



SOCIOCRACY:
THE CREATIVE FORCES
of
SELF-ORGANIZATION

Revised 2004

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Sociocracy: The Creative Forces of Self-Organization

1 Introduction

Consider a group of workers. If they act jointly to produce some product or service, we consider their behavior organized. We would consider them self-organized if they worked as a team through some kind of mutual understanding without external orders.

People self-organize all the time: business associates create partnerships, children invent games, students organize elaborate pranks, and an employee takes the initiative to handle an unusual problem during a supervisor's absence, while in a different organization employees invent a subtle, collective way to resist an unpopular supervisory policy.

We have tried with only moderate success to understand such phenomena from the standpoint of behavioral psychology, military science, management science, and even operations research. However, recent discoveries in systems theory are giving new, clearer insights into self-organizing phenomena, insights that offer managers powerful new tools for increasing productivity. Remarkably, they can implement these tools through simple additions to currently existing organizational structures.

In this article, we will first provide an overview of a genuinely new method of organizing work and governing organizations called the sociocratic circle-organization method or simply "sociocracy," introducing a few key concepts such as consent decision-making and double linked hierarchies. Then, after presenting two real life examples, we will discuss sociocratic governance methods in more detail, contrasting them with more familiar forms of management. Finally, we'll synopsise some of the new mathematical and systems theory concepts related to this innovative management strategy.

2 Background

The term sociocracy refers to a decision-making and governance method that allows an organization to manage itself as a organic whole. To make this possible, sociocracy enables every sub-part of the organizational system to have a sovereign voice in the management of the organization. In contrast, modern corporations are legal persons with certain rights, but the exercise of their corporate rights is the sole authority and responsibility of a majority of the board of directors – not the organization as a whole or even the board of directors as a whole. The result is that individuals or groups in those organizations may feel ignored, disenfranchised, and demotivated.

The word "sociocracy" was coined by August Comte, an early nineteenth century French philosopher and founder of the science of sociology. Sociocracy literally means rule by the "socios," people who have a social relationship with each other. In contrast, democracy means rule by the "demos," the general mass of people who may have little in common other than basic values. And, autocracy means rule by an "auto," a single person. Comte proposed a system of thought and organization known as positivism which he hoped would provide the basis for a stable society and personal fulfillment in the context of the then emerging industrial revolution. However, Comte was not able to suggest a practical structure for his ideas.

Later in the 1800's, John Stuart Mill advocated worker cooperatives in which the workers controlled all equity and selected their own management, the beginning of the

co-op movement that has had some limited success. In the 1920's, Mary Parket Follett noted that in the most productive companies, workers strongly identified with the organization as "their" company, allowing them to focus without conflicting feelings on the work of the company and how to make it run effectively. But, she noted that no structure existed which allowed such identification to be founded on anything other than a difficult to maintain illusion. Later in the 20th century by Wiener, Nash, (featured in the movie *A Beautiful Mind*), Peregrine (who won a Nobel prize for his work on self-organization) and others laid the intellectual foundation for the structure she wanted, the structure offered by sociocracy.

Beginning shortly after World War II, the famous American social psychologist Rensis Likert integrated extensive empirical social science research into a concept dubbed "system 4." His ideas, which both promote upward feedback and recognize the importance of hierarchies, have been very influential. A number of recent American plant start-ups, particularly joint ventures with Japanese firms, have been patterned on System 4 concepts. Before he died in 1981, Likert was beginning to articulate ideas for "system 5," including such concepts as greater managerial authority vested in the work force. A similar idea was suggested in the early 1980's by Professor Robert Ackoff of the Wharton School of Business. He suggested a scheme for the establishment of a corporation's long range planning by multi-staged majority vote of management and workers.

More recently, John Naisbitt popularized such ideas as participatory corporations, networking as an alternative to traditional hierarchical organizations, and "intrapreneuring." Naisbitt and other writers seem to reflect a general societal mood that reaffirms basic capitalist values while pushing for a broader base in the management of our businesses and institutions. Legislation passed over the last few decades that promotes employee ownership reflects this mood. In *Leading the Revolution*, Gary Hamel makes a strong case for getting everyone involved in developing new business strategies. In mid 2004 American Airlines has announced a profitable quarter after teetering on bankruptcy two years ago. Why? Their brilliant new CEO, Gerard Arpey, has been finding ways to involve the workers and unions in finding new, innovative, and profitable business strategies. Sociocracy takes the idea of an investor-manager-worker partnership out of the realm of such genius and into the hands of ordinary people.

In other words, the sociocratic circle-organization method solves the problem of how to organize sustainable and holistic worker involvement with management and investors. Gerard Endenburg developed this simple, logical structure, inspired by experiments by Kees Boeke, a Dutch educational reformer and management scientist. In practical operation for more than twenty-five years, the method has progressed past the experimental stage and is serving very successfully in The Netherlands in organizations as diverse as an electrical contracting company, a municipal police department, a Buddhist monastery, a nursing home, a chain of hairdressing shops, a local public school system, and numerous others. In formal studies, such organizations are reporting increased innovation, productivity increases of up 30% to 40%, reduction in the number of meetings, reduction in sick leave, and higher staff commitment to the organization. Both workers and managers like working in sociocratic companies. Quite simply, they are easier to manage and seem to have an unusual capacity for initiative, self-regeneration

and repair. The method is operating well in organizations of up to 1500 people and substantially larger organizations are trying it out on a limited basis.

Although Endenburg developed the sociocratic methodology with no direct knowledge of Likert's work, it has several striking similarities to his System 4 and 5 ideas. These similarities are very remarkable if one considers that sociocracy, based on applied systems theory, relies very little on the social psychology theories used by Likert. Sociocracy is quite unlike the ideas underlying quality circles, socio-technical analysis, cooperatives, or employee stock ownership plans because it focuses on modifying the boss-servant power structure that underpins all modern organizations – whether profit or nonprofit.

Sociocracy has developed most in The Netherlands and has attracted interest elsewhere in Europe, in Latin American, in certain Moslem countries, and recently in the United States.

3 Introduction to basic concepts

The sociocratic circle-organization method relies on four ground rules derived from recent discoveries in the science of cybernetics, including systems theory, fractal concepts, and the phenomenon of self-organization. (Cybernetics is the science of steering and control; see: <http://pespmc1.vub.ac.be/>). The four rules are quite simple, and once understood, are easy to follow. Any company or organization can implement them without changing an organization's existing command structure. Once in place they provide a flexible means to develop that structure. Figure 1 lists these basic rules and gives brief definitions.

Consent – The principle of consent governs decision-making. Consent means no argued and paramount objection. In other words, a policy decision can only be made if nobody has a reasoned and paramount objection to it. Day-to-day decisions don't require consent, but there must be consent about the use of other forms of decision-making, for example, for day-to-day operations.

Election of Persons – Election of persons for functions and/or tasks takes place in accordance with the principle of consent and after open argumentation.

Circle – The organization maintains a structure for decision making, consisting of semi-autonomous circles (i.e., groups of individuals). Each circle has its own aim and organizes the three functions of leading, doing, and measuring/feedback. A circle makes its own policy decisions by consent, maintains its own memory system, and develops itself through integral research, teaching, and learning. A circle makes consent decisions only in special circle meetings (also called roundtable meetings).

Double-Linking - A circle is connected to the next higher circle in the organization with a double link. This means that at least two persons, one being the functional leader of the circle and at least one delegate from the circle, are full members of the next higher circle.

Figure 1 – The Basic Rules of Sociocracy

The sociocratic circle-organization method provides specific procedures for these ground rules – much the same as *Roberts Rules of Order* guides majority vote decision

processes. We will illustrate these procedures with two detailed examples based on actual companies. The first example focuses on the consent, election, and circle rules. The second example centers around the double-linking rule.

4 First Example: a hairdressing shop

Right after closing time, the staff of a hairdressing shop gathered for a roundtable meeting. The shop was part of a growing, sociocratically organized franchise company. Nine of the ten full time workers and one part time person were present and ringed the room.

It had been six weeks since the last meeting. Donna, an experienced stylist and regular facilitator of the meeting, followed the sociocratic roundtable format. See Figure 2. Starting with an *opening round*, she asked each person in turn to say briefly how they were doing and, if they wished, to make any comments on the agenda. Each person spoke, one mentioning weariness due to a sick child, another some nice flowers seen. There were nods, some good-natured laughter, and a few clucks of sympathy. The opening round complete, Donna dealt *administrative* matters. She asked if everyone had received a copy of the decisions made in the previous meeting. Susan, an apprentice, said she'd forgotten hers, and Charles, a stylist and secretary of the circle meetings, handed her an extra copy.

A. Opening round – a time to attune – like an orchestra just before the concert.

B. Administrative concerns such as announcements, time available for the meeting, consent to minutes of last meeting, date of next meeting, acceptance of the agenda.

C. Content

Agenda item

Second agenda item

Etc.

D. Closing round – a time to measure the meeting process – e.g., use of time, did the facilitator maintain equivalence, how could the decision-making have been more efficient, did everyone arrive prepared. Also, this is a time to mention agenda items that should be on the agenda for the next meeting.

Figure 2 - Format of a Sociocratic Circle Meeting

The circle was experienced in consent decision-making and handled its proceedings with deceptive informality. Donna watched them scan the list of decisions and after seeing several nods said, “Since no one seems to have a problem with the minutes, let’s go on to the agenda. As all of you know, I’m getting a promotion and will be managing the new shop opening over by the lake (some good natured cheers erupt); so, we need to elect a new circle chair. Second, several of you mentioned that you’re concerned about our competitor’s salon that’s opening in the other wing of this shopping center. The only other agenda item I have is Mildred’s request to talk about coverage of our shop on Sundays.” Mildred, the manager, supervised the shop and presided over

routine weekly staff meetings, but, by the circle’s choice, she did not chair the sociocratic circle meetings.

Again, no one voiced any objections, and Donna started into the *content* part of the meeting. She introduced the first agenda item by saying, “Now then, let’s proceed with selecting a new circle facilitator to replace me.” She then proceeded to follow the template for conducting sociocratic elections. See Figure 3.

1. **Task:** Establish job description and the period of time the person will perform the job.
2. **Ballots:** Fill out ballots and hand over to election leader.
3. **“Public gossip”:** Each person says why they made their nomination.
4. **Changes:** Election leader asks each person if they want to change their votes based on the arguments they heard.
5. **Discussion:** Election leader usually proposes a name after step 4. However, he/she may ask for discussion if the arguments are very unclear.
6. **Consent round:** Election leader asks each person if he or she consents to the proposed person, asking the person proposed last. If there is an objection, go back to step 5 and then try another consent round.

Figure 3 - Template for Sociocratic Elections

Addressing the first step, *Task*, she said, “We’ll be electing the person for a one-year term. The duties are to prepare for and lead our roundtable meetings.” As everyone seemed satisfied with this short description of the job, she continued to the second step. “Charles, would you please hand out the *Ballots*?” Figure 4 shows a typical sociocratic ballot.

I,
(your name)

NOMINATE:

.....
(name of candidate)

Figure 4 – Sociocratic Ballot

Each member of the circle took a few moments to fill out his or her ballot and then handed it to Donna. Proceeding with the third step, Donna picked up the first ballot from the stack and reading it said, “Linda, you nominated John. Would you give your reasons for choosing him?” Linda gave a short explanation. Donna asked the next person and continued reading the ballots until everyone had presented his or her reasons. Other

persons gave arguments for John and others spoke in favor of Mildred, Joyce, and Charles. This *Public Gossip* highlighted positive qualities about each.

After everyone had given an initial opinion without discussion, Donna asked if anyone wanted to *Change* their vote based on what they'd heard, the fourth step. Two people said that they liked what the reasons given for Charles, including a person who had objected to him in an election several months earlier on the basis of his inexperience. This "self-organized" movement toward Charles occurs frequently in sociocratic elections. That and the strength of the arguments for him convinced Donna to skip the fifth step, *Discussion*, and propose Charles. She then initiated a "*Consent Round*," asking each person in turn, "Do you have any objection to Charles as the new chair?" She asked Charles last. As no one objected, she announced that the circle had selected Charles. Donna paused for a moment, as everyone in the room seemed to experience a moment of quiet satisfaction at the completed election.

Charles suggested that Donna chair the rest of the meeting, and she moved on to the next topic on the agenda: the new competition. Following the template for making policy decisions by consent, Figure 5, Donna asked Michele to give her report.

- 1. Consent to the issue(s)** to be decided (what's the picture?)
- 2. Generate a proposal** (what's our opinion?) Often a person or persons may be asked to prepare a proposal and bring it to the next meeting.
- 3. Consent to the proposal** (What's our decision?)
 - A. Present proposal** – clarifying questions only
 - B. Quick reaction round** – quick feedback about the proposal
 - C. Amendments** – proposer amends proposal, if appropriate, based on the questions and quick reactions.
 - D. Consent round** – record any objections on a flip chart – no discussion
 - E. Discussion** – improve proposal to deal with any objections
 - F. Consent round** – go back to step 3.D if there are more objections

Figure 5 – Template for making policy decisions by consent.

In the previous meeting, the circle had decided it was very concerned about a competitor's new styling shop that would be opening on the next block (Step 1 of Figure 5). It had asked Michele, a stylist and the shop's elected representative to their franchising company, to investigate and propose what they should do to handle the new competition. (Step 2 of Figure 5). Michele said she'd spoken with the franchising company main office and to a number of other people, and it seemed that the competition was coming in because their own shop had so many customers. The new shop would try to take their customers by offering manicures, and other extra services, free – at least for a time. She proposed (Step 3.A in Figure 5) that their shop offer special promotions for the first few months after the other store opened and that they talk with their customers about what new services they might like to have. After some clarifying questions, Donna asked for quick reactions (Step 3.B) to Michele's proposal. Most felt it was a good idea, and some asked how much the special sales promotions would cost. Donna asked

Michele if she wanted to amend (Step 3.C) her proposal based on the questions and quick reactions.

Michele thought for a moment and said, “I imagine the advertising and specials will be pretty expensive, and I’m not sure how expensive. But, it is really important that we keep as many customers as we can during the other store’s big opening extravaganza. So, I will add to my proposal that we authorize Mildred to spend up to 20% of our expected profits over the next three months on advertising and special promotions. She can tell us if she needs even more money than that.” Michele glanced at Mildred, the shop manager, to try to gauge her reaction. The others were quiet a moment as they considered the effect on their own monthly profit-sharing payments.

Donna broke the silence saying, “Alright let’s see if we have consent for Michele’s proposal.” She “did a consent round” (Step 3.D), that is, asked each person in turn whether they had any paramount objection to Michele’s proposal. To Michele’s surprise, no one had an objection to the money part of her proposal, but Charles objected because he felt it wouldn’t give them enough information about the services of the other shop – what they were really offering and their quality – and a way to react quickly if there was some new gimmick. Donna summarized Charles’ objection on a flip chart and continued the round without further discussion.

In the end, the only objection was Charles’. Donna initiated a discussion focused on Charles’ objection (Step 3.E) by asking Charles if he wanted to elaborate further. “Well,” he said, “We don’t have any way to research or learn from them – what they’re doing better than us – what they’re not doing as well.”

Several other people made comments. After a bit, Donna saw that a strategy was starting to take shape (self-organizing). She cut off the discussion and said, “So, we’re saying that in addition to Michele’s proposal, we want Mildred to organize an on-going effort to check out the other shop. Each of us will take turns going to the other shop as customers to make our professional assessments of what they are doing. Mildred will get other people to go, too, who will talk to their other customers to find out what they think and why they are going there rather than here. We’ll get training or change our advertising depending on what we find.” Donna did another consent round (Step 3.F), and this time no one had any objections. The decision was made.

Donna then moved the discussion to the third topic, coverage of the shop on Sunday afternoons – an unpopular time to work. In its previous meeting the circle had created a new assignment schedule after intense discussion. Mildred reported that she had received no complaints so far except her own: namely, the new schedule was difficult for her to manage. To keep dissension at a minimum the circle had closely limited her authority to modify the schedule unilaterally. She said she now objected to those tight reins because the schedule was unworkable without more latitude. She described the changes she wanted. As no one seemed against the idea of giving more flexibility or inclined to discuss it extensively, Linda did a consent round that encountered no objections.

Donna concluded the meeting with a closing round (See Figure 2, Step D) in which she asked each person for a short evaluation of the meeting without discussion. The meeting then broke up after running for an hour and fifteen minutes.

This hairdressing shop example illustrates sociocratic circle meeting format and the consent decision-making processes for electing people and for making policy

decisions. It also alludes to the third sociocratic principle, double-linking, when it mentions Michele's role as representative to the franchise's regional general management circle. Double-linking (Refer to Figure 1) particularly sets the sociocratic circle-organization method apart from other management strategies. It allows organizations larger than a single circle to use consent decision-making holistically, greatly improving upward feedback and facilitating managerial delegation.

What the example doesn't illustrate is the "sociocratic engineering" of the shop's work. That is, there are other templates that help a circle articulate "its own aim, organize itself using the three functions of leading, doing, and measuring/feedback, ...maintain its own memory system, and develop itself through integral research, teaching, and learning." (Refer to Figure 1, Circle.) Sociocratic engineering is a bit like industrial engineering except that, unlike traditional industrial engineering, control of the work structure is in everyone's hands. The result is that every person has the chance to be an entrepreneur in his or her own domain of responsibility.

The second example, based on a real-life event, illustrates basic rule of double-linking.

5 Second Example: A Better Idea in a Crisis

Gloom reigned among the more than one hundred members of a company that manufactures and installs heavy-duty electrical equipment. A local shipyard had suddenly shut down, unable to keep up with foreign competition. The shipyard accounted for almost all of the Boat Department's business.

Figure 6 shows the Boat Department's place in the company's day-to-day functional structure (simplified for illustration). In this figure, each department box represents a single manager in the management structure, with the exception of the Board, which contains several people.

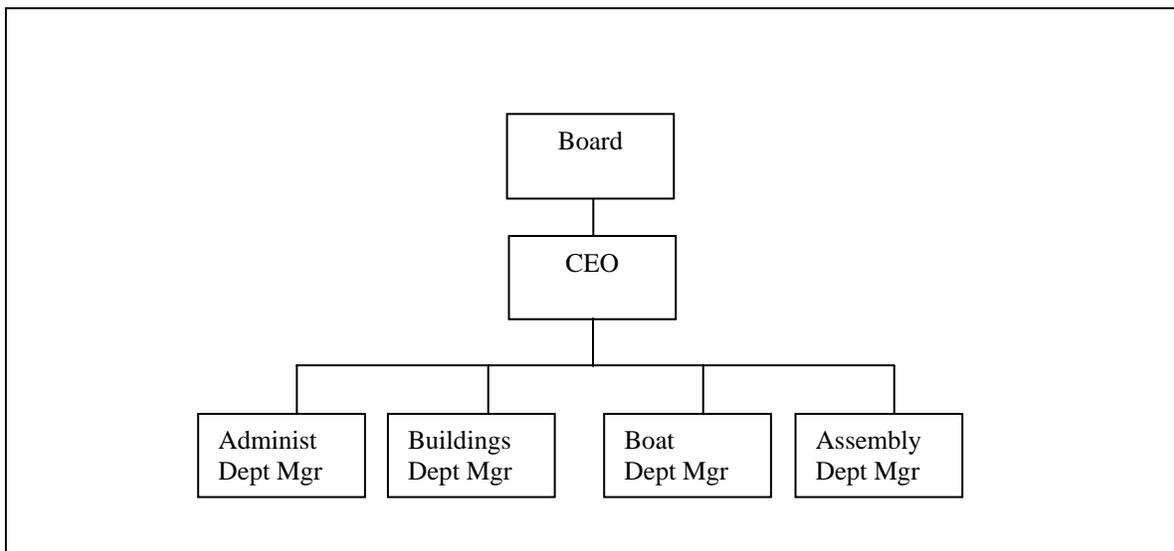


Figure 6 – Electrical Company's Functional Structure

Fortunately, however, the company was sociocratic. Every four to six weeks it would use its sociocratic decision-making structure (see Figure 7) to adjust its policies.

Unlike the boxes in Figure 6, the triangles in the bottom row of Figure 7 include each department supervisor plus everyone reporting directly to that supervisor. (As explained below, the triangles reflect a circular, dynamic process and so are also referred to as “circles” or “roundtables.”) The General Circle includes the CEO plus the four supervisors reporting to the CEO plus a representative elected from each, nine people in all. (The left hash mark at the top of each triangle (“circle”) signifies an elected representative and the right hash mark represents the functional supervisor. The hash marks at the top of the Board Circle represent outside expert members.) The company uses this circle structure to set policy. In normal times, each manager and his or her immediate subordinates hold roundtable meetings every four to six weeks.

Because each circle connects to the next higher circle through two people – the supervisor and an elected representative – we say the circles are double-linked. This feature is unique to the sociocratic method.

Returning to the crisis, when word came of the shipyard closure, the Board Circle held an emergency meeting and decided to begin a layoff of most of the Boat Department. The other departments had work for the moment.

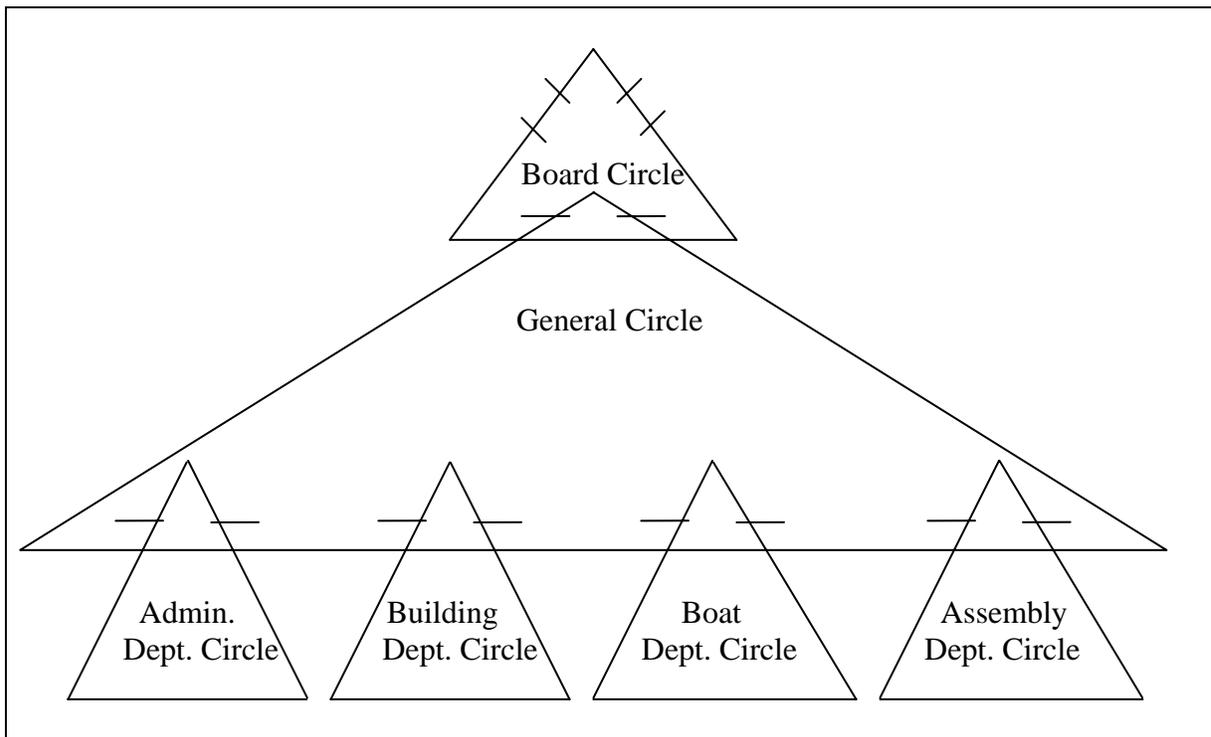


Figure 7 – Electrical Company’s Sociocratic “Circle” Structure

A day after the Board announced its decision, Max, one of the electricians in the Assembly Department, asked Henry, the Assembly Circle secretary, to call a special meeting of the Assembly Department Circle. The layoff did not immediately affect him, but he had an idea for a better way to handle the sudden crisis. Henry, the circle secretary, was able to arrange a meeting for the next day, and when everyone had gathered, Max explained his idea.

“It seems to me,” Max said, “that we’d do a lot better if we delayed the layoff for a few weeks and shifted everyone who would be laid off into a marketing effort. There just has to be more business out there. I’m sure the guys in Boats would rather not knock on doors with a suit and tie on, but I’ll bet they’ll do it if it means keeping their jobs. If they succeed, we’ll all get bigger long-term incentive checks.”

Marvin, an apprentice electrician, spoke up, “it’s a nice idea, but I couldn’t see myself doing it, and I can’t see those guys in Boats doing it either. I’d just stand there on some dude’s thick office rug and stare at my shoes. I’m not a very fast talker.”

“That’s not what the women say about you, Marvin,” George quipped. (Good-natured laughter erupted at the allusion to Marvin’s Casanova reputation.) George, the circle’s non-management representative to the General Circle, continued, “I like Max’s idea. I think the Boats guys would rather stand on a carpet than in the unemployment line. What’s more, we have been doing some work for Boats making special electrical cabinets. If they don’t bring in more work, we could be next for a layoff.”

The discussion continued informally for several more minutes as the circle fell in behind Max’s idea. Gene, the circle’s facilitator then summarized their thinking by making a proposal for a decision. “Ok, it sounds like this is what we want to do: We designate Max as a temporary second circle representative to the general management circle. He will propose that we delay the layoff for one month while the Boats Department and anyone else who can be spared concentrates on marketing. The regular marketers will have to give some fast marketing and sales training. Max and I will get Administration to help us calculate how much of the company reserve we’d have to spend to delay the layoff.”

Gene glanced at Henry who was scribbling Gene’s words in the official circle notebook. Henry nodded to indicate that he did not need Gene to repeat the proposed decision. “Ok,” Gene continued, “let’s go around the circle to see if anyone has objections.” No one did. As the meeting broke up, Alex, the supervisor of the Assembly Department, said he’d report the decision to the company’s general manager at once and ask the general management circle’s secretary to call an emergency meeting for the next afternoon.

After the discussion resolved members’ initial reservations, the General Circle decided to support the idea. However, the General Circle could not make a final decision because of limitations on their authority to spend the reserve fund. They decided to make Max their temporary second representative to the company’s Board Circle (Board of Directors). After some very heated debate, the Board gave its approval to a slightly modified plan, and the General Circle launched the plan into action. The idea worked splendidly. Within three weeks, there were enough new customer commitments to justify further postponement of the layoff. The layoff never occurred, and the company thrives today with a more diversified customer base.

In this second example, we saw how the third sociocratic ground rule, double-linking, facilitated upward communication of an idea all the way to top management. Normally a circle has only one elected representative to the next higher circle, but procedures are flexible. In this case, the Assembly Circle and the General Circle decided to add a second representative. The double-link process catapulted Max to a temporary position on the Board of the company. The self-organizing process identified the real leader of the moment and put him in the right position.

6 New corporate structure

The next portion of this article shows how the four basic rules apply to the larger organizational context. We analyze conventional corporate models of governance and compare them with the sociocratic governance model shown in Figure 7.

Conventional businesses almost universally rely on a formal combination of majority vote and authoritarian decision-making. Figure 8 expands Figure 6 to illustrate that a majority of the Board selects the Chief Executive Officer who, acting as the operational arm of the Board, functions as an authoritarian decision maker.

By “authoritarian” it is not meant that the CEO is dictatorial – that’s only one authoritarian style. In fact, the CEO and his subordinate managers may employ a wide range of autocratic styles including “telling” (direct orders), “selling,” “participative,” and “joined” styles (the manager tries to abide by the consensus of staff or peers – reserving final decisions to him or herself only when necessary). These are all autocratic styles because, regardless of collaborative appearances, the “auto” (or single person) retains the power to ignore all other persons’ voices in rendering decisions. Each of these autocratic styles has positive and negative qualities and none is inherently more desirable. Each may be the most appropriate depending on the circumstances and personal preferences of the manager.

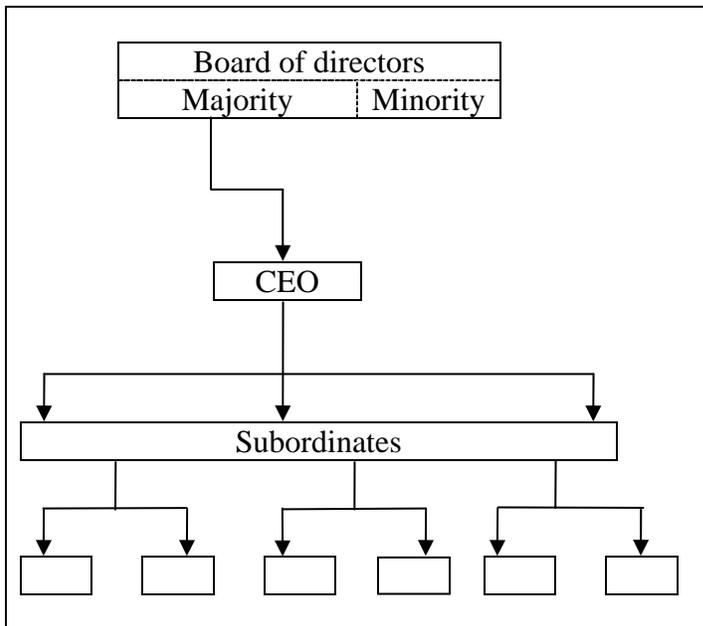


Figure 8 - The Classic Corporate Model Uses Majority Vote and Authoritarian Decision-making

In contrast, it is important to understand that sociocracy is not a method of participative or joined management. It is not a management style. Rather it modifies the basic structure of power in support of whatever day-to-day style of management seems most effective within the given context. It makes leading, regardless of a manager’s personal style, easier.

The evolution of business organizations has tended toward greater equivalency of all people in the company. One stage in that evolution was the development of unions. Figure 9 adds a “union feedback loop” to the corporate model depicted in Figure 6.

By law an employer, displeased with an employee’s statements, can reprimand or fire the employee. However, the law protects the employee if he or she speaks as a representative of a recognized union. Many brave and dedicated persons struggled for decades to win workers the power to negotiate with management from a position of collective equality. From a systems viewpoint, unions could perform a valuable feedback service. Because union representatives have protection, feedback from them may be more accurate than from individual employees. Unfortunately, the majority vote process within the union may tend to distort that feedback.

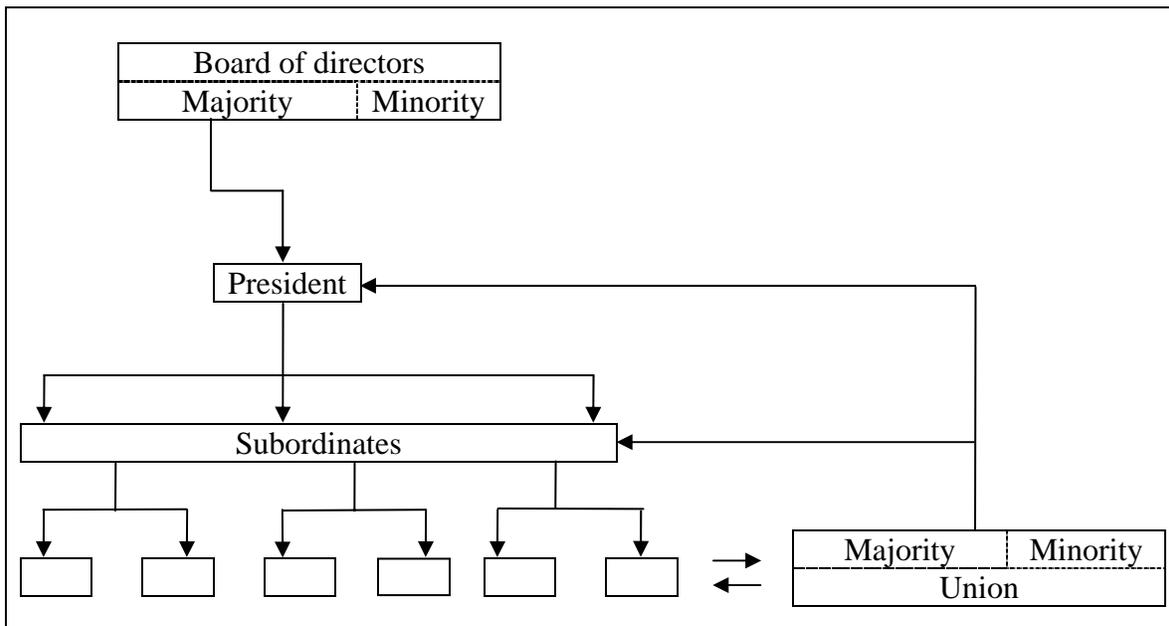


Figure 9 - The Classic Corporate Model with Union Feedback

These distortions plus the fact that the union stands outside the functional structure of the company make the union feedback loop effective only in reflecting matters of broad and general concern. The feedback operates on democratic principles, which means that the majority of the union has the “authoritarian” right to override the opinions of the minority. Furthermore, unions derive much of their strength from their right to strike or to require arbitration of disputes. Arbitration and strikes inhibit rather than promote communication with management, often making it strained, legalistic, and “us versus them.” Strikes especially can lead to bitterness and are rife with distorting and troublesome mass emotions.

A more recent development in the evolution of the corporate form of organization is employee stockownership plans. Figure 10 slightly modifies Figure 9 to depict the systems configuration created by such schemes. It replaces the word “Union” with “Employee Stockholders” and redirects the feedback loop to go directly to the box marked “Stockholders” rather than to “President.” (Often it goes just to the “Minority” sub-box.) Since this loop is even further from the day-to-day worker-supervisor

communications and decision-making than the union feedback loop, it is ineffective as a means of providing day-to-day feedback to management. Its only value is to provide a general positive incentive to the workforce that is linked to overall performance.

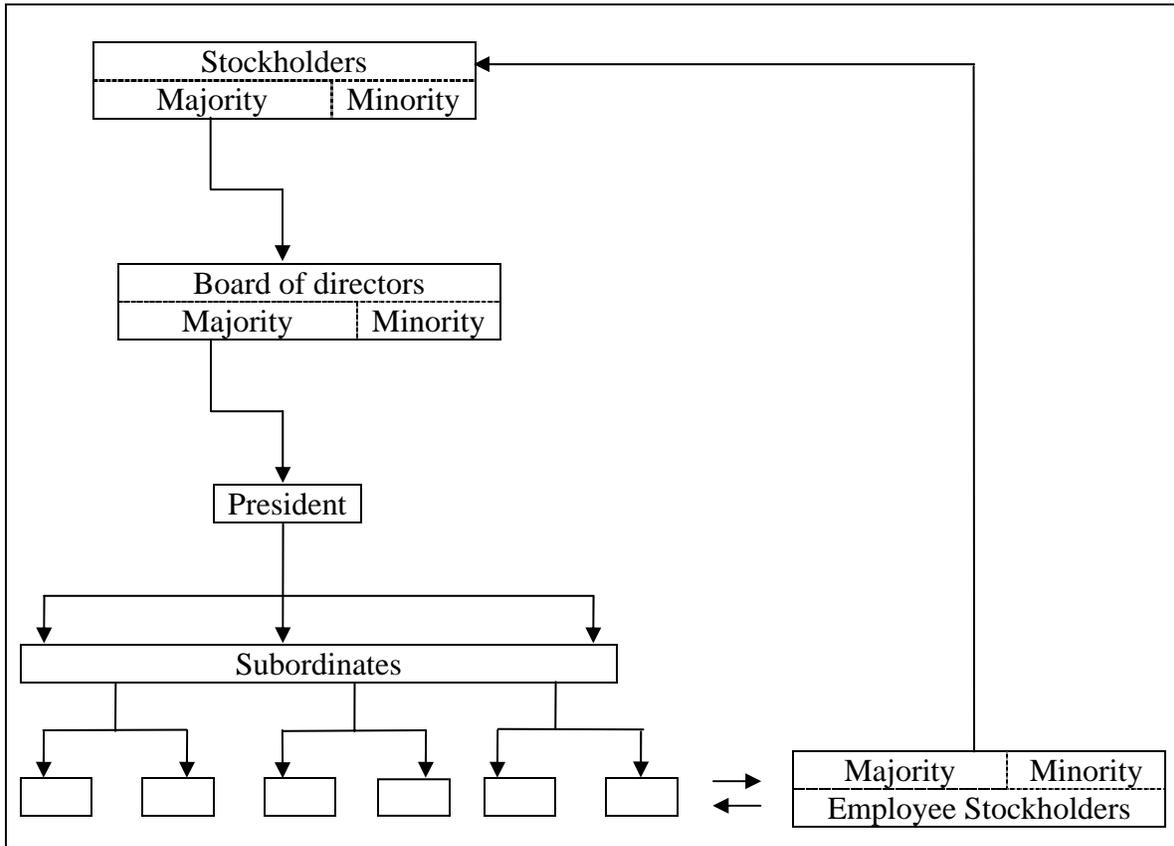


Figure 10 – Classic Corporate Model with Employee Stockowner Feedback Loop

Contrast Figures 8, 9 and 10 with Figure 7, which depicts the sociocratic power structure. Because of the double-linking principle, Figure 7 includes a feedback loop at each level in the hierarchy, including the Board. For that reason, it is a wholly dynamic structure.

Figure 11 illustrates that the “circles” in Figure 7 are drawn as triangles both for ease of illustration and to symbolize the systems concept of a dynamic process: leading, doing, and measuring that follow each other in a circular fashion. The triangle apex represents the leading, the right corner represents doing, and the left corner – measuring.

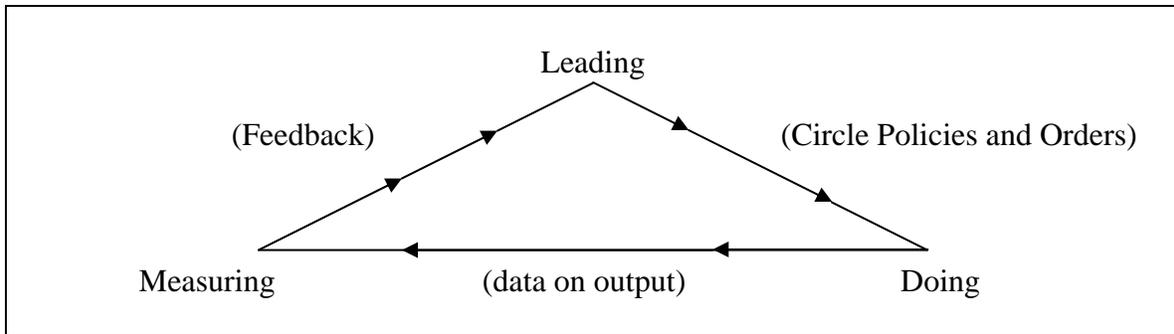


Figure 11 – Sociocratic Circle Functions: Leading-Doing-Measuring

For example, a central heating system is a simple dynamic system. It consists of an on-off switch (leading), a furnace (doing), and a thermometer (measuring) to check the output of the furnace and give feedback to the on-off switch. Sociocracy places great emphasis on making both work processes and human interaction dynamic. Thus, a circle of people is one whose work processes and power structure is fully dynamic, meaning continually developing and open and flexible in adapting to unexpected events.

The consent decision-making process provides the missing measurement component that is missing or weak in classic models shown in Figures 8, 9, and 10. In classic model, the boss can choose to ignore feedback. Consent removes the possibility of ignoring, at least during a roundtable meeting.

The sociocratic circle structure simply overlays the classic structure. In other words, Figure 7 embeds Figure 6: Specifically, the lines that are the right-hand side of each triangle in Figure 7 are identical to the lines in Figure 6. They represent the top down command structure: leader-doer. The remaining part of each triangle is the feedback loop. It represents power going from the bottom upward in a circular relationship with the top-down power. These feedback loops are much more practical than the feedback loops shown in Figures 9 and 10.

Finally, in a fully sociocratic corporate structure, the composition of the Board changes. The hash marks at the upper side of the Board Circle in Figure 7 reflect participation by outsiders. One of these outsiders represents the stockholders. The other outsiders included an expert in the company’s business area, an expert in the local government, and an expert in management methods. Including a wide range of expertise keeps the sociocratic organization in intimate touch with changes in the company’s environment.

7 Implementation

Top management should lead the implementation of sociocracy to ensure that it is used over the whole company. Attempts by factions to implement it from the bottom or middle of their organizations can lead to considerable friction. Some people mistakenly perceive sociocracy as a revolutionary tool to use against management, to get rid of the boss. It’s not. The boss stays put. The logic of sociocracy sets aside the “either/or” logic of old conflicts such as workers versus management. Sociocratic logic is often expressed in “both/and” statements. For example, a sociocratic business places control of a company in the hands of *both* management *and* workers; it typically uses *both* authoritarian *and* egalitarian decision-making; it provides *both* a security assurance *and* a

creative stimulus; it is concerned with *both profit and human values*. By combining seemingly incompatible concepts, both-and thinking stimulates creative thinking and causes seemingly chaotic thinking to self-organize into very practical solutions.

Because the implementation process is both emancipating and motivating, conflicting feelings of skepticism, elation, frustration, fear, and well-being may arise during implementation. Careful planning can minimize this discomfort and avoid disruption of the ongoing work process.

Implementation begins in the imagination of those in currently in charge, the owners or the board. They have to see the sociocratic circle-organization method as a possible strategy for achieving their values and vision for the business or organization. Gaining this insight is the first step in implementation. Those in control might not express their vision in grand terms. They are likely to say they are looking for better communications, more creativity to stay ahead of competition, a more stable labor force, or simply more profit. These are all valid reasons for starting experimentation with the sociocratic method, but it helps if those in control can articulate their dream for the company. Having a clear idea of their vision helps them integrate the sociocratic method with their other strategies for realizing their vision. During the implementation process, management retains the power to stop any sociocratic procedures. Thus, it is important for top management to make a clear commitment to support experimentation with the sociocratic method. Management must respect any decisions made by consent. If management violates the consent principle, the organization will perceive sociocracy as simply the latest authoritarian manipulative trick.

The second step is usually to form a special Implementation Circle consisting of the CEO, other selected top managers, and persons from other levels of the organization. The Implementation Circle receives training in sociocracy and deepens its learning by conducting its own operations sociocratically. The Implementation Circle's job is to plan, guide, and evaluate a series of implementation steps. For example, the Circle might decide to try implementing sociocracy in one specific department of the organization and gauge the results. If successful, the Circle would probably expand the sociocratic method to more departments. The second step ends once the whole organization has a double-linked circle structure and in-house trainers able to train newly elected roundtable meeting facilitators and new staff in the sociocratic method.

The third step, that can partially overlap the second step, is to install "sociocratic engineering" methods. Once these methods are in place, the organization will be virtually ready for ISO 9000 quality certification. The quality methods will feel integral to the normal work processes and not imposed from outside, as is so often the case when companies and organizations seek certification. The methods also help the company plan and organize its own development overall, at the level of each circle, and each individual.

The fourth step focuses on the Board Circle. The sociocratic method includes simple formulas that let everyone feel the "profit measurement" – both profits and losses. The formulas ensure that each staff member or investor, each circle, and the company as a whole all have explicit financial feedback about their performance. The formulas include a regular minimum payment for investors, management, and staff as well as short-term and long-term incentive payments. The formulas divide income for each group in proportion to their contribution to the company so that all participants in the organization receive a fair share - as would any group of partners. In addition to financial

system adjustments, the Board Circle may wish to revise its incorporation and by-law structure in accordance with the sociocratic corporate model. This ingenious approach to incorporation makes consent the legal basis of decision-making. But the corporation retains an ability to raise money through sale of stock. Because the basis of decision-making is consent, not ownership, a hostile takeover becomes impossible.

One attraction of the sociocratic circle-organization method is the freedom it offers to use it in whole or in part. In other words, the implementation process can stop at any of the steps just discussed. It is also possible to make limited functional areas of a large organization operate sociocratically. Doing so offers a practical way to gain experience with the model. For example, an organization could organize all of its safety officers sociocratically, or everyone who deals with computers, or everyone participating on a special project, etc.

Thus, if a large, geographically dispersed organization with several regional offices planned to launch a big automation project using sociocratic principles, its first step would be to establish management support for the idea of using the sociocratic engineering model. Then, it would create sociocratic circles in the targeted regional offices, consisting of users and automation systems support staff, at least one circle to each region. It would establish a national level circle and double link the regional circles.

On the other hand, on a small scale, a church committee or a group of volunteer parents supporting a children's soccer team might select a meeting facilitator and assign tasks to each other using the sociocratic election process.

8 Benefits of Self-organization

It is natural to ask, "Why bother to make my company self-organizing? What are the benefits?" The summary answer is that the self-organizing process spurs creative thinking and catalyzes new structures, forms and ideas. Although a roundtable meeting might seem a formula for endless argument and indecisiveness, in practice it is not. It is more reminiscent of a stock market or a folk market place where prices and exchanges emerge from a chaotic bartering process. Figure 12 summarizes the major advantages and disadvantages of the sociocratic circle-organization method.

Advantages	Disadvantages
<p>In the commercial and nonprofit workplace sociocracy promotes:</p> <ul style="list-style-type: none"> • Creativity and problem solving throughout the organization • Win-win-win for investors, management, staff • Faster adaptation • High quality products and services • Higher staff commitment to and identification with the organization • Fewer, better meetings • Lower sick leave • Better safety record • More awareness of costs • Improved client orientation <p>In government and nonprofits sociocracy especially helps to:</p> <ul style="list-style-type: none"> • Avoid burnout. • Build program self-discipline. • Support leadership among peers • Support organizational continuity when many volunteers are present • Support fund raising 	<ul style="list-style-type: none"> • Requires careful implementation planning • Necessitates training in new concepts • May arouse complex emotions during implementation (skepticism, elation, anxiety, well-being) • May occasionally be uncomfortable to those not accustomed to the responsibility of participating in difficult decisions

Figure 12 – Summary of Advantages and Disadvantages of Sociocratic Management

9 Systems theory and sociocratic engineering

Some readers will be interested in the theoretical background of the four basic rules. The sociocratic circle-organization method draws on knowledge from many disciplines, particularly systems theory. Sociocracy has probably emerged only recently because the crucial insights provided by the new science of cybernetics were simply not available until recently. Cybernetics is the science of steering and control. Systems theory, one product of cybernetics, explores the fundamental similarities between seemingly unrelated phenomena. By establishing reliable analogies, the insights gained in one area of study can to accelerate understanding and discoveries in other fields. The most powerful analogies are mathematical because they are the most precise. For instance, as schoolchildren we learned to think of electrical circuits as being “like” water pipes. That analogy is a very good one because the equations that describe hydrodynamic volume and pressure have the same algebraic form as the equations related to watts and voltage, except that the names of the terms are different. Gerard Endenburg derived the four basic rules by making analogies involving the organization of people with phenomena that are understood in technical fields, especially electronics and biology.

Turing, Prigogine and others laid the foundation of systems theory during the 1950’s by generalizing the principles of mechanics and thermodynamics to other fields of

study such as biology. Their initial work spawned new disciplines such as operations research and has found numerous practical applications in manufacturing and management science. It underpinned the design of computers and generated such now familiar tools as PERT charts and flow diagrams. Some organizations are better organized than others. One of the tasks of the systems approach to management is to understand why they are better organized and to provide a rigorous methodology for improving organizational design and evaluation.

Prigogine, a Russian-born Belgian chemist, became particularly interested in self-organizing systems. In 1977, Prigogine received the Nobel Prize in Chemistry for his “contributions to non-equilibrium thermodynamics, particularly the theory of dissipative structures.” In lay terms, he advanced our understanding of how order can arise from chaos. By mathematical reasoning, he widened the scope of his work from purely physical sciences to ecological and sociological studies. Others have used these ideas to examine such diverse topics as the origination of life on Earth, the dynamic equilibrium of ecosystems, and even the prevention of traffic jams.

In 1978, Herman Haken, a renowned professor at the Institute for Theoretical Physics at the University of Stuttgart, extended the mathematics associated with gases in Prigogine’s work and used the term “synergetics” to describe the new discipline he founded, which studies self-organizing phenomena. Haken’s showed that self-organizing activities as far apart as lasers, the regular streaks of cirrus clouds, certain rhythmic chemical reactions, patterns in slime mold, regular fluctuations in the number of hare and lynx pelts received by the Hudson’s Bay company over a 90 year period, and formation of public opinion are mathematically all one process.

Prigogine and Haken showed that, to be self-organizing, a system must meet two conditions. First, the elements of any self-organizing system must be equivalent, that is, not controlling each other. A system in which the elements do not limit or control each other quickly becomes chaotic. Second, to be self-organizing, a system must have an external source of energy. These conditions are true for all self-organizing systems, whether the system elements are people freely uniting around a common activity or atoms harmonizing to one frequency in a laser.

The four ground rules of the sociocratic method create these conditions needed for self-organizing to occur. The rules of consent, elections, and double linking establish the first condition, that of “not controlling” each other. For example, in the election process, the procedure in which each person makes his or her nomination privately on a piece of paper intentionally creates a temporarily chaotic situation. (Refer to Figure 3, Step 2)

The other rule, the circle rule, provides the required external energy source, viz, the common aim. The common aim creates tension: “We must work together to produce a specific product or service, and we must do so in the face of competition.”

In contrast, we can see that conventional organizations do not create the conditions needed to release the phenomenon of self-organization. Neither authoritarian nor majority vote decision-making allows the elements (people) of the system (company) to be “not controlling each other.” For example, if each person on a board of directors has one vote, the majority of votes on any one issue controls the minority. Thus, the majority vote procedure destroys the initial equivalence. Or, for example, managers in a conventional company may try to promote creative thinking by “flattening” their organization or by adopting a joined authoritarian style. However, the reality is that the

manager alone retains the real power. Thus, conventional businesses are organized, but they are not self-organizing. Only a sociocratic structure, that is, one in which all the members are fundamentally equal, fundamentally not in a boss-servant relationship, supports the natural phenomenon of self-organization.

10 Conclusion

This article introduced sociocracy, a new method of decision-making and organizational governance. It included two detailed examples of the decision-making method in day-to-day operation and outlined the governance system. It made brief mention of the discipline of sociocratic engineering that develops existing work processes to make them more dynamic and more easily steered.

Sociocratic businesses, educational institutions and nonprofit organizations are significantly different from their conventional counterparts in many ways, ranging from job satisfaction to overall financial viability. The sociocratic method is an “empty tool,” – useful where and whenever people are organized and not based on any particular political or ideological view.

Relatively unknown in the United States, sociocracy is a methodology with tremendous untapped benefits. Companies can implement it in stages. Sociocracy has considerable unexplored potential for many areas of human endeavor. Those who are able to see the potential gains from sociocracy will be invaluable to their organizations. These early adopters will be responsible for transforming their associated institutions in ways that enable everyone involved in the organization, as well as the organizations themselves, to achieve their full potential.

11 Selected Bibliography and Related Resources

Much of the literature on sociocracy is in Dutch; however, there are magazine articles in other languages, including English, French, German, Spanish, Italian and Arabic. Readers may obtain copies of these articles through the Sociocratic Center. Also available in English are two books by Gerard Endenburg: *Sociocracy: The Organization of Decision-making*, and the more recent book *Sociocracy as Social Design*. The internet site: <http://www.sociocracy.biz> contains further articles and information.

C. A. Cannegieter’s book *The Human Aspects of Economics: A Treatise on Unemployment, Inflation, and World Poverty* (Exposition press, Smithtown, New York 1982, pages 150-184) gives a good overview of various early sociocratic initiatives and contains an extensive bibliography.

While a number of books are available on general systems theory, we particularly suggest *General Systems Theory: Essential Concepts and Applications*, by Anatol Rapoport (Abacus Press, Cambridge, Massachusetts); *Cybernetics, Artificial Intelligence and Ecology: Proceedings of the 4th Annual Symposium of the American Society for Cybernetics*, edited by Herbert W. Robinson and Douglas E. Knight (Spartan Books, New York); and *The Macroscopic*, Joel de Rosnay, translated from French by Robert Edwards (Harper & Row, New York).

For more information on the scientific approach to synergetics, we recommend Herman Haken’s *Synergetics: Non-equilibrium Phase Transitions and Self-Organization in Physics, Chemistry, Biology, and Sociology*, (2nd Edition, Springer Verlag, New York 1978); and Erich Jantsch’s *The Self-Organizing Universe* (Pergamon Press, New York

1979) which discusses Prigogine's work with self-organizing dissipative structures. Jantsch's book does not require facility with mathematics; however, familiarity with calculus and linear algebra are helpful for both of Haken's books. These scientific approaches contrast to more philosophical treatments of synergetics such as Buckminster Fuller's *Synergetics* (MacMillan Publishing Co., New York 1975), which seems less subject to empirical verification and practical application.

Sociocracy carries the modern drift toward power equalization in employment to its logical conclusion. The power equalization milieu can be seen from a number of perspectives, and the following list is a selection of various viewpoints: *Introduction to Management Science* by Thomas M. Cook and Robert A. Russell (Prentice-Hall Inc., New Jersey 1977); *Megatrends: Ten New Directions Transforming Our Lives* by John Naisbitt (Warner books, inc., New York 1982); *The Social Science of Organizations – Four Perspectives* by Henry A. Latane, David Mechanic, George Strauss, and George B. Strother (Prentice-Hall Inc. New Jersey, 1963); *In Search of Excellence* by Thomas J. Peters and Robert H. Waterman, Jr. (Harper and Row, New York 1982); *Another Way of Life* by Patricia Baum (G.P. Putnam's Sons, New York 1973); *Utopian Thought in the Western World* by Frank E. Manuel and Fritzie P. Manuel (The Belknap Press of the Harvard University Press, Cambridge 1979); *What do Unions Do?* By Richard B. Freeman and James L. Medoff (Basic Books, Inc., New York 1984); *The North Will Rise Again* by Jeremy Rifkin and Randy Barber (Beacon Press, Boston 1978); *A Piece of the Action* by Stuart M. Speiser (Van Nostrand Reinhold company, New York, 1977); *Creating the Corporate Future* by Russell Ackoff (John Wiley and Sons, New York 1981); *Beyond Majority Rule: Voteless Decisions in the Religious Society of Friends* by Michael J. Sheeran (Philadelphia Yearly Meeting of the Religious Society of Friends, Philadelphia 1983); and *Dynamic Administration: the Collected Papers of Mary Parker Follett* edited by E. Fox and L. Urwick (Pitman Publishing, New York 1973). Finally, there is the pioneering work of Rensis Likert. One can follow the development of his thought in three books: *New Patterns of Management* (McGraw-Hill, New York 1961); *The Human Organization* (McGraw-Hill, New York 1976) and *New Ways of Managing Conflict* (McGraw-Hill, New York 1976). Likert's work is being continued by Likert and Associates, Inc., of Ann Arbor, Michigan.

More recent publications of interest include: *Quest for Prosperity* by Konosuke Matsushita (PHP Institute, Kyoto, Japan, 1988), *The Rise and Fall of Strategic Planning* by Henry Mintzberg (Free Press, New York, 1994) and *Built to Last* by James Collins and Jerry Porras (Harper Business, New York, 1994) for a discussion of a broader vision for businesses; *Planning for Quality* by Joseph M. Juran (Free Press, New York, 1988) for a discussion of quality concepts with a human face; *The Fifth Discipline* by Peter Senge (Doubleday, New York, 1990) for insights into systems thinking applied to a business environment; *Managing on the Edge* by Richard Pascale (Viking Books, New York, 1990) and *Leading the Revolution* by Gary Hamel (Harvard Business School Press, Boston, 2002) for descriptions of the need for dynamic steering and development to cope with constantly changing environments; *Complexity* by Mitchell Waldrop (Simon & Shuster, New York, 1992) and *Competing for the Future* by Gary Hamel and C.K. Prahalad (Harvard Business School Press, Boston, 1994) for a review of concepts of chaos, complexity, and self-organization, and strategic thinking as they apply to business; *Reengineering the Corporation* by James Champy and Michael Hammer (Harper

Business, New York, 1993) for techniques that are related in part to sociocratic engineering; *Emotional Intelligence* by Daniel Goleman (Bantam, New York, 1997) and *The Living Company: Habits for Survival in a Turbulent Business Environment* by Arie de Geus (Harvard Business School Press, Boston, 1997) for an in-depth analysis of the importance of human-to-human skills – a strong rationale for using sociocracy to govern.

12 About the Authors

Gerard Endenburg

A citizen of The Netherlands, Gerard Endenburg received his high school education at De Werkplaats, in Bilthoven, an innovative and influential school. The school, founded by educational and social theorist Kees Boeke, operated under a consensus decision-making system patterned after the Quaker model. On completion of his college studies in electrical engineering and radar technology and his military service, Gerard worked for a while for Phillips Electronic where he was instrumental in obtaining a patent for flat speakers now used in many personal electronic devices. He then joined Endenburg Elektrotechniek, Inc., the electrical engineering company headed by his father. The company was established by his parents shortly after World War II as a practical laboratory to try out their ideas about management and industrial reform. Gerard became general manager in 1968, a position he held for 30 years. He remains on the board of the company.

Inspired by Boeke's ideas, his engineering training in systems theory, and work in the field of synergetics, Gerard and other developed a system of decision-making based on the principle of consent, which could be added to the existing functional structure of any organization, regardless of its size or objective: the sociocratic circle-organization method. In 1970, Gerard started to introduce this model into the factory. The first reports on the sociocratic experiment appeared in the prestigious Dutch daily newspaper "NRC-Handelsblad" in 1974. A year later, he published his first book, *Sociocratie, een redelijk ideal (Sociocracy, a Reasonable Ideal)*.

He helped found the Sociocracy Center in 1977 to coordinate and encourage the growing number of Dutch organizations that were adopting the sociocratic model and support the interest expressed from countries throughout the world. The Center now organizes lectures, seminars and training courses on the sociocratic decision-making process and has overseen the implementation of sociocracy in numerous organizations.

In 1981 Gerard published his second book, *Sociocratie, de Organisatie van de Besluitvorming (Sociocracy, the Organization of Decision-making)*. This book was launched at a press conference attended by Dr. W. Albeda, then Netherlands Minister of Social Affairs. The succeeding Minister of Social Affairs, Dr. J. de Koning, launched Gerard's *Sociocratisch Manifest (Sociocratic Declaration)* at a press conference in 1984. In 1991 Gerard was awarded a PhD for his work with sociocracy. His thesis is published in *Sociocracy as Social Design*. Today, Gerard divides his time between managing the Sociocratic Center and the University of Maastricht where he teaches in the Business Department.

John Buck

John is a certified sociocratic consultant living in Silver Spring, Maryland working as a project manager for the Harris Corporation in Falls Church, Virginia. After receiving a BA in English from Brown University, John worked for the Boeing Company as a technical writer and then the U.S. Federal Aviation Administration (FAA) in Washington, D.C., where he was first hired as a management intern specializing in personnel management. He then established a large, pioneering computer-based training system for FAA's air traffic controllers and electronics technicians, which earned him the Secretary of Department of Transportation's Award for Meritorious Achievement.

He earned a Masters Degree from The George Washington University in 1999 in Quantitative Sociology. His thesis examined several Dutch sociocratic organizations. It demonstrated statistically that the staff of those companies had a significantly higher de numerous professional articles about aspects of personnel management and automation, including techniques for establishing upward mobility programs, new concepts for human resource program evaluation, and strategies for designing and implementing new technology systems.

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