

# UNDERSTANDING THE CONDITIONS FOR ENSURING POSITIVE OUTCOMES FOR RADICAL DECENTRALIZATION IN A FOR-PROFIT SETTING

RESEARCH  
THAT HAS **IMPACT**  
SERIES

Research suggests that how people work is often more important than where they work; if employees are given a sense of ownership over their work, they are likely to be more motivated, derive a deeper sense of meaning from their work, and be less likely to leave. Radical Decentralization (RD) is an intriguing model for transforming how organizations work, as it eliminates typical hierarchical relationships between managers and subordinates and empowers employees to make decisions about their work directly. In theory, this should result in greater employee morale and lower turnover. Dr. Chris Street from the Hill and Levene Schools of Business and Dr. Justin Feeny from Rhode Island College teamed up to examine whether the adoption of Holacracy—a type of RD defined by individual-level leadership, self-managed teams, the top-down surrender of authority, and processes allowing employees to deconstruct work into explicit roles—had succeeded in producing positive outcomes in a medium-sized Canadian technology company. Street and Feeny’s study represents a significant contribution to the literature, as it is among the first to examine the outcomes of Holacracy in a for-profit setting, which earned it

the distinction of being named “Best Article” of 2022 by the *Journal of Behavioral and Applied Management*.

To examine their research question, the authors collected quantitative and qualitative data using a survey, which was completed by 292 of the company’s 445 employees (65.6% response rate; 34% women; 61% “tech” workers). The quantitative portion of the study consisted of seven questions probing the respondents’ perceived efficacy of RD, motivation, turnover intentions, and likelihood of recommending the company to others. The results for this portion of the survey indicated that perceived RD efficacy was positively associated with employee motivation, which was in turn negatively associated with turnover intent and positively associated with likelihood to recommend the organization to others. Thus, the quantitative results revealed that turnover and recommendation intentions are partially mediated by employee motivation.

The qualitative data was collected through an open-ended question at the end of the survey, which was completed by 110 of the respondents. Thematic analysis revealed that Holacracy was perceived as effective/

beneficial when administrative overhead was minimal, roles were clearly defined, people were held accountable for their work, and everyone, including senior management, were all following the same set of rules. Notably, a follow up employee survey revealed that the company had since adopted an alternative RD model that incorporated and improved upon aspects of Holacracy.

This work has important implications for organizations currently using or considering adopting RD. First, the results point to the benefits of hiring a change management specialist to assess the organization’s readiness for change and to make sure middle and senior management are fully on board before launching any change initiatives. As the case study showed, leadership’s failure to authentically embrace RD can create negative sentiment among employees, thereby undermining its utility. Finally, this study demonstrated that leaders may need to acknowledge that an RD system may not be ideal for their organization, as attempts to force RD under sub-optimal conditions may end up creating more problems than solutions.



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