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What's the Benefits of DAOs?

DAOs generally bring four significant strengths to entrepreneurs compared to traditional business models. Read more!

1. Easier Access to Capital

From the moment it is up and running, any DAO can crowdfund its projects by creating and selling tokens, allowing it to draw in funds from investors living all over the world. Clearly, being able to have investors from such a diverse pool from day one is an enormous benefit to entrepreneurs and one that is inaccessible to traditional businesses.

Of course, a [DAO](#) could also go down the traditional investment route by sourcing funds from venture capitalists, angel investors, or investment banks, just as a traditional business. So we could say that DAOs have all the traditional avenues of investment open to them in addition to crowdfunding through governance token sales.

And let's not forget that token sales can require considerably less work to raise funds when compared to pitching ten venture capital firms consecutively. Moreover, they are a lot less risky than using personal cash to startup a new venture.



2. Transparent and Level Operations

A DAO's operational rules are set out either in its code or its smart contracts, both of which are viewable by anyone at any time. The rules are immutable, transparent, and publicly verifiable, so anyone considering working for the DAO can check its rules and regulations before they become a member. They can see when and how they will get paid, and can even check that the DAO is paying its existing members, as all transactions are stored on a [blockchain](#).

But remember that transparency and immutability benefit entrepreneurs as well. Smart contracts allow them to safely interact with strangers all over the world the moment the DAO is up and running without needing intermediaries to guarantee its members will not be ripped off. This is a benefit that quickly translates into rapid development unencumbered by third parties and profit-seeking intermediaries.

The other benefit of transparency is that a business owner can be sure that none of the DAO's members can skim cash from the company coffers. Or if they are, catching them will be incredibly easy.

3. A Democratic Model of Business

DAOs are democratic by design, meaning each employee – provided they hold some of the DAO's governance tokens – has a say in how the DAO operates. It is the opposite of how most conventional business owners manage their operations today.

In fact, a recent study showed that a third of all employees do not believe that their boss listens to their ideas. Most of us have experienced the feeling that we are overlooked or ignored to some degree. But DAOs have better communication and collaboration built into their structure, and their employees know that their opinions and ideas are heard.

But how do a democratic business and better worker communication help business owners and entrepreneurs? Most obviously, they get to hear a wide range of opinions all the time and notice other employees critique those ideas before they need to look at them seriously. So there is less chance that a great idea will never see the light of day.

Another benefit comes from employees being financially involved in the company they work for, just as if they were in a cooperative. Naturally, employees with skin in the game work considerably

harder than those doing it just for a salary.



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4. Tiny Overheads and Global Influence

A DAO has tiny overheads and startup costs when compared to a brick-and-mortar business, which needs office space and furniture pretty much from day one, plus loads of other expensive equipment to operate at scale.

A DAO's low overheads and expenses are obviously big wins for startup founders and entrepreneurs, as there is less pressure on them to make a certain amount of money every month to pay for all the brick and mortar.

Of course, it is not just office space and equipment that a DAO can do without. It also does not need any paid administrators, nor does it need to pay for middle managers, supervisors, or HR managers, which are taken care of by its smart contracts.

A DAO's heaviest overhead is usually to develop its initial code, and, if necessary, rent some server space for hosting a blockchain. Both are preferable when compared with the aforementioned office space and equipment of traditional businesses.

But don't make the mistake of thinking that a DAO's overhead is small and therefore its capacity or scope must be limited. In fact, a DAO has global reach right from the beginning, because anyone, anywhere, can apply for membership at any time.