

MGT 407



International Management Practices

Management By Democracy

Management by Democracy

A democratic management model is a way of leading and organizing a team that values participation, collaboration, and empowerment.

It involves sharing decision-making power, encouraging feedback, and fostering a culture of trust and accountability.

Principles of Democracy

The Democratic Charter defines the essential elements of representative democracy in very specific terms, including: respect for human rights and fundamental freedoms; holding free and fair elections; a pluralistic system of political parties and organizations; separation of powers.

Management-By-Democracy

- ❑ An approach that distributes decision-making across employees/stakeholders
- ❑ Emphasizes participation, transparency, accountability, and shared ownership
- ❑ Can take forms from participatory governance to worker cooperatives

Countries are involved in the democratization

Examples include: India, Japan, Indonesia, Namibia, Botswana, Taiwan, and South Korea.

Research finds that "Western-educated leaders significantly and substantively improve a country's democratization prospects"

Countries has the most stable Democracy

The United States of America is the most stable democracy.

The United States of America, India, Nepal, and Sri Lanka all chose to have a democratic form of government over other forms.

But the oldest and most stable democratic country in the world is the US.

Largest Democratic country in the World

India is currently the country with the largest democracy in the world.

Which country has best Government

The average for 2024 based on 191 countries was -0.03 points.

The highest value was in Singapore: 2.29 points and the lowest value was in Yemen: -2.3 points.

The indicator is available from 1996 to 2024.

Consensus Democracy

Consensus democracy is a form of democratic governance that emphasizes broad agreement, inclusion, and cooperation among diverse political or organizational groups rather than simple majority rule.

It seeks to ensure that decisions reflect the views of as many stakeholders as possible, promoting compromise, participation, and shared responsibility.

Countries have a consensus Democracy

Consensus democracy is most closely embodied in certain countries such as Switzerland, Germany, Denmark, Lebanon, Sweden, Iraq, and Belgium, where consensus is an important feature of political culture, particularly with a view to preventing the domination of one linguistic or cultural group in the political process.

Styles that follow democratic principles

- ✓ Participative Management — managers involve teams in decisions
- ✓ Self-managing Teams — teams set goals and methods
- ✓ Cooperative Governance — member-elected boards and profit-sharing
- ✓ Flat / Holacratic Structures — minimal hierarchy, role-based authority

Key Approaches & Mechanisms

- ☐ **Decision rights:** delegated, rotated, or collective voting
- ☐ **Transparency:** open financials, shared metrics
- ☐ **Accountability:** peer reviews, social councils, elected reps
- ☐ **Inclusion tools:** participatory budgeting, town-hall meetings

Organizational Models

- **Worker Cooperatives (e.g., Mondragon):** employees are owners & vote
- **Radical Democracy model (e.g., Semco):** extreme employee autonomy
- **Self-management Model (e.g., Buurtzorg):** autonomous small teams
- **Open Allocation / Flat model (e.g., Valve):** choose projects freely

Semco (Brazil)

- Famous for radical employee autonomy under Ricardo Semler
- Practices: job-choice, transparent financials, rotating leadership
- Outcome: increased engagement, but scalability and governance risks

Mondragon Cooperative (Spain)

- ❑ A federation of worker cooperatives using democratic governance**
- ❑ Members elect boards; profit-sharing and social councils in place**
- ❑ Outcome: resilience and social objectives; challenges in global competition**

Buurtzorg (Netherlands)

- ❑ Self-managing nursing teams with minimal middle management
- ❑ Teams handle scheduling, hiring, client care
- ❑ Outcome: high satisfaction, lower costs; scaling & training challenges

Valve (Tech/Gaming): United States

- ✓ Flat organization with open allocation employees choose projects
- ✓ No formal managers; hiring and project start-up are peer-driven
- ✓ Outcome: innovation and freedom; critiques about hidden hierarchies

Benefits of Management-By-Democracy

- Higher employee engagement and motivation
- Faster local decision-making and innovation
- Greater retention and job satisfaction in many cases
- Alignment with social and ethical corporate goals

Challenges & Risks

- ✓ Scalability: coordination costs grow with size
- ✓ Decision paralysis: slow collective processes
- ✓ Hidden power dynamics and informal hierarchies
- ✓ Regulatory & financial pressures in competitive markets
- ✓ Cultural fit: not universal across national or organizational cultures

How to Implement

- ✓ Start small: pilot self-managing teams or participatory projects
- ✓ Ensure transparency: open books & clear KPIs
- ✓ Design governance: elections, councils, rotating roles
- ✓ Train people: decision-making, conflict resolution, financial literacy
- ✓ Measure & adapt: monitor outcomes