

Principles of Holacracy: Emergence and Spread

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Abstract: Most modern organizations operate through managers at various levels, with strict hierarchies, defined chains of command, clearly outlined job positions, and a set of established rules and procedures. This traditional model has become the standard way of working over time. However, it's not without its flaws. Many organizations struggle with bureaucracy, poor communication, slow decision-making, micromanagement, or overly broad spans of control by managers — all of which can hurt overall efficiency. In an effort to better harness the potential of regular employees and to address common organizational challenges, a new way of working was developed — a philosophy known as Holacracy. Let's take a closer look at it.

Keywords: Holacracy, new paradigm in management

JEL: M12, M51, M54

1. INTRODUCTION

Holacracy is a management system created in the early 21st century as a response to the growing need for flexibility, adaptability, and self-management in modern organizations. Its founder is Brian J. Robertson – a former CEO and software entrepreneur who developed the concept based on his practical experience at Ternary Software. There, he experimented with new forms of management, inspired by agile, lean, and sociocratic methods. Officially, the term "holacracy" (from Greek holon – whole/part, and kratos – power) was first used in 2007 to describe a system in which power is distributed among individual roles and teams, rather than concentrated in the hands of hierarchical leaders. Robertson founded the organization HolacracyOne, which began training and assisting companies in implementing this new management philosophy.

One of the most famous examples of holacracy implementation on a large scale is the company Zappos, which transitioned to this model between 2013 and 2015 under the leadership of CEO Tony Hsieh. This sparked a wave of interest and discussions about the potential and limitations of holacracy in a real business environment. The philosophical basis of holacracy comes from the concept of holons, introduced by the writer and thinker Arthur Koestler in his book "The Ghost in the Machine" (1967). He describes holons as autonomous but interconnected units within a larger system – similar to cells in an organism or departments in an organization. Holacracy applies this principle, creating a structure of "circles" and "roles" that operate autonomously but in coordination with each other. The goal of holacracy is not simply to eliminate managers, but to replace them with a structure in which decision-making processes are clearly defined and accessible to all

participants in the organization. This allows for greater transparency, speed, and alignment during changes.

"Holacracy is not anarchy. It is a clearly defined structure that allows people to self-organize within rules." – Brian Robertson

"Instead of managers, we have a system." – Zappos, when implementing holacracy

"Holacracy gives the organization the ability to change from the inside out, without the need for central approval." – HolacracyOne

"The biggest change is not in the structure, but in the way people think about power." – Brian Robertson

Over time, holacracy has been applied in both startups and larger organizations seeking innovative management methods. Although it requires cultural transformation and serious training, the system offers a sustainable alternative for companies focused on self-management, efficiency, and adaptability.

2. CORE PRINCIPLES OF HOLACRACY

Holacracy represents a comprehensive system for distributed governance, based on clearly defined principles and structures. It is not merely a change in the organizational chart, but a transformation of how decisions are made, power is managed, and work is coordinated among people. Here are the five core principles upon which holacracy is built:

2.1. Distributed Authority

Unlike traditional hierarchy, where decisions are made top-down, in holacracy, authority is distributed among all participants through a system of self-managing teams called circles. Each circle has a defined purpose and a group of roles, and it has the autonomy to manage its activities. This creates a flexible and accountable environment where authority is not "given," but is embedded in the structure.

"Holacracy shifts power from people to roles – so power belongs not to a person, but to a position with a specific purpose."

2.2. Roles over Job Titles

Instead of fixed job titles, employees in holacratic organizations perform dynamic roles that can change over time depending on the needs of the team and the organization. Each role has:

- a purpose – why it exists;
- accountabilities – what they must do;
- domain – what they autonomously control.

One person can perform multiple roles in different circles, which makes the structure more flexible and functional.

2.3. Dynamic Steering

The organization is not a fixed structure, but a living system that constantly adapts through regular governance meetings. In these meetings, every circle member can propose changes to roles, connections, and policies, with proposals discussed through a strictly defined process. This ensures continuous evolution based on real needs, not static plans.

"Organizations must change from within, with a frequency that matches their environment."

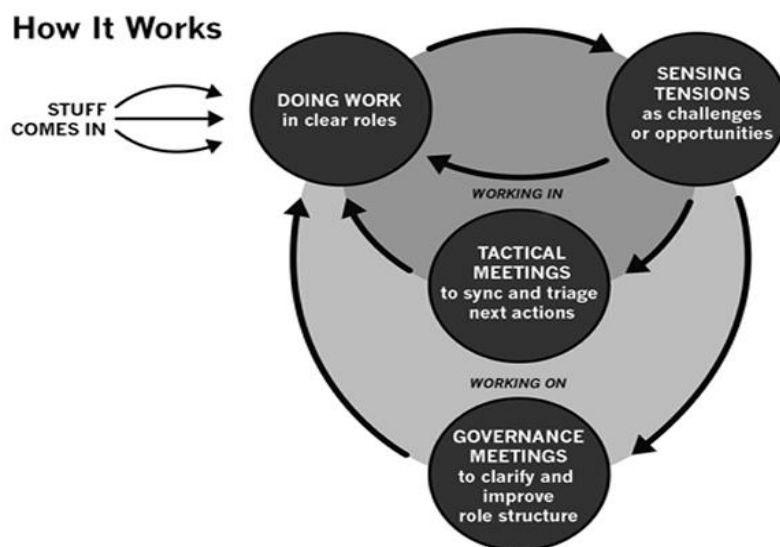
2.4. Operational Transparency

Holacracy provides clear frameworks for daily coordination and decision-making, without the need for top-down approval. Through structured tactical meetings, each circle synchronizes its activities and manages priorities. All accountabilities are publicly visible, which reduces confusion and increases trust in the system. Roles do not depend on informal influences, but on agreed-upon commitments.

2.5. Processing Tensions

In holacracy, the concept of "tension" does not mean conflict, but a feeling that something can be improved – a missed opportunity, a lack of clarity, a structural problem. Every participant is responsible not only for recognizing such tensions, but also for formulating them and turning them into proposals for change. This makes the organization capable of continuous self-renewal, using the internal energy of its members for improvement.

Figure 1: How does it work?



Source: Holacracy.org

3. STRUCTURE OF THE HOLACRATIC ORGANIZATION

The structure adopted by organizations implementing holacracy differs significantly from the traditional hierarchy. Instead of strict vertical subordination, holacracy introduces the concept of "holarchy" – a term coined by Arthur Koestler in his book "The Ghost in the Machine" (1967). Koestler defines a "holon" as a unit that is simultaneously a whole and a part of a larger whole. Holarchy, in turn, represents a system of interconnected holons that exist simultaneously independently and as part of larger structures.

This model can also be observed in nature. For example, the human body is organized in a holarchic structure: cells function as autonomous units that simultaneously build tissues and organs, and these in turn form the entire organism. Similarly, in holacratic organizations, work is organized into roles, which are the building blocks of the overall structure. Each role has clearly defined responsibilities and authorities, and can be separated into a circle when the volume of tasks requires it. In this way, self-management and flexible adaptation of the structure to the needs of the organization are achieved.

Holacracy focuses on organizing work, not people. This allows employees to take on different roles within the organization, even simultaneously in different circles, acting as free agents. This flexibility encourages participation in various initiatives and supports cross-functional collaboration. An example of this is the case of a Zappos employee who started in the social media team, but subsequently became a key figure in initiatives related to internal communications and facilitating holacracy.

In the context of roles and responsibilities, holacracy replaces traditional subordination to managers with the questions "what do others rely on me for?" and "what results am I expected to achieve in the roles I perform?". This emphasizes clearly defined expectations that are documented and maintained through a formalized management process. When these expectations are unclear or based on unspoken assumptions, it leads to interpersonal friction, lack of trust, and inefficiency. This also leads to a number of warning signs of problems within the organization, such as gaps in task execution, excessive need for consultations, and lack of initiative.

The management process in holacracy strives to create clarity by defining roles with specific responsibilities, granting authority, and continuously evolving the structure in accordance with organizational reality. This approach replaces informal and often ineffective social norms with a transparent, documented management process. Although this may seem unnatural and even "uncivilized" at first, as Sherif Bishay, the creator of Dev Bootcamp, notes, over time, clarity leads to increased trust and reduced political behavior.

The explicit definition of expectations and authorities helps to separate the individual from the function performed, creating a culture based on objectivity and efficiency. This separation between the person and the role is a key element in the successful implementation of the holacratic model and an important contribution to building a sustainable and adaptive organizational environment.

Circles and Holarchy

In holacracy, each role exists within the context of a specific circle. A circle is a collection of roles that together pursue a common goal – the so-called circle purpose. The circle functions as a single role at a higher organizational level and is managed autonomously through its structured governance practice.

Circles can contain both individual roles and subsections, called sub-circles. Each sub-circle is an autonomous unit, with an internal structure determined by its members, within their allocated authorities. When a sub-circle is part of a larger circle, it represents a role in that larger circle – we call this the super-role of the sub-circle. This structure, where each element (circle) is simultaneously part of something larger and a whole in itself, is called a holarchy. Similar to living organisms, in which cells, organs, and systems are interconnected and function both independently and as part of the whole, holarchy in holacracy ensures the sustainability and adaptability of the organization.

Roles in the Circle

Each role belongs to a specific circle, which is responsible for its definition, development, and maintenance. This circle is called the home circle of the role. Roles are created and updated within it through a special process called a governance meeting. It is the responsibility of the home circle to ensure that its structure – i.e., the defined roles and the distribution of responsibilities – effectively supports its purpose and scope of activity. If the structure does not meet the real needs, the members of the circle are responsible for adapting it, creating or changing roles to solve real problems and improve collaboration.

In this sense, roles are living agreements that evolve with the organization and its environment. They are not static job descriptions, but dynamic tools for clarity and efficiency.

Role Fillers

When a person performs a role, they are called a role filler. One person can perform multiple roles within the same circle or in different circles. It is important to understand that people perform their roles in a specific context, which is framed by the definition of each role – purpose, domain, and responsibilities.

In the context of Holacracy, there is no permanent or fixed "position." Instead, a person may be a filler for one role today and take on another tomorrow, depending on the needs of the organization and the evolution of the structure. The role filler has full autonomy to make decisions and act within the responsibilities and domains of their role. This means that the role is their responsibility, and they do not need to seek approval unless they are entering another's domain or violating organizational rules.

Circles

In Holacracy, a circle is a group of related roles, which together perform a specific function or achieve a common goal. Each circle is also a higher-level role, called a super-role,

which includes all internal roles. Thus, the structure remains holarchic – each part contains and is part of a larger whole.

Circles have the following characteristics:

- **Autonomy:** Each circle has the freedom to organize its internal roles and processes, as long as it does not violate the constraints set by the broader circle of which it is a part.
- **Purpose:** The circle has its own purpose, which unites all internal roles and defines what value it creates for the organization.
- **Domains:** The circle can manage its own domains – resources or spaces that it exclusively controls.
- **Sub-circles:** Within a circle, sub-circles can be created, which focus their efforts on specific aspects of the main circle's work.

For example, a "Marketing" circle might contain roles such as "Copywriter", "Social Media Manager", "Brand Strategist", as well as an "Events" sub-circle, which deals only with organizing public events.

Connections between circles: The roles of Lead Link and Rep Link

In Holacracy, to ensure coordination and integration between different levels in the organizational structure, each circle has two special roles that provide a two-way connection with the higher circle of which it is a part:

Lead Link

- **Assigns roles:** The Lead Link determines who will perform the roles in the circle (unless a role is otherwise electable).
- **Prioritizes:** Arranges tasks in the circle according to the goals of the higher circle.
- **Allocates resources:** Manages the resources provided to the circle.
- **Maintains purpose:** Monitors whether the circle's activity aligns with the purpose of the super-role it represents.

The Lead Link is not a traditional manager – their powers are strictly defined by the Holacracy Constitution and do not include authority beyond these functions.

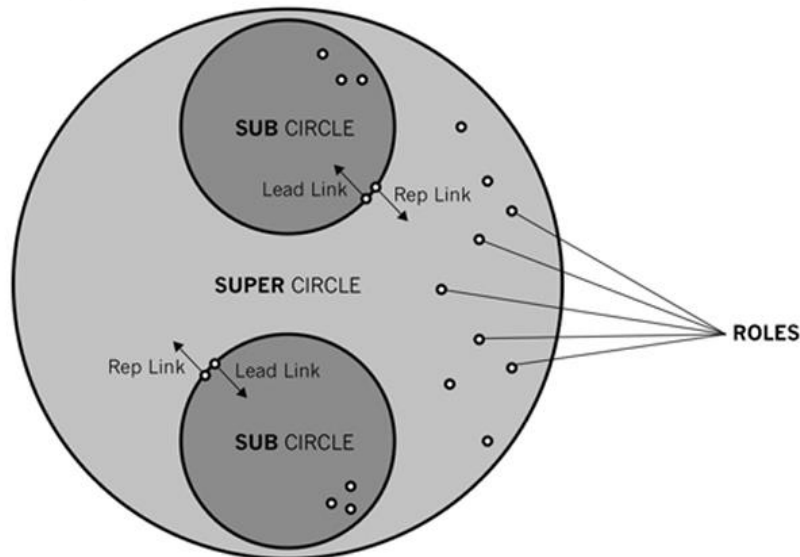
Rep Link

- **Is elected by the circle –** usually by the participants in the circle, through an election process.
- **Represents tensions:** The Rep Link brings the circle's tensions (needs and problems) to the higher circle, so they can be addressed at that level.
- **Protects interests:** Ensures that the circle's needs and boundaries are considered in the decisions of the broader circle.

The combination of Lead Link and Rep Link creates balanced communication between levels, ensuring both management (top-down) and representation (bottom-up).

Figure 2: Linking Circles

Linking Circles



Source: Holacracy.org

Governance Meetings: How roles are created and adapted

In Holacracy, each circle holds regular governance meetings, where decisions are made regarding the structure and distribution of work within the circle. This includes:

- Creating, changing, or removing roles
- Defining domains (areas of control)
- Updating policies (rules within the circle)

Main goal:

To adapt the circle's structure to better serve its purpose and current needs.

"Tension"-based approach

Holacracy uses the concept of tension – a feeling of discrepancy between what is and what could be better. Every tension is a potential source of evolution for the organization.

Every member of the circle has the right to raise tensions and propose structural changes.

Decision-making process: Integrative process

Unlike consensus, Holacracy uses integrative decision-making. The process includes:

1. Proposal: A participant proposes a specific structural change.
2. Clarification: Other participants can ask questions.
3. Reactions: Everyone expresses their initial reactions (no discussion)
4. Objection clarification: Participants can object, but only if the change hinders the achievement of their roles' goals.
5. Integration: If there are valid objections, ways are sought to adapt the proposal to resolve the tension without creating new problems.

Roles and policies within the circle are adapted quickly and flexibly, based on real needs, instead of through heavy processes or hierarchical directives.

Operational Meetings (Tactical): How daily work is coordinated

While governance meetings focus on adapting the structure, operational meetings (tactical meetings) are designed for daily coordination, sharing progress, and resolving current issues.

Purpose of operational meetings:

To provide clarity and support for the current work of the roles, so that everyone can act with minimal delay and confusion.

How does an operational meeting proceed?

An operational meeting usually follows a clear format, moderated by the circle's facilitator. Standard steps include:

1. Checklist Review:
 - o Checking routine commitments – whether they are fulfilled or not.
 - o A brief "yes/no" without explanations.
2. Metrics Review:
 - o Reviewing key metrics that provide information about the circle's activity.
 - o The goal is not discussion, but awareness.
3. Project Updates:
 - o Each role representative reports whether there is progress on their projects.
 - o Again – brief statuses, no discussions.
4. Triage Issues:
 - o Anyone can add items to the agenda: need for help, information, blockage, proposal, etc.

- o The facilitator processes each item through direct questions: "What do you need?" and "Can you proceed?"
- o The goal is quick problem resolution, not long conversations.

Advantages of operational meetings:

- Efficiency: Strict structure that does not allow deviations.
- Speed: Meetings are short (30–60 minutes).
- Clarity: Everyone leaves the meeting with concrete actions or decisions.
- Self-management: Participants manage their own work, without the need for a manager.

Let's distinguish the role from the person (essence)

One of the most radical ideas in Holacracy is that you are not your role. Every role has clear responsibilities and expectations, but you – as a person – are more than that. This distinction provides space for freedom and development, both for the individual and the organization.

What does this mean in practice?

- The role is the "hat" you wear in a given context. It has a purpose, domains, and responsibilities.
- The essence (person) is your human "self" – a collection of values, experience, feelings, intuition, and aspirations.

In Holacracy, you can wear several roles, but you always remain the same "self."

And you can release or change your roles without affecting your identity.

Why is this distinction important?

- Reduces personal tension: Criticism of your role is not criticism of you as a person.
- Increases flexibility: You can more easily switch roles, experiment, and transfer responsibilities.
- Stimulates development: You can take on roles that develop different qualities of yours, without being "anchored" in one identity.

When is it useful to be "in role"?

- When leading a meeting or representing a circle.
- When acting on behalf of a given role – you defend not your personal opinion, but the need of the structure.

- When processing tension – you ask: "What is missing in my role so that I can act freely?"

And when is it time to bring in "yourself"?

- When you feel there is a need for empathy, vision, or deeper human connection.
- When you consider how you want to develop, what roles you want to take on.
- When you feel that the system does not reflect your values – then your essence can inspire evolution.

4. BENEFITS OF HOLACRACY

Holacracy is not just an alternative to the traditional hierarchical structure – it represents a complete philosophy for organizing work that brings a number of significant benefits to modern organizations. Its implementation leads to transformation in both decision-making and the culture and effectiveness of teams.

Greater flexibility and rapid adaptation to change

One of the most significant benefits of holacracy is the organization's ability to dynamically adapt to internal and external changes. Since the structure is built from interconnected, yet autonomous circles and roles, each part of the organization can react quickly without the need for lengthy "top-down" approval. Changes in roles, responsibilities, and processes are carried out in a clear, structured manner through regular governance meetings. This allows for continuous "updating" of the organizational reality according to current needs.

Increased engagement and responsibility among employees

In holacracy, power is distributed, meaning everyone has a real opportunity to influence how work is organized. Participants do not simply perform tasks, but actively contribute to improving the system. Through clearly defined roles and the autonomy each role possesses, employees feel more responsible and engaged. They do not depend on the "boss" to act – they have the freedom and responsibility to make decisions within their domains.

Reduction of internal bureaucracy

Traditional hierarchical structures often suffer from heavy bureaucracy, multiple levels of approval, and cumbersome processes. Holacracy eliminates the need for such mechanisms by introducing clearly defined processes for decision-making and changes. Each circle manages its own processes, and tensions (differences between "how it is" and "how it could be better") are systematically processed. This reduces the need for formal reports, approvals, and lengthy meetings.

Clear decision-making processes

Instead of decisions being made by management or through informal mechanisms, holacracy offers a clear framework and specific processes. These processes include:

- Tactical meetings – for operational needs and synchronization;
- Governance meetings – for structural changes and role allocation.

Every proposal goes through a prescribed procedure, which allows for both individual ideas and group discussion. This leads to more transparent and well-founded decisions.

More transparency in the organization's goals and activities. In holacracy, everything is documented and accessible – roles, responsibilities, processes, and the current goals of each circle. This creates a high level of organizational transparency, where everyone knows "who is responsible for what" and "what the organization is currently doing." This openness improves communication, prevents duplication of work, and enables better cooperation between different units.

5. CHALLENGES IN IMPLEMENTATION

The implementation of Holacracy in large organizations, such as Zappos, shows that this model can be effective on a large scale. Despite initial difficulties, such as the need to overcome habits and build new management skills, the results indicate increased adaptability and better utilization of creative potential. Former managers are freed from operational tasks and can focus on strategic issues and long-term vision.

Cultural and organizational barriers

Although Holacracy offers an innovative management framework and significant benefits, its effective implementation is not without challenges. The transition from a traditional hierarchical structure to a decentralized, process-driven system requires a deep transformation of the organizational culture and the mindset of employees and management.

Need for cultural change and systematic training

One of the main challenges in introducing Holacracy is the need for significant cultural transformation within the organization. Traditional management models often rely on a clear vertical structure and established practices, where decisions are made by senior management and implemented top-down. Holacracy, on the contrary, assumes a new way of interaction, where power and responsibility are distributed horizontally, through clearly defined roles and rules, recorded in the model's constitution.

For successful implementation, employees need to undergo training, not only to master procedures and terminology, but also to develop skills such as self-management, tension resolution, and participation in structured meetings. Training should be continuous and cover all levels of the organization. It is especially important for the leadership team to set an example and actively support the new model, accepting the loss of traditional managerial power as a step towards more effective collective management.

Confusion and Uncertainty in the Initial Stage

Another significant problem observed in the initial stages of implementation is the emergence of confusion among employees. Changes in responsibilities, new language,

and role structures often lead to a sense of insecurity and resistance. Especially for employees accustomed to following clear instructions from direct supervisors, transitioning to self-managing roles can be stressful and negatively impact productivity in the short term.

A clear communication plan and active facilitation of the transition process are necessary to ensure that all participants understand what is expected of them and what the decision-making mechanisms are. Without this support, there is a risk of chaos or even system failure.

Limited Applicability for Certain Types of Organizations

Holacracy is not universally applicable and does not suit all types of organizations equally well. Its effectiveness is most pronounced in environments with an open culture, a high degree of readiness for change, and a propensity for experimentation. Conversely, structures with a highly centralized culture, high formalization of processes, and low tolerance for decentralization may encounter serious difficulties in adapting to this model.

Organizations where authority is deeply rooted in the leader's personality may perceive Holacracy's constitutional approach as a threat to established power balances. In such contexts, resistance may be not only passive but also actively subversive, creating additional risks for the integrity of the management process.

6. CONCLUSION: HOLACRACY AS A MODEL FOR ORGANIZATIONAL RENEWAL

In today's dynamic and complex organizational environment, the need for flexible management models that stimulate innovation, engagement, and adaptability is more relevant than ever. Holacracy emerges as a radical, yet conceptually sound alternative to traditional hierarchical structures. It offers a new paradigm for distributing power and responsibility within organizations through clearly defined rules and processes, enshrined in a written constitution. This model does not merely deconstruct the classic authoritarian approach but replaces it with a system where management is a process, not a function of specific individuals.

The main value of Holacracy lies in its ability to transform relationships within the organization – from vertical and controlling to horizontal, collective, and self-managing. Through it, power decentralization is achieved, allowing each employee to act within their role with autonomy, but also with accountability. This eliminates dependence on managers as central decision-making figures and enables organizations to react more quickly to internal and external changes. An important consequence of implementing Holacracy is overcoming the deeply ingrained "parent-child" dynamic characteristic of traditional management systems. In this context, workers are no longer passive executors but active participants with authority and responsibilities. At the same time, leaders are freed from the burden of centralized responsibility, allowing them to focus on the strategic development, culture, and mission of the organization.

However, despite the obvious benefits, Holacracy is not a universal solution, and its successful application largely depends on the organizational context. It requires cultural maturity, readiness for transformation and a continuous commitment to learning and adaptation. The transition to such a model often causes confusion and resistance, especially in cultures with strong hierarchical traditions or low tolerance for uncertainty. In this sense, Holacracy should be viewed not merely as a methodology, but as a long-term process of organizational development and cultural change. Against the backdrop of the growing need for innovative and sustainable management practices, Holacracy deserves the attention of both management theorists and practitioners. It demonstrates that it is possible to create structures that not only distribute power, but transform it into a tool for collective growth and organizational evolution. In this sense, Holacracy is not just an alternative to traditional management, but a possible path towards a more humane, effective, and sustainable organizational reality.

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