

Governing & Designing Organizations for Stakeholders

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Master of Science in Responsible Management

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"Holacracy and Organizational Change: Lessons from Empirical Case Studies"

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1. Introduction

Technological change, globalization, and volatile markets are reshaping today's business world. Traditional hierarchies, rigid and centralized, no longer keep up. These structures fail to deliver the speed and innovation modern challenges demand. In response, new models like holacracy are gaining ground. Holacracy breaks from convention. It decentralizes power, shifts roles fluidly, and values adaptability. The goal: boost responsiveness, spark innovation, and engage employees. By rethinking authority and coordination, holacracy helps organizations stay sharp in a shifting landscape.

This paper reviews a range of case studies examining the implementation of Holacracy across companies from different sectors. Most case studies are drawn from Harvard Business Review. The analysis identifies common patterns and key contrasts in how Holacracy is applied in various organizational settings. The paper further assesses the types of industries and contexts in which Holacracy may be most effective, as well as those where traditional organizational designs may remain more appropriate. In addition, it critically evaluates the methodological limitations of the existing case studies and proposes directions for future research and alternative methodological approaches.

2. Method

This review focused on case studies published in peer-reviewed scientific journals and leading practitioner-oriented journals, with particular emphasis on the Harvard Business Review. The search term "holacracy" was used to identify relevant literature.

Inclusion Criteria

Selected studies addressed Holacracy's structural characteristics, decision-making processes, or coordination mechanisms.

Data Extraction and Synthesis

The literature review was conducted systematically following a narrative approach to summarize and integrate findings. I compared empirical findings across six organizational case studies iQmetrix, Mercedes-Benz.io, Zappos, Liip, ENGIE GEM (Global Energy Management) and Contect to examine variations in implementation effectiveness based on organizational culture, resource constraints, contextual fit, and evaluation methodology. Key findings from each case study were extracted, emphasizing organizational structure,

culture, decision-making, coordination mechanisms, strengths, and limitations. These findings were systematically organized into a comparative table (Table 1) to highlight similarities and differences across cases.

Critical Assessment

The literature was critically appraised for generalizability of findings across different industries, organizational sizes, and cultural contexts.

Transparency and Academic Integrity

All sources were thoroughly documented and cited according to the assignment's guidelines. All tools were used to enhance writing coherence and ensure error-free text. However, literature identification, initial summarization, and critical analysis were conducted independently to maintain academic integrity throughout the review process.

3. Review of Existing Knowledge

3.1 Holacracy

HolacracyTM is an innovative governance model seeking fundamental transformation of traditional organizational practices by eliminating top-down hierarchies and conventional management roles. Holacracy model departs from traditional hierarchies by emphasizing decentralized authority and adaptability.

It promotes a streamlined, adaptable organization with distributed authority. Primarily small and medium-sized technology companies have adopted this framework.¹ In December 2013, Zappos, a billion-dollar retailer, announced its plan to transition to Holacracy in 2014 bringing this form of governance to business zeitgeist. Holacracy emerged as a major management trend in the year 2014 and 2015 as it is evident from the google search trends (Figure 1). Brian Robertson at Ternary Software is credited with it's development and formalized in the Holacracy Constitution (2009). It has been adopted by over 1,000 organizations worldwide.²

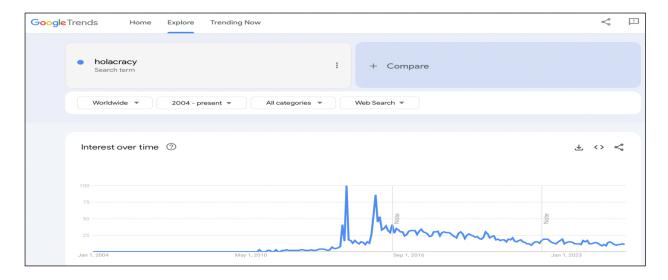


Figure 1: Google Trends: Interest over time of search term Holacracy.³

- Structural Characteristics: Holacracy provides a governance framework that clearly defines organizational roles and teams (called "circles"), along with key responsibilities such as tracking projects and actions. It outlines critical roles, such as the Circle Lead, with clearly defined duties and authorities. Unlike traditional structures, Holacracy organizes roles around the company's work rather than individuals, enabling one person to hold multiple roles or multiple people to share a single role. This constitutional management approach enhances transparency and communication. It standardizes role documentation and improves resource allocation. Individuals can choose roles that match their talents and motivations. However, these roles must also align with the organization's needs.⁴
- Pecision-Making Processes: In a holacracy, decision-making is decentralized, empowering Role Leads (i.e person assigned to a role) to act autonomously within their role's purpose and accountabilities, as long as they comply with the Holacracy Constitution⁵. They can impact their role's domains freely but need permission for significant impacts on other roles' or circles' (teams) domains. The permission is obtained either directly or through a transparent announcement process with a waiting period for objections. Spending requires authorization from resource-controlling roles via a written proposal, subject to escalation and review. Partners (Person designated by organization to assist with its goverernance and operations) may take individual initiative beyond their authority to address tensions in good faith. Their initiative should avoid unauthorized spending, create more value than harm, and include communication and restoration efforts. They should prioritize regular work unless adjusted by a circle lead.⁶

Coordination Mechanisms: In a holacracy, coordination is facilitated primarily through structured tactical meetings, which any partner can convene, with circle secretaries responsible for scheduling regular meetings for their circles. These meetings follow a standardized process unless altered by a policy. Meeting includes check-in round for participants to share their current state, checklist and metrics reviews to verify recurring actions and report key metrics, progress updates on projects, agenda building for participants to propose items without discussion, triage items to address requests between roles with time management by the facilitator, and a closing Round for reflections. This process ensures transparent, role-based coordination, with the facilitator (accountable for facilitating governance process) and secretary (accountable for capturing and publishing the output of its governance process) managing and documenting outcomes, fostering alignment and efficient collaboration across the organization.⁷

A. Review of Case studies

Holacracy, a decentralized organizational governance system, has been adopted in diverse contexts with varying approaches and outcomes. Studies reveal that the success of Holacracy largely depends on the implementation strategy, cultural alignment, and organizational context. I have summarized the key findings regarding the structural characteristics, culture decision-making processes, coordination mechanisms, strengths, and limitations of each organization. These were organized into a comparative table (Table 1) to illustrate relationships and differences.

In the case study of ENGIE GEM, a division of the global energy company ENGIE, it employed a phased and localized rollout of Holacracy within its innovation-focused business unit. This approach prioritized qualitative feedback, internal workshops, and managerial coaching, enabling iterative learning and adjustment without risking large-scale disruption. The findings suggest that gradual adoption fosters team autonomy and cultural change, particularly in units already inclined toward collaborative and self-directed work styles. ENGIE GEM's case emphasizes the importance of contextual tailoring rather than rigid application of Holacracy to enhance effectiveness.⁸

In contrast, Zappos, online shoes and clothing retailer implemented Holacracy across the entire company in 2014 through a top-down "big bang" approach supported by CEO Tony Hsieh. Despite strong leadership endorsement and adequate resources, this rapid company-wide adoption led to significant employee dissatisfaction and turnover. The imposition of a bottom-

up empowerment system through a top-down mandate created structural and cultural contradictions that undermined autonomy. The Zappos case highlights the critical need for alignment between organizational culture and structure, as well as the value of piloting and opt-out options during major change initiatives.⁹

Similarly, the case study of iQmetrix, a mid-sized software firm showed that it adopted holacracy through a pragmatic, mixed-methods evaluation approach. The company emphasized localized experimentation and gradual integration of Holacracy elements, using meeting audits, sentiment surveys, and issue-resolution tracking to assess progress. Results indicated improvements in role clarity, decision-making speed, and employee alignment, particularly in high-autonomy areas. This case demonstrates that even organizations with limited resources can benefit from Holacracy when adopting a flexible, learning-oriented implementation.¹⁰

In the case study of Liip, a Swiss digital agency, I found that it introduced Holacracy as a natural progression of its existing flat organizational structure. Employing participatory retrospectives, open discussions, and transparent feedback loops, Liip framed Holacracy as formalizing pre-existing practices. The findings underscore that strong cultural fit and readiness significantly ease adoption, reinforcing values of autonomy and transparency within the organization.¹¹

The case study of Mercedes-Benz.io (a digital subsidiary of Daimler AG) showed that the holacracy was implemented within its innovation unit, resulting in a dual culture environment amid a traditional corporate structure. Expert interviews revealed enhanced agility and decentralized leadership within the innovation team but also highlighted tensions arising from legacy corporate norms. This case illustrates that isolated innovation hubs can gain from Holacracy; however, broader organizational structures may constrain its full potential. This highlights the importance of managing interfaces between new and established systems.¹²

Finally, I reviewed the case of Contect¹³ and compared the issues with the HolacracyOne¹⁴, the organization responsible for developing the Holacracy method which serves as an example of high-fidelity implementation. Their strict adherence to the Holacracy Constitution and formal governance processes provides clarity and structure but reduces adaptability. This case of Contect highlights a trade-off between fidelity and flexibility, suggesting that rigid applications may not suit complex or culturally diverse organizations.

Overall, these case studies presents detailed account of Holacracy implementation. The success of it's implementation for organizational benefit depends on a balance between fidelity to the method and adaptation to organizational context and culture, with incremental and participatory approaches often proving more effective than top-down mandates.

B. Analysis

Several studies corroborate that cultural fit is a key determinant of holacracy's success. ^{15,16,17,18} Organization with the pre-existing values of decentralization, transparency and autonomy showed higher alignment with holacracy's core belief. However, organization like Zappos¹⁹ despite being non- traditional form of organization and having autonomy focused principle faced the resistance for the change. This suggested that while adopting holacracy form of organisation, cultural alignment with the organization is required but is not sufficient for its successful integration. In the study of organization like Mercedes-Benz.io²⁰ and ENGIE GEM²¹, where they practiced dual culture (holacracy and traditional) within the company, led to clash between two cultures. The study overall suggested that cultural readiness should be matched with process maturity and leadership strategy. The case reviews indicate that Holacracy is more effective when implemented gradually and supported by consistent communication. When organizations attempt to impose Holacracy as a mandated culture, it often leads to resistance and pushback.

Availability of the resource and organizational abitily to scale is also a factor to consider while adopting holacracy. Mercedes-Benz.io²², supported by Daimler AG had enough resource to conduct trainings, redesign human resource practice and governance adaptation. This enabled the towards strutured implementation of holacracy. organization Aditionally, iQmetrix²³ and Liip²⁴ unlike Mercedes-Benz.io²⁵ are medium-sized companies that didn't have resources or time to make big changes. So instead of changing everything at once, they started small and tested holacracy in parts of the company first. This helped them avoid big problems and learn as they went. However, Zappos²⁶ being well funded and strong support from CEO, Tony Hsieh was unable to match its culture and structure with holacracy. As a result of misalignment 29% of the employees left the organization. This shows that the availability of resources is important but alignment and adapatability are greater predictors of success. Larger firms may have resources but face structural inertia.

Diving into contextual adaptability and implementation strategy of the organization, I found that Mercedes-Benz.io²⁷ used expert interviews to assess leadership and role transformation.

iQmetrix²⁸ relied on mixed-methods like feedback loops, meeting audits, and informal sentiment capture. Zappos²⁹ and Liip³⁰ documented impacts through organizational storytelling, media interviews, and retrospectives. Mercedes-Benz.io³¹ used Holacracy only in its innovation team, so they had space to test and adjust it. Liip³² slowly grew into Holacracy because they already had a flat, team-based way of working. It felt like a natural next step. ENGIE GEM³³ implemented holacracy selectively within the division, allowing for experimentation and learning before broader application. Unlike Mercedes-Benz.io³⁴, Liip³⁵ and ENGIE GEM³⁶, Zappos³⁷ tried to change everything all at once, and did not give people a choice. This went against the spirit of holacracy and caused issues. This shows that the organization can adopt the holacary as per their own needs rather than following it exactly as it is. Holacracy tends to be more effective in organizations that are already flexible and open to change.

Different companies used different ways to see if Holacracy was working. iQmetrix³⁸ looked at how meetings went, how fast problems were solved, and asked people for feedback. Mercedes-Benz.io³⁹ spoke with experts to understand how people felt about their work and how decisions were being made. Zappos⁴⁰ used HR data and staff feedback after the changes. Liip⁴¹ focused on open team discussions and reflections. In all cases, there were some improvements specially in areas where people had more freedom in their roles. Meetings for planning and decision-making were helpful but sometimes felt long or too structured. A notable weakness across these studies was the absence of business performance indicators such as financial results and customer satisfaction metrics, with researchers focusing predominantly on internal organizational sentiment. In the case of Zappos, despite formal structural changes, entrenched power dynamics persisted, illustrating that modifying organizational behaviors is more challenging than altering formal systems.

C. Comparative Table

Table 1: Comparision of companies on the basis of key factor for adopting holacacy

Factors	ENGIE GEM	Zappos	iQmetrix	Liip	Mercedes Benz	Contect
Cultural Fit	No	Yes	Yes	Yes	Yes	No
Resource Availability	Yes	Yes	Moderate	Small to mid but flexible in spending	Backed by Daimler	Yes
Adaptability	Mixed	Low to moderate	Moderate	High	Mixed	Low to moderate
Employee Readiness	Mixed	Mixed	Mixed	High	High in digital roles	N/A
Implementation Strategy	Incremental	Full rollout	Incremen	Gradual, organic evolution	Piloted in a new digital subsidiary	Planning stage
Leadership Buy in	Moderate	Extreme. Top- down push from CEO Tony Hsieh.	High- level support	Strong consensus- based leadership.	Strong buy-in at top levels within the innovation unit.	Conflict among CEO and CFO

D. Research Gap

The study on Mercedes-Benz.io's adoption of Holacracy focuses on its role in facilitating digital transformation within a subsidiary of a traditional automotive company. However, there is a lack of longitudinal data assessing the long-term impact of Holacracy on organizational performance and employee engagement. Additionally, the study does not explore how Holacracy interfaces with the broader corporate structure of Mercedes-Benz AG, leaving questions about scalability and integration within larger, more traditional organizational frameworks. In the case study of Zappos', its implementation of Holacracy has been widely discussed, particularly regarding the challenges faced during the transition. While the case provides insights into the difficulties of adopting Holacracy in a large organization, there is a need for more empirical research on the specific factors that contribute to employee

dissatisfaction and turnover in such contexts. Furthermore, comparative studies examining similar organizations that have adopted Holacracy could shed light on best practices and common pitfalls. The existing literature predominantly focuses on individual case studies, such as those of Mercedes-Benz.io and Zappos. There is a gap in comparative analyses that examine multiple organizations across different industries and cultural contexts to identify patterns in Holacracy implementation outcomes. Such studies could provide a more comprehensive understanding of the conditions under which Holacracy is most effective. Future research should aim to address these gaps by conducting longitudinal studies, exploring integration within traditional corporate structures, and performing comparative analyses across various organizational contexts.

4. Conclusion

This comparative literature review shows that Holacracy's success depends not on the model itself but on the organization's adaptability, cultural alignment, and reflexivity. The most successful cases, such as Liip and Mercedes-Benz.io, treated Holacracy as a flexible framework rather than a rigid doctrine. They tailored it to their specific contexts. This finding aligns with contingency theory in organizational design, which stresses the fit between structure and environment. Holacracy is not a one-size-fits-all solution. Its effectiveness relies on cultural readiness, flexible yet committed leadership, and a willingness to experiment and adapt. In contrast, Zappos implemented Holacracy all at once, which created resistance. Unlike Liip and Mercedes-Benz.io, Zappos did not align the system with its culture and needs. Ultimately, successful adoption requires patience, iterative learning, and a balance between structure and flexibility.

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