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## Article: Thought Paper

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### TITLE

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### AUTHOR

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# Decentralization and Centralization in Sociocratic Organizations—Dynamics, Combinations, and Hybrid Solutions

Ted Rau, PhD

**Overview:** The article discusses the interplay between decentralized and centralized aspects of governance in the context of decentralized self-governance and shares learnings from Sociocracy For All's (SoFA) experience, including that decentralization is an active process that requires preparation, budget, strategy, and information can act as centralizing forces, and decentralization requires different ways of thinking about responsibility and leadership. SoFA is a young membership organization founded in 2016 promoting sociocracy, a governance system with consent-based decision-making in small groups, in nonprofits and other organizations.

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**About the Author:** Ted is an advocate, trainer, and consultant for self-governance. His main focus is sociocracy. After his PhD in linguistics and work in academia, he co-founded [Sociocracy For All](#) and spends his days consulting, teaching and leading the member organization as executive director. Ted identifies as a transgender man; he has 5 children between 9 and 18. A German citizen, he has lived in Massachusetts since 2010. He is co-author of two books on self-governance, [Many Voices One Song](#) (2018) and [Who Decides Who Decides](#) (2021).

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## Introduction

New forms of collaboration are needed to address the complex and interdependent issues in our societies. There has been a significant amount of innovation in new forms of organizing over the past decades, but grassroots organizations and nonprofits still resort to top-down, hierarchical models.

To give broader access to effective self-governance tools working more horizontally, Sociocracy For All (SoFA) was founded in 2016 and specializes in sociocracy (Endenburg, 1998), a governance system with consent-based decision-making in small groups that can be applied to nonprofits as well (King et al., 2020). SoFA's mission is to provide more choice in organizational governance outside of top-down hierarchy by providing resources, training, coaching and networking around consent-based, circle-based governance. Six years into its life as a membership organization, SoFA has become not only a well-known advocate and enabler for self-governance but also an innovation lab. Among an estimated number of several hundred sociocratic organizations worldwide, SoFA has a unique position because of its size and because all of its approximately 190 members are all experienced users of sociocracy, priming SoFA to be a social lab for consent-based, decentralized self-governance.

From among the many learnings, this article shares our insights on the interplay between decentralized and centralized aspects of

governance in the context of decentralized self-governance. *Centralized* aspects are decisions that are made in one place and regulate activities in the whole organization, for example, if a work-from-home policy is made by the leadership and enforced throughout the whole organization. With a *decentralized* system, work-from-home policies would be made locally, with each team setting its own rules. In this article, we will show how a system can effectively use both strategies at once.

This article first describes how decision-making works in SoFA in general; it then illustrates the difference between centralization and decentralization with examples. Further, we share our learnings that make decentralized decision-making possible.

- Decentralization is an active process that requires preparation.
- Budget, strategy, and information as centralizing forces.
- Decentralization requires different ways of thinking about responsibility and leadership.

## How SoFA Runs Using Sociocracy

To work with a concrete example, look at how SoFA works. Working members (volunteer or paid) join one or more of the ever-changing small work teams, called circles. Each circle has an aim, a description of the team's responsibilities, and a domain that spells out what the members of the circle are empowered to decide together. That way, each part of the organization is decided in a circle, in a decentralized fashion. For example, decisions about fundraising, outreach, certification, website, or non-English training programs are each made in self-organized circles that hold those decision areas in their domain.

To keep all the efforts aligned, each circle has two members (called links) who are members of the

circle but also of the next-“higher” circle, passing on information in both directions.

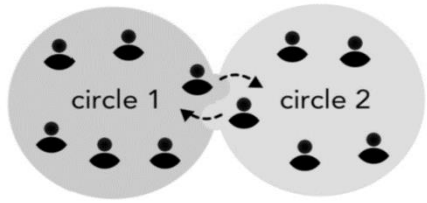


Image 1 From Many Voices One Song. Shared power with sociocracy, 2018

In the center is the General Circle, which ensures all topics have a place where they can be decided, and that all aims and domains are up to date. This way, alignment and empowerment are ensured by a decentralized, fractal pattern of defined authority and responsibility.



This decentralized way of giving full authority to circles to make decisions in a domain instead of having the “leadership” decide gives a significant level of authority to a large number of groups. While they can ask for feedback from others in the organization (advice process), circles and people in roles are expected to wrestle even with difficult decisions and come to a shared decision as a circle. As is standard practice in sociocracy, each circle makes decisions in their domain by consent. That means a proposal only passes when no circle member has an objection. This also extends to links, the people connecting two circles, who are selected by consent of their circles, forming a

high-trust and high-information network *while* being decentralized.

### Learning from Practice: The Role of Decentralization and Centralization in Sociocracy For All

Decentralization is often celebrated as a purpose in itself (e.g., in Decentralized Autonomous Organizations = DAOs). Yet, our experience shows that it makes sense to combine carefully selected places for decentralization and centralization, and even clever hybrids.

To start, let us look at examples of both design patterns within Sociocracy For All:

- Decentralization:** Hiring decisions are made in a decentralized manner by the circles where the paid roles belong. While there is a list of items circles are asked to take into consideration (for example living costs in different areas), they are completely free to choose. Circles even determine the pay rate for their peers. If a paid role is approved for an existing circle member, that circle member has consent rights on their pay rate. To allow for comparability between the circles, we aim for high transparency by having full salary transparency as well as meeting minutes of all circles are public to everyone in the organization.
- Centralization:** The most centralized aspects of Sociocracy For All are the shared overall purpose and the governance “rulebook”. Another centralized system is that every circle needs to submit its budget and financial information in a certain format, set by the Budgeting Circle. (Note that the financial decisions are decentralized; just the *format* is centralized to allow for comparability and better transparency.)

There is also a parameter of time. Many of these decisions have gone from more decentralized to more centralized (like the budgeting format), or from more centralized to more decentralized (hiring decisions) over time due to growth. The general direction of SFA’s growth has been towards decentralization. For example, there is a biweekly newsletter updating members on the

latest news from each circle. This newsletter used to be written by a member of General Circle reporting on everything. Now there is a forum allowing for many-to-many communication, and a newsletter format where each circle can submit things they want to be featured.

## Lessons

*Decentralization is a proactive process that requires centralized effort.*

Decentralization is not a passive approach—quite the opposite. It requires ongoing and proactive effort to empower people to make decisions in a decentralized way. In the budget example, members need budget data visualization, frameworks, and workflows to make it easy for each circle to understand the implications of their individual budget decisions. Providing those requires either effort in many places, each circle doing its own visualization, or a more centralized data visualization for everyone.

The same is true for hiring decisions. In order to empower circles to make their own hiring decisions, structures need to be created and maintained to make the process smooth and easy. A vacuum—“just do it yourself in whatever way you want”—is often not seen as supportive but as leaving groups hanging in a situation where every circle is burdened to figure out all the processes needed in addition to the regular operations of the circle. For example, budgeting, HR, conflict resolution, decision-making, and information management.

The unique solution that SoFA has devised is the concept of a Help Desk. A Help Desk circle is a circle that has a two-fold aim: firstly, to provide the service/product it is responsible for. Secondly, to provide support to other circles in the organization so they can provide the service themselves. It serves as “glue” and “catch-all” between the decentralized efforts.

It’s easiest to explain this with examples.

Let us say a circle that provides networking for sociocratic nonprofits—Nonprofit Networking Circle—wants to put on a conference for people

from the nonprofit sector. In a purely *decentralized* approach, they would do the whole event planning themselves, set up an event page, invite speakers and participants, and host the event. In a *centralized* approach, there would be one Conference Circle that provides that central service of conference planning to all circles like the Nonprofit Networking Circle. Which strategy is better?

In our experience, we need both. That’s why we made the Conference Circle a Help Desk Circle. That means it has two aims: putting on conferences *and* supporting other circles in putting on conferences. In that way, for each event, the hosting circle—in this case Nonprofit Networking Circle—and Conference Circle make an agreement on what parts of the work can be performed in a decentralized manner, and which are better done in a centralized way by the Conference Circle as the experts on conference planning. That way, we can create a level of decentralization that feels empowering to the Nonprofit Networking Circle, while providing the needed support. The decision of how much to decentralize is a local decision between the two circles. The Conference Circle—as a Help Desk circle—still puts on events but mostly invests in building expertise on the event platform, ticketing solutions, or by producing templates for marketing videos. It’s a perfect hybrid allowing for easy cross-collaboration.

Another example is publishing content on the website. For obvious reasons, this requires some expertise and central planning. Yet, we also want individual circles—like the Conference Circle or the Training Circle—to be able to manage and change content on their respective website pages. That’s why we created a Web Content Publishing Circle as a Help Desk circle, which, again, means its aim is to publish content on the website *and* support other circles in publishing their content as independently as possible.

In most cases, circles can also choose to do things autonomously, yet mostly they are grateful to have a place of support, and the help desk design principle has been very productive. More examples:

- Outreach Circle engages in marketing *and* supports other circles in getting the word out about their respective activities.
- Publishing House Circle holds the intellectual property of the organization, manages book sales, *and* supports non-English circles in translating materials into other languages or working with local publishers.
- Grants Circle applies for grants for the organization *and* supports other circles in applying for local or more specialized grants.

Fascinatingly, that interplay of help desks and autonomous circles turns the organization into a network of internal services and support-while protecting the sovereignty of each circle. Any cross-collaboration is defined and yet voluntary. A good Help Desk is just too useful to ignore!

*Budget, strategy, and information are commons that require an interplay of centralized and decentralized solutions.*

While activities and their corresponding decision-making can be decentralized into autonomous teams, some decisions remain a more centralized nature because members are deciding about a shared resource where their choices are interdependent. Here are the three areas that I've identified that cannot, or only in parts, be decentralized.

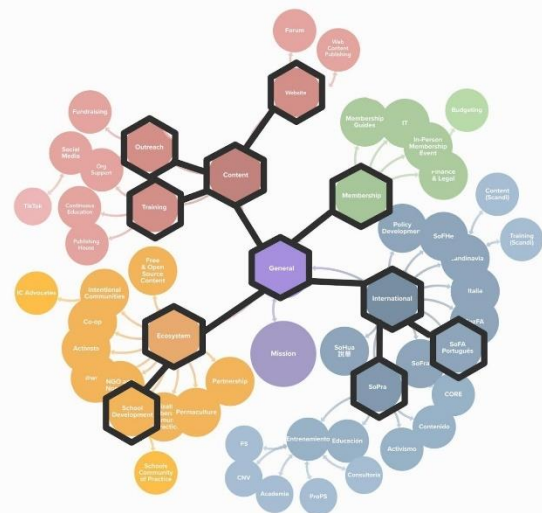
### Budget

In our organization, all revenue goes into one common pool that then gets distributed according to the fractally nested, more and more decentralized budget decisions. For obvious reasons, the combined spending of these circles cannot exceed the total available budget available to the organization. This means circle budget decisions are interdependent, as each dollar can only be spent once. While individual budget decisions can be decentralized - each circle deciding its expenses-the *overall* budget still remains one shared budget.

How do we allocate which circle gets how much? In small organizations, it's often possible to approve the budget in the General Circle where all the nested departments come together. Yet,

with a larger organization and more activities, even with a 3-month rolling budget cycle, circles sometimes had to wait for budget decisions, which slowed them down. To unleash circles more, SoFA moved towards a more *decentralized budgeting process where each circle approves the budget for its sub-circles*. That way, budget decisions could be made locally.

While this solves some of the issues, new problems arise. The biggest issue is that with a decentralized budget, many more people need to be trained on the budgeting system requiring a more central training effort. With our Help Desk model, the Budgeting Circle works to provide the information to empower others to make their own decisions. To keep the effort low, our current compromise is, for now, to shift budget decisions into only a subset of circles, called fiscal nodes. Fiscal nodes hold the financial responsibility, with administrative support from the Budgeting Circle.



Yet, there is another, more arduous, issue. A group of 4 circles will likely be able to make a mutually agreeable decision because they can still be part of the same conversation. Yet, if there are 50 circles in the system in 4 layers going down to a sub-sub-sub-circle level, it gets more difficult to compare budget requests. How does \$5000 in one sub-sub-circle compare to a competing request of another, in a completely different area of the organization? This is the struggle often described in Decentralized Autonomous

Organizations (DAOs) where budget allocation happens in a participatory, token-based voting process. Yet, who knows enough about each of the activities and contexts to give a meaningful vote on a proposal? And what if the votes of those who do not have enough insight outnumber those who do? In a consent-based system, outnumbering is impossible, but it remains an issue because generally, the more circles and layers there are, the more removed we are from decisions, making the decision feel arbitrary and less grounded in an understanding of the work done and its context.

Without a top-down structure to make budget decisions, we needed a way to decide based on agreed-upon criteria and prioritization. So in order to decentralize budget decisions, we had to have more conversations about our *strategy* to co-own the narrative that underpins those decisions. This leads to the next topic.

#### *Sense-Making/Strategy*

The more the theory of change and strategy of an organization are clearly articulated and agreed upon, the more alignment there will be in the independent budget decisions. This strategy provides the “through-lines.”

Communication strategies also require alignment on a strategic level. Solving how to “do strategy” in a participatory way is an issue I see many organizations struggle with. In a climate organization with a strong emphasis on decentralization, a chapter decided to form a “strategy working group” that would design the strategy for the whole chapter. Unfortunately, because of inner tensions, no perfect alignment could be found, and the working group had to make choices. While it had been empowered to do so, the legitimacy of that working group was questioned by its members. The lesson here is clear: even if we decide to centralize strategy, the strategy group needs to set up good communication systems.

In a word, shared sensemaking and strategy-related thinking need to interweave centralized and decentralized threads. Ideally, this includes input from decentralized places while carefully

and iteratively synthesizing and curating into a more centralized document that can then be the basis for decisions everywhere. It becomes a game of asking “down” and “up” the chain of nested circles to come to a shared narrative that includes the wisdom and experience from all levels. We are experimenting with looking at our Mission Circle—the advisory board—as a Help Desk that provides both long-term thinking for the organization *and* supports circles in having strategic conversations feeding their information back into the organization and the Mission Circle. It’s no longer the circle that sets the strategy; it is the circle that stewards the strategy and the conversations about strategy in the whole organization.

A similar path is implemented in a self-organized company in Canada. Among their 200 employees, one person holds the role of the strategy steward who serves in a similar role to the Mission Circle as a Help Desk, by being the intermediary that draws strategy ideas from the organization on its different levels, curates and summarizes them, and plays them back into the organization, creating an interwoven top-down and bottom-up approach that still results in a coherent, cohesive strategy.

#### *Information*

Relevant information gets produced on all levels of the organization. The decentralized nature of decision-making means that sometimes very fundamental decisions might be made on a “far-away” level of the organization. For example, in SoFA, the decisions on what grants to apply for—with big implications on funding as well as our strategic direction—are made in the Grant Writing Circle which is a subcircle of the Budgeting Circle which is a subcircle of the Membership Circle. This circle works with a lot of feedback and input from the wider system, and yet, it begs the question of how information is curated, distributed, and received.

Other decentralized organizations use messaging boards or curated newsletters, and yet, the disparity between those who have deeper information and those who do not remains hard to bridge.

Information management has been the biggest struggle for us as well. While people in linking positions can carry information from one circle to another directly, it can be unpredictable whether and where relevant information might be located. People's bandwidth both for curating and taking in information is limited. This may be one of the most important bottlenecks in our organization. The solution for us will likely have the same ingredients of centralization, decentralization, and a Help Desk function to design a central system that takes in information from decentralized places, and feeds back into decentralized places. The metaphor I have been using is of hormones in the body. Several places can produce "messages," and many places have receptors for certain kinds of messages, allowing for a many-to-many information exchange without information overload. Importantly, any technical solution needs to factor in the human-machine interface—too often, the information is out there, but just doesn't get searched or found.

#### *Decentralization requires unlearning and re-learning responsibility.*

Nothing prepares for a decentralized, consent-based organization like living it—one can't *think* one's way into it. New members sometimes struggle with their unfamiliar freedom—more is possible; one just has to propose it; if there's consent in the circle, that's the only green light needed. Instead of the hierarchy, people find that their own mental beliefs become a barrier.

Being co-responsible comes with its own set of questions and struggles—for example, everyone needs to watch their own workload. A relatable way to describe it: in high school, when a bio teacher schedules a test the same week an English paper is due, different roles in different circles fluctuate in their workload. It is on each individual to set their boundaries, with no central authority to complain to.

As the Executive Director of this organization, I have been lucky to be in the thick of learning. For most of my week, I am a worker bee, performing in operational roles in different circles like everyone. Another role I hold is the leader of the General Circle (aka Executive Director),

accounting for only 5-10% of my time since leadership is decentralized and so much is stewarded by other people. But in this position, I get to learn what it means to be in a leadership role of an organization where *everyone* is a decision-maker somewhere, and, most importantly, where neither the Executive Director nor the General Circle has the power to override a circle's decision in their domain.

So what does leadership mean in this kind of context? Supporting a system of interdependent, decentralized decision-makers requires a new set of skills and mindsets. It is more of a servant leadership role, making connections, being a sounding board, or giving impulses and preparing proposals that support the General Circle or the Mission Circle in thinking about the bigger picture. Because of the level of decentralization, I see my role as a curator of existing thinking, helping the organization see where everyone is going, and mirroring back gaps that do not receive enough attention.

Sometimes I think that most of my learning in the last 7 years has been an act of *un-learning*. We're so used to being told what to do or working around the red tape in our organizations, it is deeply ingrained in what we expect and how we act. I have worked with other leaders in decentralized organizations that say similar things, describing how it was their own learning that made all the difference for the organization.

I remember many years ago when we decided to add a Mission Circle to the young project. I was terrified—in my imagination, the board would give me as Executive Director busy work or demand writing empty strategy documents. For days, I prepared mental speeches defending myself until I finally opened up about my concerns to my co-founder. He quickly reminded me that as the leader of the General Circle, sociocracy gives me consent rights on the board, rendering it impossible that the board would decide anything I would object to. We would always be able to work as equal partners. And that is what happened.



## Concluding Thoughts

Centralization and decentralization are only means to an end of working towards a purpose. In our experience, decentralized organizing principles are a great way to start that allows autonomy and local decision-making. Yet, the picture is incomplete without consideration of the shared central aspects, like the overall budget, organization-wide information, and transparency and strategy. Help Desks are a useful hybrid to enable targeted cross-collaboration while remaining in a choice-based system.

Often, a hierarchical organization is a means to support clarity, alignment, and efficiency in an organization. Yet, our example suggests clarity in decision-making can be reached without top-down directives. Then alignment can be supported by allowing those to communicate who have a stake in the matter or relevant information to contribute.

To grow and adapt, an organization needs to be able to adapt to its current needs, determining what level of decentralization or centralization is useful in what part of the organization. There is neither a one-size-fits-all approach nor can we expect an organization to maintain the same mix of (de)centralization throughout its evolution.

Understanding the possible choices, their implementation, and implications will support all willing organizations to find better strategies to reach their mission.

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