NOWOS

MANACRACY

Social entrepreneurship is the use of start-up companies and other entrepreneurs to develop, fund and implement solutions to social, cultural, or environmental issues.

Our vison of a social and sustainable organization is based on the ideology of Reinventing Organizations, Holocracy, AEquacy, Buurtzorg, Patagonia, B corp and many others.

We like to call it ManaCracy.

In contemporary New Zealand English, the word "mana", taken from the Māori, refers to a person or organization of people of great personal prestige and character.

ManaCracy is a purpose driven, self-managing organizational system specifically designed to create an environment in which people can be their true selves. It changes the paradigm of the traditional, hierarchical organization and paves the way for greater innovation, collaboration, performance and passion. This new organizational structure aims to overcome the limits of the hierarchical organization and expands individual, team, and organizational potential. The design can be displayed as a radial, equalitarian structure of self-managing, peer-coordinated teams, which self-regulate the system. With the **purpose** at the center, the organization is build around and for the **people**. **Passion** links people to the purpose and **principles** guide us to work together. **Partnership** is what is created: an organization in which we take responsibility and self-regulate the living system together (see figure 1).
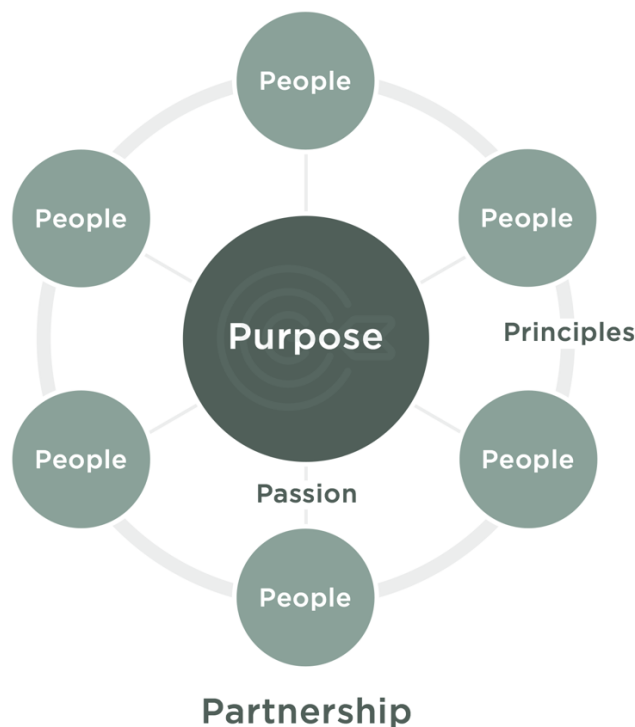

Figure 1 Organization corner stones

1. **Purpose** (whakapapa):
   - A clear **Purpose** that guides decision-making
   - "What is our job on the planet? What is it that needs doing, that I know something about, that probably won't happen unless we take responsibility for it?" Create an inspiring unfinished task, a Why: a higher goal => the Ziegarnik effect arises!
2. **People** (mana):
   - Select the right people to pursue the goal - 'talent is good, character is better'
   - Development of **People** through individual and Team Mastery. As the organizational design of NewCo questions all the deeply held paradigms on how to achieve good performance in a hierarchical organization, each individual needs to become more psychologically mature and to develop certain skills to be successful.
   - Developing Personal Mastery is the key to finding one's own personal compass in a complex and ambiguous environment. Learning to exercise autonomy effectively requires both courage and empathy, so that one can reach one's goals without undermining the achievements (and **passion**) of others;
3. **Principles** (ubuntu)
   - Develop and maintain a strong organizational culture, based on the right principles and values.
   - System Awareness means developing a broader view of one's own team dynamics but also the network of dynamics of the whole organization, in order to effectively navigate and influence the system. Being part of a self-managing company means that collaboration is a key competence for any member. Learning to listen, engaging in productive dialogue and addressing conflict are indispensable skills for high performance.
4. **Passion** (haka)
   - Stimulate sustainable performance through continuous attention to personal leadership, energy and inspiration
5. **Partnership** (whanau)
   - Ensure that co-workers feel jointly responsible and connected for the result to be achieved
   - Partnership means that every person in the organization is co-accountable for the governance of the organization and for the functions that were once the domain of a manager, such as hiring, planning, strategizing, and controlling. It is a whole new mindset.

People can perform at their best when they have a save environment, total control over their work, clarity about the organizational direction and access to all information to make the best decisions.

The organizational context is described in the organizational vision, core values, guiding **principles**, governance and processes, providing the conditions for the organization and **people** to develop themselves, strengthen the **passion** and **partnership**. It's like making sure

that a plant has sufficient exposure to sun, water, and nutrients to grow. The main elements of this enabling context are:

1. The creation of a safe learning environment in which individual and collective learning is at its full potential;
2. A structure of self-managing and self-correcting teams that work in full autonomy, advancing the **purpose** of the company and the **passion** of the co-workers;
3. A system of peer-based coordination that maintains alignment without reverting to rank-based control;
4. Distributed authority, to make sure that decision-making happens where the issues emerge, in any part of the organization;
5. Extended financial responsibility, by assigning each team a profit & loss account they are responsible for.

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Organizational vision

Within ManaCracy, the organizational purpose is central in everything that is done. And because people working in the organization take the action required to ultimately achieve the purpose, ManaCracy is designed around and for the people. People create the organization and people ultimately achieve the purpose. So the central question in creating the organizational environment is: "what do people need in order to flourish and be at their full potential in a wholesome and authentic way?" In this chapter we describe the organizational vision, or context, providing the conditions for a safe learning environment, in which people can develop and strengthen their passion and partnership and achieve the purpose of the organization.

Learning environment

One of the most important conditions for people to flourish is the creation of a safe learning environment. An environment in which people can be fully themselves, in which they can make mistakes and take responsibility for them without judging, blaming and shaming. An environment in which people can be whole, authentic and real and in which the full human collective intelligence and curiosity is used. An environment that enhances the ability to adapt to the changing world and the changing needs of the organization and workplace.

The essence of such an environment is that every process should be based on continuous individual and collective learning. In order to learn we need to embrace a growth mindset. A growth mindset thrives on challenge and sees failure as an opportunity for growth and for stretching our existing abilities. A fixed mindset, on the other hand, assumes that our character, intelligence, and creativity are static, and that success is the affirmation of that inherent intelligence. Under this paradigm, striving for success and avoiding failure at all costs becomes a way of maintaining the sense of being smart or skilled. These two mindsets seem to drive our behavior and our relationships with success and failure to a large extent in both professional and personal contexts. In order to learn as individuals, or even transcend individual learning to *collective* learning we all need to embrace this growth mindset and open ourselves up. We need to communicate.

Senge describes learning organizations as a place *"where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together."*

How to enhance a continuous learning environment:
- Create psychological safety
- Appreciate differences and be open to new ideas
- Create time for reflection
- Create concrete learning processes and practices
- Create leadership that reinforces learning
- Teach about mindsets and develop the ability to shift one's mindset
- Accept imperfections

- View failure as a learning opportunity
- Be a curious learner
- Value process over end result
- Ask for feedback and act on it
- Adopt a prototyping attitude

Self-Managing Teams

The basis of the organizational vision is one of Self-Managing Teams. Self-Management means: "a process where some form of overall order arises from local interactions between parts of an initially disordered system. The process is spontaneous, not needing control by any external agent. It is often amplified by positive feedback. The resulting organization is wholly decentralized, distributed over all the components of the system. As such, the organization is typically robust and able to survive or self-repair substantial disruption." In order for self-management to arise, a few things have to be in place in the organizational context for the system to be able to evolve naturally.

Peer Based Coordination

A peer-based organization implies by definition that there is no rank; everyone comes together as peers. Every co-worker may tap into the intelligence of the system and giving all participants input into decision making allows the best possible decisions to be made in any situation and with a level of responsiveness that is much more suited to the rapidly evolving business context. Teams and individuals become the key centers of authority and decision-making power. This creates a positive self-reinforcing mechanism; the more co-workers participate in decision-making, the more their **passion**, energy and engagement are reinforced.

Furthermore, within a peer-based system, individuals tend to expand their range of interests beyond narrow self-interest to include a deeper concern for the well being of the whole. In a manager-free and control-free system, the equilibrium is established and maintained within teams and across teams during meetings through peer pressure and peer coordination mechanisms. The underlying belief here is that **people** tend to give their best when their actions are guided not by orders from someone up the chain of command, but by feeling truly empowered to contribute to the team's and organization's **purpose** and by feeling trusted.

Coordination within each team happens through:
a) the organization's **Purpose**, Values and Guiding **Principles**;
b) the team's Charter (including the division of specific roles such as the role of a Facilitator, Meeting Host and Connectors);
c) the team's Operational and Governance meetings.

Should a team member try to take advantage of the system, or fail to contribute to the team results, his or her fellow team members will provide feedback and, should the issue persist, could ultimately decide to remove this person from the team. In the teams no one is exempt from feedback; team members learn to tackle the elephant in the room within their team as soon as they see it and to deal with any uncomfortable issue openly, whether it be an underperforming peer, a strategy implementation issue, a missed opportunity, or a different type of tension. This is one way the system self-corrects. People in the organization can create other ways of self-correction and self-regulation when needed. Examples of these are immediate feedback through comparable data, meetings and shared norms (i.e. if nobody needs your role, your role disappears).

Distributed Authority

By distributing authority, the organization puts power in the hands of those best positioned to find the right solution. **People** and teams can access any resource they may need to make the right decisions quickly. Distributed authority also means shifting the responsibility into the hands of every single co-worker, who takes ownership to resolve issues as issues present themselves. If the issue is too big or systemic each co-worker can propose the creation of a Project Team tasked with analyzing and resolving the issue.
In order to distribute authority, a few factors have to be in place:

a) Distributing accountability
Distributing authority means distributing accountability; taking full ownership and responsibility to complete the tasks or perform the duties required by one's role. One of the common assumptions underlying attempts to increase levels of accountability in the workplace is that accountability comes naturally when people know exactly what they are supposed to accomplish and understand the consequences of their actions. How to enhance accountability:
   - Define the right goals and metrics and share them
   - Make accountability everyone's responsibility
   - Frame accountability as an opportunity to grow and develop, not as a reward or punishment practice
   - Build Trust

b) Information Free Flow
One of the key elements of distributed authority is that information flows in all directions, and all information is available to all members of the organization. Because the work is carried out by groups of peers collaborating in the same team and in collaboration with other teams to express the purpose of the organization, every Co-worker is able to access any information, be it: (1) organizational – i.e. purpose and values of the organization, purpose of teams, roles and responsibilities of the Co-workers, existing policies, both at an organizational and team level, metrics and business results; or (2) operational – i.e. product or service development.

c) Trust
Trust exists so long as the person who places trust onto someone else is willing to let go of control over that someone's actions. Behavior that causes mistrust: acting at the edge of ethical boundaries, hiding information, taking credit for others' work,

and extreme focus, unfair co-worker compensation, unequal opportunity for pay and promotion, high co-worker turnover and a work environment not conducive to collaboration. How to enhance trust:

- Create a self-governing system
- Hold each other accountable
- Empower each other

Extended Financial Responsibility

In the organization every team is free to craft its own budget based on what is really needed to achieve its objective for the year. There is thus no pressure from above; whatever numbers the team forecast, becomes the team's budget after the advice process. In some cases, peers from the Coordination Teams, or from the Mana Team may challenge specific budgets, but no one can force a team to change their numbers so long as individual budgets as well as their aggregate make financial sense. Throughout the year the budget is kept fluid and is seamlessly adjusted to any relevant change in the external conditions, and at the end of the year, after the team has placed a fixed percentage in the organization's common pot, the team decides how much to distribute and how to distribute it, and how much to reinvest. In essence, the logic behind budgets shifts from being primarily a performance-control mechanism, to being a key tool in making decisions and supporting the teams' operations. Another important potential implication of adopting this latter view on managing the financials of the organization is that the way **people** are rewarded can be approached in a very different way as well.

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ManaCracy Governance

Structure		
1	Organization structure	• Self-managing teams • When needed, Coaches (no P&L responsibility, no management authority) cover several teams
2	Coordination	• No executive team meetings • Coordination and meetings mostly ad hoc when need arise
3	Projects	• Radically simplified project management • No project managers, people self-staff projects • Minimum plans and budgets, organic prioritization
4	Staff functions	• Most such functions performed by teams themselves, or by service teams • Few staff remaining have only advisory role
5	Responsibility	• P&L • Governance per team
6	Accountability	• Legal • Organization • Team • Role (individual)

Table 1 Structure

Organization structure

All the teams that we can find in ManaCracy share certain commonalities while maintaining their own particular attributes. In particular all teams adhere to the organization's Guiding **Principles** (ubuntu) and the organization's governance.
However, teams create their own Team Governance (the way they work together within the team). Each member may cover different roles, including those of meeting host, facilitator, which are described in the next sections.
A ManaCracy organization has at least 1 team: the Mana team. The team size of teams within ManaCracy is 4 to 7 people. As soon as the team grows to 8, it splits itself into two different teams.

Mana team

In a ManaCracy organization the Mana team is the first team created by the founders right after founding the organization.
The Mana team is represented by the Executive Board and/or the original "founders" of the organization, all those with legal responsibilities as required by law and representatives of all connected teams.
Although members of the Mana team may also be part of other type of teams and/or attend some of their specific activities, they never hold hierarchical power over others.

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Purpose:

- The **Purpose** of the Mana team is to support, coach, facilitate and advise teams to operate in line with the organization's overall **purpose**, governance and **principles**.

Objectives:

- Design and maintain the overall **purpose** (Whakapapa)
- Design and maintain the organization's governance
- Design and maintain the organization's guiding **principles** (Ubuntu)
- Give structure to the organization (coordination)
    - Define the first teams
- Support all teams to work effectively
- Mediating potential conflicts of roles or scopes between teams
- Peer coordination, with a representative in each connected Team

Metrics:

- Flourishing co-workers
- Engagement with purpose
- Safe learning environment
- Organizational Productivity
    - Rentability
    - Material/co-worker ratio (kg/fte)
- Positive cash flow

Accountability:

- Legal
- Overall P&L
- **Partnership** (whanau)
    - Ensure that co-workers feel jointly responsible and connected for the result to be achieved

In the case of a New Organization (NewCo), the Mana team may also define the first teams and assign the initial members.
In the case of new daughter or sister organization, the Mana team may also define the first teams and assign the initial members.

Operational team

The first Operational team is created by the Mana team, the Mana team may assign the initial members and define its specific purpose. Further Operational teams are created by any team in the organization. The operational team is represented by people with the skills necessary to achieve the purpose and by one member of the Mana team. The team does not have a pre-determined duration and its life cycle ends when its specific purpose no

longer makes sense for its team members and the organization (in which case team members volunteer to be assigned to other teams).

Purpose:

- The **Purpose** of the Operational team is to serve external clients, directly or indirectly, and autonomously achieve it's own objectives.

Objectives:

- To be defined by the team in team governance

Metrics:

- Productivity > 60%
- To be defined by the team in team governance

Accountability:

- To be defined by the team in team governance

Coordinating team

The Coordinating teams are created by any team, as soon as it splits its activities up in multiple teams. The coordinating team is represented by Team-Reps of each coordinated team and one member of the Mana team. The team is not intended as an entity with power over others, but rather as an entity that serves to harmonize and bring together the work of the different teams connected to them. Hence, their presence does not introduce any form of hierarchy whatsoever.

Purpose:

The **Purpose** of the Coordinating team is to:

- Maintain coherence in the projects and activities of the teams it coordinates versus the purpose and values of the organization;
- To process any source of entropy that may arise as a consequence of the teams' daily activities;
- To assess whether the aggregated financials of the teams are sustainable and, should this not be the case, to provide guidance and feedback until a more healthy balance is achieved.

Objectives:

- To be defined by the team in team governance

Metrics:

- Productivity > 60%
- To be defined by the team in team governance

Accountability:

- To be defined by the team in team governance

Service team

The Service teams are created by any team, depending on specific shared needs that may arise from other teams, which could be addressed by an external service.
The team does not have a pre-determined duration and its life cycle ends when its specific purpose no longer makes sense for its team members and the organization (in which case team members volunteer to be assigned to other teams).

Purpose:

- The **Purpose** of the Service team is to support and facilitate the work of its internal clients (other teams) with the highest standards and in the most effective way.

Objectives:

- To be defined by the team in team governance

Metrics:

- Productivity > 60%
- To be defined by the team in team governance

Accountability:

- To be defined by the team in team governance

Project teams

The Project teams may be created based on the emerging needs of any other type of team, which also sets the Project team's purpose and appoints its initial members.
The team is dissolved once the expected results are achieved. The activities of the Project teams can vary significantly depending on what the organization and the other types of teams need at any given moment in time.

Purpose:

- The **Purpose** of the Project team is to achieve specific, time-bound objectives.

Objectives:

- To be defined by the team in team governance

Metriecs:

- Productivity > 60%
- To be defined by the team in team governance

Accountability:
- To be defined by the team in team governance

Coordination

Creating self-managing teams yields benefits only if such teams are interacting within a broader system that is able to create and maintain a healthy balance among its components. In a context where every team enjoys a high level of autonomy, the actual intelligence of the system is determined by the pathways of connections and interrelations that form the relationships between teams. Through such relationships, information is shared, resources are allocated more effectively, innovation flows, meaningful collaboration occurs, and ultimately decisions are made more quickly and in line with a common higher purpose.

The underlying logic is that the more access people have to one another, the more possibilities there are. Without connections, nothing happens. Higher effectiveness, speed and performance are created by letting people freely access the collective intelligence of the system.

Coordination within ManaCracy takes place through:
- Team members in the Mana team
- Coordinating teams
- Elected roles in teams (connectors)

In ManaCracy, there are no executive team meetings. There are two types of meetings: governance and operational meetings, the frequency and duration of which is decided on by the team.

Within the teams, there are three types of elected roles. Any other roles are defined by the team itself. Elected roles:
1. **Facilitator**: the general purpose of the Facilitator is to support the development of the team and to facilitate the different types of meetings a team may have, namely governance meetings or operational meetings. At the end of each meeting the team elects a Facilitator for the meeting that follows; the Facilitator can therefore change each time the team meets. The Facilitator has no official authority whatsoever over the team and its decisions; his/her role is to let the team make its own choices, even when the Facilitator believes there might be a better solution. The typical operating modality of the Facilitator is to ask insightful questions, mirroring what he/she sees as the meeting occurs and helping to frame issues and solutions that will move the team forward. The Facilitator also allows the team to reflect on the dynamics the team creates as it meets, with a view to maintaining the team on an ongoing path of self-development. Some of the characteristics that co-workers develop as Facilitators are:
   - The ability to ask effective questions, which foster alignment, clarity, awareness, growth, and forward movement.
   - The ability to step into a deeper listening mode, which limits judgment and bias

and promotes much more focused and constructive interactions.

- The ability to focus and to summarize key points.
- A "helicopter view," which brings in the external perspective that is needed to maximize creative thinking and innovation.
- Openness and empathy, which create trust and deeper bonds.

2. **Meeting Host**: the general purpose of the Meeting Host is to support the logistics and organization of the meeting and make sure that the governance and operational meetings happen in line with the Team Charter and the Guiding Principles of the organization. As with the Facilitator, the Meeting Host is also a role assigned by the team at the end of each meeting for the meeting that follows. Hence, the role of the Meeting Host is crucial before the meeting, during the meeting, and after the meeting:

   - Before the meeting – ensure that notice of the meeting is given to all participants, that a suitable location is booked and that any pre-reading that needs to be done prior to the meeting is circulated.
   - During the meeting – ensure that the topics discussed during the meeting and the way the meeting develops are aligned with the Team Charter and the Guiding Principles; take notes on key points discussed, proposals and decisions made, and action points agreed.
   - After the meeting – finalize the minutes from the meeting and upload them on the team's repository.

3. **Connectors:** Since teams have a high degree of autonomy within a network of relationships and connections, it becomes clear that in order to form and maintain such interrelations the system needs people moving around and pro-actively making links between different parts and for the benefit of the whole. Therefore, we have two types of connectors:

   - **Team-Rep** – delegate of a specific team that attends the governance and operational meetings of other connected teams that discuss topics or decisions that may impact his/her team of origin. Team-Reps have the right to intervene during such meetings and vote based on the interests of their own team.
   - **Team-Coordinator** – delegate of a specific team that attends the governance meetings of other connected teams that may be impacted by the decisions of his/her team of origin. Team-Coordinators make sure that potential effects on the impacted team(s) are integrated into the relevant decision-making process of their own team. And to create alignment and cross-pollination. Team-coordinators do not have voting rights in these meetings but can advise and provide guidance as needed.

Projects

Projects are managed based on radically simplified project management. It involves a minimum of plans and budgets and organic prioritization. There are no project managers, people self-staff project teams.

Staff functions

Most of the activities that in traditional organizations we often merge into 'staff functions' (for example: finance, legal, R&D, HR, …) are performed by teams themselves. The few staff

activities that are remaining are mostly performed by the Mana team, which has only an advisory role. Moreover, teams might also set up a Service team to bundle certain activities together.

Responsibility

As is stated in our Business Principles:

*"We agree to take full responsibility for our own actions, those of our colleagues and Nowos' **Purpose**. If we sense that something needs to happen, we have a duty to address it. It's not acceptable to limit our concern to the remit of our roles. Everyone is accountable to holding others accountable to their commitments through feedback and respectful confrontation.*

*We are personally responsible and accountable for our training, time commitments, performance and participating in and contributing toward achieving the **Purpose** and practicing the **Principles**. We commit to manage ourselves, to be responsible and accountable for the planning, organizing, staffing, directing, performing and controlling functions with respect to our **Purpose**. To personally take the initiative to coordinate our responsibilities and activities with other colleagues, to develop opportunities for improvement and for making things happen."*

Everyone in the organization is responsible for their own actions, and the actions of the team. Teams are responsible for their own:
- P&L
- Governance per team

Accountability

As stated in the Business Principles, everyone is in the end accountable for addressing accountability of everyone else in the organization. More specifically, accountability within the organization is divided as follows:
- Each individual person is accountable for the scope of his/her role
- Team members together are accountable for the Team Governance/P&L
- All teams together are accountable for the Organization Governance
- The Mana team members share Directors' liability (legally responsible for the actions of the organization

Structure

Traditional organizations are mostly structured in a pyramidal shape, for a simple reason: the hierarchical boss-subordinate relationship can't stack into anything other than a pyramid. In self-managed organizations, peer commitments replace hierarchical relationships, and the pyramid can finally collapse and rest with history. But it would be a mistake to think that because there is no hierarchy, self-managing organizations are simply flat and structureless. Unlike the single template of the pyramid, self-managing organizations can adopt different forms to fit the context they operate in. From the pioneer organizations researched we can derive three broad types of structures.

1. Parallel teams
2. Web of individual contracting
3. Nested teams

What structure is most appropriate?
Of the three structure, or possible variations or hybrids, which would be most appropriate for our specific organization? The answer is straightforward: the size and type of activity the organization engages in will naturally call for one type of structure, just like surrounding terrain determines the shape of a lake.
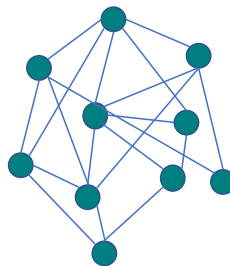

Figure 2 Parallel teams

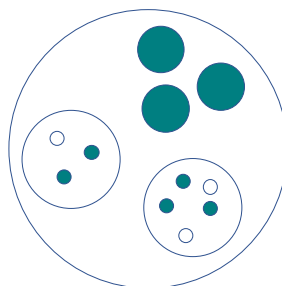Figure 3 Web of individual contracting

Figure 4 Nested teams

Foundation

New organizations often start small with one team, the Mana team, and gradually grow the organization by adding more specialized teams.

Every co-worker can be a member of multiple teams, but has one team of origin. For instance, a coach is a member of the Mana Team (team of origin) and he or she can be a member of multiple other teams.
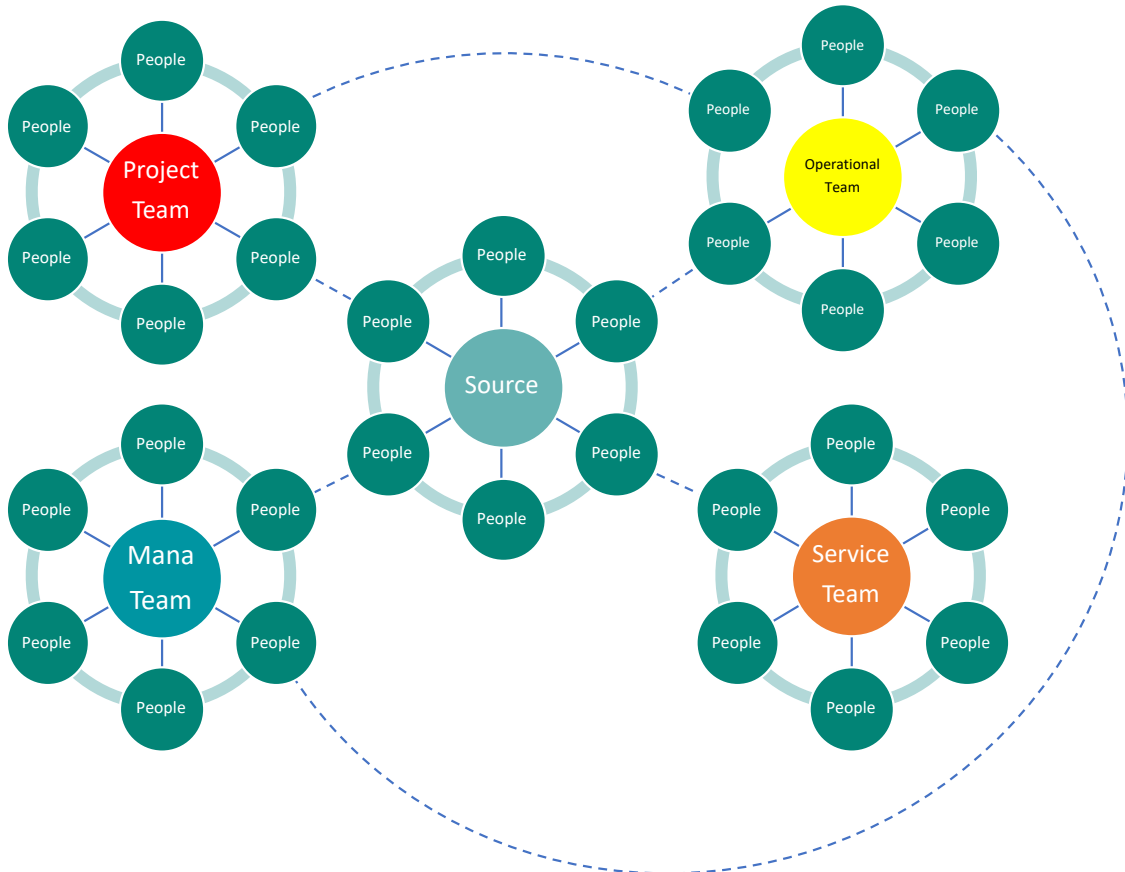

Figure 5 Foundation teams