5 Pitfalls of a Top-Down Hierarchy

and What to Do About Them

by Sheella Mierson, Ph.D.

The structure of a top-down organization, standard during the industrial age, ill-suits a world with fast-paced change. An alternative is the Sociocratic Circle Method, a whole-systems approach to decision-making, governance, and project management. It creates more inclusive, resilient, and effective organizations where all stakeholders have a voice in the policies that affect their work.

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The structure of a top-down, command-and-control organization was standard during the industrial age. This approach has many pitfalls for us in an age of rapid technological innovation and ever-increasing amounts and sources of information (Responsive Manifesto, see Sources). Some organizations have attempted alternate structures, with varying levels of success. The top-down structure has staying power because most of us grew up with it so it is familiar, and also because it offers advantages for efficiency and

accountability. Some of the attempts at alternatives have led to flat structures. Those can lack a place for leadership, which is important for efficiency and accountability. The method we describe here, the Sociocratic Circle Method (SCM), preserves the benefits of both types of structure: strong leadership and collaborative decision-making.

Pitfall #1. Communication goes one-way.

Jane, the head of her company, tells Fred, a direct report, what to do on a project to be completed. He then tells Francesca, who reports to him. She has to carry out the order and make it work. Figure 1 represents this conventional structure. For a straightforward job and predictable conditions, this can be an efficient way to get work done. But what happens when Francesca knows in advance that the job will take three times as long as was budgeted, or that the results will conflict with other processes the company is using? Or the job proceeds as planned and within two weeks Francesca notices an unforeseen consequence that could sabotage the organization's goals? How does the organization shift course?

The Traditional Organization Chart

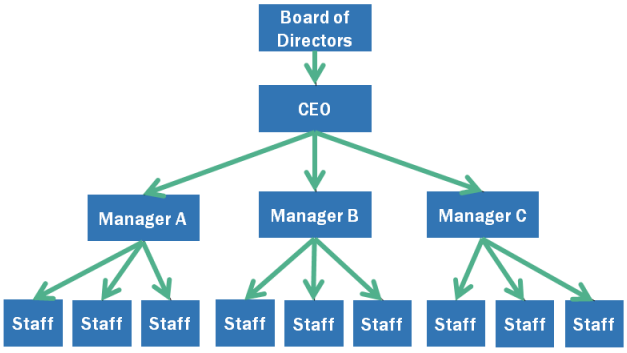

Figure 1

Gerard Endenburg faced this dilemma when he became CEO of Endenburg Electrotechniek, an electrical engineering company in Rotterdam, Netherlands. He looked at the traditional organization chart and thought, "I am an electrical engineer. I know about power systems. I would never design a power system this way. There is no feedback, so you can't steer it." That dilemma led him to develop the SCM beginning in the early 1970's.

Pitfall #2. The person who makes the decisions creates a bottleneck.

Back to that example above. Suppose Francesca knows of difficulties at the outset of the project, and passes the word up through channels to Jane. But what if Fred misrepresents Francesca's ideas, or Jane is overloaded with information and decisions that day and doesn't listen? Or if Jane has less technical expertise than she realizes and doesn't know how to work with the new information? Distributed leadership helps avoid both pitfalls #1 and #2. Distributed leadership pushes decisions out to where the work is done, so that the people doing the work decide how to do it.

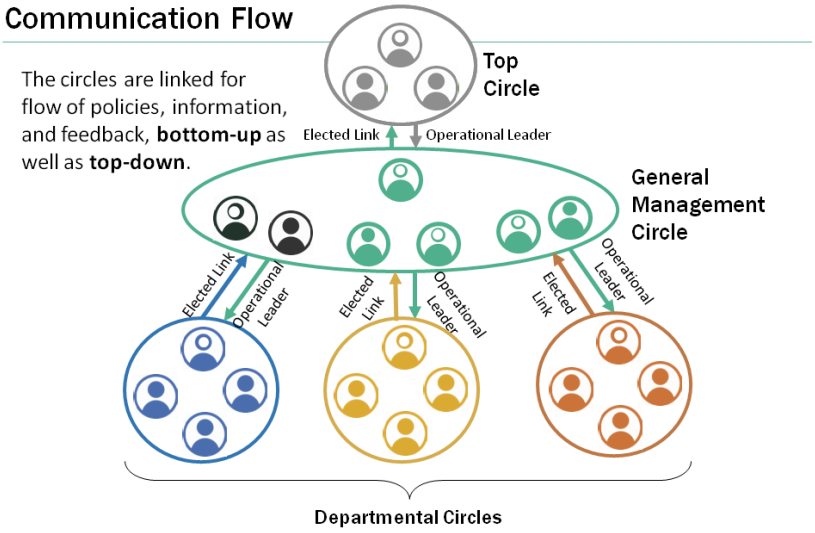

Figure 2. In the SCM, small groups of members called circles, with distinct aims and domains, have authority for policy decisions. Each circle connects to the next "higher" circle by two people – an operational leader, and an elected link or delegate chosen by the "lower" circle – who are full members of both circles. This ***double linking*** *is unique to the SCM and systems based on the SCM. It links the circles for flow of policies, information, and feedback, bottom-up and top-down. This figure shows three organizational levels. Departmental circles may have sub-circles; the number of circles and of levels depends on the size and complexity of the organization. Additional circles can include other stakeholders such as customers, suppliers, partners, investors, or community members.*

In the SCM, each group of people who work together meets periodically for a circle meeting, where they set policy to guide their work and day-to-day operational decisions. In those meetings, the people meet as equals, setting aside whatever operational hierarchy they have – more about that shortly.

The challenge then is coordinating the work of groups in various parts of the organization. Otherwise the organization trades top-down control for potential chaos. The solution is to have *both* top-down *and* bottom-up communication. Figure 2 shows a possible circle structure that corresponds to the linear structure in Figure 1.

Allowing people to make policy decisions that govern their own work, with double-linking between circles, takes care of aspects of pitfalls #1 and #2.

Let's also look at the decision-making method that the circles use. We want to ensure everyone has a voice – otherwise Francesca's voice can still be ignored. In the SCM we use *consent* for policy decisions, including to set strategy and to select people for roles; see Figure 3.

Decisions are made by CONSENT

Consent = absence of objections to a proposal.

Objections arise when a proposed policy conflicts with the mission and aim of the circle or organization. They provide valuable feedback to help improve a proposed policy.

Figure 3. Every member of the circle has a chance to raise an objection. The group jointly owns the objections and works to resolve them.

Additionally, avoiding the bottleneck of solely top-down decision-making is supported by having information and communication in the organization being *transparent,* where people in all circles can see the meeting minutes. Jan Carlson, former head of Scandinavian Airlines and a pioneer in customer service, said, "An individual without information cannot take responsibility, but an individual who is given information cannot help but take responsibility" (Willett, 1999).

Pitfall #3. Management and workers become adversaries.

We all know of companies where relations between management and workers are less than optimal. A company can lose collaborative creativity and a *lot* of time and money settling disputes. In extreme cases, when management and workers take sides on a polarized issue, workers might even strike.

> *User Comment #1*
>
> *"When I was an enlisted man in the Navy, I wondered why the officers didn't listen to our good ideas. When I became an officer, I wondered why I could never get the enlisted men to tell me what they were thinking. I tell you from experience that sociocracy solves this problem from both ends."*
>
> – Richard Heitfield, President, Creative Urethanes, Inc., Winchester, VA, using sociocracy since the 1980's

In the SCM, management and workers make policy decisions collaboratively and transparently, joining forces to devise solutions that will work for everyone. Both meetings and method of decision-making are designed so that all voices are heard, and to help the group jointly devise new solutions. In the Netherlands, where the SCM originated, the law requires companies with 30 or more employees to have a workers council, similar to an in-house labor union in the U.S. This requirement is waived for companies run sociocratically, because the SCM creates a collaborative relationship between management and

workers and protects workers' interests better than the councils (Buck & Villines, 2017). See User Comment #1 and Case Study #1.

Case Study #1

Endenburg Electrotechniek, an electrical engineering company in Rotterdam, Netherlands, designs, manufactures, and installs heavy-duty electrical equipment. In the late 1970's, a local shipyard suddenly shut down, unable to keep up with competition from the Japanese shipbuilding industry. That wiped out almost all of Endenburg's Boat Department's business overnight, and the Board decided to begin laying off most of the Boat Department. A machinist in the Assembly Department had an idea for another solution – to send the members of the Boat Department out in suits and ties and bring in the Sales Department to give them some crash sales training. His idea went through the linked circles quickly; the Board made a few adjustments to the proposal and consented to it. Three weeks later the company had enough new business that they cancelled most of the layoffs, and the company diversified its customer base and was stronger. The company still exists today. (Buck & Endenburg, 2012; Buck & Villines, 2017)

Pitfall #4. Workers disengage.

According to a 2018 Gallup poll, only 34% of workers in the U.S. feel engaged, while 53% of workers do not feel engaged (Harter, 2018). This represents a *huge* loss both to companies and to all the individuals involved, since engaged workers are more creative and productive and lead more fulfilling lives. See User Comment #2 below. In the SCM, those doing the work in any part of the organization make decisions about how they do the work. Employees who feel their voices are heard are 4.6 times more likely to feel empowered to perform their best work (Beheshti, 2019). Similarly, employees involved in decision-making are more engaged (Stark, 2010; Whitehurst, 2016). And organizations with engaged employees outperform those with low employee engagement by a whopping 202% (Kanapi, 2017).

User Comment #2

"We adopted sociocracy and all of a sudden there is a room full of empowered people helping make decisions. People feel different. I'd say that at the end of 100% of our circle meetings – where we set policy – everyone says, 'My goodness. I feel so much more energized.' We have fewer meetings over time as we've implemented sociocracy, the decisions are better, and the follow-through is better because everyone's on board."

– Paul Kervick, Outreach Coordinator and Board Member, Living Well Residential Care Home & Assisted Living, Bristol, Vermont, using Sociocracy since 2004

Pitfall #5. The organization loses sources of information and creativity.

In a natural system, every part of the whole has information needed by the rest of the system. In the human body for example, every cell senses information that can affect what happens in other parts of the body. The endocrine system, the nervous system, the gut, and the other organ systems all talk to each other. If the body were to ignore the information from any part, the result could be damage, disease, or death. This also applies at the organ level for the body, and at the cellular level within an organ.

Likewise, our human organizations have rich sources of information among their own members, if only they can access it. We need the perspectives *both* of the people at the head of the organization, who have the job to think about the whole company and the long-term strategic objectives, *and* of the people on the front line, who know what they need to do their work and are likely closer to the customer. Perhaps in the past, when external conditions have been more stable and predictable, we could get away with static, top-down organizations. The pace of change is so rapid now that our organizations need new ways of adapting and responding. The old predict-and-control no longer suffices. And all the challenges facing humanity require the intelligence and creativity of people in all parts of our organizations to create positive impact. The SCM provides a way to access this creative intelligence. See Case Study #2 and User Comment #3.

Case Study #2

Rainbow Community School, for pre-schoolers through 8th graders in Asheville, NC, had a culture of encouraging input from all stakeholders – teachers, staff, students, and parents. Yet structurally and legally, decisions rested on the shoulders of the Executive Director. When they began implementing the SCM, it was as though a breath of fresh air blew through the place. Teachers started taking initiative with all sorts of creative ideas. The circle structure with clear aims and domains made it clear who had responsibility and authority for what, and people no longer needed permission to take action. The result was to unleash an entrepreneurial spirit, to the benefit of the students and their parents. A decade later, the school's enrollment and size of the campus had more than doubled, with a reputation as an innovative community leader.

User Comment #3

"Since we've adopted sociocracy, it's much easier and more efficient for me to delegate. I'm able to receive information from the staff, the faculty, and all the different committees in a much more efficient fashion. I can't tell you how much more enjoyable my job is."

– Renee Owen, Executive Director, Rainbow Community School, Asheville, NC, using sociocracy since 2009

Putting It All Together to Steer an Organization

If every decision required a meeting to consent to a policy, work would progress slowly. So the SCM distinguishes between policy and operational decisions. Policy, to which a circle consents, guides day-to-day operational decisions. For day-to-day work, the linear structure is in place, for efficiency and accountability. For making policy decisions, the circle structure is in place. We go back and forth between the structures in Figures 4a and 4b, and get the best of both worlds. And meetings for policy and meetings for operational decisions are separate.

We need two more pieces to steer an organization: feedback loops for continuous improvement, and clear processes for meetings and decision-making.

Linear Structure for Operations

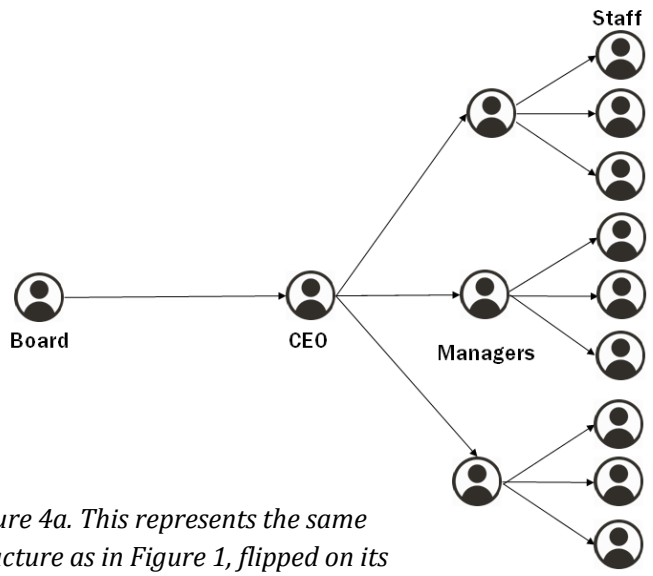

Figure 4a. This represents the same structure as in Figure 1, flipped on its side.

Circle Structure for Policy Decisions

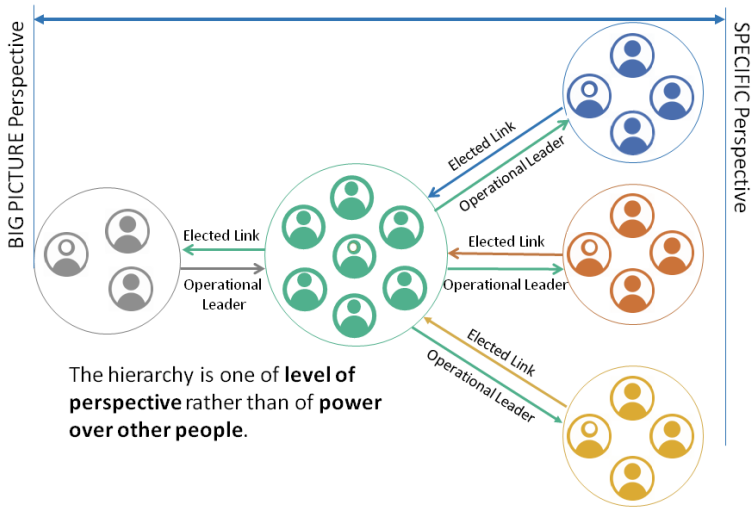

Figure 4b. This represents the same structure as in Figure 2, flipped on its side. Although we are used to seeing an organizational chart as a top-down structure, this figure emphasizes that in the SCM the hierarchy is one of level of perspective *rather than of* power over other people*. We need the viewpoints of people in multiple levels of perspective to get a full picture. This is sometimes called a circular hierarchy, to distinguish it from a linear hierarchy.*

Feedback Loops

Every policy becomes an experiment for a set a time period and includes measures. The goal of the policy is clear at the outset, as is how long to conduct the experiment and how to measure its success. At the end of that time period, the circle that created the policy reviews the measurements and evaluates how well the policy helps achieve the desired goal. They can then do one of three things: renew the policy, change it, or toss it out and start over. See Figure 5. Double-linking between circles creates another critical feedback loop, and means that information about the effectiveness of a circle's policy can come from anywhere in the organization.

Feedback Loop

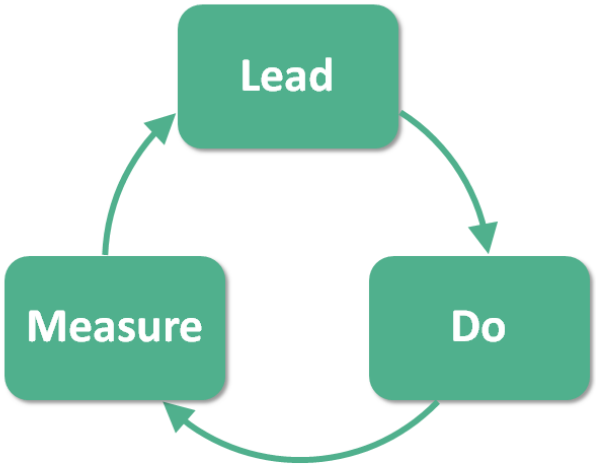

Figure 5. *"Lead" refers to evaluating the measurements and formulating the policy, "Do" to the implementation, and "Measure" to collecting data so that we can determine if the policy is taking us toward or away from the desired goal. As the organization applies this feedback loop to every policy, it is possible to run experiments rather than trying to predict and control the results, and continuous improvement is built in.*

Meetings

Meetings, while necessary, can be the blessing or the curse of any organization – and sometimes they are both. The SCM includes careful design of policy meetings to hear all voices in the circle, to make group decisions, and to continuously improve the meeting effectiveness. All circle members receive training to hold a circle meeting, and the meeting facilitator receives extra training. See User Comment #4. Meetings where all voices are heard and the group gets things done are a key part of being able to steer an effective, responsive organization.

User Comment #4

"Sociocracy has allowed us to have open-hearted conversations about emotionally-laden topics and develop policies we were not able to handle before. One visitor, new to sociocracy, was in awe of the trust and open communication in our meeting."

– Cynthia Kennedy, Founding Member, Open Floor International, using sociocracy since 2013

The Paradox of Self-Organizing Systems

Many leaders tend to think endurance and resilience of their organization come from imposing control on structures and processes. But with change so rapid, the old mindset of "predict and control" is an illusion. The paradox is that by transitioning from what may feel like control to self-organization, companies can become more flexible and resilient, and therefore more likely to endure in the long run.

The SCM is a whole-systems approach to decision-making, governance, and project management. It creates more inclusive, resilient, and effective organizations where all stakeholders have a voice on the policies affecting their work. See User Comments #5 and #6. For the technically minded, the approach draws on cybernetics and systems theory (Buck & Endenburg, 2012; Buck & Villines, 2017). Self-organizing systems are adaptive and resilient rather than rigid and stable (Wheatley, 2006); a sociocratic organization is self-organizing. The SCM has been found to increase productivity and, where it has been measured, to increase it by 30-40%; it increases worker retention rates and reduces sick leave (Buck & Villines, 2017). It also enables companies to respond more appropriately to customer needs.

User Comment #5

"Sociocracy has made a big difference in Creative Urethanes' ability to withstand the economic downturn. ***We saw increased profits within the first year of using the method.*** *Over time we have applied it to many areas of the company. As a result, we have better communication throughout the company, lower employee turnover, more energy in staff members due to increased involvement, more creative ideas that help us thrive in our industry, and continuous improvement within the organization. Best for me is I have more assistance – having everyone's help during hard economic times has lifted some weight off my shoulders."*

– Richard Heitfield, President, Creative Urethanes, Winchester, Virginia

User Comment #6

"Sociocracy shifts us away from the old command-and-control structures with which most of us grew up – structures that often fostered fear, control, and competition among people. What we have instead now is a system that fosters cooperation and trust, allowing room for a new way of working together. It's beautiful to witness."

– Cynthia Kennedy, Founding Member, Open Floor International, using sociocracy since 2013

And what of Jane, Fred, and Francesca, our characters at the beginning of this article? How do they benefit? Francesca has a voice in the decisions affecting her work, knowing that her ideas and skills matter. Fred is no longer caught in the middle between representing the boss to the workers and advocating on behalf of the workers to the boss. And Jane has access to information, ideas, and solutions beyond what she as one leader can devise on her own.

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