Bridging Centralized & Decentralized Governance

DAOs are still in the nascent stages of development—members are discovering best practices for structure, process, governance, incentives, and degree of decentralization. When considering the democratization of organizing and decision-making, a measured approach to considerations like hierarchy, vote cadence, and polling process can help avoid the pitfalls of enacting too much change too quickly.

Hierarchy

While the promise of democratization through decentralized governance is inspirational, flat hierarchical structures pose certain limitations. Consider that effective management requires definable roles and responsibilities for stakeholders to identify and achieve clear goals. Additionally, effective governance necessitates consensus mechanisms to execute decisions. In traditional organizations, focused groups create necessary areas of delegation and accountability. In DAOs, the lack of a vertical hierarchy may confuse responsibilities when individuals cannot classify their roles or identify where to direct questions. Further, due to the self-designated nature of DAO arrangements, it can be difficult to complete time-sensitive tasks promptly if collaboration falls on multiple individuals and deadlines are not established. Certain DAOs may fall flat without directional goals.

Vote Cadence

Establishing a regular cadence of community-wide meetings and a pre-set voting schedule brings more order to the governance process. The acceptance of continual voluntary opinions can result in:

A frequent abundance of proposals

Low voter participation due to uninformed members and time constraints

Distraction from the organization's mission and goals

Polling Process

DAOs introduce unique voting options specific to digital assets based on the blockchain where the project is deployed, its purpose, and its goal. New voting mechanisms are being explored and adopted to optimize impact. A few of the early methods include:

Token-Weighted Voting:

a voting process that relates the degree of influence to the number of tokens.

Advantage: encourages an individual's interest in the DAO project to purchase more tokens for greater influence.

Disadvantage: promotes privilege of large tokenholders over the interests of small tokenholders.

Time-Weighted Voting:

a voting process where each token's number of votes depends on how long the current holder has held that token.

Advantage: supports member longevity by incentivizing early and active tokenholders.

Disadvantage: newer members may find it difficult to implement their ideas, even if they are valid and would be beneficial.

Quadratic Voting:

a voting process that grants large tokenholders greater sway but diminishes supplementary power as more tokens are acquired.

Advantage: voting is more balanced because large tokenholders' influence is scaled.

Disadvantage: larger tokenholders could circumvent this process by purchasing tokens in more than one wallet.