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EVALUATING HOLACRACY AT IQMETRIX

Professors Chris Street, Ann Frost, and Clayton Caswell wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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It was 7:54 a.m. on Monday, December 18, 2017, when Jacquie Foster walked into her office at iQmetrix, sat down, and turned on her laptop to begin the week. The Regina, Saskatchewan, office of 190 employees had held its office Christmas party the previous Saturday, and Foster smiled, thinking about the evening, as her computer came to life. “A lot has happened since the last Christmas party, that’s for sure,” she thought. “I doubt anyone at last year’s party would have believed what the company would look like one year later.”

Her computer chirped as the day’s calendar loaded and displayed on the screen. “Let’s see,” Foster quietly said to herself. “Holacracy circle tactical meetings at 9 a.m., 10 a.m., and 11:30 a.m. Meeting at 3:30 p.m. with Scott McGillivray to review the Holacracy implementation status. Going to need a few minutes to get *those* notes together.” McGillivray, iQmetrix’s chief strategy officer, had returned from an annual planning weekend, where the senior executives typically discussed the coming year’s priorities and expected milestones for the next 12 months. Foster knew that information about the success of the Holacracy implementation that she was leading would have been a major topic of discussion for the five senior executives running the company. “What do I need to say?” Foster reflected on this question for a moment. “They’re going to want to hear that the implementation is done and that we can move on to the next thing. And McGillivray’s going to want to know what that next thing is.” Foster turned and looked out the window at the downtown Regina landscape in the still-dark pre-dawn of the Canadian winter. “What is the next thing?”

Foster began to think through her status report: “A year ago, I defined the implementation process as ending when all departments and teams had completed Holacracy training, key roles had all been assigned within each Holacracy circle, and every circle had completed at least one tactical meeting.” A grin spread across Foster’s face, reflected in the window. “Funny how that made so much sense a year ago. Are we implemented? If implementation means everyone is aware of what has happened and everyone understands what the basic process rules for Holacracy are, then yes, we are done and we can move on to other areas of focus. But, is that the right way to think about it?”

Foster mentally listed the concerns she had about stating that the implementation was complete and that the company could move on. Key areas such as compensation and employee evaluation were still being done as they had been done in the past and were not yet fully Holacratized. During implementation, some situations had come up—so-called cracks in the road to Holacracy—that Foster knew she would need to fix at some point. Was the implementation actually over? That was perhaps the real question. “Well,” Foster thought, “I’ve got a couple hours before I need to put this all into words that make sense.”

Holacracy

Holacracy was an organizational design that emphasized roles and processes over people. In Holacracy, the work of an organization was divided into roles that were accountable for performing explicit tasks, and the roles themselves were meant to evolve freely by following explicit processes for change. According to the process rules of Holacracy, all people in the organization, from the chief executive officer (CEO) to the employee on the front line, assumed their roles and, once assumed, were free to make all the decisions associated with their role and to propose changes to that role as they saw fit. In the language of Holacracy, the philosophy was centred on roles, not souls,[[1]](#footnote-1) and self-management meant there were no manager roles.

Holacracy was originally conceptualized by Brian Robertson, a software entrepreneur, who had started and sold three of his own companies but each time been unsatisfied with how his company had become less efficient as it grew.[[2]](#footnote-2) Robertson spent considerable time experimenting with different forms of traditional organizational designs before realizing that what he was searching for—a way to maintain autonomy, flexibility, and decision speed in start-up organizations as they grew larger—did not yet exist. Robertson was heavily influenced by the work of philosopher Bertrand Russell and organizational theorist Elliott Jaques. Robertson recognized that Russell, who wrote that “everything is vague to a degree you do not realize until you have tried to make it precise,”[[3]](#footnote-3) and Jaques, who wrote that a tension always exists between the formal organizational chart structure of an organization as it might appear on paper and the structure that actually exists.[[4]](#footnote-4) Robertson’s experience with his own new ventures was that the solution to scaling the start-up culture to a larger, mature organization was to create an organizational design based on simple rules for recognizing, articulating, and creating the tasks that needed to be accomplished, and then giving people the authority to adapt their professional roles to do these tasks. This approach made the work to be done explicit and shaped people’s responsibilities to the actual needs of the organization, rather than to a preconceived (and likely outdated) vision of what the organization did.

Holacracy implementation at iqmetrix

Implementing Holacracy at iQmetrix had begun almost a year earlier, in the second week of January 2017, and had followed a phased rollout strategy, whereby the circles to be included in each phase were selected according to Foster’s opinion about which areas would be most open to, and willing to work through, a significant change. Exhibit 1 shows the circles that were on-boarded in each of the five phases—the first phase starting in January 2017 and the last phase beginning in October 2017. With each wave, Foster had hoped to learn as much as possible in the least intrusive way, to iterate and improve on the Holacracy design as it unfolded, and to become progressively more effective and efficient in leading employees through the implementation.

In hindsight, Foster recognized that this strategy was in some ways naive. The concept of changing to a new organizational form—one that was not well documented, except in a book by Holacracy’s founder—was not originally expected to be intimidating or ambiguous; in fact, many executive members at the time thought the company was already following several Holacratic principles. With this optimism in place, Foster originally thought that implementation would be complete once the last circle was holding weekly tactical meetings. However, this naive optimism proved misplaced. Shortcomings in the “let’s try this on our own, we read the book” approach did not take long to surface. It took longer than anticipated for roles to be created, and the circles that ended up being created tended to mimic the organizational structure that had existed prior to Holacracy implementation. As a result, Foster had started looking for an implementation consultant in mid-February to assist in the process.

After three weeks of searching for and screening potential consultants, Foster decided on Karim Bishay, an experienced Holacracy coach based just outside San Jose, California. Bishay helped to plan the rollout process and participated in it, thereby helping to reboot the first phase rollout and set the stage for the second phase that began in March.

Each phase of rollout progressed in a similar way. Exhibit 2 shows the three-part launch process for each circle. In the first step, pre-launch, a survey was sent to each employee, asking about their satisfaction with and attitudes toward work; the responses were intended to be used later to evaluate progress. Pre-launch training then began and consisted of a question-and-answer session with an executive and Bishay, the master coach, and a Holacracy 101 overview conducted in three-hour live sessions in each office—Vancouver, British Columbia, Regina, Saskatchewan, Winnipeg, Manitoba and Charlotte, North Carolina. Training ended with a tutorial for the online system, GlassFrog,[[5]](#footnote-5) which was used as the project management system for employees to track their work, their roles, and the work and roles of others under Holacracy. Employees who occupied lead link roles were further expected to watch a training video that outlined the specifics of their roles. In Holacracy, lead links were responsible for the administrative tasks of managing each circle. In this role, lead links assigned employees to particular roles; allocated resources across various projects in a circle; and established the strategies, metrics, and priorities for the circle. As such, the lead link role was responsible for many of the administrative tasks of a manager in a typical organization.

Once the pre-launch activities were complete, the actual practice of Holacracy began. For almost all iQmetrix employees (iQers), their first explicit exposure to Holacracy was their first tactical meeting. Most, if not all, groups in the company already had regular status or progress meetings of some type, so for many, the tactical meetings were initially familiar, at least in form. However, tactical meetings in Holacracy had a specific process to follow and required people to become comfortable with learning that new process. It was not immediately comfortable for all people. Once the first meeting was complete and the next one was scheduled, each circle was considered launched, and check-ins between the lead links and Holacracy coaches with the master coach continued for the next three to four weeks. One month after the first tactical meeting, each circle earned a check mark in Foster’s implementation schedule as having entered Holacracy.

Each wave of the implementation built on the knowledge of the preceding waves to the point that by November, Foster had become confident in her ability to move new circles through the process relatively smoothly compared with seven months earlier. Survey results showed that employee satisfaction, satisfaction with Holacracy, and beliefs that Holacracy improved the ability to get work done had gradually increased from spring to late fall. One survey question asked whether employees thought that engaging in office politics was important for getting work done; the responses indicated that iQers were becoming more political in their interactions at work. This finding was in some ways unsettling, but remained one of the few negative indicators from the survey.

Foster noted that what she saw as most predictive of how successful a circle would be in becoming Holacratized lay firmly in the behaviour of the people placed in lead link roles. Foster saw that when the lead link bought into Holacratic practices, the implementation was much more successful. Circles that had what Foster considered to be successful implementations tended to have lead links who remained silent, leaving space for others to resolve their own tensions in tactical meetings, even when obvious comments or answers were apparent. Lead links displaying these behaviours tended to have been with the company for a shorter time compared with those who were more likely to speak over others during a meeting. Newer employees in the lead link role were also more likely to be excited by the prospect and potential of Holacracy, leading Foster to conclude that part of the reason for implementation success was attributable to the enthusiasm shown by these lead links.

Close to the end of the fourth wave, Foster sought out Bishay’s opinion of how well iQmetrix was doing in the rollout. The master coach’s response aligned with her opinion of the overall status and gave her confidence that the process was working and that the others with important coach, facilitating, and support roles for the Holacracy implementation were getting the job done well. Bishay wrote to Foster,

In my opinion, this is one of the most successful implementations at this point in the process that I’ve seen. There’s little outright mutiny, there’s a very solid Holacracy circle, and tactical meetings are running well. There’s also a culture shift happening, and people are picking up some aspects really quickly. Also, on the middle and lower levels very strong circles and structures have formed that are encouraging and growing leadership on that level. I give it an A–so far and am very confident in iQ’s success with it.

By mid-December, the last of the circles had completed the launch process and, according to Foster’s initial criteria, the implementation process was over, and the company did not seem to have experienced any cataclysmic repercussions. Employee turnover that year had not significantly changed from the year before. The company had 430 employees spread across 91 circles. The executive team had devolved from being one group of guys (and they were all guys) at the top of the company to having their roles distributed across multiple circles. Each employee had an average of seven individual roles, such as client manager, database administrator, lead link, software developer, and product architect. Holacracy implementation looked to be complete. Or was it?

evaluating the Holacracy implementation

As Foster looked back over the past year, she recognized at least three potential problems in the implementation journey. Deciding whether those problems needed to be fixed and how to fix them was occupying a lot of her time. Foster understood that one of the key differences between traditional management and self-management was decision-making autonomy. Holacracy was designed to keep much of the structure of an organization but to eliminate command-and-control activities. “I wonder if it’s an unwillingness to step into the discomfort of actualized autonomy, a fear about ‘what if I make a mistake?’” Two of the problems Foster was observing seemed related to exactly this concern.

The first potential problem was apparent confusion among some in the lead link role about their true accountabilities. As described earlier, the lead link was the administrator of a circle who set out the circle’s roles, accountabilities, strategies, and metrics. However, a lead link role was not accountable for the leadership and decision-making responsibilities that most people naturally associated with the role of a boss or a manager. In a typical company, managers provided oversight, and employees often deferred decisions upward; however, in Holacracy, the lead link role was not above the other roles in a circle but rather was a peer with accountabilities only for circle administration. Decisions needed to be made by the employees whose roles and accountabilities were associated with the work. Autonomy and self-management meant that employees made their own decisions and prioritized their own work using their own best judgment.

In hindsight, Foster came to realize that taking people who had held management positions prior to Holacracy implementation and putting them into lead link roles did not always work as planned. Some of these people turned out to be good at administration and could leave the oversight and decision-making roles to those to whom they belonged. But others had difficulty with this process, instead wanting to continue making decisions in areas for which they no longer had responsibility. Two particular forms of misalignment in the lead link role had become apparent. In one, the lead link took over the circle’s decision making, while in the other, circle members abrogated their responsibilities to a willing lead link.

In the first, former managers acted as though the lead link role was that of a traditional decision-making manager and not that of a circle administrator. It became common in some circles for the lead link to interrupt others in the process of presenting a problem and to begin solving what they thought the problem was. Orders from the lead link typically followed, such as, “What you’re describing has been an issue for a while, what I want you to do is this . . . ,” which clearly took away the autonomy of the other circle members to present and fix their own problems. While this behaviour would not necessarily stand out in a non-Holacratic company, actively managing other people and making their decisions was not a feature of Holacracy.

The second type of misaligned behaviour had acquired its own name among those involved with the implementation process. So-called “mom” lead links were lead links who behaved as the active caretaker of the circle. Such administrators wanted to both administer the circle and help circle members with any and all problems they faced. Moms applied pressure to others in the circle to come to them with their problems rather than work through them on their own. Foster did not believe the motivations were necessarily malicious; in many cases, the lead link felt badly about how circle members were now struggling with the additional pressure of working autonomously. Moms, for example, would take notes about others’ problems in a meeting and then approach the person afterward to offer to help solve the problem, thereby leaving the person feeling that they handled the issue well. Regardless of whether this behaviour was driven by a fundamental belief that other people would not be able to handle problems on their own or not, the moms-as-lead-links contradicted the self-management philosophy of Holacracy.

The third problem Foster recognized first began appearing in circles that she knew were having difficulty with the transition to Holacracy, according to the post-implementation surveys and informal follow-up conversations with people throughout the company. When asking others how the Holacracy transition was going, Foster heard variations of a story where some part of the company would be facing a big issue such as massive unplanned service outages or a large customer was found to have talked to a competitor. In some such cases, an individual or small group would try to come up with a big, overarching solution for the problem. In the past, this style of hero management, where people swooped in to save the day, had been common at iQmetrix and had often been rewarded with promotion for those involved.

What was now happening in some Holacracy circles was that in the event of a service outage, for example, someone would come up with a list of the top 15 reasons why an outage happened and then attempt to design a solution that addressed all 15 reasons. The next step was presenting this comprehensive solution to large groups of people. At this point, the situation immediately got out of hand when it became obvious that the big solution impinged on the accountabilities of several different circles and roles in the company, most of which had not been involved in creating the plan.

Instead, under Holacracy, people with problems were expected to make small iterative changes by comparing the difference between their desired state, known as the ideal state, with what they were faced with at any given time, and explicitly conceptualizing that gap as a tension. Tensions were then dealt with one at a time until all facets of a problem were clearly defined and addressed. In contrast, hero management sought to solve problems by going straight to designing one overarching solution. Foster had already seen for herself that the all-in-one solutions tended to be so broad in scope that they left many individual tensions with compromise solutions. Moreover, the people with roles directly affected by the solution would have had neither the opportunity for, nor the satisfaction of, solving their own part of the larger problem.

Senior and influential iQers and executives were slow to stop this type of activity, however, and this process left many employees both confused and disillusioned about Holacracy. Most employees understood that Holacratic principles were meant to produce iterative change at the local, circle level, and move away from hero-managed all-encompassing solutions. However, reality was not converging with this ideal in some parts of the company. A by-product of the executive practice of condoning hero behaviour was that it reinforced the beliefs of skeptics who felt Holacracy was just the next new thing that would eventually just go away.

Thinking about this third problem in this way reminded Foster of the advice a former CEO had given her at a Holacracy conference in Amsterdam the previous May: to have a successful adoption of Holacracy, “some people would need to be told to slow down, and some would need to be told to speed up.” In other words, some people would need to stop making decisions, while others would need to start. Foster thought if she could get people out of the mindset of having to create overarching “super solutions,” and learn instead to embrace small iterative changes as the way to solve problems, then maybe she could consider the implementation period as complete.

Foster had increasingly noted something interesting in her meetings with the Holacracy Implementation circle members—people who had roles as Holacracy coaches and meeting facilitators. Starting in the summer of 2017, the meeting facilitators began reporting that employees throughout the company were beginning to say things in their meetings that were supportive of the change, comments such as how the Holacracy tactical meetings were actually more efficient than what they had been prior to Holacracy and that it was becoming less uncomfortable speaking up in a meeting. Foster had initially considered these reports to be encouraging and a sign that the implementation was progressing; however, in the past month she had begun to have doubts.

Finally, as Foster started putting her notes together to report on the implementation status, she initially intended to say that a positive attitude toward Holacracy was gaining momentum. What she noticed, however, was that all the examples she had for demonstrating progress were predominantly from tactical meetings. She had few meaningful examples of employees actually using the Holacracy philosophy and demonstrating advanced Holacratic practices in the context of everyday work. Foster’s first thought was that having examples only from meetings was because the people she had talked to were all involved in facilitating those meetings, so that was where the observations would naturally be.

That explanation did not last long, however, when she recognized that the people facilitating meetings were also in coaching roles that put them in the front lines of the organization’s circles on a daily or weekly basis. She also thought that it was perhaps a maturity issue and that people would become comfortable with the formal group processes, such the tactical meetings, and gradually diffuse Holacracy philosophies into the rest of their workday. Perhaps, she thought, but if that is the case, then she would have expected to see examples of this diffusion from the first wave of implementation, which had been almost a year ago, and she had not. Whatever the cause, it was clear that what had looked potentially promising for adopting Holacracy might actually be only a surface adoption. Foster wondered to herself: “Do people think that if they do the one-hour weekly meetings well they are doing Holacracy well? Do they think the meetings *are* Holacracy? Are people just going through the motions, even with good intent?” The recent organizational change had been a significant shift, but certainly not the only major change in the young company’s history. “Being in the tech industry means you signed up for an unpredictable environment that changes quickly,” she continued, “and the typical iQer is pretty resilient to all this, so let’s assume that people want to go along but something is getting in the way. What could that be?”

next steps

Later that day, at 12:32 p.m., Foster took off her headset and locked her laptop; her 11:30 a.m. tactical meeting had completed on time. “Come on, Bartlett, let’s get some lunch,” she called out to iQmetrix’s marketing director, Tara Bartlett, in the next office. “How was your morning?” Bartlett asked on the way to the elevator. “Pretty amazing, actually,” Foster responded. “Three hours of tactical meetings and I didn’t once feel like anyone was lost in the process. How was your morning?”

“Pretty amazing, too. I had a bunch of one-on-ones with the marketing managers to discuss their campaign strategies for the coming year. Lots of questions about if those were the right problems to be concerned with, if other campaigns might be more important, how they would know if they were done, and what they needed in order to move on to the next thing,” Bartlett responded. As Foster pushed the elevator button she absently thought, “So interesting. McGillivray’s going to ask me those same questions in a couple of hours.”

Exhibit 1: IQMETRIX’S Rollout Schedule, including Circles per Wave

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Jan-17 | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 |
| **Phase 1–Creating the Organization Structure**  Developed Circle Structure and Rollout Checklist | | | | |  |  |  |  |  |  |  |  |  |
| **Phase 2–Individual Holacracy Circle Rollouts** | | | | | | | | | | | |  |  |
| First Wave (13 circles) | | Second Wave (11 circles) | | | Third Wave (22 circles) | | Fourth Wave (22 circles) | | Fifth Wave (23 circles) | | |  |  |
| * **Nimble Product** * **External APIs** * Marketing * Customer and Partner Marketing * People & Culture * iQer Support Services * Office Management * **Product Engineering** * Holacracy Implementation * iQmetrix (GC) * **Payments Product** * **Payment Solutions** * Design and Brand | | * **Products** * **Wireless Ops** * **Wireless Market** * Professional Services * Managed Services * **Reporting and Data Services** * Training and Launch Services * Enterprise Launch * Project Management Office * **Architecture Standards** * Interactive Retail Services   Post-implementation survey sent April 30, 2017, to waves one and two. | | | * Client Management * Partner Management * **Cricket** * Database Administration * **Reporting and Data Services** * Network Administration * **Wireless Dev Ops** * **RQ Payments** * **RQ Product** * **RQ Services** * **RQ Web** * Servicer Administration * **RQMobile Product** * Sales * **Cricket Project Development** * Support * IT Delivery * Tier 1 Support * Tier 2 Support * **RQ Integrations** * **RQ Windows** * **RQ Reporting**   Post-implementation survey sent July 30, 2017, to waves one, two, and three. | | * **BI/Shared Reporting** * **Billing Automation Service** * Change and Release Management * **Darwin** * Database Operations * **DevOps** * **Digital Signage Product** * **Dropship Development** * **Dropship Product** * **eComm Product** * **Ekho Product** * **Endless Aisle Product** * Hardware Certification * HUB * **Hydra** * **Mufasa** * **Omnichannel** * Product Content Management * Shared Services * Support Ops * **RQ Payments** * **RQ Web**   Post-implementation survey sent September 30, 2017, to waves one, two, three, and four. | | * **Payment Solutions** * **PMO UAT Team** * Accounting * CorpDev M&A * **Cova Product** * **Dispensary Product** * Finance * Financial Planning and Analysis * IT Services and Support * **Krypton Development** * Corporate Operations * Payroll * Purchases, Payables, and Payments * Resource Allocation Board * **Restaurant Market** * Revenue Receipts and Receivables * Risk and Compliance * Sales (Dispensary) * **In-store Experiences** * **Stetson Development** * Tax, Treasury and Reporting * Change Management * **iQ Exchange Product**   Post-implementation survey sent November 30, 2017 to waves one, two, three, four, and five. | | |  |  |
| **Bold type represents software development circles.**  Regular type represents support and administration circles. | | | | | |  |  |  |  |  |  | **Phase 3—Structural Rollout** | |

Note: APIs = Application Programming Interface; iQer = iQmetrix employee; GC = General Company; Wireless Ops = Wireless Operations; Wireless Dev Ops = Wireless Development Operations; RQ = Product Name; IT = Information Technology; BI = Business Intelligence; DevOps = Development Operations; HUB = Product Name; PMO UAT = Project Management Office User Acceptance Training; CorpDev M&A = Corporate Development Mergers and Acquisitions.

Source: Company documents.

Exhibit 2: iqmetrix’s Rollout Process

Tactical meetings 2–5 facilitated by master coach (consultant)

Lead Link check-in with master coach consultant)

Holacracy coach check-in with master coach

Pre-launch survey

Training

Q&A session

Holacracy 101

Glass Frog session

All about Lead Links video

Circle strategy and roles created by Lead Link and communicated to circle members

Meeting facilitator assigned

First tactical meeting

Next five meeting scheduled

**Post-launch**

**Launch**

**Pre-launch**

Note: Q&A = Question and answer

Source: Company interview.

1. Brian J. Robertson, Holacracy: The New Management System for a Rapidly Changing World (New York: Macmillan, 2015). [↑](#footnote-ref-1)
2. Ibid. [↑](#footnote-ref-2)
3. Bertrand Russell, “Vagueness,” Australasian Journal of Psychology and Philosophy 1 (June 1923): 84–92. [↑](#footnote-ref-3)
4. Elliott Jaques, Requisite Organization: Total System for Effective Managerial Organization and Managerial Leadership for the 21st Century (London: Gower, 1997). [↑](#footnote-ref-4)
5. GlassFrog, accessed March 26, 2018, www.glassfrog.com. [↑](#footnote-ref-5)