Potentials of Decentralized Autonomous Organizations:
A Conceptual Model to Address Agency Conflicts in Traditional Corporations

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Introduction

This research **explored the potential of DAOs** in addressing agency conflicts within corporate structures.

The aim was to **develop and evaluate a conceptual model** that illustrates the governance concepts of DAOs and their potential impact on agency conflicts within centralized corporations

Current Situation & Problems

- Ineffective Traditional Mechanisms

- Lack of Transparency and Inclusivity

- Need for a New Approach

Problem Statement

- The problem addressed in this research is **the lack of understanding and practical guidance** on how the governance concepts of DAOs can potentially be leveraged to mitigate agency conflicts in corporations

- This lack of understanding **hinders the effective implementation of DAOs in a corporate setting**
  - DAOs are a new concept
  - No consensus on DAO's inclusion and design
  - Little literature on DAOs and Agency Conflicts
  - Limited guidance for corporations

Research Objectives

- Explore the **potential of DAOs to address agency conflicts** within corporations

- Develop a **conceptual model** that outlines principles that can be applied to design a DAO that mitigates agency conflicts within corporations

- **Evaluate, refine, and validate** the conceptual model through multiple expert interviews

Summary of Research Design

- **Research Strategy**: Design Science Research (DSR)

- **Research Techniques**: Literature Review and empirical investigation through semi-structured expert interviews

Awareness → Suggestion → Development → Evaluation → Conclusion
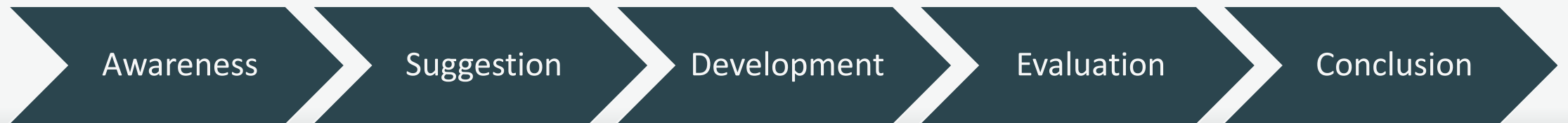
Synthesis of the Literature Review

Agency Theory highlights the conflicts of interest between principals and agents in corporations

DAOs are decentralized, blockchain-based organizations that can operate autonomously through smart contracts

DAOs have the potential to address agency conflicts in traditional corporations by leveraging their unique features

Advantages of DAOs

- **Better decisions** through inclusion and collective intelligence.

- Increased **transparency, trust,** and **accountability**.

- Increased **participation** and **engagement**.

- Better **alignment of interests**.

- **More design space** to create a customized governance model.

- **Increased innovation and flexibility**.

- **Increased efficiency** and **reliability** through automation.

Objectives of the Model

- Provide **practical recommendations**

- Consider the **distinct characteristics of DAOs**

- Provide a **flexible and adaptable structure**

- Offer a **theoretical and practical foundation**

- Create **knowledge and insights**

Suggested Model's Structure

| Key Characteristics of DAOs | are used to identify | Governance Dimensions | create potential | Advantages | serve | Governance Best Practices |

Process

Expert: Zanganehpour

Prototype

Expert: Teissonniere

First Evaluation

Expert: Teissonniere

Second Evaluation

Expert: Klaus

Third Evaluation

Final Model

Expert Evaluations: Summary of Changes

Make the model more **practical**

Governance Best Practices → Agency Conflicts
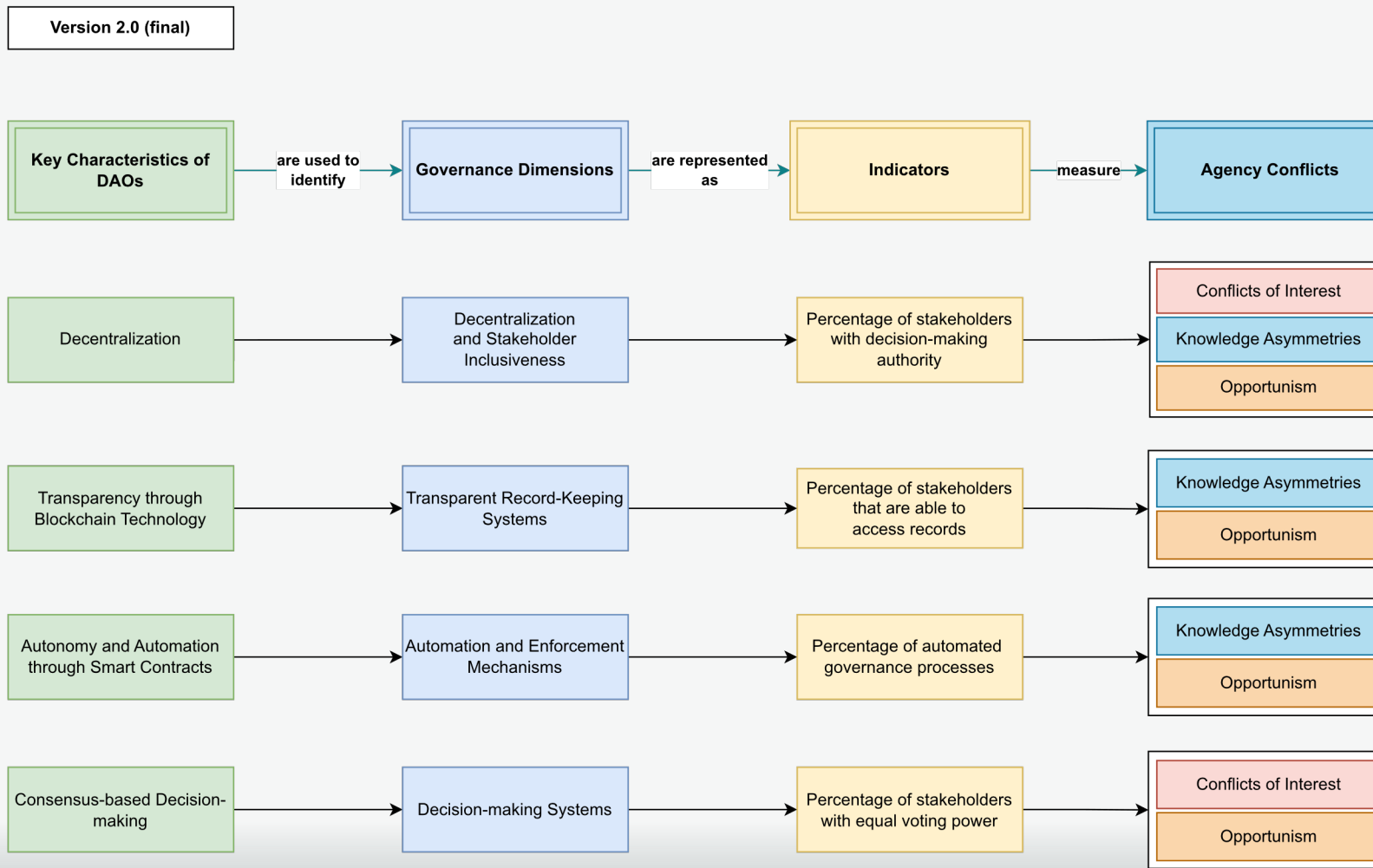
Make the model more **measurable**

Advantages → Design Options → Indicators

Make the model more **concise**

Incentives → Transparency & Automation

Transparency Mechanisms → Transparent Record-Keeping Systems

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Result: 4-Layer Conceptual Model

Version 2.0 (final)

Conclusion

DAOs present a **promising solution** to **mitigate agency conflicts**, but the transition process requires careful planning and to overcome resistance

The conceptual model can **assist companies in designing a DAO governance system** that addresses agency conflicts within the corporation

- Lacks empirical validation within corporations

- Is subject to real-world testing and validation

- Empirical validation of the conceptual model through
  - Case studies
  - Comparative studies

- Exploring the legal and regulatory challenges and implications of implementing DAOs in corporate settings

Limitations and Future Research Directions