

An Interview with Brian Robertson
President of Ternary Software, Inc.

on

Holacracy™

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Bio – Brian Robertson

Brian Robertson is the founder and CEO of Ternary Software, Inc., a leading provider of software development services to emerging technology companies. In the five years since its launch, Ternary has grown organically to over \$2 million in annual revenues, ranking it as one of the 50 fastest growing privately-held companies in the Philadelphia region for the past several years. The company has won awards for its high growth, its sustainable environmental practices, and for being among the fifteen best places to work in the region. Behind the scenes, Ternary's unique organizational design, governance structure, and business practices have forged new ground and tested new possibilities in the fields of human organization and culture.



In addition to his primary work, Mr. Robertson spends time sharing the learning happening within Ternary. He often advises receptive companies and entrepreneurs, sometimes as a board member, and he serves on a key advisory committee for an early-stage investment fund run by the Commonwealth of Pennsylvania. Mr. Robertson also speaks at a few conferences each year; recently he presented at SD Best Practices 2005, spoke at Agile 2005's Executive Summit, and delivered a keynote address on Technology and Education at a regional conference of the same name. Prior to founding Ternary, Mr. Robertson's 20-year background in software development and management included leadership roles in several industries, and he was pioneering Agile software development processes before the term "Agile" was coined. He began programming at age six, and launched his first software-related business at age twelve.

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Interview

Overview

Q: You're part of a very interesting company, doing some fairly pioneering work. What's unique about Ternary Software?

BR: I can tell you all about our unique governance system, management structure, hiring process, salary system, software development process, and the many other visible aspects of our company. Those are all important to fully understanding Ternary, though they aren't anywhere near the full picture. To get at that, you'd have to know what values, meaning, and understanding we share here, and what it actually feels like to be a member of Ternary. And that's where words begin to fail me. For now, I'll just say the culture and experience inside Ternary feels profound beyond words, though that feeling itself begins to feel quite ordinary after awhile.

Q: Let's start with the tangible aspects then; can you give a few highlights?

BR: Let's start with these:

- 1) Ternary is the first for-profit company in North America adopting a corporate governance and management structure which: (a) legally guarantees social responsibilities are equally paramount to investor responsibilities, (b) legally guarantees every worker in the company has a paramount voice in corporate governance and management at every level of scale throughout the organization, and (c) builds self-organization and dynamic steering (agility) directly into the legal structure and management processes of the organization.
- 2) Ternary's structure and governance system integrates the distinction between for-profit and non-profit companies, and between public organizations and private enterprise. With Ternary's model, all entities have both social and economic responsibilities, and the process of governance happens everywhere throughout the system by everyone, at the level of scale they operate at, and not by a large separate "government" or by separate "management".
- 3) Ternary's structure and governance system blurs the line between separate organizations. As more organizations adopt a similar structure, they can easily intertwine into a fractal, chaotic, multi-entity organization. Once this network gets big enough, it has the potential to transcend what we currently think of as government with a new type of world-wide integrative power structure, all without any messy revolutions.

Holacracy™

Q: That's a lot to digest and it's all pretty abstract; can we get more concrete? What is this new governance system you're referring to?

BR: We've pioneered an approach to human organization we call holacracy.

Q: Before we get into that, let's start with why a new governance system is even needed, and how you arrived at it.

BR: Think about the structure and decision making of the modern corporation. There is a limited democracy in place externally – the shareholders elect board members by majority vote (weighted by how many shares they own), and the board in turn appoints a CEO by majority vote. From there, all decision making is autocratic, and the CEO has near supreme power. Typically the CEO delegates part of his power to managers, creating what is akin to a Feudal hierarchy, and this hierarchy steers the organization through predict-and-control planning and management. Power officially flows down from above, while accountability officially flows up from below, and those governed have virtually no voice in the governance. At worst, this system tends towards corruption and oppression. Even when the worst is avoided this structure still tends to be both inflexible to change and incapable of artfully navigating the complexity most businesses now face.

We knew early on that this typical model would not fit well for us, but here's the rub – what do you replace it with? Decisions need to be made and they will be made. If there is no explicit power structure in place, one will implicitly emerge, and the best you can hope for at that point is the typical autocratic structure (more often, you end up with something far more insidiously dominating and ineffective than that). So, perhaps you try running the organization via consensus? That doesn't scale at all, and the time and energy required is often so impractical that the system is bypassed for most decisions, leaving you with the same problems as having no explicit structure; sometimes even worse, as consensus can pull people towards a very narcissistic space. What about some kind of internal democracy? Bad idea – democracy often results in the same kind of oppression and lost opportunity as autocracy, and to make matters worse the majority rarely know best, so you're stuck with ineffective decision making on top of the other downsides of autocracy.

So, what is the enlightened organization to do? Many just accept the current model as the best available, and try to ensure their dictators are benevolent and open to feedback from below. We did not accept it, and that caused a lot of pain. We had no explicit structure for several years, and I could write for hours about the dysfunctional patterns we saw emerge from that. We tried several alternative structures, some more effective than others, but all seriously lacking. Finally, we went searching and stumbled across a model called sociocracy, pioneered in its modern form by Gerard Endenburg. Sociocracy provided a large part of the answer we were searching for. We adopted it along with a few other key models I'll discuss in a bit, and then over time we added several innovations and advances of our own. We needed a name for the new system in its entirety, and with the help of Ken Wilber, we came up with “holacracy”.

Q: How does holacracy work?

BR: Let's start with the four basic practices of sociocracy, all of which we've incorporated into holacracy as a starting point – here's the 50,000 foot view:

Decision Making by Consent: Consent is a method of decision-making whereby the arguments presented in discussing a decision are of paramount importance, and the result of the discussion is that no one present knows of a paramount reason to continue discussion before proceeding with the proposed decision.

Circle Organization: The organization is built of a hierarchy of semi-autonomous circles. Each circle has its own aim, given by the higher-level circle, and has the authority and responsibility to execute, measure, and control its own processes to move towards its aim.

Double-Linking: A lower circle is always linked to the circle above it via at least two people who belong to and take part in the decision making of both the higher circle and the lower circle. One of these links is the person with overall accountability for the lower-level circle's results, and the other is a representative elected from within the lower-level circle.

Elections by Consent: People are elected to key roles exclusively by consent after open discussion (this is not a democratic majority-vote election!). Most notably, the election process applies to the representative elected from a lower-level circle to a higher-level circle.

I should add, please remember that holacracy needs to be understood as a whole, not as a collection of independent practices – for example, consent-based decision making (the first practice listed above) doesn't work well unless it is done in the context of a circle of individuals with regular contact working together towards a common aim (the second practice listed above).

Decision Making by Consent

Q: Okay, let's start with decision making by consent; can you explain that further?

BR: With consent, decisions are made once no one involved in the decision making process knows of a reasoned and paramount objection to making the proposed decision. All reasoned and paramount objections must be addressed in the decision-making process, giving everyone involved in the process a paramount voice in their own governance. That means the decision will be within the limits of tolerance of all aspects of the system for the time being (an important corollary is that any decision can be revisited at any time, as new information and understanding presents itself – we can discuss this later).

Note that this is not at all the same thing as consensus – with consensus, everyone must be “for” the decision and someone can “block” it, whereas consent requires that all perspectives must be integrated into the decision-making process until no one knows of a paramount reason to

continue discussion now; no one can “block” a decision, they can just add information to integrate into the decision-making process. This is a critical distinction – consensus is about the individuals and their personal wants, whereas consent is about the decision or argument itself and what’s best for the whole, while recognizing that the best way to get the best decision is to listen to and integrate the information and perspectives brought by the individuals involved. With consent, the people involved don’t make the decision per se; rather, they are the vehicle for attempting to surface the decision that wants to emerge anyway.

Q: Are all decisions made via consent?

BR: As a rule in our constitution, all decisions at Ternary must be made by consent unless consent is first given to use another decision making method. Thus, consent wraps and integrates other decision making styles – groups may consent to someone having autocratic decision making power within agreed upon limits (which in practice happens quite often), or to use democratic vote, or even to allow chance to decide, though consent is still the threshold – any of these decisions to use another style can be revisited via consent as new information presents itself or the environment changes.

For example, we wouldn't want our Director of Operations calling a meeting every time she wanted to buy more pencils for the office, so we instead created a policy (by consent) that granted her autocratic authority (and responsibility) to make decisions relating to keeping our office up and running operationally, within certain purchasing limits and such. Likewise, programmers are often granted authority to make autocratic decisions on how to implement features in code, within the limit that they need consent of their team before bypassing any agreed-upon process (such as writing unit tests for the code). Should this authority ever prove too broad or the limits too restrictive, the policy would then be revisited via consent, and the team (Circle) would adapt appropriately.

Q: What if someone tries to sabotage or stonewall decision making in a consent-based process?

BR: I speak about holacracy quite a bit, and this is one of the most common questions I get. For good reason too – these are issues that require significant concern within the governance systems we’re used to! Within holacracy, we find sabotage and politics just don’t happen in any significant way. It's not that holacracy directly solves problems of sabotage and politics – it just helps an organization "outgrow" the need for such things in the first place, and helps individuals move beyond fear-based reactions. Sabotage and politics just become obsolete, no longer useful.

With all of that said, if or when these kinds of behaviors do occur, the consent process not only prevents them from doing harm, but actually helps figure out where they’re coming from and why, so the root issue can be addressed.

Q: This still sounds somewhat like consensus; is it just that the votes are different than the consensus model of for or against?

BR: No, it's totally different. It sounds like there's something underlying this question that's really key to understanding consent: Consent isn't about "votes" at all – the idea of a vote doesn't make sense in the context of consent. There are no votes, and people do not vote. People do say whether they know of a reason why the proposed decision is outside the limits of tolerance of any aspect of the system, and then decision-making continues to integrate that new information. This isn't at all the same as consensus or consensus-with-veto, either in theory or in practice, it just sounds similar at first, especially if you haven't seen anything like consent before. As an example, in a boiler-based heating system, the boiler has a natural limit of tolerance: if the water actually boils, the unit will cease to function, and may explode. That is a reasoned argument against allowing the water to boil. This is a valid argument for decision-making because it's about something that won't work well, and not because the boiler "wants" to keep the water below boiling (if it had desires it may indeed want that, but what's useful for decision making is **why** it doesn't want the water boiling!).

Q: Some variants on consensus ask people if they can personally support a decision, and use this as decision-making criteria. Is this similar to consent?

BR: No. The consent decision-making process itself isn't about personal support at all, one way or the other – it's totally orthogonal to that. An "objection" isn't a statement that someone won't support a decision, and nor is "no objection" (i.e. "consent") a statement that someone will. It is just a statement about whether or not someone sees something that is outside the limits of tolerance of any aspect of the system. Most folks use personal emotions and feelings of support (or lack thereof) as clues to why a proposed decision may really be outside a key limit of tolerance for the system, and you'll see others in the decision-making process helping them try to understand their emotions. The emotions become information, valuable to the whole group as clues to broader issues not yet articulated, but not decision-making criteria in and of themselves.

Ironically, personal support is typically an output of the consent decision-making process, even though (or maybe precisely because) it is orthogonal to the decision-making process itself.

Q: Does consent require significant trust to work well?

BR: No; in fact, it relies upon trust less than any other decision-making process I've run into. Again, trust is an output of the process, not a required input. In fact, consent is sometimes brought into extremely dysfunctional companies specifically to re-establish and build trust, and several companies in Holland have seen impressive results in this regard.

Support and trust are both very personal, and consent decision making has an impersonal quality to it; it's about reaching decisions that do not fall outside the limits of tolerance of the many aspects of a complex system. I've been quite amazed at how much personal trust and support such an impersonal process builds, largely I think by shifting the focus from the personal to the

more practical, while still honoring emotions and treating them as important information to be understood.

Q: Can you explain what it feels like to be a part of this process?

BR: One of the most noticeable differences between consent and consensus is in the actual culture or “air” of a decision-making meeting. The process helps people move beyond fear and ego to meet in a higher emotional and cultural space, so a group engaged in consent-based decision making has a palpably different feel to it. For me, it’s like we’re tapping into a larger collective understanding, which is at least the sum of our own individual understandings (and *not* the least common denominator of our own perspectives, a feeling I often get with consensus). From there, it doesn’t feel like we’re arguing or convincing each other, though it may look that way from the outside; it just feels like we’re exploring this larger collective understanding together, until the right decision emerges.

Q: Sounds like that might be fairly slow; does consent slow down decision making?

BR: Not once you get used to it. In fact, it has exactly the opposite effect - it's usually faster than decision making via any other means, including autocratic decision making! There are three main reasons I see for this:

For starters, there is an explicit decision-making process; when facilitated well, it helps a group stay focused and move swiftly through both exploration of an issue and actual decision making.

Second, healthy autocratic decision making often requires some degree of consensus building, whereas consent nicely dodges that need – everyone can trust the process itself to result in any buy-in needed.

Finally, and by far most importantly, it changes the nature of decision-making and process control – the “steering” of an organization or team – from a predict-and-control model to an experiment-and-adapt model. And that changes everything.

Dynamic Steering

Q: That sounds really important! Holacracy replaces predict-and-control steering?

BR: Technically it transcends and includes predict-and-control steering; there are cases where the predictive approach still makes sense, in which case the agile, adaptive approach is to use a predictive model.

Q: What exactly is this difference in “steering”, and what are the implications?

BR: Most modern decision-making and management structures are based around trying to figure out the best path to take in advance to reach a given aim (predict), and then planning and managing to follow that path (control). It's kind of like riding a bicycle by pointing at your destination off in the distance, holding the handlebars rigid, and then pedaling your heart out to get there. Odds are you won't reach your destination even if you do manage to keep the bicycle upright for the entire trip.

In contrast, if you watch someone actually riding a bicycle, you'll see a slight but constant weaving. The rider is constantly getting feedback by taking in new information about his present state and environment, and constantly making minor corrections in many dimensions (heading, speed, balance, etc.). This weaving is the result of the rider maintaining a dynamic equilibrium while moving towards his aim – using rapid feedback to stay within the limits of tolerance of the many aspects of his system. Instead of wasting a lot of time and energy predicting the exact “right” path up-front, he instead holds his purpose in mind, stays present in the moment, and finds the most natural path to his aim as he goes.

For organizations, replacing most up-front prediction (of the “right” policies, decisions, etc.) with incremental adaptation in light of real feedback provides massive efficiency gains, higher quality, more agility, increased ability to capitalize on ideas and changing market conditions, and, perhaps most ironically, **far more control**. And it gets all of this while meeting human and social needs in a way most workers would never dare dream.

Finally, I should add that transcending the predict-and-control model is not at all the same as just “not predicting” (no more than riding a bicycle is a process of just “not steering”). It is instead about attuning to an appropriate telos and being fully present in the here and now, and aligning actions with the natural creative impulse that then surfaces. Doing this across an organization requires an enabling structure and a disciplined process of continually taking in feedback and adapting, even across multiple people and multiple semi-autonomous teams. A key goal of holacracy is to provide such a structure and process.

Q: How is dynamic steering achieved in holacracy?

BR: First, I should say that an appropriate structure and process, like that provided by holacracy, is necessary but insufficient to achieving dynamic control and true agility. Effective agility also requires that the individuals involved reach a certain level of internal consciousness, and have the opportunity to express the insights and judgments that come from that level in a culture that supports their proper interpretation and use. Holacracy can help these other required aspects emerge, but not if they are assumed to be a byproduct of holacracy, or, worse, just totally ignored.

Back to your question. Built into consent is the rule that any decision can be revisited at any time. For consent to work, there needs to be a value placed on making decisions based on the aim of the circle and the facts at hand, without too much speculation and anticipation of what “might” happen (for most issues anyway), and then adapting when new information and understanding presents itself. This leads to a lot less agonizing over the “perfect” decision

(predicting), and a lot more just trying something and letting reality tell you what the right decision actually is.

This also removes a lot of the fear from decision making. Predicting the future is scary, especially if you're stuck with the results of your prediction! In contrast, holding an aim in mind while living fully and continually in the present is not. It's much easier to move beyond a fear when you know it's safe to just try it, and then revisit it as soon as your fear actually begins to materialize, or when new information presents itself. This changes the nature of decisions and with it people's emotional reactions towards both the process and results of decision making.

The other practices of holacracy come into play here as well. The circle organization is critical to effective dynamic steering, as each circle owns and controls its own decisions and policies, performs its own work, and then adapts its decisions and policies based on real feedback. Double-linking, with representatives elected via consent, enables adaptation beyond the level of a single circle and in a manner integrated with other circles. Technically, the lead-link connects the doing process of the higher circle to the leading process of the lower, while the representative-link connects the doing and measuring processes of the lower circle to the measuring process of the higher.

Q: It sounds like there's a whole lot more to dig into there, but let's move on to the other practices of holacracy.

BR: Sounds good!

Holarchic Structure

Q: Tell me about Circle Organization.

BR: First let me introduce the concept of a "holon" – a whole that is also a part of a larger whole. You can see examples of holons literally everywhere you look. For example, atoms are wholes in their own right, and they are also parts of molecules, which are parts of cells, which are parts of organisms, etc. Or you've got letters, which are parts of words, which are parts of sentences, which are parts of paragraphs. Or, more relevant to this dialog, in a company you've got specific project teams which are parts of a broader department, and departments which are parts of the broader company. We'll call each of these series a "holarchy" – a nested expansion of increasing wholeness, where each higher-level holon transcends and includes its lower-level holons. That is, each higher-level holon includes its lower-level holons, yet also adds something novel as well and thus can't be explained merely as the sum of its lower-level parts. There's much more to this, and for anyone interested in going deeper I highly recommend Ken Wilber's books – A Brief History of Everything is a good starting point. For now, let's get back to your question.

A circle is a semi-autonomous team, which exists within the context of a broader ("higher-level") circle that transcends and includes it. So, each circle is a "holon". Like all holons, each

circle maintains and expresses its own cohesive identity (it has agency), in this case by performing its own leading, doing, and measuring, maintaining its own memory and learning systems, and pursuing its own aim (which is set by its higher-level circle). The rules of this Circle Organization apply at all levels of scale. Some circles (teams) are focused on implementing specific projects, others on managing a department, and others on overall business operations. Whatever level of scale a circle is focused at, it makes its own policies and decisions to govern that level of scale (leading), it produces something (doing), and it uses feedback from the doing to guide adjustments to the leading (measuring), all in an effort to continually express its aim (its purpose).

Q: I'd like to come back to this in a minute, but for now, tell me about Double Linking.

BR: Decisions and operations of one circle are not fully independent of others, since each circle is also part of a larger circle and shares an environment with others at its level of scale. So, a circle can not be fully autonomous – the needs of its higher-level circle and lower-level circles must be taken into account in its leading, doing, and measuring.

To achieve this, circles are linked to other circles in the holarchy through a double link, where at least two people serve on both of the connected circles. One person that forms the double-link is chosen by the higher-level circle, and the other is chosen by the lower-level circle. Each of these individuals represents the context of the circle they were elected from on the other circle, and through consent-based decision making each has a paramount voice on both circles. This linking continues throughout the holarchy of the organization and, ideally, beyond – a topic we can dig into further in a bit.

Q: And Elections by Consent?

BR: This rule simply says that individuals are chosen to elected roles (such as a representative link to a higher-level circle) exclusively via consent after open discussion. The specific election process used is quite unique and very powerful – it is described nicely in sociocracy literature, so I won't repeat it further here.

Q: Is there an easy way to convert an existing company to holacracy and this holarchic structure?

BR: Most companies are already organized in a hierarchal fashion, and getting from there to an initial holarchic organization is trivially simple, at least structurally. You simply take the existing hierarchy, the existing org chart, and draw circles around each level. That is, you draw a circle around every manager and those he leads, and you end up with a series of overlapping circles, which is your starting holacratic hierarchy (whether it's the right hierarchy is another matter, and that's an issue with or without holacracy, but we can discuss that next). From there you run elections from the bottom up, where the elected individual becomes a member of the next higher circle (completing your double links), and you've now got a full holacratic structure

to start from. Alternatively, you start small, with just a subset of the organization or even a single team, and then grow from there.

So, the real conversion challenge lies not in a dramatic change to the fundamental organizational structure but in adding the holacratic process, and that's good news – it means you can add holacracy incrementally and learn as you go, while building upon what you already have.

Requisite Alignment

Q: Okay, so a holacratic organization is built as a holarchy of doubly-linked nested circles. How do you know what specific circles an organization should have, and how many levels these should be organized into? Does it make a big difference?

BR: Ahh, now that's an interesting question! Yes, it makes a huge difference, and it's an area the sociocracy community provides relatively little guidance on. We've integrated a few other models which help us answer this, perhaps most notably Elliot Jaques' "Requisite Organization" model, as well as some of our own insights and hard-won learning, backed by a solid understanding of holons and holarchies thanks to Ken Wilber's work.

Suffice it to say, this question is really deep. What we've learned is that, at any given point in time, an organization has naturally ideal structures ("requisite" structures), that "want" to emerge. The closer the explicit tangible structures are to these natural structures, the more effective and trust-inducing the organization will be. The most obvious structure (and among the most critical) is the actual organizational hierarchy, though there are others as well, and there seem to be requisite processes to top it off. Getting any single structure or process "requisite" often requires adjusting multiple structures and processes, each in the context of the others. It can be quite a puzzle!

Said another way, the organization consists of natural holarchies that have emerged over time and evolve with time; you want to discover these natural holarchies and align your tangible structures and systems with them as closely as humanly possible. This is not an arbitrary choice – for any given organization at any given point in time, there seems to be one right answer and only one right answer. Finding it is not creative work, it is detective work – the answer already exists, it just needs to be uncovered. This process feels a lot less like explicit design than it does attuning to what reality is already trying to tell you.

Q: Does everything depend on the specific situation, or are there any universally requisite rules or processes an organization can apply?

BR: There absolutely are. The specific requisite holarchy will vary heavily in different organizations and will evolve over time – circles come and circles go (there's still one requisite holarchy for any given organization at any given point, it just changes over time). But while the natural holarchy will vary, there seem to be universally applicable requisite rules and processes

that always apply. These general and unchanging rules seem to relate to natural “laws” of holons and holarchies, which don’t change with time or situation.

We’re actually in the process of creating a governing constitution that captures our overall holacratic governance system, including these requisite organizational laws. We have a draft version in use now, though we’re still adding to it. Our attorneys are working towards making it legally binding, a replacement for the more traditional corporate governance and power system – it’s all really quite exciting!

Q: What will an organization applying these requisite rules look like?

BR: For starters, each circle will feel highly cohesive; it will have a healthy autonomy and a clear identity, with those functions naturally within its identity handled by it. The circle will be able to effectively do its own leading, doing, and measuring, with its higher-level circle able to comfortably focus on the circle’s aim and specific inputs and outputs, rather than the details of the processes going on within. Power and accountabilities (i.e. rights and responsibilities) will be very clear and explicit, both for each circle and each individual within.

In addition, the levels in the holarchy will correspond to natural levels of development of the individuals working at each level. In other words, a lead link (manager) will have reached a higher level of development than the people in the circle he leads along a few key general developmental lines (e.g. cognitive development, moral development, etc.). Furthermore, the distance between the level of development of a lead link and the level of development of those he leads will cross one major stage transition. Keep in mind this is referring to average level of development along only a few key lines of development – those that you might say make up the self’s “center of gravity”. Development is a messy affair; there are many areas of development that can be at many different levels, and, even with a difference in center of gravity, any given individual will still be more developed than their lead link in at least some areas (perhaps mathematically, or musically, or aesthetically, etc.).

That’s a lot to digest, and there’s a lot more behind it and in addition to it – we’re just scratching the surface here. The short version is, each rung up the corporate ladder will contain people at higher levels of development in a few key areas than those below, and not just incrementally higher, but a good, full rung higher. Furthermore, in a requisite organization, the person watching out for your broader development – watching to see when you’re ready to move a full rung up the corporate ladder – won’t be your immediate manager, but rather your manager’s manager (your “manager once removed”).

Q: Can you give arguments for why these rules make sense?

BR: Yes, though the truth is I usually make up the arguments after the fact. We didn’t come to our current understanding of requisite organization by sitting down and logically planning what made sense – the logical arguments I can now give never mattered much to us! Again, it was detective work, not creative work. We got to where we are now by sensing what naturally

wanted to emerge – what already was – and simply aligning with that, not by logically concluding what should be.

I don't mean to dodge your question though! When accountability for guiding someone's overall development rests with their manager once removed, you see a lot less dysfunction and a lot more trust in the culture, and it helps accelerate individual development to boot. It's hard for managers to know when someone they lead day-to-day is ready to be their peer. Even more relevant, it's easy to recognize a level of development significantly lower than your own, but once someone gets near or above your own level, it becomes increasingly difficult to place them accurately.

Another rule I mentioned is that managers are requisitely one developmental level above those they lead in a few key areas. Anyone who has had a boss at about their same level of development knows first-hand how frustrating the alternative can be! The developmental difference makes the corporate hierarchy meaningful and natural, as opposed to the more common case of largely arbitrary hierarchies, which often result in dysfunctional “politics” and domination. Hierarchies where each tier is separated by one developmental level seem to be ideal, while those separated by more than one level seem better than same-level leadership but not ideal. There are many possible explanations for this. It is often easier to learn day-to-day from someone one tier above your own level – they still remember the stage you're at quite well, and you can more easily find value in the broader perspective they bring. From the leader's point of view, helping someone one level lower in a day-to-day capacity is likely to be more challenging and more enjoyable than helping someone several levels lower (not to diminish the importance of having more long-term teaching and mentoring from those more than one tier higher; I'm talking about day-to-day operational coaching at this point). Finally, this one-tier difference of developmental levels at each hierarchal level creates a *major* gravitational force for personal development throughout the organization – it pulls people upwards.

Worldwide Holarchic Governance

Q: Early on you spoke of growing this governance system beyond a single organization; why is that important?

BR: An overall company is a semi-autonomous holon, just like all other sub-holons within the company (departments, project teams, etc.). For a holarchy to remain healthy, all holons need clear autonomy as a whole, and clear responsibilities as a part or member of something larger. Our current corporate governance model pushes the company-level holon towards unhealthy autonomy – it is encouraged to ignore its responsibilities to the broader world. We see the impact of this all the time, whenever companies focus on their own growth and profits while ignoring their impacts on the environments around them. And be careful about chalking this up to “evil” or “selfish” executives – the entire system is setup in a way that pushes towards this! It is extremely difficult to work against this momentum, or even to become fully awake to it.

On a related note, the current system also tends towards the company-level holon inadvertently dominating its own parts, impairing the autonomy of its own departments, project teams, etc.

This is another outcome of looking at the company as the “primary” unit of organization, rather than just one particular unit of organization and one particular level of scale. And let’s be clear – the challenges that come from privileging just one unit or level of organization as “primary” don’t just exist in the world of business – virtually all aspects of society in the world today suffer from this. We need a tangible system that recognizes each organizational level as a primary unit – as a holon – with both autonomous rights and communal responsibilities, and each needs a key voice in the governance of other connected holons.

Q: Can we get concrete again? How would such a system actually work?

BR: Let’s take it one step at a time – first we have to talk about Top Circles. Each individual organization has a Top Circle at the very top of its holarchy, somewhat akin to a more traditional Board of Directors. A Top Circle looks like other circles in most respects – it steers via consent decision-making, and it is doubly-linked down to the single highest-level “normal” circle of the organization (akin to an executive team). The critical thing to understand though is this – despite the similarities, the Top Circle does not represent the same thing the other circles do. Other circles represent actual levels of natural holarchy that have emerged within the organization. The Top Circle does not – it represents the organization’s drive for self-transcendence, the drive to manifest yet higher levels of organization that have not yet actually emerged. When this self-transcendence happens, it usually looks like a new circle emerging parallel to the current highest-level operational circle, and the simultaneous emergence of a new yet-higher-level operational circle to transcend and include the newly emerged circle and the once highest-level circle. The Top Circle always represents the drive itself, not the newly emerged level, so it is now doubly-linked with this new, higher level of organization, pulling it yet further upwards.

I’ll give an actual example of Ternary’s growth, though first we need to clear up a common misconception, which is that people often get the order of organizational growth backwards. Take a three-level company as an example. It is easy to imagine that first there was an executive team circle, which then subdivided into departments, which then subdivided into teams. That’s exactly backwards. When that company was just one circle, they may have called that circle an executive team, but it was probably equivalent in complexity to what they now call a project team. The new levels of organization usually emerge *over* the previous levels, not under. Let me get to the example and this will make more sense.

When we started Ternary, the founders effectively formed a single project circle – the company took on and we all worked on a single project at a time. Eventually, we grew to a point where we took on two projects at once. Two new holons then emerged simultaneously (whether our explicit structure recognized this is another matter – the reality was there regardless). One of these new holons was our second project team circle, and the other was a new higher-level circle that enfolded both of the project teams together in a higher-level organization – that higher-level circle was equivalent in complexity and function to what we now call a department circle, although at the time, sure enough, we called it our executive team. Eventually, we grew in complexity to the point where our sales function needed to be fully differentiated from, parallel to, and integrated with our already-existing software development function. Again, two new holons emerged, including one parallel to the existing functional department and one higher-

level to pull them together. Since then, more holons have emerged at the department-level – more functions differentiated themselves – and all have integrated into the highest-level operational circle we have, which currently represents our single overall line of business. We’re currently seeing a second entire business line trying to fully emerge and differentiate itself; once it does, two new holons will again emerge, and we’ll have another level in our holarchy.

Q: It sounds like the Top Circle represents a certain consciousness or “will” of the company, driving it towards something. Is that so?

BR: I believe so, though we have to be very careful here. A common mistake is to think there is a holarchy that goes something like this: atoms to molecules to cells to humans to teams to departments to companies. The trouble there is that we’ve jumped holarchies – teams, departments, and companies are holons in their own separate holarchy. Humans are members of a team, not parts of it. Again, there are two holarchies here – that of an individual human and that of an individual company. Confusing them as one holarchy leads to all sorts of trouble (see Ken Wilber’s work for details).

So, with that in mind, it sounds like a company is effectively just a collection of individuals, a culture or collective, without its own individual will or consciousness, and without a single dominant monad controlling the actions of the members. When we talk about a company or a circle in the sense of a group of humans working together, I believe this is absolutely true. At the same time, I believe this understanding is only part of the picture. We also talk about circles as structural elements or building blocks of an organization, and this use of “circle” refers to an individual entity that is independent from and unrelated to its human members. And, when we’re referring not to the explicit circles in place but to the “requisite” structure underneath that “wants” to emerge, we’re then referring to naturally emerging individual holons, not just artifacts of human design. If we take this use of the word circle and apply it to a company level, we’re now talking about a company as a natural individual holarchy in its own right, independent from its role as a social group for humans. My experience suggests that, in this sense of the word, companies have their own inherent purpose, inherent telos. In a healthy holacracy, the Top Circle strives to understand and align with this (the circle itself does this, using the members, not because of the members). The Top Circle is a dominant monad for the organization – not for the humans within, but for the organizational holarchy itself.

Again, this organizational will or consciousness has almost nothing to do with the humans involved; it relates to the depth of the organization’s own individual holarchy, which exists whether or not there are human members present. By way of example, consider the bacteria living inside your body – each bacterium has its own consciousness of a sort and many bacteria together form, if you’ll excuse the pun, a collective “culture” of a sort. These bacteria are critical to your own survival and growth, but neither the individual bacteria nor their collective culture has anything to do with your own individual consciousness, one way or another. The bacteria are members of you, along for the ride, doing their own thing – you are a totally orthogonal organism from them, in the same way that an organization is a totally orthogonal organism from its members.

This insight helps us understand that an organization's purpose or telos is neither explicitly created by its members nor is it a collection of the members' own individual purposes, no more than your purpose is a result of your bacterial friends. In a healthy organization, in many ways the members are really just along for the ride as the organizational entity itself strives to embody its own purpose (more often in today's world – in fact almost always – members dominate the organization's own will, completely obscuring it in the process). Sensing an organization's will is very subtle business, but it can be directly and tangibly perceived by those with a developed sense for it, and verified by qualified peers.

Aside from this being the best interpretation I've found of my own and others' experiences, this interpretation is also extremely practical. It ensures we avoid getting paralyzed by the purely relative consensus-seeking hell that results when we decide an organization's vision really should be some form of sum of the members' visions. And it ensures we avoid the domination that results from thinking that a subset of the members or just one individual should decide upon or instill the organization's vision. And I'm not just talking about paralysis or domination of the members – freeing the organization's own individual will from paralysis and domination is also critically important, and I am ceaselessly amazed by what organizations are capable of when their own free will is unleashed.

Q: Okay, I understand Top Circles now, but I'm confused about something. Isn't the next higher level of organization that transcends and includes a company something like an industry or a geographic region? How does that relate to Top Circles of individual companies helping higher levels of organization to emerge?

BR: I was confused by this for awhile too. The issue is this – an industry does not transcend and include companies, it transcends and includes the interactions between them – it is a different holarchy altogether. This is the same pitfall that we spoke of earlier. Just as people are members of teams and not parts of them – teams do not transcend and include people – individual companies are members of an industry, not parts of it. Just like a human maintains its own dominant monad even while a member of a company, so too do companies maintain their own dominant monad even while a member of an industry. An industry is a collective of individual companies just as a team is a collective of individual humans (and an industry is also an individual in its own right, just like a company, but in a completely orthogonal way to the individuality of its membership).

So, industries and geographic regions are different holarchies than companies, and companies are members of these other holarchies, perhaps of many at the same time. A company's self-transcending drive – harnessed by its Top Circle – helps new levels of holarchy emerge within the company holarchy itself. This is independent from an industry holarchy, which, if organized holacratically, will have its own Top Circle, harnessing its own self-transcending drive.

Q: Okay, so both companies and broader groupings like industries and geographic regions can be organized and run holacratically. How then does an individual company actually connect into these broader groupings, say an industry?

BR: Via a double-link between an appropriate circle within the industry holarchy and an appropriate circle within the company (usually the Top Circle for single-business-unit organizations). More specifically, this link is between circles in the two different holarchies that both operate at roughly the same level of overall scale and complexity (maintaining a requisite organization helps us determine this quite easily). The most common pattern is a link between the Top Circle of the company and a lower-level circle of the industry. In this case, the CEO of the company links into the industry circle, to carry the voice of the company's context into industry-level decision-making, and the industry circle elects one of its members (likely someone who works full-time serving that industry circle) into the company's Top Circle, to represent the industry's context and requirements to the overall company.

This same pattern applies for each broader group the company is a member of, so the company will often have links with multiple other holarchies, in total representing all of the major environments in which the company operates. Even before these broader group circles explicitly exist, the effect on the company's side can be simulated by having outside experts join the company's circles as if they were representing other contexts. In the case of the Top Circle this becomes very similar to a traditional board of directors, but where each director formally represents the limits of tolerance of a different context that the company is a member of, while also listening to the company's individual will and helping it express its purpose. Obviously this is quite different than steering the organization primarily based on shareholder interests (although shareholder interests are one context that might have limits of tolerance that need representation).

Q: You're effectively talking about growing a new type of integrated nervous system and decision-making nexus for the world. The business world is among the last places I'd imagine driving this kind of massive social change; why start with business?

BR: Business drives the economy, government, and education, and wields immense power in today's world. Over half of the hundred largest economies in the world today are corporations, a type of entity that didn't exist just a few hundred years ago. Most people spend a massive percentage of their waking time involved in a business of some sort; it is the container for much of the culture we exist within and it has a dramatic impact on our lives and our personal development. Business is the first type of truly global social organization to emerge in the world – it crosses geopolitical and ethnic boundaries, and has the real potential to unite our world in a truly global communion. None of this is meant to ignore or excuse the atrocities committed in the name of business, and there have been many. If we threw out early nations once we saw their dark side we'd be back to living in tribes, warring with and enslaving our neighbors. What's needed is to move forward, not backward, and that means embracing the business world and helping it evolve.

Q: And everything we've been speaking about, when pulled together and put into practice, accomplishes that?

BR: Exactly. And it applies far beyond the world of business. This structure effectively integrates the separate spheres we see today in human organization – business, government, non-profit, etc. No longer will the distinction between “for-profit” and “non-profit” hold much meaning; every holon already has both economic needs and social purpose, we just need a system that supports their emergence and pursuit. No longer will we need “big government”, separate from everything else we do; governance can be integrated throughout the holarchies around us.

This structure has the potential to profoundly advance human society, and it completely transcends many of the massive geopolitical and environmental challenges we now wrestle with – many of them just dissolve or at least become possible to address with such a system in place. Better yet, this worldwide holarchic meshwork is built on top of the governments and legal systems that already exist. That means it can emerge incrementally, in its time, until a new integrative governance web spans the entire world, with every holon at every level of scale honored and accorded appropriate rights and responsibilities. And I can’t even begin to describe what this might mean for the individuals who live and work within these social holarchies – suffice it to say, the transformation this can help spark in them will also be truly profound.

Q: You’ve clearly pioneered quite a bit of this evolution within Ternary already; what are your next steps?

BR: Up until recently, most of my energy was focused within Ternary, helping this model to emerge and then refining and proving it in a real context. I’ve just started reaching outwards a bit, speaking and writing about this work, while still refining and adding to it within Ternary. I expect that will continue for awhile longer – we’ve got enough material now to really start benefiting others, though I’m still needed where I am. Once we’ve got the remaining key details of this structure formalized and legally adopted within Ternary, then we will find or create other organizations ready to adopt a similar model.

That’s when things will get really interesting! We’ll then be able to actually intertwine in a collective group of companies, thus establishing the first explicit cross-company circle with appropriate rights and responsibilities. I suspect I’ll then shift most of my energy and time to that circle and try to grow it further, both horizontally, by including more companies in the nexus, and vertically, by helping yet higher levels of organization emerge.

I see many possible ways to help that growth, and I’m sure those of us working at that level of scale will try many. We can reach out to other organizations already interested in such a model, and make it easier for them to adopt it and legally intertwine with us in this broader group. We can make it easier for organizations within the network to find and do business with each other, which supports growth for those already within the network, and creates a significant lure to attract new organizations to join up. We can even create an investment fund of sorts to buy more companies into the nexus – the improved results of the truly agile business model that comes with the structure should make for healthy returns for investors, and the opportunity to help with such a profound societal shift should make attracting dollars from the socially responsible investment community reasonably straightforward. Those are just a few obvious first steps – I’m

sure we'll connect with the right people and the right organizations along the way, and from those connections new possibilities will emerge that I haven't even begun to imagine yet.

As this movement gains momentum, we'll also face new challenges and really tough problems, ones we don't have answers for yet. Fortunately, we don't need to have all the answers now; we just need to hold the question and be present in mind, body, and spirit. Then it's not a matter of creating the right answers, but just of listening to what they already are. And it's amazing what emerges through us once we get out of our own way and truly start listening.

Additional Information & References

Additional information about holacracy and references to the models it was built from will be posted to <http://www.holacracy.org> during or before June 2006.