

DAO - The Next Big Thing in the Blockchain Landscape

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By Vipin PG | Published July 17, 2023 | Updated January 4, 2026 | Format: Article | 3 min read

In brief

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More and more organizations use blockchains to decentralize their management, improve mutual trust, and ensure that decision-making is arithmetic and not opinionated. With this approach, businesses work like a community where everyone knows what the others are doing.

The blockchain industry is huge, projected to reach a whopping \$163.83 billion by 2029, with an incredible compound annual growth rate of 56.3%. That's because it breeds trust and transparency within organizational frameworks. The best thing about blockchain technology is that businesses are willing to embrace it with open arms.

According to 2020 statistics, 53% of C-level executives identified blockchain as vital to their organizational infrastructure. A recent IBM study states that senior executives think blockchain technology will significantly enhance managerial transparency and make leaders accountable for their actions.

The concept of the decentralized autonomous organization, or DAO, is perhaps the best blockchain innovation for organizations in recent times. Experts consider it the next big thing in the blockchain landscape. Let us explain a DAO, how it works, and how it is all set to change how organizations run.

What Is a DAO?

A DAO, or decentralized autonomous organization, is a member-owned organization operating without centralized leadership. At a deeper level, a DAO is a computer program that operates on a blockchain. It follows smart contracts to enforce the foundational rules and execute the community-led decisions. In this way, a DAO is governed entirely by its members rather than a leader.

Everyone in the community makes crucial decisions for projects like technology upgrades and treasury allocation. DAOs can run seamlessly across borders by bringing members together regardless of location. It distributes its voting rights by selling or transferring its tokens.

KulaDAO states that the concept of DAOs opens a ground-breaking way to run a business. All stakeholders in the community benefit as they have a voice, engagement, and participation. Moreover, the governance protocol ensures that the organization doesn't break the rules.

How Big Is DAO?

While the DAO market is a relatively new concept, it is already growing rapidly. As of 2022, the DAO ecosystem had 4227 entities, and the total market capitalization of tokens was ~\$21 billion. Nearly 182 of these organizations held a treasury value of around \$10B. The ecosystem had nearly 1.7 million token holders, including 497.8K active voters and proposal makers.

Another event that shows how big DAO gets is when around 17000 people recently came together in a DAO to crowdfund \$46 million to bid for an original copy of the US Constitution at a Sotheby's auction. Unbelievably, the group raised the funds only within a few days. Although the group lost the auction, the potential of DAO became common knowledge.

How Does a DAO Work?

A DAO runs on blockchain technology, using a secure and transparent digital ledger to track and verify transactions. The software enables members to reach a consensus around governance and tokens and eliminates the need for a centralized decision-maker in transactions. The launch of a DAO includes three steps:

- Smart contract creation enables the automatic execution of the agreed rules without human intervention.
- Funding is gathered by issuing tokens to the community members who get voting rights according to their holdings.
- Deployment on the blockchain gets the DAO formally off the mark, with all members sharing a common goal.

DAOs can help access finance without relying on traditional financing and corporate rules. The concept makes sense as more and more companies integrate cryptos into business.

Further, it drives collaboration and consensus within companies because they can work like communities rather than being governed by many leaders sitting on the top. Truly, blockchain-based decentralized autonomous organizations are poised to revolutionize the business landscape.

What Next?

DAOs have come a long way since the first one was launched in 2016, raising nearly \$150 million within 21 days from 11,000 investors through token sales, and the same year marked the infamous DAO hack, which proved that blockchain isn't as hack-proof as everyone thinks. Despite a shaky start, these organizations continue to go strong due to the benefits of decentralization, transparency, trust, and efficiency.

The power of DAOs, as understood today, is only the tip of the iceberg. The blockchain community expects them to transform the entire organizational infrastructure in the future. Undoubtedly, the concept is here to stay.

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