Why Holacracy Will Fail, and What Employees Really Want

By William Hall, Vice President of Learning and Development at Simulation Studios

Management methods seem to come and go like the latest pop culture craze. Disciples line up behind their business messiah only to see the vision crash and burn. I can pretty much guarantee that Holacracy is going to be another flash-in-the-pan fad leadership style of the current Tech Boom 2.0.

Holacracy is not necessarily a bad idea. It's an interesting idea based on the writings of Arthur Koestler (1967) and Ken Wilber (2001), which envisions a corporate republic where authority is distributed across teams, and decisions are made locally at the lowest level possible. The Holacracy "constitution" tries to ensure that everyone is bound to the same rule set, which its detractors call a flat and structure-less process that stifles rather than promotes innovation. It certainly sells a lot of books. Holacracy is going to fail because Tech Boom 2.0 is slowly deflating where sustainable and proven business fundamentals are not in place.

As the leader of a small software and services company that creates business strategy simulations used within corporate leadership development programs to teach the top executives effective leadership skills, we have seen first-hand various leadership styles and their effects on enterprise performance. One of the greatest lessons learned working with hundreds of executives in leadership is the fact that it is very hard to be creative with leadership styles and sustain above average long-term performance.

Skype is a very well-known company. Its telecommunications solution is great because it's cheap and works perfectly for what it was designed for. So why did Skype fall into a position where a large enterprise such as eBay or Microsoft had to buy it to keep it afloat? Skype was a company where central management was weak or non-existent. There was no clear leadership system and all the employees thought they could manage themselves and what they were working on. This was especially the case with the engineering group which was based in Tallinn, Estonia. Skype was more like a Holacratic group. Everyone was self-managed and it didn't work out.

Many of today's tech employees have an entitlement mentality and the ego stroking Tech Boom 2.0 is making this corporate cancer worse by the day. As someone who has experienced many different management styles and taught executives of amazingly stable and successful companies, it seems that having a corporate management system that requires a constitution and an always self-directed and ever-changing role is crazy. Holacracy should be called HelaCrazy. It's certainly interesting and cute, but in an enterprise where customer needs should come first Holacracy simply doesn't work. Searching Holacracy's constitution finds no entry of the word "customer."

In 2014 Zappos, an online shoe and clothing shop, adopted Holacracy. Following a record 30% attrition rate, many concluded that Holacracy left workers confused and with no corporate ladder to climb. People simply don't like it.

This creates the question: What do employees really want? I train the top employees in the top companies for a living. Across the board, successful employees have four core desires:

1. **Clear Understanding of Their Job Roles-** Most employees want to know what is expected of them and be able to focus on being successful at that. This creates focus and harmony across the organization. This does not need to be overly complicated. Have a basic job description and expectations usually works fine. Adding a sentence such as "ability to assist with cross-functional activities" is a good idea because this outlines a general understanding that the employee will work in multiple capacities and with other groups when necessary. If you want to look at examples of well written job descriptions, have a look at Apple's product marketing management positions online, which are some of the best.

2. **Clear Understanding of How Success Will be Measured**- Once an employee understands what is expected, they naturally want to know how their success (or lack of) will be measured. This gives them a clear target to aim for. Most employee want to do well at their job. This instills a sense of pride and an incentive to perform well. If an employee doesn't have an understanding of how they will be measured, they won't have a goal. It is the employer's responsibility to ensure the units of measurement align with the job description.

3. **Nurturing Leadership Development-** People instinctively look for strong leaders to guide them to do better. Most employees would like to grow into a leadership role in some capacity. If the company is small and doesn't have a leadership model, it's worth creating one. This is an effective way to ensure employees understand what the business expects from its leaders. There are many examples of leadership models online. Find a couple that you believe resonate with your corporate culture and blend them into something that fits perfectly. It doesn't take much time and it's a great way to show employees what is expected of the company's leaders.

4. **Training Business Acumen**- Employees want the skills and tools to do their jobs better. This helps them nail the target that was created in steps 1 and 2. Business acumen can be an exceptionally boring topic to try and teach employees. Many executives often are in need of business acumen fundamentals. Having a strong foundation in business acumen creates a common language for everyone to speak within the organization. The trick to effective business acumen is to ensure the courses also include a leadership and human behavior component. Since effective leadership has an effect on business outcomes, this is critical.

As Tech Boom 2.0 winds down, expect to see a return to business as usual. Turnaround managers will come in, be hated on, and get everything back to how it should be. Companies are best served focusing on proven and simple management methods, business acumen fundamentals, and paying attention to the most important aspect of any business – what the customer needs. Holacracy unfortunately is not going to be in that recipe for business success.

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