

DAOs Compared to Traditional Companies

DAO	 Dispersed	 Communal	 Transparent	 Open	 Fully Global
Company	 Fixed	 Hierarchical	 Ambiguous	 Limited	 Occasionally Global

Benefits of Decentralization

Blockchain technology offers a more open, participatory atmosphere that enables the exploration of optimized business practices.

Fewer Border Restrictions

Blockchains inherently eliminate accessibility restraints and unlock geographic openness to enable peer-to-peer transference on a global scale. As a result, DAOs can invite broader participation with remarkable swiftness as they pursue their goals of pooling capital, recruiting contributors, and compensating users and contributors.

For example, **ConstitutionDAO** raised more than **\$40 million** from 17,000 people just 7 days before bidding on an original print of the U.S. Constitution.⁶

The ability to found an organization, raise capital from thousands of people, coordinate actions, and execute the goal within a week would not have been possible in the constraints of the traditional financial system.

Worker Contributions

The top-down management approach, typically found in centralized organizations, tends to limit employees to their specific department and rarely sources ideas from those closest to relevant problems. This hierarchy is evident among bank tellers who have little say in customer service procedures, though they are the first point of contact with customers. In contrast, DAOs are formulated with a horizontal management style to extract combined intelligence and encourage engagement across participants. DAO participation is driven by each individual's desire to be part of a particular project. This active contribution aids in the development and nurturing of freely flowing ideas.

For example, **DAOstack** is an operating system for collective intelligence, offering multiple ways for users to interact with the system, thus serving everyone's needs.⁷



Alignment of Incentives

Organizations have the greatest potential for productivity when individuals' incentives match the mission. DAOs align long-term incentives by enabling their members to build, own, and influence. Building provides opportunities to create, ownership fosters financial confidence, and influence grants control over outcomes—all principles that fulfill self-actualization needs.⁸ In addition, a strong emphasis on community and mission, combined with a high degree of personal autonomy, often imbues contributors with meaningful intrinsic motivation.

For example, **Shapeshift**, a decentralized trading platform, rewarded its user base with a FOX token airdrop to compensate and express appreciation for customers' past and ongoing trading activity on the platform.⁹



Distributed Constituents

Centralized collapses can be caused by technology (as in **NASDAQ's** 2013 power outage) or leadership (such as **Enron's** fraudulent accounting practices) and have devastating, wide-reaching implications.^{10,11} Alternatively, blockchain technology provides greater transparency of participation and transactions, thus enhancing accountability. DAOs promote the inclusion of diverse opinions and skillsets within these distributed, trustless virtual networks to reduce the risk of single points of failure. The dispersed configuration of a DAO helps mitigate groupthink, the effects of localized disasters, and reliance on intermediaries or central authorities.

For example, **Sushiswap**, one of the largest DeFi protocols, blocked a suboptimal proposal to offer certain investors a large discount on governance tokens.¹² The decentralized framework enabled tokenholders to communicate their apprehensions and engage in an impartial vote.

