How should we do Strategy in Arbitrum DAO?

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Context

Arbitrum has significant resources; however, the space counts with many strong players (alt-L1s and L2s, Solana, etc). Without both short-term wins AND ambitious medium to long-term bets, Arbitrum risks becoming irrelevant. More urgently, workgroups, proposers, and delegates need shared context to work together (e.g., at a recent KPI working group call, participants tried to create a rubric for the incentive program. However, we realized that without objectives and a north star, it was difficult to create it).

This document proposes a "strategy ontology" - a framework serving as an agreed format to define the strategy for the Arbitrum DAO.

"All frameworks are wrong but some are useful". Our hope is that having the ontology agreed upon will streamline a subsequent discussion on the content of the strategy.

The Ask:

Please review the framework below and let us know if

1. Is it clear and understandable?

2. Would you support Arbitrum DAO using it or what would you change?

TLDR:

This framework, called SKIs Framework, showcases a comprehensive mapping of essential functions of a system (as applied to ArbitrumDAO) for viability. All functions identified in the framework are essential; however, they're not equally urgent. The areas marked in green are recommended as priorities to agree on and fund.

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image

1642×2140 125 KB

](https://global.discourse-cdn.com/standard17/uploads/arbitrum1/original/2X/d/d622ab7b59ba9b092c6929ebf78f10a56a6d9f02.jpeg)

Implementation

Using the framework would mean using this ontology to run a collective process:

1. Map inputs into the strategy (Market Sensing)

2. Define a 2-3 Year Goal & accompanying metrics (Goal's KPIs & Health Metrics)

3. Define a set of Strategic Pillars

4. Allocate funding for the Pillars

Theory: How to do Strategy in DAOs

Top-down strategy, although refined as a discipline, has been extensively criticized as executives removed from the front lines fail to appreciate opportunities and challenges.

Equally, DAOs, where a broad community decides on local matters, risk failing to appreciate local complexities and miss opportunities. On the opposite end, if all decisions are made locally without common agreements, synergies and strategies suffer. After all, strategic thinking is as much choosing what to do as about choosing what not to do.

Strategy as a lighthouse

Strategy is only effective when implemented, and this requires combining large decisions (large-scale funding allocation) and

small ones (onboarding documentation, content curation in meetups, etc.). Naturally, no single actor can effectively control all such decisions (not even in centralized organizations), which requires strategic considerations (trade-offs and priorities) to be widely understood. And for creating such understanding, reading a document is not enough, as words are quickly forgotten. It's only when actors engage in critical reflection on the strategic trade-offs and priorities and when they reflect on how those impact their own situations and choices that a strategic process becomes meaningful and memorable.

The tools and processes to facilitate this collective participation and reflection, although having significantly advanced over the last decade, are still a work in progress. As such, certain trade-offs are needed (as well as investment in advancing tooling and processes for collective deliberation).

An approach to mitigate the tension outlined above is a metaphor we call "strategy as a lighthouse": we don't tell people what to do, but we show where the shore and the rocks are.

In this model, strategic planning can be done by a workgroup that proposes recommendations. This model is akin to a think tank for nation-state strategy. Wherever possible, the lighthouse model should be enhanced with tools and processes for larger groups to provide input and feedback.

In this document, we are aiming to strike a balance between this consideration and the time constraints to advance a strategy. As such, the proposed approach starts with an imperfect but faster version and then aims to evolve over time towards increasingly robust and collective processes.

Horizons

For our strategy, we distinguish between four horizons of activity, all equally important:

1. Operations and Improvement: doing and refining what we're already doing.

2. Innovation: creating new products or capabilities.

3. Transformation: disrupting ourselves and transforming the fundamentals of our business model.

4. Foundational Research: exploring new horizons and possibilities.

The horizons progress from more measurable and predictable to harder to measure and unpredictable. Equally, the risk-reward ration varies across horizons, from lower risk but lower potential reward to high risk and higher potential reward.

System Viability

Ultimately, any strategy framework seeks to address the viability of the system. As such, the strategy framework is anchored within a larger framework of organizational viability. Borrowing from Cybernetics, we thus embed our strategy framework as one component of 6 essential functions for system viability (i.e. Six Key Interactions):

1. Identity: Who are we, and what needs do we exist to serve? Outputs alignment and belonging.

2. Future: How will we evolve to meet those needs, given how our environment is evolving? Outputs foresight.

3. Change: How do we transform to move from here to that future? Outputs strategy and strategic initiatives.

4. Coordination: How do we coordinate and harmonise our work? Outputs mechanisms to reduce conflicts and use resources effectively.

5. Operations: What are we doing every day to deliver our value to our stakeholders? Outputs maintenance and operation of the Infrastructure.

6. Support: How do we make it possible for every participant to give their best sustainably and evolve our mindsets? Outputs top performing teams.

All these six layers are interdependent and equally essential for viability over the medium to long term; however, they're not equally urgent to implement.

Proposed Framework Details

The framework is divided into a series of artifacts. Each artifact fulfills a specific function, enabling us to break down the discussion into manageable chunks.

Identity Layer Artefacts

Guiding Question

Definition: What's the big question (i.e. challenge) that we seek to answer as an organization?

Time horizon: decade(s)

Example: How can we fuel financial sovereignty? + list of stakeholders and their needs

Values

Definition: When we pick between multiple options, which principles shall inform our choice?

Time horizon: 3-10 years

Example: Ethereum-aligned, Sustainable, Secure, Socially inclusive, Technically inclusive, User Focused, Neutral and Open.

Mission

Definition: What role will we take in answering said question?

Time horizon: 5-10 years

Example: Spearhead the evolution of decentralized technologies and governance.

MetaGovernance

Definition: Process to change the governance system of the DAO

Time horizon: 1-5 years

Example: Proposal process to change DAO governance smart contracts, constitution, etc.

Future Layer Artefacts

Market Sensing

Definition: sensing and mapping of

- market forces (growing or shrinking segments; stakeholder switching costs; changing jobs, pains, and gains; etc).
- Key Trends (technology innovations; regulatory constraints; sociocultural trends; etc).
- Industry forces (competitors; rising value chain actors; new or fading technology providers; etc).
- MacroEconomic forces (global market conditions; access to resources; high or low commodities prices; etc).

Time Horizon: primarily 1-5 years (short-term single definitions and medium and long-term scenario mapping)

Examples: competitive landscape, trend reports, etc.

Business Model(s)

Definition: How do we create, deliver, and capture value?

Time horizon: 2- 3 years

Example: https://images.app.goo.gl/Dqwh7cHx1MtYDSRp6

R&D Bets

Key areas of high uncertainty for foundational research and transformation (because sometimes the best way to predict the future is to invent it).

Time horizon: 2 - 8 years (Transformation & Foundational Research)

Examples: fundamental research in cryptography, quantum computing, etc.

Change Layer Artefacts

2-3 year Goal

Definition: What do we aim to have accomplished in 2-3 years from now?

Time horizon: 2- 3 years

Example: Becoming the defacto place (infrastructure + community) for people to build on and interact with Web3.

Strategic Pillars

Definition: short and medium-term big bets for the success of the network.

Time Horizon: 1-3 years (Improvement & Innovation time horizon).

Examples: Robust Tech stack, World Class DevReel, Leading on Key Verticals (Gaming, Collab Tech, DeFi), Operational Excellence, etc.

Audit (connected to Change Layer but ideally separate group)

2-3 Year Goals & Ecosystem Health KPIs

Definition: Which indicators will we use to measure progress toward our Mission/Vision and 2-3 year Goal, and which to measure network health?

Time horizon: 2- 3 years

Examples: Sequencer Fees, TVL, Dev Activity, Community Health (sense of community, engagement, social network analysis), GDP, etc.

Operations Layer Artefacts

This layer should include the different operational Units, recurring activities (ops activities like reviewing and voting on proposals, reviewing grants performance, etc), and assets that are governed.

Coordination Layer Artefacts

Communication, Knowledge Management, & Scheduling systems

Definition: systems and tools to enable effective interaction between participants in the network.

Time horizon: 6 - 24 months.

Examples: Forums, AI Q&A bots, scheduling and video call tools, etc.

Conflict Resolution system

Definition: systems and tools for conflict resolution between participants in the network.

Time horizon: 6 - 24 months.

Examples: Agreed conflict resolution processes (mediation, arbitration), conflict detection bots, etc.

Support Layer Artefacts

Wellbeing & Performance systems

Definition: systems, tools, and platforms to enable personal and professional development, well-being and inclusivity, and peak performance of network participants.

Time horizon: 6 - 24 months.

Examples: Personal development programs, education programs, suicide hotline, etc.

Implementing the Framework

The suggestion is to launch a minimum viable process to:

1. Launch a Future Workgroup (analysts, visionaries, and researchers) to facilitate the mapping of inputs into the strategy

(Market Sensing, non-binding).

2. Launch a Strategy Workgroup to facilitate a set of workshops to define a 2-3 Year Goal, accompanying metrics (Goal's KPIs & Health Metrics), and a set of Strategic Pillars.

3. Ratify via vote.

4. Allocate funding pools to advance the strategy.

The Pillars and funding can then be reviewed periodically based on progress across all layers.

Each funding pool can then be allocated across programs that will use said funding. Importantly, programs don't need to match the Strategic Pillars 1-1; each program should be assessed based on its holistic merit across Pillars (more on the proposed assessment mechanic here).

As a final consideration, an additional pool(s) of funding should be left open for community proposals outside of the 2-3 Year Goal and Strategic Pillars to enable bottom-up strategy.

The suggested balance is 50% allocated to strategic pillars and 50% for bottom-up strategy, this balance is meant to recognize the ability of DAO participants to sense and adapt, navigating a complex environment. In this sense, the allocation to both the Goal's Strategic Pillars (top-down) and outside the Pillars (bottom-up) represents a trade-off in favor of medium and long-term resilience even over short-term efficiency (in alignment with the Value of Sustainability).

Next Steps

After reviewing the framework, please let us know whether you'd support using it in Arbitrum.

Suggestions, edits, comments, additional references, clarifying questions, etc. are also most welcomed.

If this initiative gathers support, we'll aim to form a group to advance it by shaping implementation proposal(s) and engaging with the delegates and community to construct it.

References

Six Key Interactions -

rndao.mirror.xyz

Six Key Interactions for a Thriving DAO

We spend most of our lives in teams and organisations. And anyone who's ever led one has spent dozens if not hundreds of hours wondering: How do I make it great? What will enable us to do great work together and adapt quickly when a challenge comes...

4 horizons -

linkedin.com

4 Horizons of Innovation

The 3 Horizons need to evolve. In 2000, McKinsey and Company developed a three horizon model to help organisations plan for, respond to and manage continuous innovation.

Reading time: 8 min read

Guiding Question -

rndao.mirror.xyz

From Purpose Statements to Guiding Questions

At first glance, Purpose Statements are a great thing. They serve to articulate a company (or DAO's) reason for being, beyond maximising profits for investors. But these seemingly innocuous positive statements are a double-edged sword, carrying the...

Reinventing your Organization through a Market-Driven Lens -

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Explore an adaptive approach to organizational transformation with our article on market context mapping and arena scanning. Discover how to use Wardley Maps for strategic rebundling, optimizing market reach, and enhancing your competitive edge....

The Key Concepts in Platform Design -

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[The Key Concepts in Platform Design - Boundaryless](#)

Discover essential platform design concepts with this comprehensive guide, exploring crucial principles, network properties, growth strategies, and other key elements you have to master to unlock the full potential of your platform design journey.

Even Over Statements -

[Medium – 30 Oct 23](#)

[Even overs: The prioritization tool that brings your strategy to life](#)

If we asked you what your current work priorities were, could you answer quickly and confidently? What about the priorities of the company…

Reading time: 7 min read

Business Model Environment -

[strategyzer.com](#)

[How To Scan Your Business Model Environment For Disruptive Threats And...](#)

Systematically assess your business model environment for disruptive threats or to discover opportunities to improve or reinvent your business model.

Contributors to this document

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