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A. Georges L. Romme
*Department of Management Sciences,
University of Limburg, P. O. Box 616,
6200 MD Maastricht, Netherlands*

The sociocratic model of organizing

- *The sociocratic model has progressed beyond the experimental stage and is being used successfully in several organizations. It relies on four ground rules: decision making by consent; a hierarchy of circles, in which every member of the organization participates; double linking between circles; and election of persons by consent.*
- *Together these rules promote downward as well as upward information processing.*
- *In contrast to conventional methods for advancing information processing (project teams, quality circles), the circle organization is integrated into the administrative hierarchy.*

Introduction

Consider the following decision-making process in a medium-sized Dutch company, Sandering B. V. (Romme, 1992):

The management team of Sandering B. V. wonders what was wrong with their proposal. In the previous two decades Sandering had developed the so-called SPD meeting, with the S standing for sales, the P for production and the

D for development. Regular SPD meetings between the supervisors of the sales, production and development departments were thought to lead to more effective product development activities. Recently, the SPD meeting developed into an unwieldy, ineffective instrument, because most participants tended to focus on the current situation instead of projections for the future. Thus, Sandering's management proposed several changes in the SPD procedure. These proposals involved a

simpler procedure in which one or two specialists would evaluate the prospects of their own product line as an input for the overall evaluation by top management, assisted by one or two department heads.

Several proposals from top management to simplify the procedure along these lines met major resistance within the product development department. The product developers feared that the new procedure would reduce their influence on decision making. It was a good tradition in Sandering not to impose an unaccepted decision, and thus decision making about this issue landed in an impasse.

Most readers are probably familiar with similar examples of how decision making may encounter severe resistance or other problems. Now consider the following case (Romme and Reijmer, 1994):

The electrotechnical company Endenburg Elektrotechniek B.V., located in Rotterdam, unexpectedly ran into a severe crisis situation. A local shipyard, accounting for more than one-third of the business of Endenburg Elektrotechniek, suddenly shut down. The general manager decided that there was no choice but to layoff 60 workers. The day after the decision was announced, Jan De Groot, one of the fitters in the manufacturing department asked the secretary of his departmental circle to call a meeting as quickly as possible in order to discuss an idea he had for a better way to handle the sudden crisis. The circle secretary was able to arrange a meeting for the next day, and when everyone was gathered, Jan De Groot explained his idea. 'It seems to me', he said, '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 concentrated marketing effort. The overall development in our kind of business is not as bad as it seems. There must be more business out there! I would much rather spend my time wiring

generators than knocking on doors with a suit and tie on, but I'll do it if it means keeping my job' The circle decided to support the proposal and appointed Jan De Groot as a temporary representative to the general management circle.

The next afternoon the general management circle met and discussed the proposal to delay the layoff for 1 month while everyone in the company who could be spared concentrated on marketing. After some initial reservations, the general circle decided to support the initiative of Jan De Groot. All 'spare' workers would spend most of their time acquiring new projects. A final decision could not be made because of policy limitations on their authority to spend the company's reserve fund. This kind of decision could only be made by the top circle (cf. Board), and Jan De Groot was designated as a temporary representative to the top circle.

When the top circle met it quickly gave its consent to spending part of the company's reserve fund for this purpose, which allowed the general manager to launch the plan into action. Within several weeks, enough new projects were acquired to justify further postponement of the layoff. Only a few workers were actually laid off in this period. One of the departments was sized down, but the growth of several other departments led to a much more diversified customer base.

What are the differences between these two cases? The Sandering case illustrates a rather traditional decision-making process which predominantly relies on downward information processing. There is no permanent structure through which middle managers or workers can voice concerns about important issues. By the time top managers start asking for comments on their proposals, most employees have taken a defensive position towards these proposals.

How different is the Endenburg case. Here we see that upward streams of information are given the same weight as downward

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streams of information. Moreover, there also appears to be a mechanism for upward mobility of persons having important ideas or information. As such, the organizational model developed by this company, the so-called sociocratic model, may be especially effective in dealing with the demands of strategic change. This article describes the philosophy and principles of the sociocratic organization.

History

Endenburg Elektrotechniek was founded in Rotterdam in 1950 by Endenburg senior and his wife. After completion of his studies in electrical engineering and radar technology, Gerard Endenburg joined the company and was appointed general manager in 1968. As a condition of accepting this position at the head of the company's workforce of some 100 people, Endenburg requested that he be allowed freedom to experiment both technically and organizationally. In the early 1970s Gerard Endenburg decided to stop the company's growth in order to give more attention to organizational renewal. He started to experiment with some of the ideas he had about remuneration, decision making and organizational structure. These experiments were especially inspired by ideas taken from the Quaker tradition of consensus. The term 'sociocracy' was adopted because it emphasizes the equivalence of each individual who participates in consensus decision making.

In practical operation since the mid-1970s, the sociocratic model has progressed beyond the experimental stage and is being used rather successfully in organizations as diverse as Endenburg Elektrotechniek, a municipal police department, a consultancy firm and

a chain of hairdressing shops. All these organizations have reported productivity increases of 30–40%, and both workers and managers seem to like working in them (Romme and Reijmer, 1994). In addition, the sociocracy model has been tested in organizations of up to 1300 people and is being tried out on a limited basis in substantially larger organizations in the Netherlands, Germany, Brazil, Canada, the USA and other countries.

Core ideas: consent and circle

The Quaker tradition of decision making recognizes that, while each individual has some ideas, it is likely that the best solution to important problems will come out of the collective wisdom of those closest to the problem, regardless of their formal position or group membership (Louis, 1994). Endenburg (1988) adapted the Quaker consensus principle of 'full agreement' towards 'consent', which he defined as the

absence of any argued objection.

In other words, where a consensus decision is arrived at when all say yes, for a consent decision it is sufficient that no one says no. The emphasis on argued objections is meant to stimulate creative solutions. Moreover, Endenburg assumed that this way stalemate win-or-lose positions could be avoided (Endenburg, 1988; Romme and Reijmer, 1994).

Other elements of sociocracy were derived from engineering and cybernetic concepts (Buck and Endenburg, 1984). Cybernetics distinguishes between linear and dynamic systems. In linear systems, power and information flow only in one direction. When you flip a light switch to turn on a light you are using a familiar linear system. Dynamic non-linear systems are more complex because they contain feedback and control loops, known as 'circle' processes. All living systems, such as individual human beings or human organizations, are dynamic

systems which are able to evaluate and adjust their position in a continuously changing environment (Endenburg, 1988). Organizations are typically viewed with a linear image in mind; for example, we tend to assume that power flows from top to bottom. Endenburg found that from an engineering standpoint organizations are severely hampered by their fundamentally linear management structure. He therefore decided to create a cybernetically dynamic structure, in which feedback rather than power was the basic organizing principle (Endenburg, 1988).

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The key element in this dynamic structure is the leading-doing-measuring circle process (Figure 1). This circle process is in fact a popular version of thermostat-like cybernetic systems. In the leading stage, instructions are issued. In the doing stage, the instructions are carried out. In the measuring stage, the results are observed and passed on to the leader, who subsequently compares the result with the norm and, depending on any difference, may issue a corrected instruction.

In sociocratic organizations, all functional work groups manage their own work area on

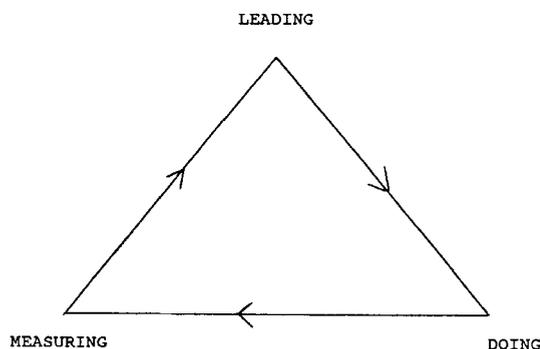


Figure 1. The leading-doing-measuring circle process.

the basis of this circle process. For practical reasons, a circle will generally consist of only a limited number of people, and a large organization will therefore be built up of several circles. This is done in a way that the principle of the circle process is maintained, both within and between the circles. Figure 2 shows two circles which work together and therefore have to be linked. Endenburg (1988) argues that there have to be two connecting links, one to transmit the information from the doing stage in the upper circle to the leading stage in the lower circle, and one link to carry the measuring/feedback information from the lower circle to the measuring stage of the upper circle. The first link is the manager or supervisor of the lower circle, who is appointed by the upper circle. The second link involves one or more representative(s) of the lower circle who contributes to the measuring stage in the upper circle. In sum, the connection between two circles is formed by a double link, which consists of at least two persons.

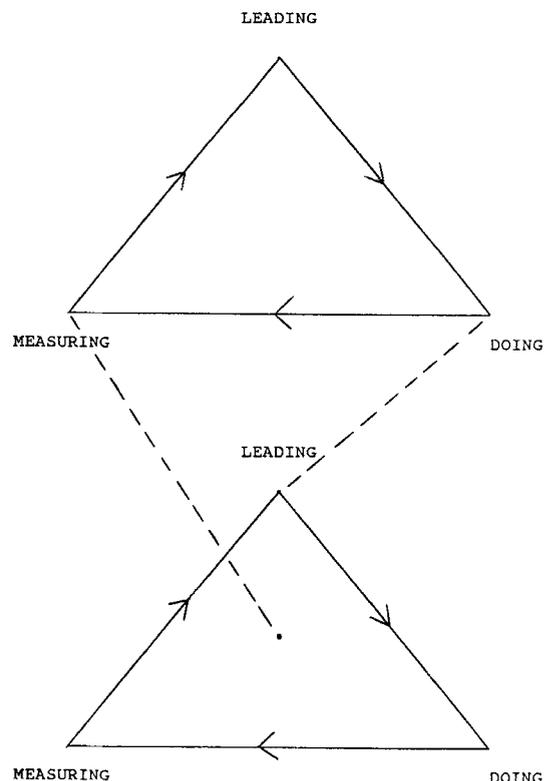


Figure 2. Double linking between two circles.

The ground rules of sociocracy

The ideas of consent decision making and the circle process have led to a sociocratic model of organizing that has been put into practice since the early 1970s in Endenburg Elektrotechnik and recently also in several other organizations. The following four ground rules summarize the sociocratic model:

1. *Consent.* The primary method of decision making is by consent ('no argued objection'). The reasons and arguments offered before a consent decision is made are of prime importance; the decision is made when none of the participants objects to it. Day-to-day decisions about policy implementation are not made by consent.
2. *Circle.* Every member of the organization belongs to at least one circle, a functional work unit (e.g. department). A circle is a group of people with common work objective whose basic mode of decision making is consent. The circle includes the functional leader (supervisor or manager). Consent decision making normally occurs in specially scheduled meetings. Circle meetings decide about issues which are relevant to the work objectives of the circle, and within the limits of their authority.
3. *Double linking.* A larger organization normally subdivides into a hierarchy of circles. When a hierarchy of circles exists, each circle is represented in the next higher circle by the functional leader (supervisor or manager) and one or more additional representatives chosen from the circle by consent.
4. *Election of persons.* A circle assigns its members to the functions and tasks required by the common work objective via consent after open discussion.

The implementation of these rules does not require any change in the traditional hierarchical structure of the organization. In fact, the sociocratic circle structure is superimposed over the administrative

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structure. Figure 3 shows a stylized version of the circle organization of Endenburg Elektrotechnik. The staff of each department, including its supervisor, makes up the membership of each departmental circle. The general management circle includes the general manager, the department supervisors, and one or more representative(s) chosen from each department circle by consent. The top circle (cf. board of directors) includes the general manager, one or more representative(s) from the general management circle chosen by consent, and three outside experts. Note that all circles have at least two links to the next higher circle.

Conditions for sociocracy

In the course of its development, several conditions for effective use of the sociocratic model have become evident. First, sociocracy becomes an unworkable tool when exceptions are made in the application of the rule that consent governs the decision-making process (Endenburg, 1988). By

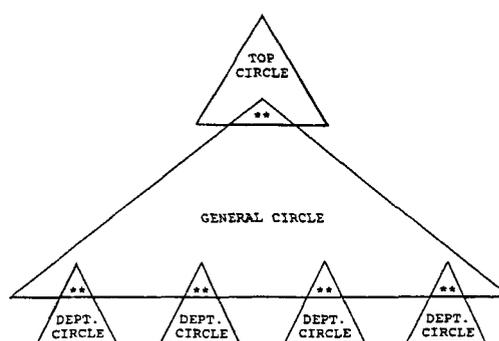


Figure 3. The circle structure of Endenburg Elektrotechnik.

making this kind of exception the security that each individual needs to act freely and creatively in the circle process is no longer guaranteed.

Equivalence in decision making created by the consent principle takes on added significance when there is also equivalence in the means of subsistence. Guaranteed subsistence, especially in the financial sense, provides the individual with a 'safe' environment which is necessary for taking risks, for example, by challenging current practices in his or her departmental circle. In practice, this implies that each individual base salary should provide enough opportunities for the individual and his or her family to live according to a standard of living that is acceptable and normal in view of the society they are part of.

The second danger to effective use of the model arises when circle processes are not closed, both within and between circles. This situation makes control of the organization largely impossible. In practice, this danger can be reduced by making sure (by education and training) that each individual member of the organization can deal with his own work area in terms of the circle principles, and signals any dysfunctional processes in circle meetings. Education and training in Endenburg Elektrotechniek now cover three areas: the traditional area of education and training for special functions or tasks; organizational processes and structure in the sociocratic organization; decision making, including skills in organizing and holding meetings.

Another key condition is the possibility to measure and feedback the results of activities in order to exercise control. Thus measurement data should be produced and made available, and the possibility should exist to detect shortcomings or potential improvements in these data. Therefore, the person who needs those data must have free access to them. With help of modern information technology this condition can be easily created, although it challenges many conventional ideas about the exclusive use of measurement data by managers.

Perhaps the most important condition is the double link. For traditional organizations structured on the basis of Likert's single *linking pin*, the double link requires a complete shift in thinking about management and leadership. Most organizations in fact never question the effectiveness of the single link between hierarchical levels, and perhaps do so because they assume the two linking functions of doing/leading and measuring/feedback can be combined in one person. However, Endenburg (1988) assumes these two fundamentally different links cannot be combined because they demand completely different personalities and skills. Moreover, the richness of information processed back and forth between lower and upper circles is also guaranteed by the different ways in which the links are formed: the supervisor of the lower circle is appointed by the upper circle, whereas the representative to the upper circle is appointed in the lower circle.

Note that the principles of superimposing a circle structure on the administrative hierarchy, and double linking between circles are unknown in the literature on organizational design and structure (Daft, 1992). Double linking provides the key to the integration of a circle organization with a hierarchical structure. By double linking between circles both upward and downward communication is promoted. In addition, there is also a remarkable potential for downward as well as upward flow of human capital. This system thus promotes *situational leadership*. A clear example is the temporary leadership of Jan De Groot in the crisis facing Endenburg Elektrotechniek. Note that De Groot moved from one of the departmental circles into the top circle within several weeks.

Policy making in sociocratic circles

The distinction between policy formulation and policy implementation is very important for understanding the sociocratic model. In most organizations top management decides

about policy and implementation is done by the workers, with middle management doing a bit of formulation as well as implementation. In Endenburg Elektrotechniek each circle formulates its own policy, but *within* the constraints established by the next higher circle. Note that decisions about these constraints are taken by consent in the next higher circle, which includes at least one chosen representative of the lower circle.

There are some important differences between sociocratic circles and conventional structures for policy making such as quality circles or project teams. Quality circles are teams of employees established for the purpose of learning about and improving quality in their work areas. Project teams cut across departmental boundaries in order to deal with mostly company-wide policy issues. Both quality circles and project teams are typically not integrated in the organizational structure, and thus formal links with other circles or teams are absent (Bounds *et al.*, 1994). This also implies that most circles or teams cannot easily influence policy making at higher levels. Sociocratic circles are linked to the next higher circle by at least two individuals: the supervisor, or manager, and one or more chosen representatives.

On a more general level, the sociocratic organization may be a model for organizations that want to improve their learning capacity. Perhaps the biggest problem in creating a learning organization is how to transfer individual learning to organizational learning (Kim, 1993). The sociocratic circle organization appears to provide a unique transfer mechanism in which individuals are given a permanent

opportunity to contribute to organizational learning processes.

Biographical Note

Georges Romme is currently a senior lecturer in the field of strategic management at the Department of Management Sciences, University of Limburg, the Netherlands. In 1992 he completed a doctoral dissertation about the role of top management teams in the context of strategic change. He has published widely on self-organization and strategic change in both Dutch and international journals. His current research interests are in sociocratic decision making, entrepreneurship and networking.

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