



FROM MONOLOGUE TO DIALOGUE



Founded almost 20 years ago in China, Laboroot began as a traditional hierarchical organization where all major decisions were made by the CEO & Founders. Over the years, the pressure of hierarchy and control reached a breaking point, signaling a need for change. Today, Laboroot functions with high levels of team ownership and flexible network structures. The leadership model has evolved to include a rotating CEO who makes decisions in a participatory style. Laboroot's story is a powerful testament to the resilience of brave leaders who believed sincerely in the potential of their employees.

In May 2005, David Wei founded Laboroot in Shanghai, China. The largest shareholders and partners include David Wei, Liwei, Zhanglong, Paul Li, and Yongchao Li. Laboroot currently has offices in 13 cities in China, employs more than 120 people, and maintains long-term cooperative relationships with more than 1000 large and medium-sized enterprises.

Laboroot's mission is to improve employee relations and contribute to the harmony of society. They do this by pursuing employees' material and spiritual happiness and are devoted to providing customized consulting services for enterprises. They help them establish organizational capabilities, management systems, quality outputs, and labor law risk prevention based on good employee relations.

Failures are learning opportunities.

David remembers his first impressions of Semco Style upon hearing the story of Ricardo Semler in August 2018. He just finished reading *Maverick: The Success Story Behind the World's Most Unusual Workplace and Powerful: Building a Culture of Freedom and Responsibility*. Fascinated by the cultural spirit conveyed in these two books, he set his vision to transform Laboroot into a company like Semco and Netflix.

David emailed all staff on the first day after the Chinese Spring Festival holiday without prior communication or discussion. In this email, he announced the abolition of the Employee Handbook that Laboroot had implemented for over ten years. He also immediately canceled the company's unified attendance and reimbursement approvals system. Drawing on the Netflix Culture Manual, he introduced the Laboroot Culture Manual, aiming to transform Laboroot with the ethos of 'freedom and responsibility.'

“DRASTIC ACTIONS ONLY LEAD TO CONFUSION.”

These drastic actions failed to achieve the intended goal. Instead of clarity, it mostly confused employees, but it provided one of David's most significant lessons: "I realized that freedom and responsibility, without a framework of rules and regulations, lead to chaos. To build a robust organization, substantial effort must precede the achievement of effective self-management. We need a professional and scientific approach."

In September 2019, they heard about Semco Style Institute and made contact to learn more. The partnership agreement was signed in November 2019, and Semco Style Institute China was born under the banner of Laboroot. Due to the COVID-19 pandemic, online meetings were the only option to explore Semco Style. They started to use what they learned

step by step and introduced new ways of working in Laboroot.

The turning point for a brave leader

Initially, Laboroot operated under a typical division of labor based on departments and functions. The CEO centrally made significant decisions, often with little dialogue or input from others.

David recalls the moment he realized a change was imperative. In this traditional hierarchical model, controlling decisions was the norm, and he noticed an increase in the error rate of his decisions, coupled with a decline in decision-making efficiency. Long-serving colleagues, some with over five or ten years at Laboroot, began showing signs of burnout. The stagnation in team development mirrored the slowing revenue and profit growth, highlighting the need for more innovative approaches.

“CONTROLLING DECISIONS LEADS TO HIGH ERROR RATES.”

David identifies Brave Leadership as a critical first step and defines it through three perspectives:

1. "The ability to emancipate one's mind and the courage to acknowledge personal shortcomings. This is the understanding that today's complex problems cannot be solved single-handedly but require collective effort and collaboration for solutions."
2. "A brave leader has a clear vision and a resolute determination to step out of their comfort zone and embrace change."
3. "Brave leaders dare to redefine their role, transitioning from commander & supervisor to supporter & enabler, helping employees work happily and succeed."

The decision to disclose financial information to all employees is an excellent example of how Laboroot embodied Brave Leadership. Initially, financial reports were only shared with shareholders on an annual basis. Concerns regarding the impact of such transparency on team morale were significant, particularly during periods of poor performance or perceptions of revenue distribution during periods of good performance.

However, starting from the first half of 2020, Laboroot embraced complete transparency of financial information. Financial reports, including those of the group, subsidiaries, and business teams, were shared quarterly with all employees of all branches and subsidiaries. They openly discussed and analyzed the operating conditions of each team and the product's

revenue, cost, and profit.

“MY FEARS WERE MISPLACED.”

David soon recognized that his initial fears about financial transparency were unfounded. Openly sharing financial information fostered a significant increase in trust at a team level. At the same time, the financial operation analysis helped teams think more about business development and team development from the operators' perspective. Teams began to consider product costs actively and were enabled to make more efficient and independent decisions.

Reflecting on the past few years, David understands that the biggest hurdle wasn't just teaching leaders what they should stop doing; it was about altering their inherent behaviors and habits. Embracing this insight, David consciously attended courses and adopted new leadership transformation methods. By continuously evolving in his professional and personal life, he leads by example, embodying the essence of a transformative leader.

A new culture in motion

Since July 2021, reform has deepened to the extent that Laboroot implemented the rotating CEO system. David stepped down from the CEO role, and the rotating CEO now makes major company decisions in collaboration with the management committee. In line with the principles of Semco Style, Laboroot has systematically implemented various practices to enhance transparency further. This includes live broadcasts of the management committee meetings and strategic review meetings. This way, they actively dismantle bureaucratic structures, shifting from a traditional pyramid hierarchy to a more fluid, network-based circular model.

Today, Laboroot comprises three parallel teams: the Management Committee, the Middle & Back Platform, and the Business Team. These teams do not report to each other and even have overlapping personnel.

The Management Committee, comprising the CEO, the Middle & Back Platform leaders, and some core business teams, primarily steers the company's strategic direction. It coordinates across various teams to promote strategy implementation. The committee maintains close alignment and fosters communication with the team through weekly meetings with the management, monthly meetings with business team leaders, and quarterly all-staff meetings.

The Middle & Back Platform assists the Business Team with new media operations, market activities, live broadcasting, data analysis, operation assistance, financial personnel, and administrative support. It helps the Business Team build IP, expand resources, and facilitate business development.

The Business Team is Laboroot's main force. Typically, each city comprises two business teams: one responsible for business development and customer relationship maintenance (1-10 people) and the other dedicated to consulting service delivery (1-15 people). It's standard for at least one member from each team to be part of the same customer service team, ensuring customer needs are met and satisfaction is maintained. While business teams in different cities operate independently, they collaborate closely, especially for cross-city customer service needs and delivery, ensuring seamless service provision across regions.

In addition, Laboroot encourages cross-team collaboration with product innovation teams. These teams are typically composed of members from business development teams, service delivery teams, and at least two city business teams. These product innovation teams will develop and launch innovative services based on the type of industry, combinations of other products, or specific customer needs. Successful innovations lead to the product innovation team evolving into a virtual company, leveraging nationwide business teams and external partners for product promotion.

Laboroot held the first product innovation competition from July to October 2023 to stimulate employee participation, encourage innovation, and promote collaboration. Open to all employees, this competition encouraged forming groups of 3-5 members from various departments. Out of 13 projects registered in the preliminary round, six made it to the finals, with the top three becoming Laboroot's new product team. Two of their proposals have already received positive market feedback.

Discussions around deeper organizational reform processes have also advanced, particularly around compensation. Traditionally, the CEO decided on compensation, which posed challenges in decision accuracy and incentive timeliness. A pilot experiment was conducted with the consulting delivery team. Boundaries were set, and a certain percentage of profits were allocated for team distribution. The team made the distribution decision themselves. Since the beginning of 2023, various business teams have been empowered to set their salaries. The team determines the base salary, and the company determines the minimum performance targets. A high bonus incentive is set for exceeding these targets.

Lasting success to be proud of

David divides success into periodic and long-term success: "The goals set and achieved by the team belong to periodic success. Long-term success is a process of continuous achievement, one after another, under the premise of physical and mental pleasure for oneself and the team. Everyone gets happiness, growth, and social recognition."

David has significantly freed up his time by implementing self-management. Today, he can devote more than 90% of his time and energy to developing Semco Style's business in China rather than the management of Laboroot.

Despite challenging economic conditions in the past two years, Laboroot's annual operating income has soared, reaching its highest level in a decade. This success is attributed to the resilience fostered by involving all employees in decision-making processes, reducing the burden traditionally shouldered by the CEO and Founders alone.

The next goal is to broaden the range of equity incentives so that more employees legally become shareholders and partners. This will evolve the company into a platform for everyone to benefit from its growth and development collectively.

David is optimistic that more Chinese entrepreneurs will recognize the benefits of Semco Style and believes that this way of working should become the mainstream organizational model for modern enterprises. He believes that in today's uncertain era with increasingly complex problems, enterprises require diverse leaders capable of steering them toward employee-centered workplace cultures.