

Sociocracy in for-profit organizations

CASE STUDY EUROPACE - PKU

- based on an interview with Europace members Leif Hanack and Michael Geiß as well as blog articles and documents provided

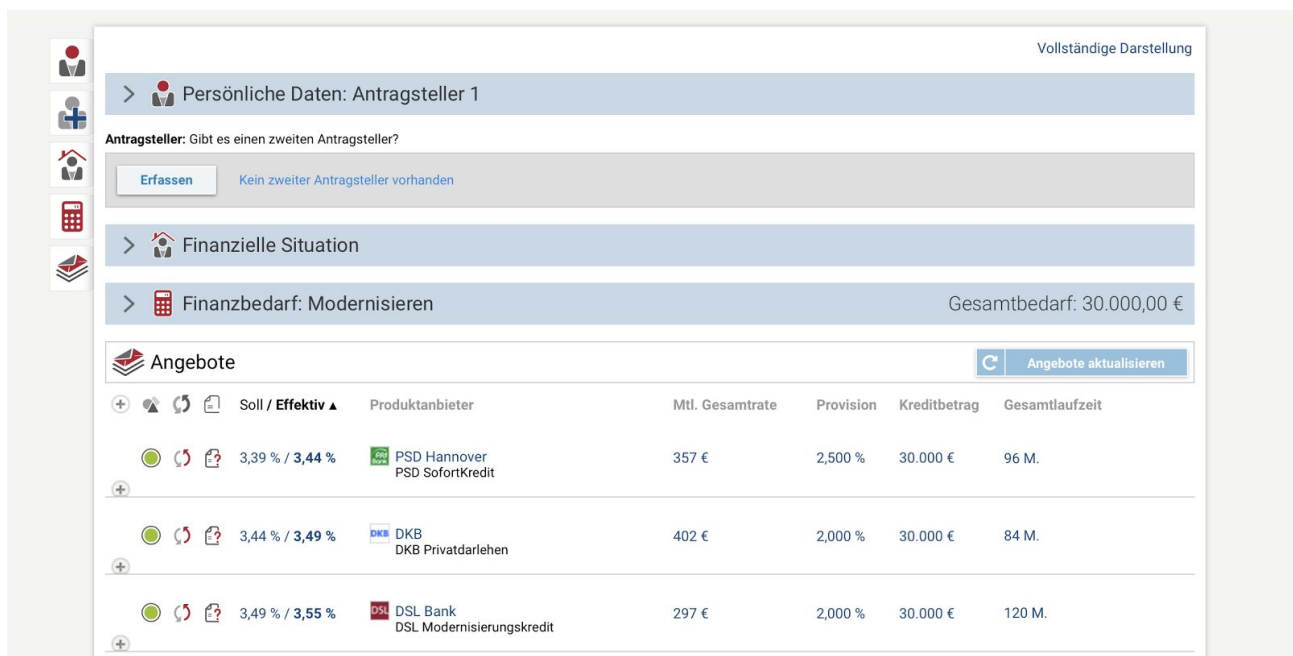
Summary

Europace's "Privatkredit Unit" (also called "PKU") was created by merging three divisions in the middle of 2015. During the initial phase of team building there was a sharp increase in employees. That, along with the implementation of new processes, hindered further organizational development and in the end even stopped it completely.

In early 2017 PKU made another attempt on organizational development and now is about to change the structure and type of cooperation among the unit in small steps using sociocracy. The PKU is convinced that with sociocracy a form of organization has been found that will enable further growth.

The company EUROPACE Inc.

Europace Inc. is a subsidiary company of Hypoport Inc. and has around 140 employees. Europace is Germany's largest financial market place for real estate financing, building saving schemes and private credits. With a transaction platform (see screenshot below), Europace creates and develops markets for the consumer. Europace is, roughly spoken, divided into four units. One of these is the "Privatkredit Unit" (short: PKU), which consists of 20 employees.



The screenshot shows a web interface for a financial application. It includes a sidebar with navigation icons, a main content area with sections for personal data, financial situation, and a table of loan offers. The table lists offers from PSD Hannover, DKB, and DSL Bank with details on interest rates, monthly payments, and terms.

Soll / Effektiv ▲		Produktanbieter	Mtl. Gesamtrate	Provision	Kreditbetrag	Gesamtlaufzeit
3,39 % / 3,44 %		PSD Hannover PSD SofortKredit	357 €	2,500 %	30.000 €	96 M.
3,44 % / 3,49 %		DKB DKB Privatdarlehen	402 €	2,000 %	30.000 €	84 M.
3,49 % / 3,55 %		DSL Bank DSL Modernisierungskredit	297 €	2,000 %	30.000 €	120 M.

How did the PKU come to sociocracy?

Motivation for a new organizational form

Strong growth and the merger of three divisions, three divisional cultures and processes, brought new challenges which had to be overcome.

For example, within a short time the number of people increased from 5 to 9 and then to 20 people. As a result, unit meetings (on decisions concerning several circles) became large and with everyone wanting to participate actively the meetings took much time.

Additionally, the participants of these unit meetings used IDM (= Integrative Decision Making - from Holacracy®) for decision making. By strict application of the Holacracy® objection catalog almost no objection was classified as being valid. Thus, people's objections were not integrated into the proposed solution and participants were left frustrated. Participants felt that every proposal could be pushed through.

Out of these reasons, the team's need for a new organizational form grew little by little.

Progression over time

First steps into sociocracy

IDM from Holacracy® was first brought into the management group of the mother company Hypoport Inc. and was applied in management meetings (without having a circle structure yet). Seeing IDM to resolve issues, Leif Hanack (head architect and line manager at the time) was motivated to do research on Holacracy®, where he came across a sociocracy primer.

Leif then proposed the formation of circles and the use of consent decision making. Using the IDM process this was decided on by the team. With this decision he gave up his role as head architect.

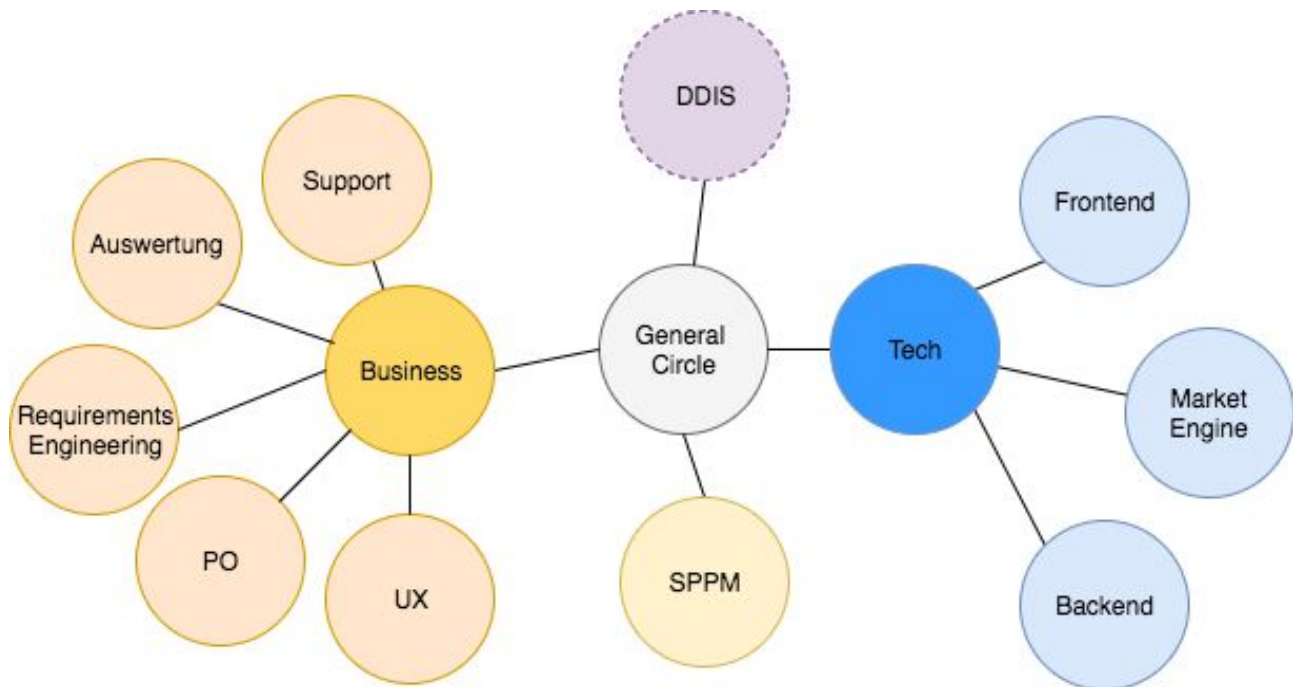
However, conflicts within the team took a considerable amount of time so that less governance meetings were held and thus the new organizational form could not be consolidated sufficiently.

A second attempt yielded change

Leif felt that the development of the organisation needed a revival based on sociocracy and so organized a workshop on Sociocracy 3.0 with Bernhard Bockelbrink. After this workshop everyone had the basic theoretical knowledge, but sociocracy was not necessarily more tangible. So Leif asked if any colleagues were willing to work with him on making sociocracy more tangible. With three other colleagues he formed the Helping Circle, called "Deep Dive Into Sociocracy" or DDIS. DDIS informed itself mainly through the platforms sociocracyforall.org and sociocracy30.org and has now developed a proposal for further development of the circles, which is currently being implemented.

The current state

The sociocratic organizational structure of the PKU



The General Circle is a delegate circle (single linking from the directly connected circles) currently consists of 4 people, who only meet for policy decisions coordinating the organizational development of the unit. Leif is Circle Coordinator of the General Circle, who from there makes the connection to the board. The additional three persons are Circle Coordinators from circles Business, Tech and SPPM (the helping circle DDIS is not represented in the General Circle).

DDIS (Deep Dive Into Sociocracy) researches and tests sociocratic elements and brings the experience into the General Circle and unit.

The mother circles "Business" and "Technology (Tech)" decide for themselves, whether they form further sub-circles. The sub-circles shown above are historical legacies and reflect the functioning circles of the old structure.

At PKU, a superordinate circle defines the domains of the sub-circles, so that there is no overlapping of the individual subgroup sectors. At the moment, this driver mapping is in progress.

Which sociocratic elements are used

At the moment there are circles (not yet double-linked), consent, elections, circle syncs, standups, driver mapping, role reviews (but no role development yet), proposal forming, helping circle, concerns and integration of objections using CDM (consent decision making) and governance meetings. Each circle has a governance backlog.

Effects of sociocracy

Michael Geiß, software developer and part of the DDIS circle: "The circle structure makes it clear who is the contact person for specific questions. Due to this, topics can be addressed more quickly to the appropriate entity."

Leif: "We no longer have meetings with 20 colleagues. Rather, decisions are made transparently in the smaller groups. By this we retrieved the feeling of being efficient regardless of our size." He adds: "The DDIS Group triggered a momentum, which also has a positive effect on our unit's development."

To the outside - that is, to the customers - not much is yet noticeable at the moment. This may be due to the fact that the agile software development process has not changed, but also due to the fact that sociocracy was only introduced a short time ago.

Future plans

With the sociocratic experience gained so far, DDIS is of the opinion that the right organizational form for a self-organized unit has been found. Michael: "For the present moment, sociocracy offers many aspects that are very suitable for us and supports us with what we want to achieve."

Leif's estimation: "Further growth of the unit is especially made possible with sociocracy."

Further design of the circular structures will be exciting, as well as aligning them with agile software development.

Case study written by Thorsten Scherbaum,
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Sources and additional literature

- Website <https://www.europace.de/>
- Blogpost of Michael Geiß: "Sociocracy to strengthen self-organization and autonomy - an experience report"
<http://tech.europace.de/soziokratie-zur-staerkung-der-selbstorganisation-und-autonomie-ein-erfahrungsbericht/>
- Blogpost of Leif Hanack: "Perceive distributed responsibility by means of sociocratic methods"
<http://tech.europace.de/verteilte-verantwortung-mittels-soziokratischen-mitteln-wahrnehmen/>
- Blogpost of Leif Hanack: "Self-organization Do's and Dont's"
<http://tech.europace.de/selbstorganisation-dos-and-donts/>