

PARTICIPATION IN SOCIOCRATIC ORGANIZATIONS – RELEVANCE AND LIMITATIONS

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Abstract

This paper is a conceptual paper on Sociocracy as a participative governance system. Sociocracy has first been introduced by Endenburg in the 1970ies in a Dutch engineering company. Today it represents one major approach in the variety of self-managing organizations. The aim of this paper is to present Sociocracy and critically discuss its possible value for contemporary organizations.

Sociocracy is a governance system that highly prioritizes employee participation. The positive impact of employee participation on job satisfaction, motivation, organizational commitment and performance has widely been researched. Sociocracy establishes participation on a structural level through four principles: consent decision making, circular management, a double-linking principle and elections by open discussion and consent.

In this paper, three related topics are discussed. First, I show different ideas on the characteristics of self-managing organizations and how the sociocratic model fits into these concepts. Second, I argue how Sociocracy works and how employee participation is structurally anchored in the governance system. Third, I discuss the relevance and limitations of an increased level of participation in organizations on the basis of sociocratic organizations.

Key words: Sociocracy, participation, decision-making

JEL Code: M10, M19

Introduction

In the discussions about how work should be designed and organized in the world of work 4.0, the following is expressed again and again: structures must become flatter, more decentralized, hierarchies must be dismantled, agile working methods implemented. New work means a redistribution of power and responsibility in companies, employees should, can, must, are allowed to take on more responsibility (Gergs & Lakeit, 2020). To answer the need for faster adaptability and dealing with higher complexity in the business environment, recent approaches stress the importance of employee freedom and autonomy in the workplace. Now, this call for

more involvement of employees is not new in organizational research, even if it appears so in contemporary literature. During the last decades there were several waves that have focused on employee involvement.

As early as the 1940s, Mary Parker Follet demanded that vertical authority in organizations be replaced by horizontal authority. Participative management thinking arose in the 50ies/60ies, being followed later in the 80ies by the concept of empowerment (Conger & Kanungo, 1988). In self-managing teams, organizational members have the opportunity to plan and direct their own resources and goals (Manz & Sims, 1993). Recent work has discussed less-hierarchical and more participative forms of organizing as "reinventing organizations" (Laloux, 2014). The new integral organizations according to Laloux are an expression of a social change of consciousness, which evolve without central hierarchies. These different concepts are based on different motivations. For example, empowerment was originally oriented towards democratic principles, but changed to a concept more oriented towards increasing productivity when it was introduced into management discourse. Integral organizations, on the other hand, are based on a concept of human consciousness development.

In the attempt to implement new self-organized forms of organization, sociocracy is one approach that particularly transforms the decision-making process in organizations and leads to decisions that are supported by all those concerned. The origin of this management approach lies in The Netherlands. In the 1970ies Gerard Endenburg takes over an electrical engineering company from his father. There he begins to apply and develop the sociocratic principles he experienced during his school education in a school run by principles of sociocracy.

The aim of the article is to show the advantages as well as the disadvantages of such an employee participation system. In doing so, it draws on findings from the empowerment and self-managing teams literature and critically reflects on their transferability.

1. Methodology

Although sociocracy has existed as a dynamic system of governance for some time, it has received little empirical study. In this article, sociocracy is discussed as an example of a self-managing organization. For this reason, two methods are used in this paper.

The first step was to review the existing literature on sociocracy. The search for resources on sociocracy was conducted as a keyword search in the Scopus and Jstor databases, using "sociocracy" as the main search term. Scopus returned 19 results, and Jstor returned 111 results.

To further narrow the search to the research question, results from sociology that discussed, for example, Lester Ward or Auguste Comte as intellectual fathers of sociocracy were excluded from the search, resulting in a total of 36 relevant articles.

Further literature searches were conducted in online social democracy networks such as sociocracy.info, sociocracyforall.org, and soziokratiezentrum.org, which provide less academic papers on the topic and more examples of companies that have implemented sociocracy or guidance on how to implement this governance model.

In a second step, sociocracy is analyzed through the lens of the concept of "self-managing organization" developed by Lee & Edmondson (2017). The discussion will critically examine the potential contribution and limitations of the participatory governance model.

2. Results

How Sociocracy works

Sociocracy derives etymologically from the Latin *socius* (companion, peer, or colleague) and the Greek *krat(e)ia*, which means "rule by allies or a community", or to rule together (Strauch & Reijmer, 2018). Sociocracy thus refers to the governing and managing of an organization by people who regularly interact with each other and have a common aim. Sociocracy was first introduced in the Netherlands in Eindhoven Elektrotechniek. The majority of sociocratic organisations is Dutch, although there are also implementations in German-speaking countries as well as in the USA and Great Britain. It is mainly NGOs and smaller companies that choose this form of organization. It has been implemented in schools, co-housing projects, intentional communities, political parties and civic initiatives as well in companies (Romme et al., 2018).

To ensure this collaborative way of leading, sociocracy builds on four basic principles (Owen & Buck, 2020)

1. Consent decision-making: Consent means that a proposal will be accepted as a decision as long as there is no articulated and paramount objection to it. The goal is not to find the perfect solution, but the one that makes the most sense at the moment, and where nobody is left out. It differs from consensus, where all involved individuals must agree, or majority vote decisions, where decisions can be made that are unworkable to a few. There is no other power that could overrule the team of the circle.

2. Circular management: a sociocratic organisation is organised through “circles”. A circle consists of individuals who pursue a common goal, which can be employees of a department or a team. In a circle, consent-decisions are taken on strategic and process issues of the circle, as well as on the organization of the work to achieve the goal of the circle. For the day-to-day operations, also traditional management systems are employed.
3. Double-linking principle: Not only the functional leader of a circle is represented in the next higher circle, but there is also an elected delegate who represents the interests of the circle.
4. Election by open discussion and consent: Persons are elected for tasks and functions in their own circle by means of an open election by consent decision making.

These principles are applied in sociocratic circle meetings. These are characterized by the necessity to be well prepared, and they have a clear goal (like making decisions or voting). They are clearly structured and the results are secured in a reliable place.

It is especially the principle of consent decision-making that ensures the participation of all employees. Once all employees and managers have the same right to say "no" to a proposal, they become equal in terms of power. Moreover, the decisions made in meetings are not of an operational nature, but concern fundamental decisions that affect the achievement of the circle's goal. In the circle, there is no longer a distinction between a strategically deciding management and operational employees. All employees bear equal responsibility for shaping the achievement of the goal. In a clearly defined meeting setting, the abolition of the managerial authority relationship defined by Lee & Edmondson (2017) is at least structurally suspended.

Sociocracy and self-managing organizations

“With sociocracy, the organization toggles between hierarchical structures (for efficient handling of day-to-day production) and a flat, nonhierarchical structure that supports reflexive inquiry, reflective thinking, and critical dialogue.” (Owen & Buck, 2020, 788)

Lee & Edmondson (2017) illustratively summarize the historical lines of the development of self-managing organizations and classify their review into three categories of less-hierarchical organizations: post-bureaucratic organizations, humanistic management, and organizational democracy. Post-bureaucratic organizations focus on the need of organizations to respond to a

highly changing environment, a shift towards knowledge work and a need for steady innovation. These requirements can be met by a more organic, network structure of control, authority and communication. This approach points to the basic coordination mechanisms of market, hierarchy and trust. Humanistic management is profoundly based on the ideas that McGregor formulated in the 60ies about the different assumptions that can be made about human nature. Approaches of participatory management, empowerment, self-directed or self-managed teams are all intended to create a work setting that is more satisfying and motivating for the employee as well as more productive at all. The third category, organizational democracy, has a clear link to political principles of democracy and how to bring them into business organizations. One main question in this is how much decision authority needs to be decentralized to qualify an organization as democratic.

Based on this classification, the model of self-managing organizations is characterized by three features. First, hierarchical control is abandoned throughout the whole organization, which means that hierarchical manager-subordinate authority relationships are eliminated. Secondly, employees have full authority to make key decisions regarding their work, which means that companies give their employees full autonomy to manage themselves. Thirdly, this kind of decentralization is formal und systematic.

In terms of these three characteristics, sociocratic organizations can only partially be described as self-managing organizations. The core of the sociocracy model, the decentralization of decision-making authority, certainly corresponds to the criterion of a self-managing organization. Moreover, the implementation of sociocratic structures is formalized and systematic throughout the whole organization. What is only partially true, on the other hand, is that the hierarchical manager-subordinate authority relationships are eliminated. Sociocratic structures can be introduced without changing the existing organizational structure. This means that there can still be team and department managers. However, the hierarchical relationship has little relevance within the sociocratic structure, because four defining elements guarantee equivalence among all participants. And changes in the hierarchy can be made after the circle structure of sociocracy is installed.

3. Relevance and limitations

Finally I want to discuss the relevance and limitations of an increased level of participation in organizations on the basis of sociocratic organizations. Sociocratic companies are distinguished from other organisations above all by the consent decision principle as well as by the double-

linking principle. The consent decision principle forces all employees to prepare decisions and to take a personal stand in the circle. This requires acquiring the knowledge necessary to make decisions as well as the communicative ability to present them. It also takes courage to stand against a decision in the circle of colleagues with a paramount objection. With the multitude of voices that must be heard on proposals, it is to be expected that solutions will be more creative. For the decision-making process, it is also necessary for the organization to provide the information basis transparently. In the meetings, the decisions are documented in a logbook, as are their measurement criteria, which are queried again at a defined point in time. In this way, the measurement of success is ensured in a formalized process.

The election of people is also carried out in a structured process according to the consent principle. This process is very unusual for everyday organizational life as many people know it. Everyone in the circle proposes on their own initiative people for a task whom they consider suitable and also gives reasons for this. Expressing to the team why I consider you qualified for a task certainly contributes to trust in the team, provided that the employees feel confident to be able to present their views honestly. The perception of fairness is also positively influenced when employees are involved in decision-making processes. Unlike consensus decision-making, informed consent enables action in uncertain conditions. In general, the joint decision-making process helps to ensure that there is less conflict around the decision, and that those involved take responsibility for the decision made, which in turn has a positive effect on commitment and productivity. The double-linking principle ensures that information and energy flows not only from the top down, but also from the bottom up, and this is ensured by two different people.

Buck & Endenburg (2012) add further advantages of the sociocratic organization: increased adaptation capability, higher awareness of costs, employee identification with the company and a sense of community, smaller likelihood of professional burnout, development of employees' leadership competences and self-discipline.

With reference to the model of self-managing organizations, hierarchical control is not abandoned per se. It is possible to introduce the circle structure without giving up the administrative hierarchical structure. This can be an advantage during the introduction, as the familiar structures are thus still maintained. But it is precisely also a concern of sociocracy to

contribute to an equal community in the broadest sense. In this respect, sociocracy can also be criticized as ideology-driven.

What has turned out to be critical in the introduction and implementation of sociocracy is its dependence on top leaders (Rüther, 2018). Especially the pioneer company Endenburg Electronieks as well as Recks, another Dutch sociocracy lighthouse, moved away from sociocratic principles after the change of CEOs. Top management already plays an essential role in the introduction phase, as resistance is often to be expected. This type of dynamic governance jeopardizes key actors' sense of control and security (van den Berg et al., 2022).

In general, it is to be expected that the changeover to this organizational form with a very high degree of participation in the decision making process, will trigger intense feelings among all employees. Managers, for example, have to relinquish decision-making power and must first develop the trust that the circle as a whole will make a good decision for the company.

Conclusion

At its core, sociocracy holds something that many other concepts around empowerment and self-managed teams lack: At the moment of decision, the difference between managers and employees is resolved, they are both heard equally and no distinction between them is made. In this respect, sociocracy moves closer to approaches of organizational democracy, even if the democratic majority decision principle is clearly different from the consent principle.

In sociocratic organizations, employees can also engage in discussions on tactical and strategic issues, which is usually reserved for top management. Participation is therefore not limited to operational autonomy, but includes real opportunities for participation which are shared by all participants in a circular, reflexive process.

Paradoxically, in sociocratic organizations administrative hierarchies might remain in place. This constellation provides an alternative to the dualistic view of an either-or of hierarchy and/or self-organization. However, it must be acknowledged that we as members of organizations are no longer accustomed to equal social negotiation due to decades of socialization in hierarchical and market-oriented structures. Therefore, to make organizational models such as Sociocracy successful, we would have first to acquire this cultural technique of real participation.

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