How to Create a Decentralized Autonomous Organization (DAO)

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How to Start a DAO?

Now that we have explain [what a DAO is](#) in previous articles, here we'll give a step-by-step guide for creating a DAO.

Develop a Solid Foundation

The first step is to determine in discussion with your peers why a DAO is needed, what role it will play, and how it will work. For the DAO to be developed, it involves human decision making to identify opportunities, possibly recruit collaborators, validate requirements and outline processes that can be automated and put into a smart contract.

Clarifying the goal with other DAO enthusiasts is of utmost importance to avoid any chances of disagreement in terms of DAO's governance structure. Also, you need to have an encrypted wallet, which allows for transactions and storage.

Before investing in any business, the first question investors or funders will look at is the source of revenue. So, how does a DAO make money?

Dividends are the primary source of income for DAOs. DAOs make investments that help them earn dividends. DAO creators can also make money by persuading peers to invest in the DAO based on its business concept.

Define Ownership

After mutually agreeing on the DAO's intent, the next step is to establish ownership for DAO's members, which helps develop and grow decentralized autonomous organizations. A DAO can

transfer ownership to its members in various ways because ownership is usually tokenized. The two standard methods used by DAOs are "airdrops" and "rewards.''

With airdrops, tokens are distributed to members depending on their contributions and community behaviors. Rewards are bonuses paid to members who achieve duties and goals. Members gain ownership by earning native token-based rewards. Tokens can also be purchased through decentralized exchanges like Uniswap.

Build a Governance Structure

In this stage, how decisions will be made once a DAO is set up are determined. "Token weighted voting" is the most common method used to establish decision-making rules. Voters are token holders, and each token represents one vote. Members submit ideas using a tool like Snapshot, then they vote based on the preferences of other members, and the outcomes are then executed automatically via smart contracts.

Place Rewards And Incentives

Setting up rewards and incentives as the various benefits offered to DAO members and contributors builds trust. Native governance tokens are distributed to the members and contributors who have ever used the DeFi protocol under consideration. These tokens represent ownership rights, but they do not have any market value.

DAOs may also reward contributions with cryptocurrencies like ETH, Tether (USDT), or USD Coin (USDC) or even with titles and grades. After the DAO conceptualization phase ends, the reward structure can further be improvised.

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The Cost of Start a DAO

Because there is no set price for creating a DAO, the price depends upon the gas fees on the network at a time when you plan to create a DAO. For instance, if you choose to create a DAO on the Ethereum [blockchain](), you will incur gas fees, which is the cost charged by the network for loading the smart contracts onto the blockchain.

Approximately 0.2 ETH, with an average gas fee of 30gwei, may be charged. Additionally, you'll have to file an annual report every year, which [costs]() $60 or more depending upon your business operations.

The Outlook of DAOs

The average person is unlikely to work for a corporation in the future. Instead, people will earn money in unconventional ways, such as by learning new skills, making art, playing video games or curating information.

The networks that grow around crypto protocols, which are emerging as new ways of coordinating, quantifying, implementing and rewarding contributions, are enabling this novel future of work.

This transition is already starting to open up passive income opportunities for individuals, and it's leading to an increasing transfer of value capture from corporations to people participating in crypto networks as individuals, such as in DAOs.

DAOs will eventually supplant the old governance approach. Moreover, they are no longer just an optimistic notion, even though they are still in their early stages of development. This is because DAOs are transparent businesses that manage billions of dollars in assets and invent new methods for contributors and network participants to make money.

DAO is becoming more and more common, and it is an exciting time for industry and organizational experts to address this new phenomenon through new theoretical and empirical research. In addition, brands must keep up with current developments that may affect the way they interact with their customers and vice versa. While DAOs are not yet common, they seem to be attracting many optimistic creators.