. Employees get motivated by having a material goal to succeed and there is not only one way to reach them. Creativity has a important paper as workers are given freedom to act in the way they consider always that the objective is completed. Although not in all cases, leaders can feel afraid to give up control and they make decisions that would be better made in the front line, so this excess of control makes the company less adaptable to the environment.

The premise of meritocracy says that everybody can move up the ladder, and nobody is predestined to stay in his position, as in the Conformist-Amber paradigm. This mobility allows people to put their best to find the most suitable place in the organization. This premise eliminates the old hierarchical stratification and it is replaced by professional masks which people tend to wear. Instead of uniforms, the of car you drive, the size of your office or the house where you live are symbols of success.

After the Achievement-Orange it comes the Pluralistic-Green paradigm. In this stage of consciousness there is an awareness of the inequalities and the high sensibility to people's feelings gives rise to modern liberation movements such as the liberation of slaves and women. While in Achievement-Orange decisions are taken from the top to the bottom in the Pluralistic-Green worldview fosters bottom-up processes, gathering information from all the sides and submitting them to consensus. In Green societies leaders serve the rest of the members, rather than symbolising a charismatic image that defines the direction of the organisation.

Green organisations don't go well with power and hierarchy. Instead, everybody is given the same amount of power and decision making is gone through consensus, which hasn't been successful due to the difficultness of coming up to a decision among a large group of people. High levels of decentralisation, an inspirational purpose and a multiple stakeholder perspective puts Green organisations in a place similar to a family where employees are part of the group and they are all ready to help each other and serve the purpose of the organisation.

In his book, Laloux (2015) expresses, "Organizations as we know them today are simply the expression of our current world-view, our current stage of development." A long period of history has past to get us to the actual stage of human consciousness. Despite the fact that some paradigms are named as a more evolved states this doesn't mean that some are better than others, it's just that ones are better to adapt to a determined environment. For that reason, there is still a coexistence between these environments and some fit better than the rest depending on the conditions.

These first six stages correspond to what many authors call "first-tier", the first stages of human consciousness development that mean just the beginning of the evolution. From every perspective of each of the "first-tier" paradigms, it is considered that their worldview is the only valid one and the rest of the points of view are mistaken. That marks a difference between the "first-tier" and the "second-tier", this last one encompasses the next stages of human consciousness, where people transcend and accept that there is an evolution towards more complex worldviews.

2.1 Evolutionary-Teal organisations

The actual moment which humanity is going through has a special meaning from an evolutionary point of view. We have started shifting to a next evolutionary stage, pertaining to the “second-tier”. Thus, the way we see the world is changing and also the way we organise. New kinds of organisations are growing more and more every day, and they seem to come to stay. The evolution has given us the possibility to experience the birth of Evolutionary-Teal organisations.

The next step in the evolution of human consciousness has to be with Maslow’s “self-actualizing” level. In this stage we learn to disidentify from our own ego, being capable to leave fear and scarcity and giving room to trust and abundance. The fears associated with our egos still there, but we learn how to manage to exist without them. Whether in earlier stages there is a big importance in recognition and external factors to determine success, in this new stage we shift from external motivational factors to a journey of unfolding the true versions of ourselves. Internal motivational factors overcome external motivational factors in our decision making. “We don’t pursue recognition, success, wealth, and belonging to live a good life. We pursue a life well-lived, and the consequence might just be recognition, success, wealth and love” (Laloux, 2015, p.45).

Some psychologists call this phenomenon as a shift from a deficit to a strength-based paradigm. This statement has been considered as object of study in many different areas, from business to education or health care. Instead of the traditional point of view that we human beings are problems waiting to be solved, we are more closely potential waiting to unfold. This position allows dealing with the setbacks and mistakes in a different way as obstacles are experiences from which one person must learn and are the key to improve. Besides, this paradigm goes further than the traditional rational thoughts and gives way to intuition, the unconscious connection of patterns in a way that our rational mind cannot.

The sense of wholeness, a net of connections between people that work completely independently but in the same time are part of everything is the key piece to reach the true self. This helps people to not be driven by egos and feel part of the community and have a common goal. There is an equal value between the individual’s thoughts although ones can be truer than others, and people don’t judge others people’s ideas when they don’t agree because both opinions are equally valid.

Achievement-Orange organisations are seen as machines, Pluralistic-Green organisations are more closely to families. In Evolutionary-Teal, organisations are compared to living systems. As indication buttons in an airplane, or cells in the human body, people are the sensors of the company, and these sensors are the ones which make the company able to adapt to the environment. The way organisations can transcend from soulless to soulful is harnessing the tremendous sensing power of the human consciousness that are part of the organisation.

The apparition of self-management structures is an indicator of the Evolutionary-Teal existence. In self-management structures there are no bosses, no subordinates, no traditional hierarchies. Instead, there are fluid hierarchies of recognition, where some people have more to offer than others and thus, their opinions are more considered. There are not middle managers, there are coaches with wide spans of support. Decisions get made with peer-based processes like the advice decision making, where tensions

are solved by the parts that are affected, giving opinion of the decision and acting according to the advice given.

Teal organisations are purpose driven, an energy that inspires and gives direction to the members of the organisation. Companies acting from this perspective don't focus on competition, they have a clear purpose of existence. If you want to change something you have to understand that the other organisations are not rivals, they make it easier to adapt to the environment, it is not a race, it is a peregrination.

Most of today's companies base their strategies in the shareholder value, in the expected profit. It is important to survive, but for Evolutionary organizations it is not as important as the main purpose of the organisation. Profits are the product of a work well done, if you seek a reason to be in life it will come with good results.

In sum, Evolutionary-Teal organisations are the new expression of human cooperation where authority is distributed and decision making is carried to the closest moment to action. Teal organisations organise in self-managed teams that work through peer-based systems based on the trust of the colleagues which seek to sense and respond to changes in the environment instead of predicting and controlling the outcomes. The sense of wholeness of these organisations allows people to be the true expression of themselves and treating every individual in the organisation with the same level of importance. The main reason for the existence of these organisations is an evolutionary purpose that sets the direction of the company. The organisation will act upon this purpose and as a result, if things are done correctly, the company will be granted with good results and growth.

2.1.1 Self-management as an alternative

Today's big organisations are characterised for following managerial theories appeared during the late nineteenth and early twentieth centuries. Operating by the principle of unity of command, subordinates report to managers that hold the authority to make decisions on the tasks they have to do and take the responsibility to perform the work as it is expected. This managerial hierarchy seeks predictability and efficiency, giving the paper of manager a crucial role to ensure work is done makes it suitable for stable environments where measurement, accountability and efficiency are key factors of success. But perhaps it might not be the most perfect system to deal with uncertainty, as when complex non-routine problems come this kind of structures tend to respond rigidly and slowly rather than rapidly and flexibly.

This rigidity has driven our organisations to the world that we can see today and has enabled us to deal with complexity and reduce uncertainty. But now it's different. Information goes faster and faster than ever, technology grows extremely fast, faster than our organisations can adapt to it. The rigidity of the organisations' structure supposes a barrier between the requirements of the environment and the potential of the company. Besides, managers in managerial hierarchy systems are not prepared to solve organizational problems at all organisational levels. They just don't have enough information to address problems in a correct way without the help of subordinates, who spend day to day dealing with the complexity of their tasks and have better knowledge than their managers on how to deal with them.

In addition, today's people have also changed, they have different mindsets, different points of view, different behaviours. Before, workplaces were just considered as a way of making money to feed the family, earn a house and make a living. Now, with most of the necessities covered, workplaces are seen by people as places for personal meaning. Today's people "seek or expect personal fulfilment and mission through their work more than did prior generations" (Lee & Edmonson, 2017), and many of them feel the work as more meaningful when they have more freedom to act over it and less restrictions.

Self-management organisations are an alternative to conventional managerial hierarchies focused on predict and control. In self-managed organisations there is a radical decentralization of the authority, managers are eliminated and the authorities are distributed through individuals. In this way, many of the decision rights are decentralised, for example the formal authority over work execution is completely decentralised, no one tells others how to do their jobs. This decentralisation allows the company to respond rapidly to changes in the environment and modify the shape of the organisation according to those changes.

Decentralisation does not mean lack of formalisation, in self-managed organisations there does exist a very detailed list of rules and procedures that must be taken into account in order to distribute authority via formal arrangement. These procedures help delimitate the process of decentralisation and prevents people to act according conventional ways of hierarchical distribution of power. This formalisation is only useful because of the scarcity of this kind of organisation. As the implementation of these new techniques is new no one has internalised this way of operating, but by the time it becomes more widespread, self-management practices will become taken for granted by the society.

Decentralization in self-management structures does not stop in a team, it occurs throughout all the organisation. All the organisation works in this way and there are no exceptions. Even though authority is distributed all over the organizations, it is not equalized. There exist roles that have more responsibility than others but the normalised system prevents ones using their authority over others.

It is a hard work to stablish a self-management system from zero because there are a lot of risks that must be taken in order to provide that flexibility over decentralization of power within the organisation. For that reason, many companies like Zappos, an online retailer company with more than 1500 members, have opted for adopting Holacracy, a constitutional system with a formalised transition to a self-managed structure. With this system distribution of authority can be made rapidly through all the organisation, using a process of transforming the traditional corporate structure into autonomous roles that work as cells in the human body.

3. Holacracy: concept and functioning

From the beginning, it has been a process of trial and error with a clear purpose but with no existing boundaries that determine what is wrong and what is right, only the practice has determined the validity of these self-management practices. But eventually, the way organisations have started to adopt self-managed structures and processes has provided enough resources to define formal techniques and routines

fostering a climate of constant change in small doses and reaching highly effective methods of decentralisation of power. This is the case of Holacracy, an organisational self-management system created by Brian J. Robertson in 2007 which has developed a full system to decentralise authority and ensure a complete performance of self-management teams and an effective resolution of tensions.

In this part there is going to be explained the idea and the functioning of Holacracy. This system is a recent breakthrough in the area of organisational management and contains many new concepts that are mixed together in order to fulfil effectiveness. Inspired in the idea of sociocracy, the company is divided in circles that are connected within each other and decisions are made via peer-based processes. But the most significant component of Holacracy, and what makes it unique is its constitution, where all the important aspects of the functioning of the company are established and formalised so that all the members of the company can rely on this document in order to maintain a self-management atmosphere and don't get lost in the process of adopting the system.

3.1 Definition of Holacracy

The term holacracy comes from the word "holon" and the suffix "-cracy", from Greek "krátos" (WordReference, 2021). It means government by holons. A holon is something that is simultaneously a part and a whole (Pérez, 2020). A part that fully works with autonomy but in the same time depends on a superior set. In other words, holacracy refers to a governmental system where authority and decision making is spread along the organisation, which contains self-organised groups of people that manage themselves autonomously but with a clear sense of wholeness, a common direction and a shared vision (Hargrave, 2019).

According to its founder, Brian Robertson, "Holacracy is not a model, idea or theory. Holacracy is a practice...for organizational entities, not for individual humans or even groups of humans. And even though is not about them, the practice benefits them and is expressed through them" (Holacracy, 2021a).

This practice is a shift to a new evolutionary way of organising. It is a new stage in human consciousness that is led by a sense of meaning and purpose, where the ego is already existing but replaced by the essence of wholeness.

3.2 The constitution

Holacracy holds a set of rules and procedures that clarifies the necessary conditions that must be created within the company in order to prevent people of getting lost with the purpose of transitioning the old organisational structure to the new one. It gives a brief explanation of the most important concepts of the practice and it is also used as an agreement that establishes that Holacracy is going to be implemented in the company

(Holacracy,2021b). In table 1 there are summarised the main characteristics of Holacracy.

Table 1. Characteristics of Holacracy

Characteristics of Holacracy
Purpose: alignment with a common purpose that sets the reason of existence of the whole organisation. All individual interests build up a common sense of direction.
Circle Structure: the organisation is a team of teams composed by holons that work autonomously, all part of the Anchor Circle of the company.
360 feedback: Lead, Rep and Cross links ensure the flow of information through all directions within the company.
Formalisation: Set of rules and procedures encompassed by the Constitution that enable the company adopt self-management in an organised way.
Programmed meetings: Governance, Tactical and Strategic meetings cover all the aspects of the organisation's scope.
Adaptability: total flexibility in the formulation and elimination of different rules, procedures, roles, strategies, next-actions, projects...
Distribution of authority: members act upon their domains and are responsible for taking the correct decisions on the accountabilities of their roles.
Integrative decision making: decision making process based on the advice that ensures communication between different parts of the organisation in order to reach mutual agreements.

Source: own elaboration.

Even though it contains all the relevant information about Holacracy, the constitution is not a guidebook that explains how to learn to take it in practice but it can sometimes serve as a reference. The information given is only to have a picture of the concept, but it doesn't get deeper into the matter as it has to be brief. Nevertheless, the book Holacracy is the most recommended guide where to collect information and put it in practice, although the most suitable option is to hire external consultant services that can facilitate the implementation and solve the problems that individuals may have when misunderstanding some aspects.

Holacracy relies on a variety of processes that all together make the organisation able to both solve tensions related with internal governance and operations. There must be distinguished the governance process from the operational process, and so does the constitution. Here every process is explained and structured individually, and many rules and procedures are established.

In this work there are going to be analysed the most critical parts of the constitution that shape the concept of Holacracy, giving a more detailed description of the different processes that compose it.

3.2.1 Circle structure

The structure of the company is organised by circles. Circles are units of autonomy and authority that fill a role in the company and also have the duty to serve the broader purpose of the company. As a part, it coexists with the rest of the holons and sub-circles of the organisation, so the needs of the rest of the circles within the company must be taken into account by the circle. To do that, is very important to have a good definition of what is a role and what is behind its authority, what is the purpose of the role, which are its accountabilities and which are its domains.

Circles are self-organised unities of work. They set their own objectives and deadlines and there is not any top-down line of decisions. Instead, the members of the circles make decisions through the integrative decision-making process, integrated in governance and tactical meetings.

Every circle may be divided into sub-circles, which contain sub-roles that divide into separate pieces the main role of the broader circle. And at the same time, circles are all integrated into the general company circle, or also called the anchor circle, which defines the main purpose all the circles must follow.

To ensure great flow of information and connection between circles there have been created three special roles, which will be later explained: lead links, rep links and cross-links.

3.2.1.1 Roles and accountabilities

In conventional organisations, roles receive influence by managers, co-workers, customers and also investors and stakeholders. Sometimes, these external agents may have different expectations from each other, creating a tension between what is the reason of the role and what is it expected to be. When these misunderstandings arise, in sum with the rigidness of role definitions, lack of clarity problems appear in the way we define our jobs.

To fix that clarity problem, Holacracy generates “explicit roles with explicit accountabilities”, giving authority to the role-filler to act under the frames that shape the role, which is always submitted to a continuous change and learning. This means a change from implicit assumptions of what a position should cover to explicit ones that clarify what the position is.

It is also crucial when giving an explicit definition of the role to have a clear differentiation between role and soul. In today’s organisations people who fill a role often believe that their identity is fused with the idea that the role transmits to the society, making it hard to separate the emotions that the role may cause from personal emotions. Thus, sometimes conflicts arise between different roles within the organisation and they are mistaken for conflicts between people. Every role has its own interests and sometimes there can be a tension, a clash of interests of two parts that defend their accountabilities for the sake of the broader purpose

Organisations adopting Holacracy are structured oriented to the roles needed to pursue its purpose, and not to the people filling these roles. People is in charge of giving life and dynamism to the role, serving as sensors, so that the organisation can be adjusted to the changes in the environment.

In order to make role definitions in a concrete way, the Holacracy constitution gives a definition of what a role is and what it must accomplish:

“A *Role*” is an organizational construct with a descriptive name and one or more of the following:

- (a) a *Purpose*, which is a capacity, potential, or unrealizable goal that the Role will pursue or express on behalf of the Organization.
- (b) one or more *Domains*, which are things the Role may exclusively control and regulate as its property, on behalf of the Organization.
- (c) one or more *Accountabilities*, which are ongoing activities of the Organization that the Role will enact.”

There are three things that the role at least must contain: a purpose, a domain and an accountability. The purpose is the reason of existence of the role, the domain is something that the role has exclusive authority to use to fulfil its purpose, and its accountability is an activity that the role has authority and responsibility to perform.

Unlike traditional job descriptions, roles can change and they usually adapt to the environment according to the needs of the organisation. If a person filling a role feels a tension of what the role is and what the role should be, a new role can be created, and an existing one can be modified or even eliminated. Additionally, as every person can fill a role along his or her personal life, as a parent, citizen, student, etc., a person is able to fill more than one roll within the organisation always that his or her capabilities go according to the needs of the same.

Once we have clarity an authentic distribution of power can be created, giving freedom to the members of the company to act according to the power that generates every role.

3.2.1.2 Lead link

With the aim of transmitting the purpose of the broader circle into a smaller circle, there is a role that is in charge to represent the needs of the broader circle inside the sub-circle. Its purpose is to hold the purpose of the overall circle and to align it with the sub-circle. It can assign roles within the circle, and it has some accountabilities like structuring the governance of the circle, allocating resources, establishing priorities and defining metrics.

Some of these accountabilities are familiar to some traditional management practices but, in contrast, there are many limits to their authority. As every role in Holacracy, they have their own domains that cannot be trumped by the rest of the roles, but they neither can change the decisions that the other members do in their roles, as long as it doesn't affect to the purpose defended by the lead link.

3.2.1.3 Rep link

The same function does the lead link to transmit the needs of the exterior circle to the interior one does the “Representative link” or rep link to transmit the needs and the thoughts of the interior circle to the exterior. In a human cell, the lead link would be the

membrane and the rep link would be “a direct channel from within the core of the cell out through that membrane”. It provides direct feedback of the issues that happen day today inside the circle and is accountable to share the tensions to the broader circle if it is felt that there are limitations over the sub-circle.

As Robertson says in his book, “rep links help to free lead links from dealing with the tensions their circle members have about the broader company and its other circles, leaving the lead link mere time and energy to focus on moving forward in other ways”.

Their purpose is to hold the purpose of the sub-circle, and their accountabilities are removing constraints within the broader organisation, sharing the tensions arising between both circles and providing visibility into the super- circle, giving representation of all the roles of the circle.

3.2.1.4 Cross link

Lead links and rep links serve as connections between the interior of a circle and its broader holon, but there are rare exceptions where circles require a role that connects with another parallel circle in order to resolve tensions in a way faster than going through the usual lead link and rep link channels.

This role is not always needed due to the existence of a broader circle that is accountable to manage the tensions arising between circles pertaining it. However, if two circles have much interaction that it becomes a difficulty for the broader circle, then there is assigned a cross link to focus on this interaction.

They also become useful when there is a big interaction between two different circles within the organisation, as it prevents the company of the apparition of silos and other barriers that prevent collaboration.

3.2.2 The Governance process

The process of replacing top-down leadership for a system of distribution of authority requires, in the case of Holacracy, a structured process, which needs to be complex and robust enough to keep every member of the organisation aligned with the organization’s purpose. Thus, this practice allows the organisation to spread the decision-making process around all the organisation, giving the opportunity to all its members to take part in the formulation of goals, strategies and day to day decisions that allow to adapt faster to changes in the environment.

As a football game, the rules that encompass it are a set of complex and sophisticated norms that delimitate the actions taken by the players in order to facilitate that the essence of the game itself is not damaged. The same happens with Holacracy, and the Governance process as the plays of the game. Once the members have enough practice and knowledge of the norms, then the game flows and the rules happen to be in a second place.

The Governance Process is responsible of defining the circle roles and modify those that need to be restructured, even eliminate them. It also has to do with the establishment of policies and the hold of elections for the Circle roles and its distribution of power.

This is the only valid method for achieving “Governance” within a circle and all the decisions must have passed this process before being set up.

In the Governance process, any circle member is able to make a proposal to change the governance, and the person who makes a proposal is called the “Proposer”.

Before its adoption, there is an opportunity to solve the tensions of adopting the proposal given to any member during the governance meeting process, the which will be discussed below.

3.2.2.1 Governance meetings

The main practice that Holacracy holds to carry out a controlled Governance process, which fosters the distribution of authority, are the Governance meetings. These meetings have as a purpose to ensure the perfect functioning of the process so that the operating structure can be modified according to the needs of all the members of the organisation.

In Governance meetings there are a variety of decisions that can be made: creating, modifying or eliminating roles that are no more needed or need to be replaced; creating modifying or eliminating policies pertaining to the circle’s domain; electing the members who will fill the circle’s roles; and creating, modifying or eliminating sub-circles that no longer have a reason to be in the organisation. These decisions are mostly organisational decisions, not operational ones. These last ones are decided in Tactical and Strategy meetings followed by the principle of dynamic steering which will be explained further.

There are needed two more specific roles that enable the circles to do the meetings: the facilitator and the secretary. The facilitator has as a purpose to align the circle with the constitution during the meeting, and is accountable for facilitating the meetings and to fix problems in the process. The secretary has as a purpose to stabilize the circle’s formal records and record-keeping process.

The process is composed by five rounds in which the structure of the meeting is divided in order to prevent the members from missing the original sense of the meeting:

Firstly, there is a Check-in Round, where every member has the right to share his fist look of an object to be discussed. The main purpose that the Check in round has is to engage the members into the conversation and ensure everybody is conscious of the meeting. It can be shared mostly everything that the member filling a role can feel, however, this is not the moment to discuss things or to express empathy with the person who is talking. In the case the meeting didn’t follow the rules it is responsibility of the facilitator to redirect the conversation to the right place.

Secondly, there is a brief explanation of some Administrative Concerns that the facilitator must announce to the members, like the timing or other aspects that might influence the meeting. This round must be short and must not take time.

In third place, it is time to do the Agenda Building. In this round the tensions are named and an agenda for the meeting is built on the fly, which means that it is not stablished in advance. This is neither the place to start up with a discussion, and the facilitator must ensure that only tensions named have two or three words as much. For instance, a tension related to the need of creating a new role to take accountability of the social network would be named as “social network role”. Once all the agenda items have been added to the agenda, it is time to discuss them using the “Integrative Decision-Making Process”, which takes the fourth place in the process.

The Integrative Decision-Making Process is a structured process of decision making which consist in a rapid way of making decisions in group, respecting and taking into

account the opinions of the rest of the members of the circle and giving the opportunity to everyone to participate as a proposer, the person who makes the proposal. With this practice proposals are presented as solutions for the tensions that have been located.

The Process starts with a presentation of the proposal called “Present Proposal”, where the proposer states a proposal to the group and optionally the tension that needs to be solved. In the case of having seen a tension but not having a proposal to fix it the member can expose it to the group in this round and invite the members to have an open discussion to come up with a proposal.

Then, with the proposal made there is a Clarifying Questions round in order to completely understand both the proposal and the tension behind it. In this moment discussions are not yet allowed, nor questions that seek for the opinion of the proposer. Conversely, this round is only for questions which purpose is to gather information about the proposal. If the proposer feels pressured by the questions of the members, he or she can just say things such as “Not specified in the proposal”, so there is no obligation to answer all the questions if there is no clear response.

After clarifying questions, a Reaction Round comes in to show the reactions to the proposal from every person. Everything is allowed but there is no possibility of discussing neither even responding to one another.

Once everyone has given his opinion the facilitator lets the proposer amend and clarify the proposal to fit it to the reactions of the rest of the members that could have given another insight of the tension. The purpose is to make the changes that would help to better address the tension, not to integrate the reactions of the rest of the members.

Once the proposal has been amended, it starts the Objection Round. Here the facilitator asks one by one if there are any objection. These cannot be responded with discussions or questions by the proposer. If there are no objections the proposal is adopted. If, otherwise, there are objections, clarification is needed. Thus, the meeting gets into another round that fosters to integrate both the interests of the proposer and the objector.

The integration round starts questioning what could be added to the proposal in order to address the objection. Then, an open discussion starts and both parts try to give alternatives to avoid the objection while the original tension is still addressed.

Eventually, after the decisions are made, the group enters into the Closing Round, giving chance to share their thoughts about the meeting, and it is considered to be concluded.

With this practice there can be made much more appropriate organisational decisions, as all the parts involved have a word in the process. Even though it can seem a bit complex at the beginning the results say that organisations end up getting used to the practice and they win fluency over time.

3.2.3 Operations

Although the constitution clearly marks the limits of the process of governance and its meetings, so that during this formal convocation there are only governance issues expressed to be solved, there are some exceptions that allow the members to solve operational conflicts during the meeting.

For instance, let's suppose that there is a governance meeting in the circle of production and a member presents a proposal referring to "excess of stock". In this proposal she argues that with the current situation of the economy it is probable that the level of product purchases decreases and so that there is a need to prevent the excess of stock.

This tension is not a governance issue, so the facilitator has the right to dismiss the proposal in any moment. Nevertheless, Holacracy gives a chance to these kinds of tensions. This kind of tensions are what Holacracy calls "not valid governance outputs", but instead of dismissing them, the members should have a look to the governmental causes that this tension may arise.

During the integrative process the members discuss the different options that there can be to address this issue governmentally and they come up with a solution. Rather than focusing in what level of stock should it be, they realise that there is a need of creating a new role that has the purpose of aligning the company with the expected output.

In this way, a tension that seems to be matter of the operational process is resolved in a systemic way by the governance process.

Not always can people address these operational tensions with the governance process. Actually, this practice is not designed to do that. Rather, the governance process is accountable to deal with operational tensions day to day. It effectively helps people to manage their work prioritizing their tasks and gives the opportunity to all its members to start up with projects that foster the purpose of the organisation.

Maybe carrying out a governance process can seem to be slow-going at first, as people has to pull back from their work to treat organisational aspects regularly. But the reason is that due to this process the organisation is able to speed up its operations in a more effective, efficient and productive way. This is a more developed way of functioning, even faster than the conventional ones. Besides, it gives freedom to workers to follow their intrinsic motivation and trusts on their authority to act on it.

Operations in Holacracy is everything apart from governance. It is based on, according the conditions elected in governance, being responsible of all the accountabilities defined by the role and coordinating the work with the rest of the members. The role fillers have authority to act behind their domain and they are free to expect the work that others are accountable to do when their work depends on their colleagues'. There is always a possibility of taking an action that may affect to others role and thus cause a tension, but is always better to take it and later find solutions to the tension as there is an organisational learning within the process and thus, the company will develop better ways of working every time.

3.2.3.1 Duties of a circle member

The members in Holacracy are given autonomy in the decision-making process, but accepting a role they also accept the accountability to self-manage. When someone accepts a role in Holacracy also takes some responsibilities.

Firstly, the members must sense and process the different tensions that can arise affecting the role and its purpose.

Secondly, the members must process accountabilities identifying next actions that have to be followed and projects that help to fulfil the role's accountabilities.

Thirdly, the members must process projects identifying the next actions that move the projects forward.

Fourthly, the members must track projects and next actions uploading all the projects and next actions in a database or similar, accessible to others.

Finally, the members must direct attention and resources toward the most appropriate action and then taking it.

In the book Holacracy is clearly explained the meaning of these projects and next actions. While a project is an outcome that is willing to be achieved but it necessarily needs more than one action to accomplish it, a next action is that next step that people take to be closer to the goal of the project.

A part of the responsibilities of the role fillers, they must also fulfil duties to the rest of the circle members. These duties are the duty of transparency, the duty of processing and the duty of prioritisation.

The duty of transparency is essential for the alignment of the team. Transparency is expected to be provided by every circle member whenever necessary. This duty regards to: projects and next actions, which must be shared whether during the meetings or outside; the judgement of the relative priority of tracked projects and next actions; the projections that estimate when is the project or next action going to be finished; and reporting checklist items and metrics during tactical meetings. These first ones are recurrent actions that a role has to complete, and the metrics are relevant data that help to get a real image of the result done.

The duty of processing refers to the additional responsibility that role fillers have apart of the ones from their role. In addition, they also must process: accountabilities and projects when they are requested to be processed must be processed to a clear next-action; requests for projects and next actions that are requested to be processed must be considered to be processed and do it if agrees with your accountabilities; and the requests to impact domain the role filler controls must be considered it and if declined, an explanation must be given.

The duty of prioritisation is responsible of constraining how to assign resources to the different tasks, according to the following rules: processing over ad hoc execution the tasks that are less urgent; requested meetings over ad hoc execution takes priority than the own work, except some time-constrained work; and the prioritisation of the circle needs over the individual ones.

3.2.3.2 Tactical meetings

Tactical meetings are weekly gatherings that allow the members to synchronise themselves. The operational issues are taken into discussion, such as project updates or even starting up new projects.

As well as governance meetings, tactical meetings are divided into different rounds in which the issues are neatly addressed.

During the check-in round members say what has gotten their attention without discussion. This part is very similar to the governance meetings.

In the Checklist review, the members tell to the group the state of next steps or projects in a very simple way. The facilitator reads each member' checklist and the members say "check" or "no check".

During the Metrics review the roles have a look to the latest data in order to have a clear picture of the current reality.

Then, the meeting moves forward to the progress updates, where the facilitator reads the projects and asks if there are any updates.

Later, it is time of the agenda building, where an agenda of tensions to solve is built with no discussion.

Once the agenda is made the group is ready to address all the tensions one by one in the Triage issues round. The rules and procedure for addressing the tensions are the same used during the governance process.

Finally, in the closing round people share a reflection of the meeting without discussion.

3.2.4 Adoption

Holacracy is a practice that requires the whole entity, or at least the area where it is implemented, to create an environment of self-management with no signs of traditional management that can prevent its complete functioning.

There are some necessary conditions that the company must accomplish in order to adopt Holacracy and the constitution gives an explanation of some compulsory aspects that the organisation must reach before adopting Holacracy.

Once the company agrees to adopt the practice, Ratifiers must cede their authority to the governance process and no longer they will govern it unless the constitution rules say so.

When adopting the constitution, the ratifiers have to define an initial "Anchor circle" defines the scope of the organisation. They also can name the initial lead link of the anchor circle. Sometimes the Anchor circle does not have lead link and all the members within the anchor circle can do Lead link authority.

Besides, the anchor circle is accountable of defining the purpose of the company and the lead link is able to define the initial structure of the organisation, creating circles, sub-circles and Lead links. They can also do the same inside their circles before the governance process starts working.

All the existing policies that the organisation used to have before its adoption continue existing later. Nevertheless, they will lose all its force if contradicts the governance process.

3.3. Strategy in Holacracy

The operational process described in the constitution is based on the individualistic performance of the role fillers within the organisation. Besides, there are defined some accountabilities and duties that foster the alignment of the individuals with the entire circle, and even with the entire organisation.

Tactical meetings are useful to align the interest of the different roles with the rest, however, the essential matter to take into account when referring to move the organisation in the same direction is having a strategy. A good strategy gives a sense of direction to operations, helps defining projects, and makes next steps more accurate.

Holacracy is a practice where there are no leaders, bosses or executives that hold the idea of truth of the future of the organisation. According to Brian Robertson in his book Holacracy, corporate strategy focuses on predicting the future. What the writer calls “predict and control mindset” is the paradigm which from the majority of the companies in today’s world act.

This approach is based on deciding the right goals according to expectations about the future, sometimes correct and other a failure. Roberson agrees with some other authors like Beinhocker or Taleb that it is impossible to try to predict the future and the fact of doing it causes damage to ourselves and our ability to sense and response to external and internal stimuli in the present moment.

By contrast, Holacracy acts from the dynamic steering paradigm in order to set strategies that are constantly being adapted to the environment, gathering feedback from its members and making minor corrections to its directions, instead of wasting too many resources trying to predict the exact moment and result to accomplish.

With this approach it is not intended to forget all the things learned about the predict and control paradigm but to transcend it, as it is useless to take as a centrepiece a system based on mere expectations. Rather, Holacracy is fully present in the here, responding continuously to reality but also focusing in the projection in order to get sense of the direction of the events.

The constitution doesn’t prohibit the organisation acting from the predict and control paradigm, but it is very hard to encompass a rigid strategy with the flexible processes of this practice. For that reason, Holacracy has its own strategic process that best suits with the organisation.

3.3.1 Strategy meetings

Circle members must align their actions with the strategy that the lead links specify, and is responsibility of the lead link to define what techniques to use in order to set appropriate strategies. Sometimes it is enough with their own judgement, but taking this kind of decision needs more than one point of view and the circle may suffer setbacks if all the perspectives are considered.

For that reason, it is optional to lead links to rely on the process to define strategies through the strategy meeting process. These strategy meetings are held once every six months and take over four hours.

In these meetings, the members map the recent story of the circle to put everyone into situation and then, identify strategies that upgrade the situation of the circle. Instead of looking for a specific plan, the meetings look for tools that can ease the decision-making process.

The meeting is also divided in different rounds like the rest:

Firstly, there is the traditional check in round. Here is the same beginning as the governance and tactical meetings, where people are free to communicate any idea with no discussion.

Secondly, there is the orientation round, where members remember the highlights, purpose, domains and accountabilities of the circle, adding the strategies defined by its super-circle. This round serves as a starting point to see the present of the circle.

Thirdly, there is the retrospective round. Here the members look how the company has arrived to the present moment, discussing the different opinions from the role fillers and capturing them until there is a clear picture of the situation. Once an opinion is created, the members record any tensions that can have been located.

In fourth place, during the strategy generation round, the individuals have to ask what can be emphasized to address these tensions. It is not asked to address the tensions with specific actions or projects, just with simple ideas called "rules of thumb". When the lead link thinks that there are enough proposals, the integrative decision-making process comes in to address every of them individually.

In fifth place, once the strategy is set, every member tries to consider what can be added in his role to align it with the new strategy. They share their ideas and discuss the different issues. It usually gives way to new projects, actions and agenda items that will be addressed in governance meetings.

Finally, during the closing round, members end with final reflections like in the rest of the meetings.

This process provides a dynamic way of confronting the complexity of the unexpected future and helps the team to adapt to the dynamic steering perspective. Rather than one person calling the shots all the role fillers are involved in the process and the strategy is suited to the real needs of the organisation, able to be amended anytime.

4. Holacracy in practice: The case of Zappos

There are more than two-thousand companies that have started practising Holacracy, but if there is one in that has gained popularity in the business area, that is the American online retailer company, Zappos. This organisation located in Las Vegas, Nevada, is the biggest company that is currently practicing Holacracy and has discovered the success recipe integrating their own culture into the self-management practice.

Since its beginnings, Tony Hsieh, cofounder and CEO of the company from 1999 to 2020, has taken for granted that the purpose of the organisation is to provide the best customer service, understanding customer needs and facilitating all the necessary things that clients can require, not only during the purchase process but anytime.

The company has become one of the biggest online retailers and Holacracy has taken a crucial part in this process. Further there are going to be analysed the relevant aspects that the company has achieved with the adoption of Holacracy.

4.1. History of Zappos

It was 1999 when Nick Swinmurn went shopping to San Francisco with the aim of purchasing a new pair of mountain shoes. He wanted one model in particular, the Airwalk Desert Chukka boots. Nick got into one shop but they didn't have the right size, then he went to another but the colour he wanted wasn't there. After a few hours, he hadn't found the item that he was looking for and frustration made him giving up (Zappos, n.d.).

Then he realised that there was a problem, as customers needed a wider offer of shoes, with countless colours and sizes, just in a single place. Then he came up with a simple solution: creating the largest online shoe shop that could offer all the shoes that could not be found in local stores.

With the idea of founding this online store, Nick contacted with Venture Frogs, an investment company owned by Tony Hsieh. Firstly, he didn't like the idea so much because there was a resistance on buying shoes without even proving them before, but Swinmurn convinced him arguing that the size of the market was 40-million-dollars and only the 5% of the total amount was sold by paper catalogues.

Two million dollars was the amount that Hsieh and his partner Alfred Lin decided to invest and in 1999 the company was officially presented as shoesite.com. Time after, Hsieh had the idea to change the company name to Zappos, as the old name limited the company to sell just shoes. Coming from the Spanish word "zapatos" but making it easier to pronounce in English and also more attractive, Zappos was born to be the biggest online retailer in America, or even in the World (Hsieh, 2010a).

At the beginning it was a bit difficult for the company to expand their network and get to arrangements with brands due to the recent apparition of their business and the lack of experience of the industry in the online retail. But the company Dr. Martens decided to work with Zappos and the result turned to be very positive. Thus, more and more brands decided to join the company and Zappos gained reputation.

In 2000 Zappos was facing a problem of lack of funding. Only Venture Frogs was willing to provide it, and Hsieh, recently named as a full-time member of the company, realised that changes were needed. He and his colleagues analysed the situation and came up with a nine-month planification of many different aspects such as lean operation, budget expenses and the reduction of job openings. With this plan the company could be saved and also increased sales results.

In 2001 Hsieh was named co-CEO of the company with Swinmurn, but the founder decided to leave the company time after and Hsieh became the unique CEO. He decided to stop his career as an investor and get back to the entrepreneurial world, focusing only in guiding the company to be the biggest online retailer.

Later, the company decided to open a physical store in order to gain the confidence of the providers. This strategy helped Zappos to raise gross sales to 8.6 million dollars. In the same year the company realised that a better customer service could be offered by reducing the delivery time, so they arrived to an agreement with eLogistics. Unfortunately, this company couldn't perform the expected work because of the incompetency to systematize the required number of items.

In this moment, Hsieh understood that they couldn't subcontract their core competency. If they wanted to reach a competitive advantage in customer service, they had to develop their own system. By the end of 2002, the company had its own warehouse and 32 million dollars of sales volume. They also partnered with UPS to bring the delivery service. The warehouse was only 17 miles away from the UPS Worldport, so it was possible to process over 40,000 pairs of shoes per shift.

The relationship with customers is the priority of Zappos and it has always been this way. For that reason, Zappos decided to create a call customer service without no time restrictions, where customers could ask every doubt to well-trained employees. The "WOW" service it is now considered as the first core value of the company's culture.

During 2004, the amount of phone calls was too big that the company experienced problems facing them every day. Hsieh saw this problem as an opportunity to improve the customer service (Christoffersen,2019.). Living cost in San Francisco, where the company was located, was too high and there weren't enough people available for this kind of work, so instead of outsourcing the customer service to other external Asian companies Zappos moved its headquarters to Las Vegas. This city located in Nevada has a factor in particular which makes it perfect for the customer service. The city is 24/7 open, and everyone is used to work anytime during the day, people knows that there is always going to be something to do no matter what time is it. Customer loyalty 24 hours a day, 7 days a week, 365 days a year, this change made the company set a strong culture of customer service and it made possible to boost sales up to 1.14 billion dollars.

As the culture in Zappos is very strong, the company had to ensure that every new employee was aligned with the values and the purpose of the company, apart from the necessary capabilities that required the job position. Thus, the company decided to do two interviews during the recruitment process, one for the job position and other for the company culture.

In 2006, according to the culture of putting people first, the company set a list of core values that every member of Zappos had to follow (Zappos Insights, n.d.):

- Deliver WOW through service
- Embrace and drive change
- Create fun and little weirdness
- Be adventurous, creative and open minded
- Pursue Growth and learning
- Build relationships with communication
- Build a positive team and family spirit

- Do more with less
- Be passionate and determined
- Be humble

As Hsieh, Swinmurn and Mossler had to interview every candidate for a new position in order to ensure the alignment with the organisation, this caused many limitations in their timetables. For that reason, these core values were used as a guide during the hiring process.

Due to Zappos' core values helps people to build together a strong sense of community within the organisation. It also has allowed the culture to remain strong during the periods of growth, when companies normally tend to lose alignment with its purpose.

Because of the short distance to UPS Worldport, the company was able to improve the customer service and in 2007 they decided to start shipping deliveries overnight for free, offering a 24-hour delivery service. This approach focused on offering the total availability of the deliveries brought the company closer to the needs of its customers, as they could trust in Zappos' services anytime. Thus, the company achieved a competitive advantage over the rest of retailers in the online market, being the fastest and most available one.

In addition, the same year the company decided to take a next-step on their business and started to add apparel, eyewear watches and a wide variety of articles of over 1,200 brands, including New Balance and Nike. The company also acquired the online shopping company 6pm.com to offer another online shopping experience to customers, based on a more attractive offer of merchandising features that improve the customer experience inside the webpage (Demery, 2007). For instance, there is an algorithm that matches shoes with handbags and gives the possibility to look at different product combinations, or even ranking and reviewing other customers' creations.

In 2008 Zappos is in constant growth and day to day, its culture is more sophisticated and so does its purpose of adding value to the society. The creation of a new start-up inside the company, Zappos Insights, makes possible to share everything learned by the company during its history, to help other companies achieve the culture of exceptional customer service that they have created. With Zappos Insights not only companies but people can learn the most interesting aspects that build the culture of Zappos. Individuals get inspiration of some ideas that the organisation has decided to share and customers feel part of the community.

A year later, in 2009, the negotiation with the global corporation of retail industry, Amazon, ended with the acquisition of Zappos. The company was then able to diversify its business into all the varieties of apparel and accessories and also could put more visibility on his brands.

The acquisition of Zappos, however, didn't suppose any change in the functioning of the company. The organisation has operated autonomously under the conditions that Amazon has established in order to integrate it into the corporation's purpose.

The growth that Zappos had experienced until 2014 was huge and even though this fact seems to be a positive aspect, it threatening the company's culture. For that reason, Hsieh trusted in Holacracy to develop a self-management system that allows people to sense and respond quickly to the real world needs while the purpose of the organisation is spread all over the company.

A year earlier, in 2013, a group of Zappos' employees went to study the suitability of the implementation of Holacracy in Zappos. The HR department made the first step becoming a pilot group months later and the results were as expected for Hsieh, he announced the adaptation of Holacracy on January 2014. Since then, Zappos has been operating from Holacracy and it is the biggest company that has adopted this practice, with around 1,500 employees and 500 circles.

4.2 Adoption of Holacracy

The company was growing exponentially during the early 2000 and it hasn't stopped yet. The business model that Zappos has, offering an online retail service with the priority of customer service is a total success. So, if things were going well, which could be the reason of making such a drastic change into Holacracy?

The growth of the company had many positive aspects: the company was able to reach more people and to spread its culture not only around his customers, but the entire world that could hear about them in news due to its reputation; also, Zappos had more negotiation power and this could be represented in the variety of brands that were part of its catalogue, as the firm arrived to agreements with the most popular apparel firms worldwide; and besides, the reputation of the firm made possible to invest funds in developing the WOW service.

Nevertheless, as the company was making greater results in capacity and gross revenue, there appeared functional deficiencies in the way employees perceived customers needs in order to constantly adapt to changes in the environment. The lack of productivity also bothered Hsieh, as the growth made employees be less innovative, due to the existence of narrow spans of support that delimited the individual performance within the organisation.

Zappos leadership team started investigating about management alternatives that could suit with the purpose of the company and with its requirements to address the problems related to growth. The team was surprised of the differences of cities and companies (Thai, 2017). Whereas a company usually decreases productivity as it grows, a city can increase its productivity by 15% as a whole, adding the individual performance growth. In this moment the team realised that to solve this productivity issue, the organisation had to shift towards a city-like system. Such as Brian Robertson says in his book (2015, p.21), "As a citizen, you don't require a benevolent dictator to "empower" you to act autonomously; rather, the societal framework around you is designed to prevent others from claiming power over you to begin with."

Self-management essentially works as a city in an organisation; it holds space for every member to have and use power. The system itself provides the freedom of decision making that no longer exist the need of a reliance on leaders who share the power to others. However, the system has no formalisation, as every practice needs to be based on the needs of individuals within a particular organisation and companies trying to shift to self-management can get lost into total lack of control. But Holacracy is the exception. It is the only structured Self-management system until the date of today, and thus, the most sophisticated system that could help the company get where they wanted to get.

The division of the organisation into dynamic teams, circles, detailed and collectively defined roles filled by individuals enables people to make the decisions being closer to the action and so that adapting much faster to changes in the environment. During his interview for Thai's article in Wavelength (2017), John Bunch, Advisor to CEO Tony Hsieh affirmed that structural decisions that might take months in a traditional organisation system can be made very quickly in a company practising holacracy, and also making changes back. Another aspect that Holacracy gives to the company is that there are limitations on role domains, as it is explicated that no one can do some certain actions such as signing legal contracts on behalf of Zappos.

Once decided that Holacracy was the organisational piece that Zappos needed to be more city-like, and after a test made by a pilot group, the organisation officially decided to shift towards Self-management.

During this period, some drawbacks aroused to the company. The system was too complex to make a rapid implementation, so training was necessary to ensure that everyone could adapt to the new way of working. People were told to assist to three-day trainings to understand the basic assumptions of Holacracy. In addition, some employees had to complete a certification process that enables them with the enough capabilities to fill facilitator roles in the circles.

Nowadays Holacracy is completely implemented within the company. Many roles that were created are no longer needed and they have evolved to others related to other aspects. Currently, the company is working in creating start-ups inside the anchor circle in order to have more freedom to act independently throughout the company, each one with a purpose that encompasses the purpose of Zappos.

Holacracy in Zappos is one of a set of pieces of the puzzle that the company has collected in order to reach the autonomy of cities (Thai, 2017). The practice covers all of the operational and strategic aspects, but it gives way to the organisation to set up other self-management practices in which the company can rely on in order to follow its purpose. In Zappos, there has been developed a strong culture that makes possible to build relationships with the society.

4.2.1 Benefits of adopting Holacracy in Zappos

Since the adoption of Holacracy in 2013, (Peake, 2020), the company has introduced many organisational aspects that have worked and created value for Zappos:

Firstly, the adoption of this self-management practice has allowed the organisation to evolve faster. With practices and principles as the dynamic steering and all the organisational meetings the company has reached a high level of distributed authority.

Besides, the company has developed a transparency system called Huzzah, which gathers structure and role information referring to individual and collective work. This app updates the current next actions and projects that people are taking so that everyone can know the work of each one.

The definition of explicit accountabilities has also been a positive outcome of Holacracy. It has eliminated misunderstandings and it has given clarity to role descriptions.

By explicitly capturing next actions and projects nothing is taken as an implicit assumption, indirectly expecting work done from others. Rather, it has built clear commitments within roles that enable effectiveness in work, responding quickly to changes.

Holacracy also allows lead links to assign people in the roles they feel are suitable. The governance process is faster than conventional processes as lead links are free to remove people that don't do the work as expected.

Tensions in Zappos are very easy to be processed. There are many mechanisms that enable any member of the company to sense and address them such as the meetings, rep links or lead links.

The article 4 of the constitution is the corner piece that ensures people is accountable of their work with the duties of transparency, processing and prioritisation.

In addition, lead links can delegate authority in things they are not able to do through the process. They can share some of their accountabilities directly to the governance process and to the operational process such as the strategic decision-making process. At the same time, people also feel that they are in control of their roles as role accountabilities and domains clearly specify the distribution of authority within the organisation.

Holacracy also helps building cross-functional teams that focus on getting specific work involving more than one circle, breaking conventional barriers like functional silos. Lead links and rep-links constantly communicate the latest information throughout the entire organisation, so the communication between all the different circles of the organisation has been improved.

4.2.2 Resistances to change to Holacracy in Zappos

The decision that Hsieh took when adopting Holacracy wasn't accepted by all the members of the company (Felsoni, 2016). In March 2015, Hsieh sent an email to all Zapposians, around 1,500 individuals. In this email he made them an offer to decide whether to go all in on the transition to Self-management or take a considerable severance package and leave the company.

When he sent the email, the company had already started shifting through Holacracy. Hence, the offer made by the CEO was a big surprise to everyone and when the deadline arrived, 210 employees, 14% of the company, decided not to continue with the company and took the severance package.

During this period, a group of 150 employees were working on the digital infrastructure project for Amazon. For that reason, they asked Hsieh if they were able to extend the deadline to 4th of January of 2016, when the work was finished. The CEO agreed, and when the time arrived, 50 of those workers also decided to leave the company, being 260 the total amount of employees who decided to quit their jobs, around 18% of the company.

Although Hsieh was completely sure that this decision was good for the future of the company, as now every employee was completely aligned with the purpose of the company, the loss of almost a fifth part of the workforce difficulted the assignment of roles and slowed down the hiring process.

Nowadays Zappos has covered all the vacancies and the employee count is already back to around 1,500 members. In this moment, all of them work with Holacracy and members who decided to leave the company were able to come back if they regretted their decision.

Not only part of his own employees had a negative opinion of the shift to Holacracy, but also many media reports argued that the company was carrying out a social experiment and bad press dropped out the organisation of the Fortune 100 Best Companies to Work For list (Ward, 2017).

During the process of adoption, it was also hard for the employees who decided to stay to get used to the new system. In the beginning, they had trouble with the number of limitations that the constitution puts during the governance process, where employees must keep their opinions and respect the different rounds that there are during the meetings. The organisation decided to radically introduce self-management within the company and it would have been easier if it had been implemented in a simpler way. People was over-informed and everyone tended to have a wrong idea of the complexity of the system (Ward, 2017).

5. Conclusions

5.1. Self-management is the next evolutionary step in organisations

During this work there have been analysed many aspects that consider self-management as the next step that some organisations are taking in order to better adapt to the environment. People acting from a Teal perspective have the purpose of creating organisations that can feel like people, self-adapt like the parts that compose a human body.

Systems like Holacracy can help organisations find ways to coordinate and empower the different parts of the whole, creating more figures of authority and distributing it at the same time. They ensure coordination by mechanisms that prevent people from getting caught into counter-productive processes and streamlines the flow of information within the company. Besides, the empowerment of members gives freedom to act according the real needs they have in the moment, so decisions are made in the closest place to the action.

Self-management is considered as an evolutionary system, and most of the companies that today practice actually act from a teal perspective. Zappos, for example, or even HolacracyOne are companies that fill all the requirements to be named teal companies. They practice self-management, have emphasis on wholeness and follow an evolutionary purpose. Nevertheless, I agree with Laloux when he says that organisations can act from different perspectives (Laloux, 2014). You don't need to follow all the requirements to start practising self-management in your company.

Organisations acting from Orange, which are the most common today, usually decide to set up many organisational structures like the matrix structure or the flat structure in order to better adapt, but they end up wasting efforts trying to coordinate as these systems tend to miss the alignment with the company. For that reason, many people are starting hiring HolacracyOne to implement self-management into determined teams

inside the organisation. Tara Everhart, member of HolacracyOne said in a Zoom conference that the company at the beginning did not accept taking such small changes, as Holacracy was designed to strive wholeness in the organisation, but now they have changed their minds and they're starting working in the transformation of just parts of organisations. Results show them that this kind of systems allow the company to reach stability in complexity and thus, more and more companies are evolving.

Nevertheless, I see a tension in the way this new knowledge is transmitted to next generations. Once demonstrated that self-management allows us to adapt better to today's environment, schools and organisations should focus on putting emphasis on this new trend, instead of relying in traditional theories so that we all can progress faster. If we learn that there are more sophisticated ways of organising it will help to develop our consciousness state faster and evolve as a whole.

Organisations shaped as machines may have caused a lot of benefits for our society, but it is time to create places where individuals have freedom to act upon their domains according to the real needs that they feel are the most suitable to help the company align with its purpose.

5.2. Holacracy is the best way to adopt self-management

Transition to self-management is not easy at all. There are many risks that can make the company move backwards during its evolutionary process, as the wrong implementation of some practices can cause a total disorder within the company if teams start acting without paying attention to the rest of the organisation.

It is also difficult to create from zero a set of different practices that take into account all the aspects that have to do with the functioning of the organisation, from the way people organise to the way people is retributed. For that reason, Holacracy comes with a very simple idea of a constitution that contains the basic structure in which the company is going to work from and the way authority is going to be distributed without missing the alignment that makes the company.

The existence of a formalised set of processes: the governance process, the operational process and also a process related to the strategic planification, is what makes this practice unique. Al together with other aspects like the circle structure create a well-defined self-management system.

With this work I would like to give the advice to every company that is interested in applying the concept of self-management to start adopting Holacracy. Hence, there is no risk in turning everything into a mess. Once this practice has allowed the company fully work with self-management, it is time to make the necessary adjustments that the organisation can feel needed. As Holacracy is very flexible, the constitution allows external practices of self-management that the company may implement whereas by copying them from other companies or even designing them from zero.

With tools like Holacracy, the shift to the next evolutionary stage is easier for all of us. It is just matter of time.

5.3 Holacracy is not the solution to all your problems

Although practising Holacracy has many benefits, like the structured distribution of authority or the alignment with the company purpose, it only takes into account organisational aspects, which are very important but many more things are needed in order to lead a company to success.

Culture is an aspect in which Holacracy does not pay the attention needed. Despite the fact that it is not necessary to have a strong culture in a company to start practising Holacracy, the case of Zappos has demonstrated that the existence of a culture that encompasses all the company helps fostering wholeness and thus, self-management. If people feel part of a whole and understand that only being their true selves can help the company reach its goal it will be easier for everyone to align with the purpose and coordinate each other with a self-managed structure.

Otherwise, if the culture is not based on putting people first and doesn't take into account the personal interests of the individuals within the organisation, people will not be engaged with the system, no member will have any stimulus in following the purpose of the company and the organisation will have difficulties aligning people into a common sense of direction.

For that reason, I consider that building a culture should be also included in Holacracy and there should be created many practices that enable the company to share its vision to its members. If the culture is not spread over all the organisation there will be difficulties in the implementation of self-management.

Another aspect that can be controversial is the strategic mindset that Brian Robertson proposes in his book Holacracy (Robertson, 2015). Dynamic steering is the alternative to "predict and control" mindset, which is the system that most of the companies rely on when trying to set a strategy in order to adapt to the environment.

Corporate strategy has proved being effective not only in business but also in wars and other environments like chess, where individuals and organisations have to take the best move predicting which is going to be the best move of the rival. This system may not be the most accurate as future is impossible to be predicted but it helps the organisation generating competitive strategies that lead the company to substantial advantages in front of its competitors.

Dynamic steering on the other side does not take into account competition at all. It is argued by many teal companies that when an organisation follows its purpose the competence turns to a second place (Laloux, 2014). If a company has good results on doing something the expected action is that the rest of organisations follow it and that will be good for all, as more progress will be achieved.

What forgets this mindset is that competence is expertise, the ability to do something, to adapt. Cooperation reaches its maximum point when both of the parts go in mutual search of the excellence, when one part tries to overcome the other and the other does his best to beat his opponent. Today's paradigm may not be the most appropriated environment to foster competence as equity is not fully present in our society, but no competing is not the solution.

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