

How to win the L2 wards: Open vs Closed Ecosystem

As ecosystems compete for relevance, a key factor in their organisation design can make all the difference. Even more important than decentralisation is openness - the degree to which an ecosystem allows for outside-in innovation.

Decentralisation prevents capture by a small group of participants, but a capture-resistant ecosystem can still die through disruption and being outcompeted. Survival is directly dependent on our ability to adapt and improve, to understand the needs of users, talent, investors, etc. and to provide outstanding solutions. Said otherwise, the key for survival is being able to innovate in how we solve people's problems.

Being at the forefront of innovation is a tricky thing. By definition, innovative solutions are not commonly known and understood. Innovation can not be fully planned, it can only be supported and encouraged.

Critically, because innovative ideas can come from all kinds of places, as an ecosystem, it's key to be welcoming to innovations that originated somewhere else. Corporations have learnt this lesson the hard way and now commonly fund a trifecta of accelerators, VC funds, and M&A to facilitate outside-in innovation. However, despite these strategies providing some defences to disruption, [the lifespan of corporations keeps decreasing](#) More needs to be done!

For an organisation designer like myself, DAOs are exciting because they promise both capture resistance AND a radical upgrade in our ability to incorporate outside-in innovation. Instead of problems being discussed behind closed doors, DAOs can employ open communication platforms. Instead of rejecting anything 'not invented here', DAOs can celebrate experimentation. Instead of falling for the shorter-mist allure of cost-cutting and reducing redundancy, DAOs can decentralise operations and experiment with a variety of methods. In sum, DAOs can transform organisations from closed to open, leading to better outcomes for users, contributors, and investors.

DAOs could do that but right now that's far from certain. The allure of centralisation is strong. Innovation compounds over time but it's hard to measure in the early stages. When appropriate methodologies and assessment frameworks are not in place, cost-cutting (disguised as efficiency) quickly kills anything hard to quantify or explain.

This is not a new problem, a range of methodologies and tools for what's called open innovation has been slowly maturing. [Our research shows](#) that sense-making (being able to identify and prioritise challenges and root causes) is the critical first step. We now understand that access to information and being able to search through weak signals is key for outsiders to be able to propose innovations. And we know that offering quick access to funding for small experiments is critical for anything innovative to ever be tested.

The lack of tools and methodologies for open innovation (or lack of awareness that they even exist), leads many to conclude that only closed-door meetings are effective. [As Disruption Joe eloquently said](#), DAOs suffer through a common pattern of decentralising (poorly), then worrying about execution, centralising, and finally stagnating. Let's avoid this faith; let's avoid the false dichotomy of centralisation and decentralisation; let's welcome outside-in innovation. Let's build open organisations!

We're exploring this territory through RnDAO, and we want to work with Arbitrum to make the DAO more open and innovative:

- sense-making capability: [Jumpstart Fund proposal](#) (now in Snapshot) and [Off-Site proposal](#) (in forum)
- access to information: Proposal coming soon, let us know if you want to get involved early!
- quick access to fund experiments: some mechanisms already in place through Questbook tracks. We're drafting an Organisation Design Scoping project to explore further.