

## **SOCIOCRACY 3.0 - THE NOVEL**

**Note:**

*The fact that we use the male pronoun (helhis) throughout the text is for ease of reading and in no way reflects an attitude of gender bias.*

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**JEF CUMPS**

*Unleash  
the Full Potential  
of People and Organizations*

**SOCIOCRACY 3.0**  
**THE NOVEL**

 **LANNOO  
CAMPUS**



## FOREWORD

I first met Jef in spring 2015, when he attended an S3 workshop that Lili David and I ran. S3 was five months old at the time. I particularly remember Jef – he has an inquisitive demeanor and asked probing questions as we talked after the session. He foresaw that S3 patterns were probably going to prove useful in enabling an agile mindset to permeate throughout an entire organization.

That was back in the early days when we were still figuring how to even talk about S3. Things have come a long way since then. And that also applies to Jef, who, besides being one of the finest teachers and coaches I have ever met, has developed a thorough grasp of S3.

Thanks to Jef, by the spring of 2016 we'd run the first S3 introduction course in Belgium. We hooked up in Lisbon soon after, and Jef told me about his idea for a book. He already had a pretty good idea of the story line as he introduced me to Chris, Bernie and some of the other characters you're going to meet. I was intrigued because many of them seemed familiar to me. They probably will to you too!

Jef wanted to portray a story that would give people practical, realistic insights into how to pull in patterns from S3, on an as-needed basis and at a pace that they could decide on themselves. He wanted to show, step-by-step, how an entire organization could radically improve its capacity to navigate complexity, increase the flow of value and harness the creative potential, passion and engagement of all.

I believe he has succeeded!

## **SOCIOCRACY 3.0 – THE NOVEL**

This book is jam-packed with useful insights and perspectives that will help members of any organization enjoy greater satisfaction and effectiveness at work. Jef has a highly developed capacity for transmitting useful wisdom in a simple and digestible way. This story of transformation reveals how a typical tech company hit a wall and made it through, to both survive and thrive. It's a must-read for anyone interested in growing more humane, innovative and resilient organizations. Organizations that we can proudly pass on to our children as an inspiration for how they too can successfully work together and thrive.

James Priest, co-creator and developer of Sociocracy 3.0

# 1

## PAUL'S QUESTION

My phone rings. The name of Paul, our CEO, appears on the screen.

He gets straight to the point: "Chris, I have something important to discuss with you. Can you meet me in the lobby at 6.30 this evening?"

"Okay, Paul. What's going on?"

"I'll tell you tonight, but the future of Human Resources Solutions could depend on it. So please don't tell anyone about our meeting yet," he says, and hangs up.

I stare at my phone wondering what this is all about. Why would he want to talk to me? It must be serious as he doesn't usually use the full name of our company.

It probably has something to do with the new version of our product, a software package for HR departments. Version 4.0 of this software should have been ready months ago. But various problems, especially regarding testing and integration of components, have prevented us from getting there. Worse, we haven't even managed to get version 4.0 sufficiently stable. This is why we missed the opportunity to present it at an important international fair last week.

Still, I don't understand why Paul wants to speak to me. The mobile applications work perfectly and were ready on time. Could there be something else going wrong in my department?

I keep thinking about the phone call for the rest of the afternoon, so I'm happy when 6.30 finally arrives. When I get to the lobby, Paul is already waiting for me. He invites me outside for a walk and wastes no time: "Chris, you've seen HRS and our product grow from the start and that's why I want to tell you something in confidence. May I?"

"Sure, Paul," I say.

Paul hesitates as he searches for the right words.

"I'm just going to tell it like it is," he says. "I'm thinking about stepping down as CEO. I'm afraid that I'm no longer the right man in the right place."

"Gosh, Paul," I respond, "I didn't see this coming."

"No, I understand," he replies. "I probably should have talked about it before, but I didn't want to create any anxiety. I thought I could figure it out myself."

I look at Paul quizzically.

"We've grown a lot in recent years, you know that. In the past, I knew everyone personally, and I knew what was going on in the entire company. But that hasn't been the case for a while now. We've been creating departments, management positions and processes to support our growth. But despite all the weekly reports and monthly performance indicators, I've lost control."

Paul sighs. His gaze is both serious and sad. I've never seen him so helpless.

"Tell me more, Paul," I encourage him.

"I've been noticing for some time that we're slower to make decisions than before and that people talk less to each other, at least about the things that matter. In the beginning, when we built our first product with a few dozen people, everyone knew everyone. We knew who was doing what, what the problems were and how we could help each other. But now we seem to be losing that team spirit bit by bit. Walls are being built between departments, people withhold information for fear of being blamed for mistakes, and management is playing political games – as if everyone is protecting his own position and his own team."

"Yes, I recognize that," I say carefully.

"That makes us slow and heavy, Chris. We respond less quickly and flexibly to customer inquiries. And we missed the deadline to be able to present our



new product internationally, which is why the board of directors is asking me for a justification.”

He continues: “Which makes sense, given that the future of the company depends on the sales of the new version of our product. If we can't meet the expectations of our investors and the market, the whole story stops right here.”

I understand what Paul is saying, but I'm still not quite sure why it's me walking beside him right now.

“I don't think I can do this, Chris. Even though I've done what I could in recent years, it hasn't been enough. I've been thinking about this a lot over the last few weeks and I think it's time for a new captain. Someone who can pull this ship back on track.”

Paul stops and turns to me.

“There's a board meeting planned for Wednesday, when I will resign from my position as CEO. And I'll take responsibility for that missed deadline. This will temporarily reassure the board of directors and the investors and will give the new CEO time to speed up.”

“The new CEO?” I stammer. What does he mean?

“Chris, I want to ask you to take my place. I realize that you were not expecting this question at all, but I've thought about it long and hard. You're the only one in the organization who has managed to preserve the atmosphere, cooperation and quality of the past in his department. Your mobile applications do what they are supposed to do and they are almost always ready on time. Your people seem to be happy, and you usually walk through the company with a smile. I don't know exactly how you do it, but I believe in you, Chris. You can save this company.”

I'm perplexed, and for a moment I think he's joking. Should I become CEO of HRS, a listed company with 160 employees? That's impossible!

Paul sees the panic in my eyes and smiles, though he still looks sad.

“I mean it, Chris. I believe you can bring in the necessary change. You don't have to accept my offer right away, but I would appreciate it if you gave it

some serious thought. I expect your answer by Wednesday morning, before I go to the board, okay?"

I nod, but I don't know what to say. Wednesday? That's only five days from now!

## 2

### KATE

“So, what are you going to do?” my wife Kate asks curiously after I’ve finished telling her about my conversation with Paul.

“Oh, becoming CEO isn’t for me,” I reply. “I really don’t have the talent for playing the big boss, bearing all the responsibility and constantly having to play politics.”

Kate looks at me with a frown, so I quickly continue: “I’m not as good at all in this as Paul. He’s brilliant. He knows exactly what he wants and how he has to play the management team and our partners to reach his goals. And he has an extremely large network.”

“Well, apparently whatever Paul is doing isn’t working after all,” Kate counters. “But, of course, if that’s how you think about it, you really shouldn’t do it.”

She walks into the living room and leaves me behind, perplexed.

I follow her and ask her: “What do you mean? So you also think that I’m not capable of being the CEO?”

“It depends, sweetheart,” she answers.

She asks me to sit down on the couch next to her.

“If you believe that a CEO has to be bossy and play politics,” she says, “then this job is definitely not for you. But wouldn’t that same strategy be expected of a line manager in your position?”

“Probably,” I admit.

“But that’s not how you function, Chris. You’re always so proud of how your teams organize themselves without you having to worry about it. The members of your department don’t look at you as their boss, but more as one of their peers. And that’s because you don’t position yourself as their superior,

but as someone who wants to achieve certain goals with them. Someone they can trust and who's open and honest.”

Kate looks at me.

“Think about when you're happiest arriving home at night, Chris. Not when you've done something important, but whenever a team has come up with a particular insight or started an interesting experiment. Or when you see that one of your people is going through a phase of major growth. That's your leadership style. And successfully so. What's more, you even have time to help with the programming here and there.”

I nod. That's true. Since I joined the company, I've done my best to work in an “agile” way within my department. Agile is a philosophy in which small, self-organizing teams deliver working parts of a product on a regular basis instead of one huge piece of work at the end. This allows us to get early and continuous feedback from our clients and build the most valuable products. And we can easily and cheaply respond to insights and changes as we go along.

DEFINITION

*Agile is a mindset in which small, self-organizing teams regularly deliver working increments of a product, thereby maximizing customer value.*

“Wouldn't it be amazing to lead an entire organization that way?” Kate challenges me. “Imagine the whole of HRS working the way your team does these days. Wouldn't that be fantastic?”

“Kate, the way I work in my small department would never work on that level,” I exclaim, justifying my decision. “Organizations don't work that way. On that level, you need hierarchy and politics. You can't be transparent and trust everyone just like that. It would all go haywire.”

"That's a shame," Kate sighs.

"Well, unfortunately, that's the way it is," I say.

"That's not what I mean."

I look at her in surprise.

"I mean, I think it's a shame that you accept this so readily. In the past you wouldn't have. Do you remember when we were students and you had it out with the director over the way he was running the university? You didn't give up until things really changed."

I grin. Those were fantastic times indeed.

"And you didn't do all that for yourself, Chris. You stood up for other students who were disadvantaged. You wanted to change the world, and you went for it. You didn't care whether you ran into established systems."

She takes a breath and continues: "It's this rebellious side of you that I'm missing in your decision to not become CEO. You accept things the way they are, even though deep down you know that there are different and better approaches. You're already showing that with your own teams."

I want to counter her, but understand that she has a point.

"Do you think that I could save the company?" I ask her.

"I don't know, sweetheart," she answers. "But if you don't try, you'll never know."

I sigh, and begin to doubt my decision to refuse Paul's offer.

"I haven't the faintest idea how I would even begin," I say after a long pause.

"There's so much that needs to be changed within HRS. I don't think the board will ever approve it."

"That last part you will only know for sure if you ask them," Kate suggests.

She smiles and her eyes suddenly shine as she says: "Perhaps I even know a way to find out how to do all this."

# 3

## BERNIE

The next morning I leave the house feeling both curious and skeptical. I'm on my way to see Bernie, someone Kate had met at a conference a while ago. Even though Bernie is retired, he still seems to be one of the key players at The Facts. The Facts is an organization that publishes honest, politically neutral news, unspoiled by corporate lobbies. According to Kate, they collaborate with dozens of journalists who work there either as volunteers or as paid employees. Kate didn't have all the details, but through her conversations with Bernie she did know that they've been working with small, self-organizing teams for years — without managers or a power hierarchy. She also knew that they had developed ways to continuously evaluate and improve themselves. Because Kate was so certain that Bernie could help me, she had called him yesterday evening, right after our conversation. He immediately agreed to meet up and share his experience with me.

Bernie looks younger than I had imagined, with an open face, clear eyes and a full head of grey curls. I would never have put him in his mid-sixties. He shakes my hand firmly and seems genuinely happy to meet me.

“So, you are the new CEO of HRS, Chris?” he welcomes me with a wink. “Come on in.”

“Not really,” I mutter. “I haven't decided anything yet.”

“Of course not,” Bernie laughs. “I'm teasing you. But I'm happy that you're considering it. Kate told me about your teams and your style as a manager. It's no small feat to run a whole company that way, but it is possible. At The Facts, we're living proof of that.”

I've only just arrived and I'm already beginning to like Bernie. How crazy! He radiates gentleness and calmness while coming across as highly energetic and driven at the same time. He tells me more about The Facts and confirms that they are not using a traditional power hierarchy. The staff at The Facts organize themselves into small teams and take many decisions autonomously.

"Does that mean you are a completely flat organization, without any structure?" I interrupt him.

"No, not at all," Bernie laughs. "After all, what is a flat organization? We have a clear structure and clear agreements that govern how we act and what we do. This way, the power to make decisions and to influence what happens is distributed throughout the organization. A clear structure also helps to ensure that together we cover all the work necessary to keep the organization running smoothly."

*We have a clear structure and clear agreements to let information and influence effectively flow to the right people.*

I still don't fully understand how information and influence can be brought to the right people without a traditional power hierarchy, but Bernie goes on. He seems really enthusiastic about The Facts' way of working, just as Kate had said.

Bernie explains that all information and decisions are transparent, unless there is a good reason for confidentiality around something specific. This also means that everyone takes full responsibility for their part of the work without having to involve any managers.

I'm impressed, and I tell him what HRS does and that I'm in charge of the department that builds mobile applications for our software packages. Bernie shows a lot of interest as I share how we work in an agile manner and the kind of atmosphere we have in my team. I also tell Bernie about Paul's question and what led to it. And that I really don't want to become CEO, because the traditional management style doesn't suit me at all. Besides, I have no clue how I would apply it to the whole organization. Bernie listens carefully until I've finished.

"When I hear you talk, Chris, I think that our way of working at The Facts could really help you and HRS. It is very similar to the way you currently run

your department. If you like, I will help you and you can learn more about our approach at the same time.”

“Gladly,” I answer.

Bernie smiles.

“Great, so I propose that we meet again on Monday afternoon at The Facts offices. Let’s say around 1pm? That way you can immediately get a feel for it, which will be much better than me trying to explain it all to you.”

“Okay,” I say. But I can’t hide my disappointment at having to wait until Monday. I’m really curious to find out how Bernie and his colleagues collaborate.



# 4

## THE FACTS

I arrive at the offices of The Facts a bit before one. Bernie serves us both a cup of coffee and takes me along to a cozy corner where we can talk quietly. “We’ll be having our monthly governance meeting shortly,” Bernie says. “I suggest you join us and observe the meeting. This way you can easily pick up a lot of important and concrete elements of our approach.”

“Okay,” I say. “But what is a governance meeting?”

“Let’s start from the beginning,” Bernie says. “We decided to use Sociocracy 3.0 – or S3 , which is the shorthand for it – at The Facts, both to manage our workload and to shape and evolve our processes and our organizational structure. S3 is a recent evolution of the Sociocratic Circle-Organization Method, which was developed in the Netherlands in the seventies. It is a way to govern organizations on the basis of equivalence.”

“What makes S3 so powerful,” Bernie continues, “is that it combines the sociocratic way of thinking beautifully with the Agile and Lean mindsets.”

I look surprised and Bernie laughs.

“Agile?” I ask.

“Indeed. And you know all about it, as I found out on Saturday.”

“Hmm, yes,” I answer. “We’ve been using Agile principles in my teams for years. And successfully so. That’s why Paul asked me to become the CEO. What a coincidence that these principles are also found in S3!”

“I don’t believe in coincidence,” Bernie smiles. “Your experience with the Agile philosophy and techniques will help you greatly in applying S3. And I suspect that I will be able to learn a thing or two about the whole Agile approach. I have a background in the Sociocratic Circle-Organization Meth-

*S3 is a recent evolution of the Sociocratic Circle-Organization Method combined with Agile and Lean principles and techniques.*

od and only became acquainted with Agile when I implemented S3 at The Facts.”

Bernie explains that the word sociocracy means ‘governed by peers’. It’s a form of governance that assumes the equivalence of everyone involved. That is what distinguishes it from autocracy where one person or small group has all the power to make decisions, or from the most typical form of democracy in which decisions are made by, or on behalf of the majority. I’m diligently writing it all down in my notebook. Bernie waits patiently until I’ve finished before he moves on.

“S3 is a practical guide for enabling more effective and conscious collaboration. The point is to develop more agile and resilient organizations, organizations in which the people working there are engaged and can find fulfillment.”

### DEFINITION

*S3 is a practical guide for conscious and effective collaboration and for creating resilient organizations.*

“S3 has several strengths,” he continues. “It’s available under a creative commons licence, which means it’s free to use, and it’s modular. Basically, S3 is a collection of mutually reinforcing patterns, and you can choose those that are most helpful to you.”

“Patterns?” I ask.

“Yes,” Bernie answers. “That’s what we call them. If you look at the history of human collaboration, you can see that certain behaviors and practices have emerged and evolved because they help people to work together successfully. Think of patterns as flexible building blocks — you figure out for yourself which are useful in your particular context and put them together in your own way. So S3 is not a top-down, one-size-fits-all method, but

rather a backpack filled with great techniques to choose from, which also complement one another.”

I’m relieved to hear that. I’ve come across plenty draconian, all-encompassing methods in the IT world, where you have to change everything at once, according to a specific approach. These methods were often based on good ideas, but usually felt forced and commercially driven.

“And so you choose for yourself which of the patterns to use?” I ask Bernie. “Right,” he continues. “But what I haven’t told you is that S3 is based on seven very important principles. These principles create a foundation for the solid implementation of the patterns. And the principles allow for a coherent way of working with S3 in an organization.”

“Okay, I understand,” I say. “What are the principles, then?”

“A first principle is **Equivalence**,” Bernie explains.

“Ah nice,” I interrupt him. “I also treat my people as equals.”

“Careful,” Bernie reacts. “You shouldn’t confuse equivalence with equality, where everyone has to be or do exactly the same. In S3, equivalence means that everyone who is affected by certain decisions should be able to influence these decisions if they have a reason for doing so. This is why many agreements are reached by **Consent**, which is the second principle. Consent as a principle means we intentionally raise, seek out and resolve objections to decisions and activities. Reasoned objections are welcomed.”

“Reasoned objections?” I ask. “What does that mean?”

“Well, we all have opinions and preferences and this can make decision making quite difficult at times. An **Objection**, however, is an argument that demonstrates or at least helps to reveal why a proposal, or an existing agreement or activity could lead to unintended consequences for the organization. Objections could also include arguments that demonstrate a worthwhile way to improve something.”

*Don't confuse equivalence with equality.*

DEFINITION

*Consent means raising, inviting  
and resolving objections to decisions  
and activities.*

I nod to show Bernie that I understand what he's saying. At least, I think I do. "A third principle is **Transparency**," he continues. "All information and decisions are transparent and accessible to everyone, unless of course there is a reason for confidentiality, which you can always agree on with consent." I look up in surprise.

"When you say all information, does that include financial data, such as targets and salaries? And also strategic decisions?" I ask.

"Yes, in fact, almost everything is transparent in our company," Bernie answers. "With the exception of some details relating to some of our sources, or other sensitive information."

I'm beginning to understand how the principles reinforce each other, but Bernie is already moving on.

"Another principle is **Accountability**. It means that everyone takes initiative or responds when something is needed and takes ownership for what has been previously agreed."

"Yes, that's what my software team does as well," I reply enthusiastically.

"They call it commitment. Everyone sticks to what has been agreed upon, and contributes in a constructive manner, without finger-pointing when something goes wrong."

"That's exactly what I mean," Bernie confirms. "I'm happy to hear that your teams are able to do that. It's not to be taken for granted."

"That's true," I say. "And it doesn't always work perfectly. But go on, what are the remaining three principles?"

"**Empiricism** is the fifth principle, and it goes together with the sixth one: **Continuous Improvement**. Working empirically or in an evidence-based