# DAOs and HR
A NEW ERA OF DECENTRALIZED WORKFORCE MANAGEMENT

A DAO or Decentralized Autonomous Organization, is like a digital community that operates on a blockchain network. Think of an online community that operates without any external authority. It's a group of people who come together to make decisions and take action according to rules that are encoded in computer programs called smart contracts.

SHRMLabs
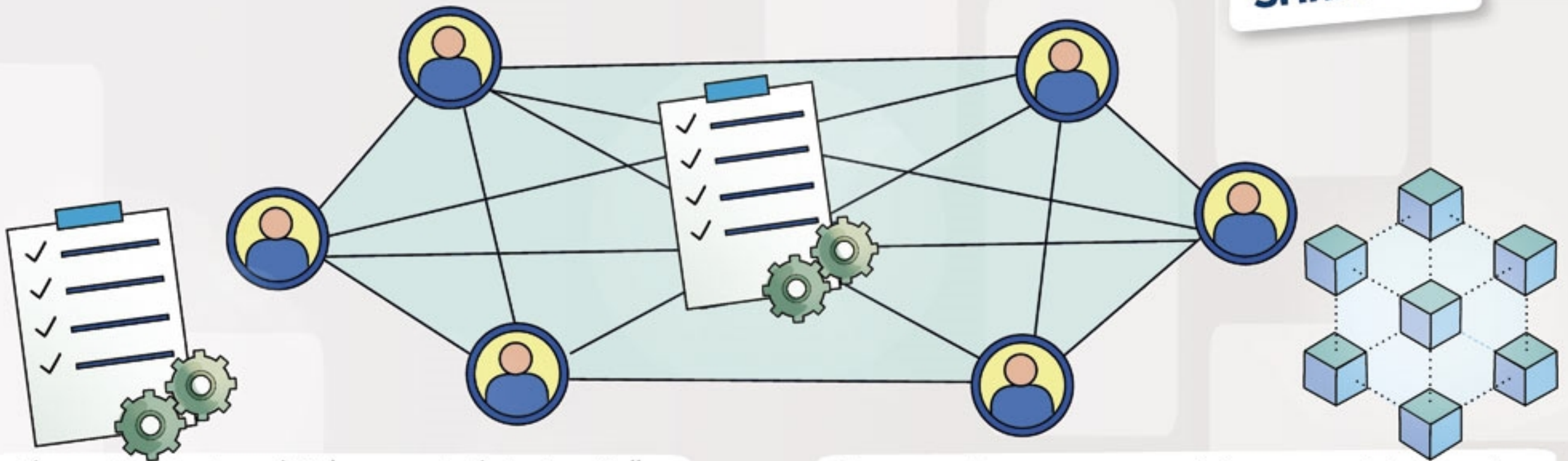
The smart contracts are digital agreements that automatically execute when certain conditions are met. For example, if a certain number of members of the DAO vote in favor of a proposal, the smart contract will automatically release funds to support that proposal.

The DAOs can be very transparent and democratic, with decision-making power distributed equally among all members. The smart contracts are stored on blockchain, which is like a secure ledger visible to all members of the community. So the rules of the DAO can't be changed without the agreement of the entire community.

The decentralized nature of DAOs has the potential to revolutionize how organizations operate. In traditional organizations, decision-making is often concentrated in the hands of project managers or higher-level executives, while other employees typically follow instructions and carry out assigned tasks. In contrast, DAOs provide an inclusive platform where all participants within the organization can contribute to decision-making, provide their input, and share responsibilities.

HIERARCHICAL DECISION-MAKING
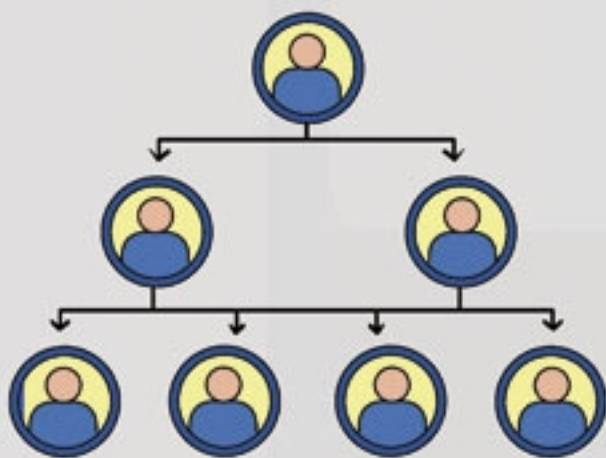
DECENTRALIZED DECISION-MAKING
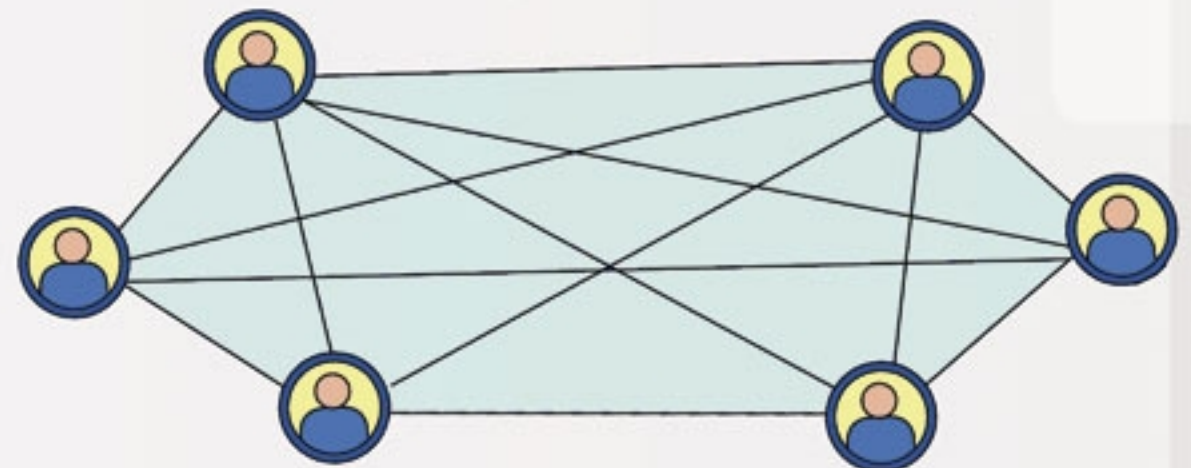
THE DECENTRALIZED DECISION-MAKING PROCESS HAS THE POTENTIAL TO INNOVATE MANY OF HR'S CORE FUNCTIONS,
such as Workforce planning and Recruitment, Performance Management, or Compensation.

DECENTRALIZED
Performance reviews

Mark is the HR director at a large manufacturing company. He faces issues with performance reviews, as some employees accuse him of being unfair. Mark doesn't know most of the employees personally, so it's hard to rate their performance.

Hector, a programmer from the IT department, suggests creating a DAO for more efficient and transparent reviews.

Following Mark's guidelines, Hector creates the DAO and invites all employees to join it and participate in performance reviews. Mark submits to the DAO the data he collects from various sources, including performance reviews, productivity reports, and customer feedback. Then the members of the DAO can add their own ratings and feedback to the employee under review.

This way, the cold data of performance reports are integrated with feedback from colleagues who work closely with the person under evaluation, ensuring a more comprehensive survey of the overall work performance. The feedback is anonymous, which eliminates resentment in the performance review. The final rating is defined by a decentralized and democratic process.

RATING SCORE
9.3
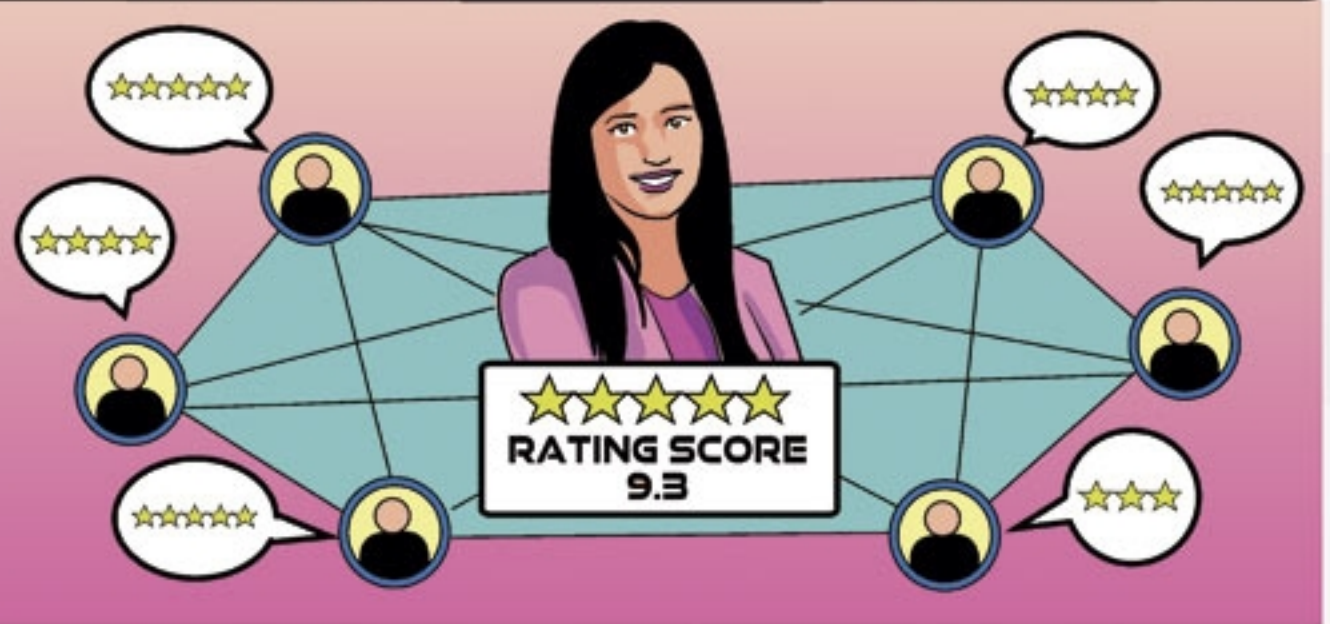
Furthermore, the DAO increases motivation among the employees, because the smart contracts automatically trigger a performance bonus for employees who meet or exceed goals.

Mark is greatly surprised by the success of the DAO. With the new system, reviews increase by 75%, and performance increases by 92%. Furthermore, since all employees are participating in the reviews, Mark no longer receives any complaints: everyone agrees that the whole process is fair and trustworthy.

# IMPROVING *Workforce Planning* WITH A DAO

Nadia is the head of human resources at a fast-growing startup that offers education services. She needs to plan for the future workforce needs, but they're hard to predict.

Recognizing the need for a collaborative approach, Nadia, with the assistance of a blockchain developer, creates a DAO to gather input and support for workforce planning.

Nadia invites to the DAO all relevant stakeholders, including HR staff, department managers, and data analysts, so that they can join efforts for a more efficient analysis of the evolution of the education market and the decision-making about the workforce planning.
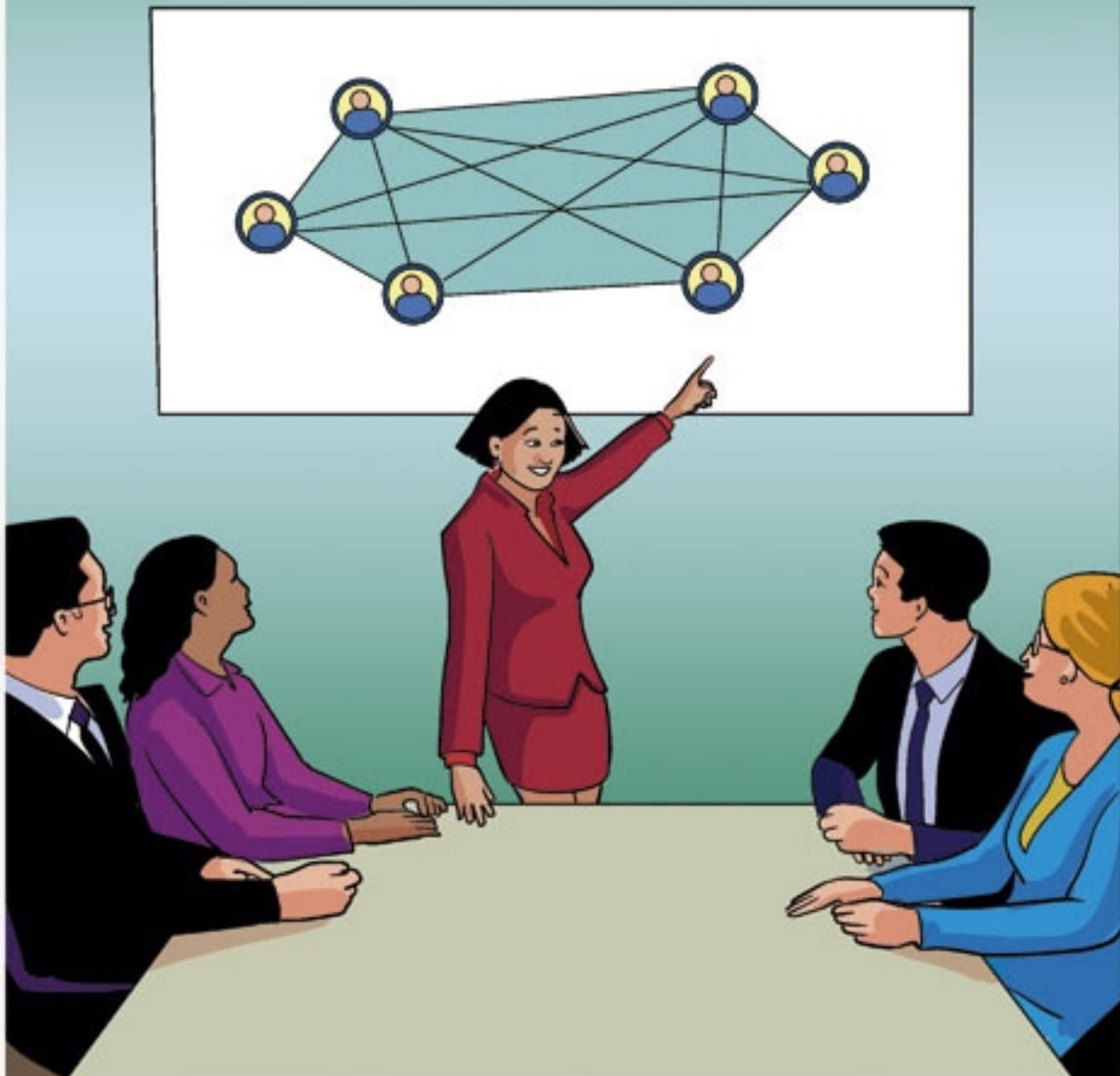
The DAO collects data related to the future of education, such as economic trends, technological advancements, and demographic changes. Additionally, the DAO collects employee data including skills, performance, certifications, and career goals.
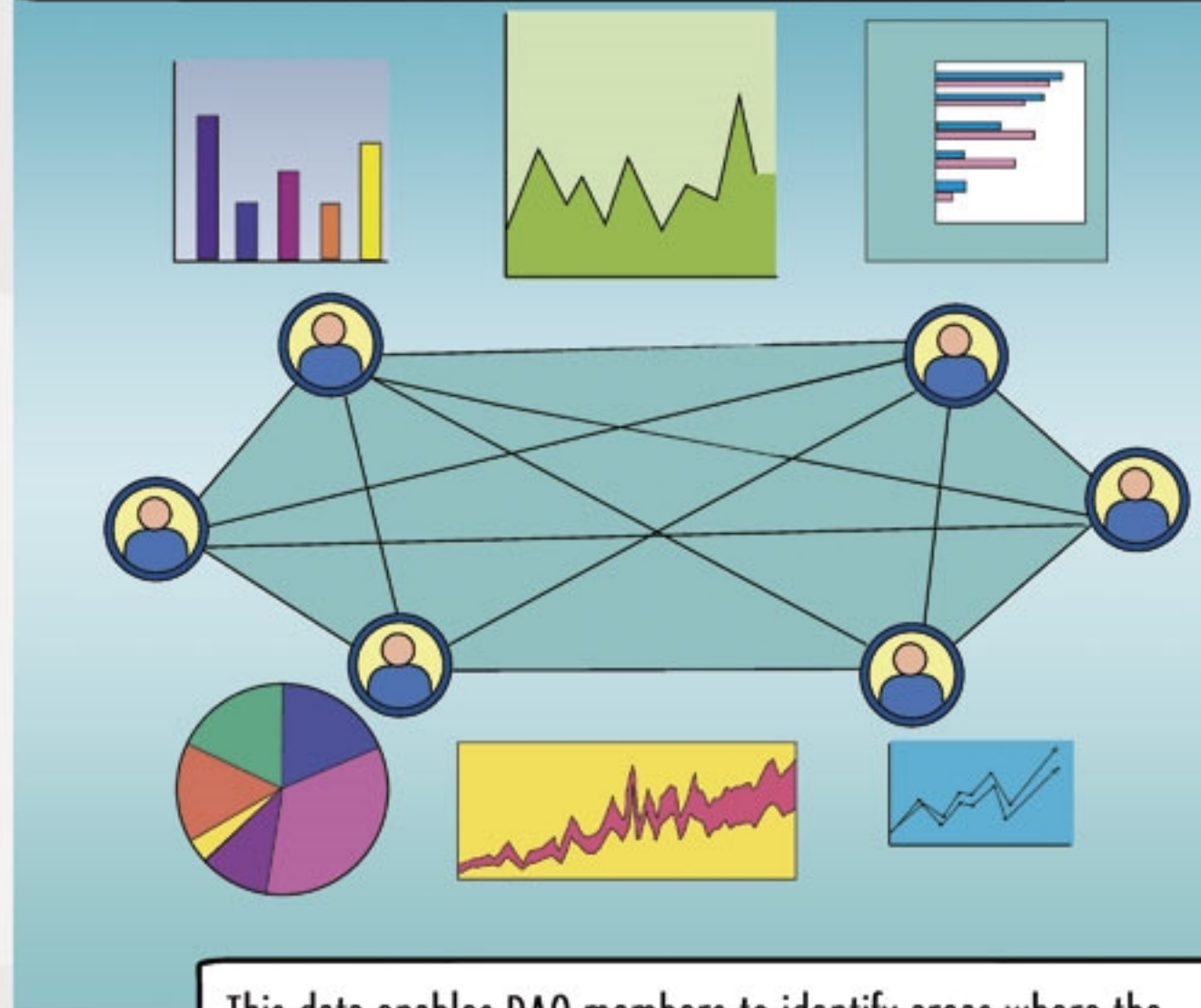
This data enables DAO members to identify areas where the company is understaffed and requires new workforce resources.

The decentralized decision-making process within the DAO allows any member to trigger alerts when certain conditions, such as a shortage of skilled workers in growing sectors, are met. This proactive approach empowers Nadia and her team to address these issues promptly and mitigate any negative impact on the company's growth.

Furthermore, the DAO ensures equal responsibility and participation by allowing every member to propose solutions and submit them for voting. This inclusive decision-making process ensures shared ownership and collective responsibility among all team members.

SOLUTION A
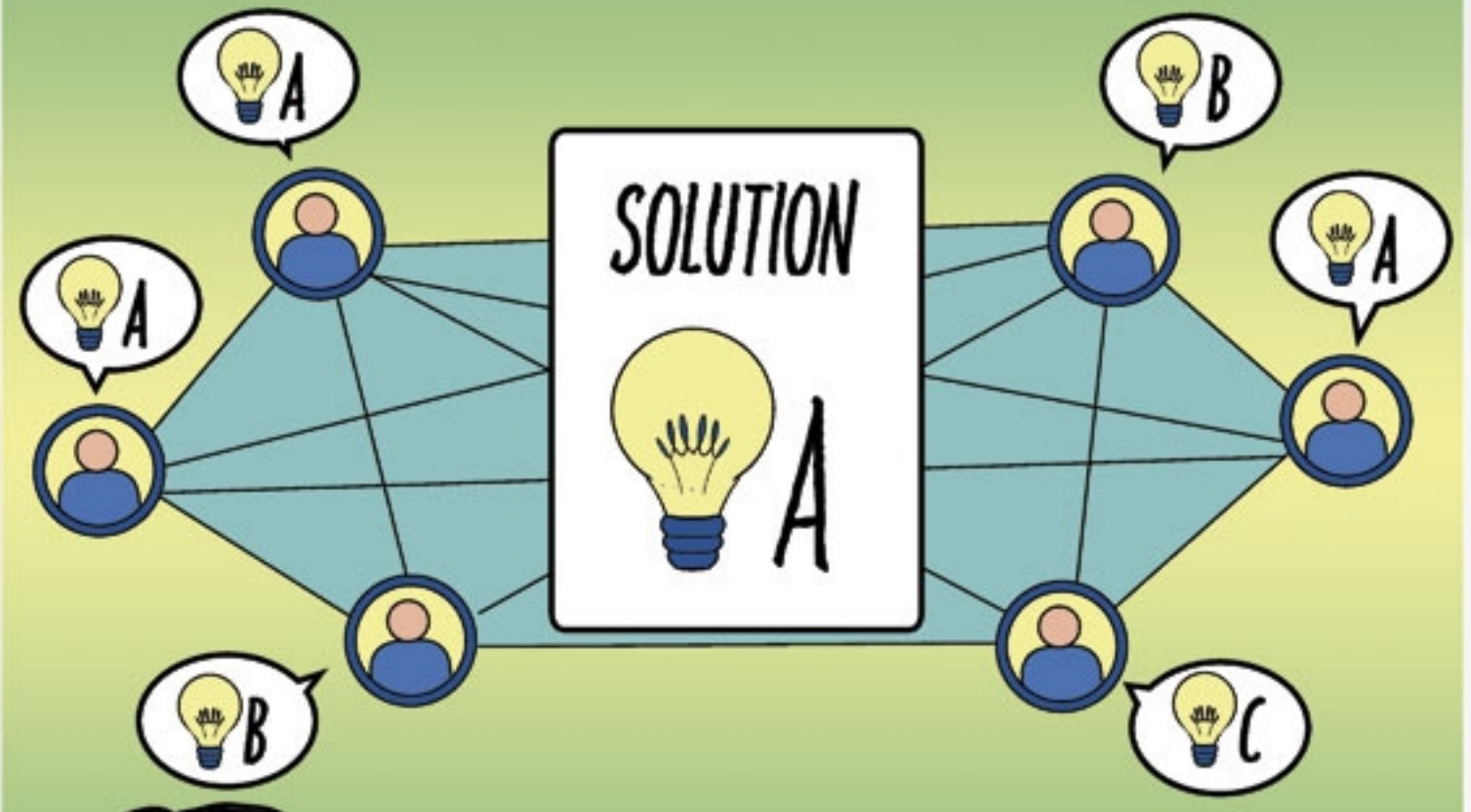
Nadia is thrilled by the success of the DAO for workforce planning. With the new system, the HR team is more effective in managing the company's talent, ensuring the company has the right people with the right skills at the right time.

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