metaphorum

The Metaphorum Practitioners Webinars

VSM vs RDHY

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About this Webinar

About

    The webinar series and this webinar

    DAOs with a big **O**

    Management innovations

        Different historical and philosophical backgrounds

        Common results and differences

        Synergies

    Content: what do we want to learn

        RDHY overview

        VSM: no introduction, just questions from a VSM perspective

Radical Focus

Agenda

Introduction

RDHY Overview

RDHY: questions from a VSM perspective

Why do we talk about DAO

Practical implementation

VSM + RDHY: which synergies can we create

Radical Focus

About Me

Growing adaptive Organizations

From Adaptive Strategy to
Organization design and Development

Organizations
for People

Radical Focus

Lean. Agile. Organization Design

Trainings. Concepts. Consulting.

Viable System Model
- Helping the community grow
- Creating certification program and a Trainers community
- Make VSM easier digestible: The Viability Canvas

D A CH 30

I live and work in Munich and Cingoli

Radical Focus

RDHY from a VSM perspective: Autonomy

Recursion in RDHY: specific structures for the lowest level.

Integrate the environment from the ground up. how? why?

Design for autonomy. if common: why?

If things cannot be solved locally, rely on horizontal coordination. What mechanisms?

RDHY from a VSM perspective: Cohesion

Escalation mechanisms. When? Who?

How does RDHY reduce the need for management intervention?

Is there something like corporate intervention?

Is there something like resource bargaining (e.g. for investments)?

RDHY from a VSM perspective: From Survival to Viability

Prepare for the future - how

    Moving into new markets?

    Investment?

Identity? System limits? open system?

DAO

DAO – a fuzzy definition

How does RDHY use smart contracts

What caught my eye: is RDHY a model for a DAO

Praxis related questions

How does a European organization look with RDHY.

A chinese model? What do/did you need to modify to make it work in an European culture?

How did it develop: important Persons. what drove them? Philosophical differences?

Theory and practice: Cybernetics. Role models?

Who uses RDHY today? as an add-on or a a constitutive model?

Practical Implementation

how can the VSM and RDHY benefit from each other?

can you use both?

In a typical change project:

what is missing,

what would you add

(e.g. a third framework, in which context)

Boundaryless' Mission

Enabling everyone to participate in the future of organizing.

We do that by creating open-source frameworks and delivering workshops, training, and consulting services to our community of organizations, institutions, and individuals

BOUNDARYLESS

Qingdao Refrigerator Collective

A timeline of our work on Haier

- **1982**: Zhang Ruimin is appointed department manager of the municipal *Household Appliances Division* with a $10 million debt, ~20% defective devices, customers & employees dissatisfied

"If we don't destroy these refrigerators today, what is to be shattered by the market in the future will be this enterprise!"

— Zhang Ruimin 1984

- **1986**: the return to profitability
- **1992**: Haier Group is born, Mr. Zhang Ruimin is CEO

BOUNDARYLESS

1984-2019: a progressive evolution in stages
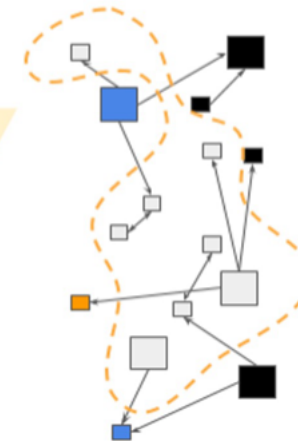
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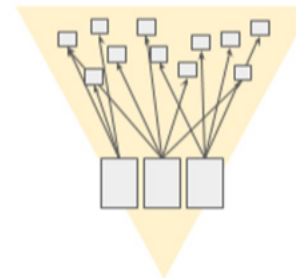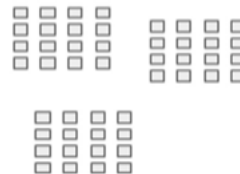
BUSINESS MODELS

STRATEGY

ORG. CULTURE

Command & control   Matrix Org   Strategic BUs   ZZJYT inverted pyramid   Entrepreneurial Ecosystem

Haier Transformation Journey

- **35 years of continuous change**
- Always aiming at the same **two objectives:**
  - better customer experience
  - unleashing the talent & energy of the workforce
- A lot of **experimentation**
- Each new vision is **ambitious & stretching**
- Big strategic changes building upon small tactics
  - there is a lot of familiarity here
  - same performance measurement system for 35yrs

What's the idea behind the RenDanHeYi?

Haier's RenDanHeYi leverages the theory of **complexity** and **living systems**, to ensure organizations that can simultaneously absorb volatility, connection, unpredictability of the current market and unlock the entire **entrepreneurial drive** and ability to **generate value of all stakeholders**, internal and external.

1 - Driven by customer needs and results	**The first goal of a company is to have a customer** (and to measure results based on the value produced for it)
2 - Market-inspired internal dynamics	Individuals and teams **come together in a distributed way through dynamic contracts**
3 - A continuous adaptation	Organisational design and collaboration **mechanisms must constantly evolve**
4 - Unlocking entrepreneurship	**Each colleague can be their own CEO.** The organisation must facilitate the emergence of individual potential
5 - Maximum autonomy to teams	**Teams know how to manage themselves** with decision-making autonomy (direction, members, wages, etc.)

These principles determine the survival and future of the firm in the current market

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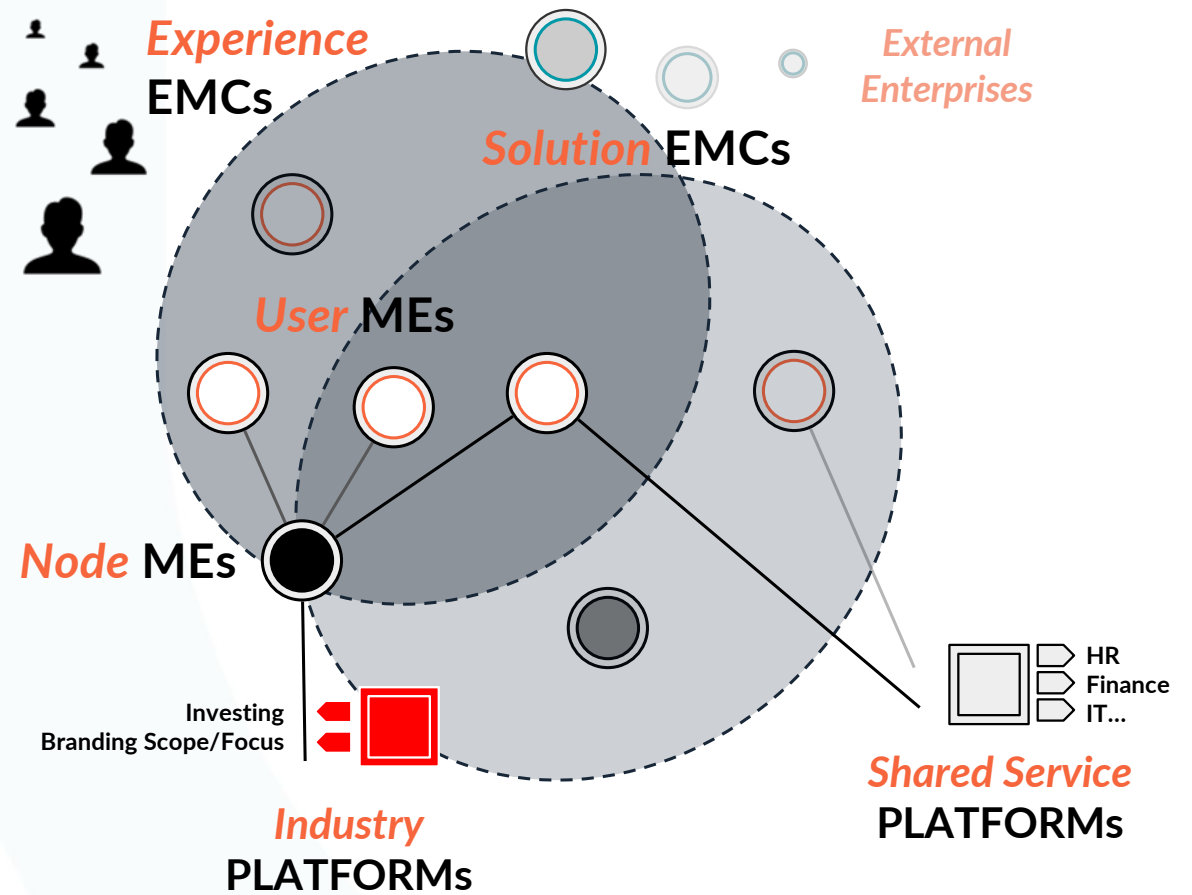
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The RenDanHeYi in a Nutshell

Haier 360

ECOSYSTEM
MICRO-COMMUNITIES (EMs)

Experience EMCs

Solution EMCs

External Enterprises

User MEs

MICRO-ENTERPRISES (MEs)

Node MEs

Investing
Branding Scope/Focus

HR
Finance
IT…

PLATFORMS

Shared Service **PLATFORMs**

Industry **PLATFORMs**

BOUNDARYLESS

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Preliminary Comparison

AREA	RENDANHEYI	VSM
Goal	Enabling organizations to constantly realign themselves around customer outcomes through distributed entrepreneurial teams and centralized supporting services	Create viable adaptive organisations by adding the "communication and control (neurology)" element to organisations (in addition to organisational structures (anatomy) and processes (physiology))
Scope	Primarily teams in any part of the organization. Departments become loosely coupled networks of autonomous teams.	Applies to all levels VSM talks about the "system in focus" - this could be an individual, team, business unit .. the entire planet. We first determine the system in focus and them apply the VSM model
Guiding Principles	Zero Distance Paid used salaries Microentrepreneurial teams with P&L Entrepreneurs not employees Order bidding As less bureaucracy as possible No hierarchies	Looking at the organisation as a living organism that requires its anatomy (organisational units), physiology (processes) and neurology (communication and control) in order to be viable. VSM places a focus on the neurology of the organisation. An academic basis in cybernetics.

Micro-Enterprises in RDHY and VSM

AREA	RENDANHEYI	VSM
Micro Enterprises	• Haier embraced the Micro-enterprise (ME) as its foundational organizational unit since 2013 • They have 3 rights: the right to make decisions, the right to hire talent, and the right to distribute compensation. • The Micro-enterprise is an entrepreneurial, independent unit that owns its own profit & loss statement, and it is created by employees. • Micro-enterprises are conceptually divided into User MEs (customer-facing) and Node MEs (providing services to other Micro-enterprises - or enterprises more in general).	Micro Enterprises (as an organisational unit in a larger organisation) would fall under System 1 (operational units) that deliver clear value to the organisation. It could be argued that supporting MEs (if they are providing services that are then used by customer facing MEs who then deliver the actual value) could also fall into the System 3 (Planning and organising Work / "Inside & Now) as supporting functions to the value delivery operational units.

BOUNDARYLESS

Ecosystem Micro-Communities

AREA	RENDANHEYI	VSM
Ecosystem Micro Communities and EMC Contracts	• Open and dynamic structure to facilitate ME to ME collaboration, value co-creation, and win-win situations. • EMCs create ecosystems that increase harmonized work between otherwise loosely coupled units by creating a common goal around specific "user scenarios." • Once an EMC is started, any ME or external company that feels able to add value can 'bid' by developing a proposal (EMC Contract) that shows how they mean to contribute to the realization of the scenario, lists the resources needed to achieve the goal, and states the share of profits required	EMCs would also, at one level, fall into System 1 - as they form to delivery value. Communities are basically one recursive level above the ME. So, like the MEs, the communities themselves would have their own Systems 1-5. Communities are basically one recursive level above the ME. So, like the MEs, the communities themselves would have their own Systems 1-5.

Industry Platforms

AREA	RENDANHEYI	VSM
Industry Platforms	• The key mission of Industry Platforms is to ensure the strategic and harmonized alignment of MEs providing similar products and services. • They should be considered more as "coordination" than "production" entities. • Industry Platforms support their internal clients with services that range from strategy to investments for the creation of new MEs on the basis of a Valuation Adjustment Mechanism (VAM), aimed at creating above-industry-average commissions and profits.	If we take Industry Platforms as cutting across different MEs and Communities, then (at the higher level) this falls more into VSM system 3 (Planning and Organising Work / Inside and Now), System 4 (New development, innovation, market Research / outward and future) and also in System 2 (Coordination). Therefore we find the activities and responsibilities of Industry Platforms in different VSM systems.

Shared Service Platforms

AREA	RENDANHEYI	VSM
Shared Service Platforms	• Shared Services Platforms are former functional departments (e.g., HR, IT, Legal, Finance, etc.) transformed into a common platform that provides services to user MEs and node MEs. • Shared Services Platforms are also made up of MEs. • MEs composing the SSP are normally divided according to functional expertise or geography (for example, an HR SSP may have an IT for HR Micro Enterprise inside it).	System 2 and System 3

Ordering / Bidding and Value Added Sharing

AREA	RENDANHEYI	VSM
Ordering / Bidding	• Resource allocation always happens with one node (for example an ME) emitting an order in an online platform and other nodes candidating themselves to provide services to satisfy the requests. • Conditions (SLAs and costs) are presented with the bid. • The node then decides the best candidate and enters into an agreement with it.	System 2 and System 3
Value added sharing	• Ecosystemic means node will collaborate (in EMCs) to generate value they cannot bring in isolation. Part of that value will be shared back to participating nodes according to an agreement (EMC contract)	System 2

BOUNDARYLESS

Value Adjustment Mechanisms

AREA	RENDANHEYI	VSM
VAM (Value Adjustment Mechanisms)	The VAM-contract-mechanism (common in China) is an investment agreement that normally defines: 1. ME's objectives in terms of direct market performance 2. ME's objectives in terms of addressed ecosystem value and performance 3. How the ME will receive support for the basic living expenses in the constitution phase 4. The mechanisms to let employees receive part of the value to increase "skin in the game 5. The mechanism for exit or dissolution.	System 3