

SOFTWARE TEAM SIX: ORGANIZING FOR SOCIOCRACY

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Kiril Gantchev, Ivailo (Ivo) Bratoev and Stefan Dobrev, the three co-founders of Software Team Six (ST6), reviewed the agenda for the upcoming meeting. It had been a year since the opening of the software design start-up firm that offered top level engineering consulting services. In the meeting, the first annual report was going to be presented to the small team.

The past year the team had focused on developing ST6's mission of resolving challenging technical problems with a global impact. The team had begun operating in a new type of structure in which all team members had an equal say in the company's decision-making process. At the first annual meeting, the team members were about to review the progress they had made so far, the successes they had had, and any actions needed to continue being successful. How had they achieved so far? Were they on the right path? Was the current structure sustainable in the future? What further actions could they take to make their vision a possibility?

The Organization

Software Team Six (ST6) based in Sofia, Bulgaria, was a start-up software development and consulting firm which provided React, React Native, and GraphQL software services. The firm focused on a niche segment within the software services industry and its main goal was to provide expert hands-on engineering and consulting services.

Background

Kiril and Ivo grew up in the small neighborhood of Stara Zagora, Bulgaria and went to primary school together. Stefan grew up in Kazanlak, Bulgaria. Kiril went to live in the United States in 1998, while Stefan and Ivo remained in Bulgaria, where they distinguished themselves in math and science competitions. Ivo and Stefan went to Sofia University's Faculty of Math and Informatics (FMI), where they met, worked on projects together, and sold their first startup idea to Telerik - a Bulgarian company which sold *"user interface components, content management solutions and Microsoft developer tools that allowed programmers to build their own applications"* (Dzhambazova 2012).

After Telerik acquired the startup, Stefan and Ivo assumed various engineering and then leadership roles within the company. Eventually, Stefan became the Director of Engineers, while Ivo was the Senior Team Lead and Senior Software Manager for a couple of teams. They had a reputation as among the top engineers in Telerik. In the meantime, Kiril had built his career with several large software companies in the United States and then worked as a Senior Software Engineer/Tech Lead at AdGooroo – *"a leading provider of internet marketing competitive intelligence, keyword research, and other keyword tools"* (AdGooroo 2004). Kiril moved back to Bulgaria in 2012 to become an entrepreneur. The paths of the three software engineers crossed again several times in 2013 and 2014 when Ivo and Stefan contributed to Kiril's start-ups.

Timeline of Events

The three men founded ST6 in 2017. Ivo and Stefan had left Telerik shortly after the December 2014 acquisition of Telerik by Progress Software - a leading platform for developing and deploying mission-critical, cognitive-first business applications for competitive advantage. Kiril had just closed his latest two start-ups, BitLendingClub - a marketplace that used block chain technology, and Loanbase - a company leveraging block chain technology in order to provide small business loans in emerging markets (Crunchbase 2014). The three of them got together in January, 2017 and decided they wanted to create another product-oriented startup. At first, they worked on a mobile application for whiskey enthusiasts, which they initially experimented with over Facebook. They saw that the idea wouldn't generate a profit early enough to warrant a further investment, and therefore decided to use their software and engineering skills to quickly earn revenue and build a team of talented individuals. Thus, ST6 began. As Stefan and Ivo had numerous connections with very talented engineers from their time at Telerik, they decided to begin recruiting through their network first.

In May 2017, the trio initially worked on a project for Hobsons – a company that enabled educators to improve college and career planning, admissions and enrollment management, student success and advising (Hobsons Education Advances 2018). ST6 helped Hobsons deliver on a major milestone for July 2017 and was able to do so successfully with only two team members on the project. During this time, ST6 had earned quite a bit of trust within Hobsons, and in December 2017, ST6 ended up championing an effort to transition Hobsons from a cumbersome and slow development structure to a single code repository structure. *“This was a major technical project that was generally never given to outside contractors and was handled by internal architects. However, our team managed to convince the VP of Engineering that this was an excellent decision, and it paid off!”* enthusiastically explained Kiril. By this time, the trio had hired four new members (software craftsmen and women); all were ready to continue their contributions to Hobsons’ success. The team managed to deliver the finished product during

the Christmas holidays when most of Hobsons' team members were out, therefore there was minimal impact and downtime.

In March 2018, ST6 began a project with Isobar – a global agency that delivered digital transformation, solved complex business challenges through digital marketing, ecosystems and products, driving digital strength and brand loyalty (Isobar-Global 2018). Isobar had recently signed a contract with one of the largest sports brands in the world and was supposed to take over work from another consulting company. *“However, the existing team at Isobar didn't have any experience with the technology stack used by the other company, and they were struggling to get their work approved for merging the codebase of the sports company,”* explained Kiril. Within two weeks, the ST6 team helped Isobar up to speed and Isobar's team was able to successfully pass the code reviews.

Almost a year after its foundation, the small software startup demonstrated a very promising balance sheet and P&L with a revenue of 200,000 BGN and a profit of 39,000 BGN (see Appendix A).

Background on the Industry

The Bulgarian IT sector had experienced a 17% average growth rate since 2007, and had become an increasingly important part of the country's economy and overall intellectual growth (Questers 2018). Leading multinational firms such as HP, VMware, and SAP were important players in the Bulgarian market. On the other hand, Bulgarian companies were competitive in the global market. The main problem that the Bulgarian industry faced was a lack of qualified individuals, which limited the growth potential of the firms in the IT sector.

ST6's Unique Organizational Structure

The ST6 team members decided that in order to promote collaboration, innovation, and transparency throughout the company, they wanted a flat organizational structure. The structure that was implemented consisted of circles instead of departments. There were four main circles: Organizational, Operations, Office, and Consulting. The Consulting circle had two sub-circles: Sales and Hires (see Appendix B). Each circle met on a weekly or bi-weekly basis to discuss necessary and upcoming tasks, events, projects, etc. Any employee at ST6 could join any circle at any point in time, for as long as s/he wished and provide feedback or advice. Employees did not have to stay in only one circle. If they chose a given circle, they didn't have to remain a permanent member of that circle. Employees could participate in as many circle meetings as they wished. Kiril explained:

“Each Circle within the company has its own domain, which includes setting policies, practices and maintaining open documentation so everybody can stay up to speed on what is happening in each circle. If a person wants to have input on a particular area of the company, he or she can join that circle and participate in it.”

If any employee would like to be informed at any given point about any of the other circles, he or she could also read the meeting minutes from each meeting, which were available to everyone via Google Docs.

The Organization Circle set the goals on the company level, where a large portion of the whole team was part of the circle. Each adjacent circle within the organization then set its goals in order to achieve the company-level goals. All of these goals were documented in Google Docs and shared within the entire company. Employees could inform themselves on what had been agreed at the Organizational level at any given point (see Appendices C and D).

This novel form of organization was first suggested by one of the co-founders, Stefan Dobrev. When Stefan was Director of Engineers at Telerik, he had conducted his own research on how

to best organize his own team. That was when he came across a new concept, and applied the concept as much as he could to his then Telerik team. Years after, as a co-founder of ST6, he brought experience with the concept. Stefan worked with the rest of the team at ST6 to apply the organizational structure there. Since everyone had full control over all decisions, all had the opportunity to fully implement the concept into the organizational structure early-on. The concept was called sociocracy.

Sociocracy

The Origin of the Idea of Sociocracy

The origins of sociocracy can be traced back to the mid-nineteenth century when the French philosopher Auguste Comte developed the discipline of studying people in social groups, which he referred to as sociology. The root word for both sociology and sociocracy was the Latin word *socius*, which meant associates or companions. The suffix *ology* meant the “*study of*” as in archeology, psychology, etc. The suffix *ocracy* meant “*to govern*,” in other words, “*governance by associates/companions*” (Villines 2017). Within a context of political revolutions in which monarchies and aristocracies were stripped of power, Comte searched for a rationale for government. “*Governance on the basis of inherited rights, personal wealth, religious dictates, and military power had all proven corruptible and not in the interests of the people*” (Sociocracy for All).

Comte developed a philosophy of “*Positivism*.” In positivism, knowledge was built from what is acknowledged of the natural world and could be proven - not what a monarch or the church decreed. Comte believed that a society directed by scientists would come up with the best social and economic policies by using scientific methods.

Sociocracy for Business

The Dutch electrical engineer Gerard Endenburg was eager to find a method to implement sociocracy in a competitive, results-oriented corporation. He was frustrated, as an engineer, because he could design successful mechanical and electric systems, but when it came to managing people, it seemed impossible to produce results that satisfied all stakeholder groups: investors, managers, and workers. From his experience in a “Children Community Workshop,” Endenburg knew that in order to create a highly productive organization, everybody’s needs should be considered.

“By the early 1980s, Endenburg had developed a method that produced a harmonious, self-regulating, and highly successful business. Remarkably, it could be used to govern any kind of organization effectively” (Villines 2017).

Endenburg dedicated a few years and developed the Sociocratic Circle-Organization Method (SCM) (See Appendix E). He based it on his now famous three principles (Rau 2017) (see Appendix F):

- Consent decision-making for policy decisions, including electing people to roles and responsibilities;
- Circle meetings in which working groups meet as equals to make policy decisions;
- Double linking of circles to form a circular hierarchy that functioned as a feedback structure.

In their 2004 book *We the People*, John Buck and Sharon Villines made Sociocracy accessible to the English-speaking world. Since its publication, *We the People* became the standard reference on Sociocratic principles and practices, its history, and its theoretical base.

Organizations Using Sociocracy

There was no official list of organizations that applied sociocracy in their governance process.

“Sociocracy is used in national and international associations, building and manufacturing companies, health care services, public school systems, villages, private schools, Buddhist monasteries, software companies, residential

communities, colleges, a wholesale florist company, veterinary offices, and consulting firms. They are spread over North and South America, all the countries of Europe, Scandinavia, Australia, New Zealand, and developing in Africa and Asia” (Villines 2017).

Evolution of Personnel at ST6

Being a start-up in its early stage, ST6 had an informal hiring process. Given the specificity of the sociocracy-based organizational structure, it was important to have a good cultural fit among team members. ST6's core values revolved around passion, perfection, teamwork, integrity and openness. The team looked for new hires who would fit well with the company's values and way of working. With that in mind, the founders and the rest of the team would meet with candidates several times before making an offer. Most recruits were people team members had already worked with elsewhere, but ST6 intended to extend its network of contacts and introduce a more structured hiring processes over time.

In addition to giving their team members the opportunity to participate in the decision-making process, the founders tried to motivate them by organizing weekly lunches, and monthly and quarterly team-building events. The team was equipped with the best office equipment including 4K dual-monitor set-ups, high-end keyboards, and elevating desks. Office perks such as a game room, foosball table, and TVs were made available also.

ST6 aimed to be in the top 5% of companies in Bulgaria in terms of compensation. In addition, all team members were given an equity share in the company. As a result, the company did not have any employee turnover as of August, 2018. Additionally, to ensure employee satisfaction was ongoing, the company sent weekly surveys to the employees and the results revealed overall satisfaction with the organization and with the current structure (see Appendix G).

Conclusion

Kiril, Ivo, and Stefan concluded the meeting with the rest of the team after discussing their progress and development within the last year. They had also discussed some potential challenges they might face in the future. Should the team members put additional efforts into developing their current organizational structure as the company grew and added more and more employees? For how long could ST6 remain a Sociocratic organization?



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Stefan Ivanov is an experienced professional in the pharmaceutical industry business, specializing in operational and organizational excellence and change management. He holds an EMBA from American University in Bulgaria.

Stoicho Kirilov Gotzev has a Bachelor degree in Accounting and Control, a Master degree in Finance management and in 2019 successfully completed the EMBA program in AUBG. He is finance professional, working as a Finance Manager in an international mining company.



Appendix A
Software Team Six: Balance Sheet & Income statement

Source: Software Team Six

BALANCE SHEET	As at 31 December	
	2017	2016
Current assets		
Trade receivables	33	-
Other receivables and other current assets	7	-
Cash and cash equivalents	3	-
Total current assets	43	-
Non-current assets		
Plant and equipment	6	-
Total non-current assets	6	-
TOTAL ASSETS	49	-
Current liabilities		
Trade payables	5	-
Tax liabilities	5	-
Total current liabilities	10	-
Shareholders' equity		
Share capital	5	-
Net earnings	34	-
Total shareholder's equity	39	-
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	49	-
 INCOME STATEMENT	 2017	 2016
Sales	242	-
Materials	(6)	-
Outside services expenses	(10)	-
Labour expenses	(179)	-
Other income / (expenses, net)	(2)	-
Operating profit	45	-
Foreign exchange (losses) / gains, net	2	-
Profit before tax	43	-
Corporate income tax	4	-
Profit for the year	39	-

(All amounts in '000 BGN)

Appendix B
Software Team Six – Organizational Structure
Source: Authors' notes

Kiril Gantchev Co-founder	Ivaylo Bratoev Co-Founder	Stefan Dobrev Co-Founder
Kristina Koeva Software Craftswoman	Nikolay Valchev Software Craftsman	Ivan Spasov Software Craftsman
Steliyan Stoyanov Software Craftsman	Dimitar Tsonev Software Craftsman	Vladimir Zagorski Software Craftsman

Appendix C

Software Team Six – Sociocracy Structure

Source: Software Team Six

Organization Circle

Operations Circle

Office

Consulting

Consulting -> Sales

Consulting -> Hires

Organization Circle

1. Domain

- Company structure and common practices
- Business strategy
- Business vision
- Company culture
- Salaries
- Accountabilities
- Make company-wide decisions transparently with input from everyone.
- Make sure the company and everyone in it acts according to our values.

2. Members

- Kiril
- Stefan
- Ivo
- Ivan
- Krisi

3. Recurrent Meetings

- Sync every 2 weeks.

4. Roles

- Champion - Stefan
- Secretary - Krisi

5. Kanban board: <https://trello.com/b/dZN93HIA/org>

Operations Circle

1. Domain

- Financials
- Legal
- Accounting
- Billing
- GApps
- AWS Accounts
- GDPR

2. Members

- Ivo
- Kiril

3. Recurrent Meetings

- Monthly company-wide sync.

4. Roles

Appendix C cont.
Software Team Six – Sociocracy Structure

Office

1. Domain
 - Office and everything office related.
 - Company events.
2. Accountabilities
 - A nice and productive office environment.
 - Organize team events once per month.
 - Organize team buildings once per 3 months.
3. Members
 - Steliyan
 - Vladi
 - Krisi
 - Niki

Consulting

1. Domain
 - ST6 software consulting.
 - Technology focus.
 - Who works on what project.
2. Accountabilities
 - Share experience and technical knowledge.
 - Grow the skills of the team.
 - Keep high utilization.
 - Deliver more than expected.
3. Recurrent Meetings
 - Weekly Monday Sync - sync how all the projects are going.
4. Members
 - All
5. Roles:
 - Champion - Ivan
 - Secretary - Tsonev

Consulting -> Sales

1. Domain:
 - Sales process - utilization
 - Website
 - Social media
 - Marketing
 - Account managing
2. Members:
 - Kiril
 - Ivo
 - Stefan
 - Vladi

Appendix C cont.
Software Team Six – Sociocracy Structure

Consulting -> Hires

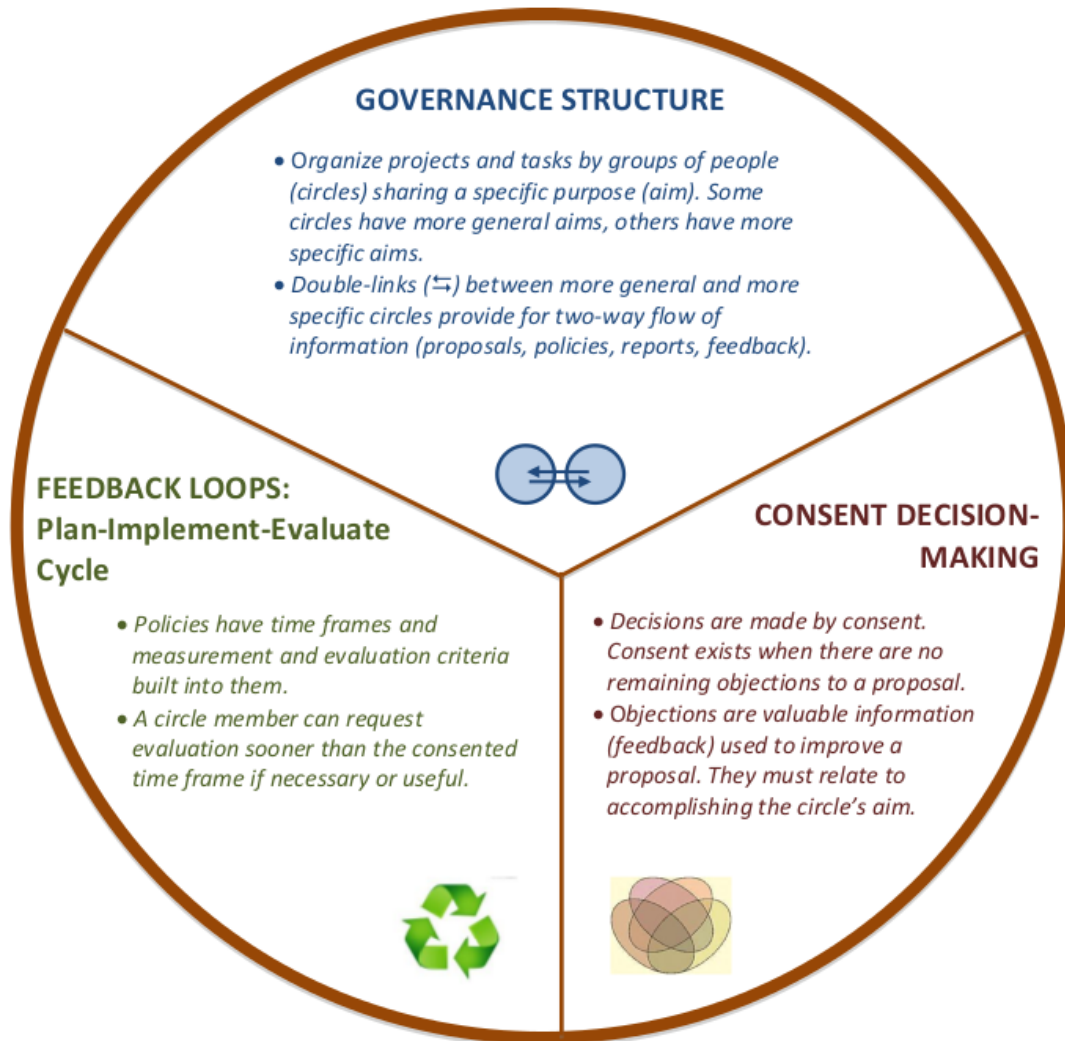
1. Domain:
 - Identify potential hires
 - “Interview” process
 - Employer marketing/branding (recruiting)
2. Accountabilities
 - Grow the team
3. Members:
 - Stefan
 - Ivan
 - Niki
 - Krisi
 - Dimitar
 - Kiril
4. Recurrent Meetings
 - Once a month

Appendix D
Software Team Six – Circle Responsibility Matrix
Source: Authors' notes

Sociocracy at ST6 Scope of responsibilities		
Circle	Domain (area of responsibilities)	Synchronization meetings
Organization	Company structure, Strategy, Vision, Culture, Rewards, Accountabilities, Values	Every 2 weeks
Operations	Financials, Legal, Accounting, Billing, Data Privacy	Monthly
Office	Work-space related, Event planning	On-Demand
Consulting	Sales Sales, Website maintenance, Social media, Marketing, Account Management	Weekly
	Hires Recruitment process	Monthly

Appendix E The Sociocratic Circle-Organization Method

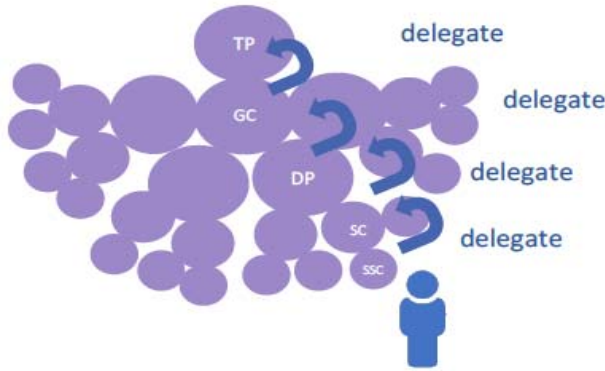
Source: *The Sociocracy Consulting Group, 2016*



2016 The Sociocracy Consulting Group LLC

Appendix F
Circles: The “Socios” in Sociocracy
Source: The Sociocracy Consulting Group, 2016

Decision-making circles:

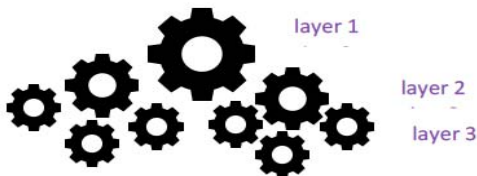


The double link is more than just being heard on board level. With consent as the decision-making method, workers cannot be ignored. Looking at how the management level is made up from workers, sociocracy is more than giving workers a voice in the management. The workers *are* the management.

Circle meetings:

a. Nested circles and domains

We want to create a system of circles where all circles are connected with each other. Although there can be varieties of patterns (see [below](#)), the most used is one of layers/layers:



The domains for these circles are nested, i.e. a subcircle is responsible for one part of the domain of its mother circle. In the diagram below, domains are color-coded. The mother circle is responsible for a large domain and passes two domains on to sub-circles.



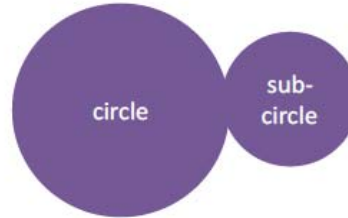
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Appendix F cont.
Circles: The “Socios” in Sociocracy



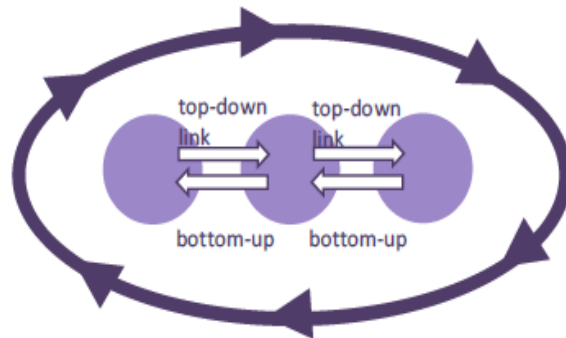
Content role within a circle
(policy made in circle only)



Circle + sub-circle
(both circle and sub-circle make their own policy)

Double-linking:

- When wrestling with terminology around power and hierarchy in sociocracy, we often use the term *circular hierarchy*. What is meant by that is that each circle has a top-down and a bottom up relationship at the same time (see *double linking* below), which leads to circular hierarchy:



Circular hierarchy

Appendix G
Software Team Six – Weekly Survey Results

Source: Software Team Six

I am happy at work.

Strongly Agree

 60% (3)

Agree

 40% (2)

Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

5

For the most part, my job takes advantages of my strengths.

Strongly Agree

0%

Agree

 33% (1)

Neutral

 67% (2)

Disagree

0%

Strongly Disagree

0%

Total votes

3

Appendix G, cont.
Software Team Six – Weekly Survey Results

My coworkers value my opinion.

Strongly Agree



Agree

0%

Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

2

I am an important member of this team

Strongly Agree



Agree



Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

3

Appendix G, cont.
Software Team Six – Weekly Survey Results

I am an important member of this team

Strongly Agree

 67% (2)

Agree

 33% (1)

Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

3

I feel I make an impact in the company.

Strongly Agree

 33% (1)

Agree

 67% (2)

Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

3

Appendix G, cont.
Software Team Six – Weekly Survey Results

For the most part, my job takes advantages of my strengths.

Strongly Agree

0%

Agree

100% (6)

Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

6

I can express my opinion freely.

Strongly Agree

0%

Agree

80% (4)

Neutral

20% (1)

Disagree

0%

Strongly Disagree

0%

Total votes

5

Appendix G, cont.
Software Team Six – Weekly Survey Results

My coworkers respect my opinion.

Strongly Agree

33% (2)

Agree

67% (4)

Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

6

We all pursue a common goal.

Strongly Agree

67% (4)

Agree

33% (2)

Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

6

Appendix G, cont.
Software Team Six – Weekly Survey Results

I would recommend this company to friends & family as a great place to work.

Strongly Agree

 100% (4)

Agree

0%

Neutral

0%

Disagree

0%

Strongly Disagree

0%

Total votes

4

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