DAO stands for Decentralized Autonomous Community. As the name suggests, a DAO is an organization automated by computer code and open for anyone to participate (as long as they meet some basic requirements). Being autonomous means that smart contracts help run the majority of the processes without human interference. A DAO is created and managed by a community, which collectively manages its funds and projects.

## What does a DAO need?

Among other things, a successful DAO should cover at least the five points below:

**1. A DAO needs a purpose.** DAO’s are simply a way of organizing projects or funds. Without a good underlying project and reason, your DAO will have nothing to run.

**2. A DAO needs a voting mechanism.** This is the primary way people interact with the DAO and make changes. There are multiple ways to do this. You could create your own voting mechanism or use a third-party provider, as we discuss later. Your DAO may even vote to change the mechanism later, but you need to start with something.

**3. A DAO needs a governance token or share system.** How will people prove their right to an opinion in the DAO? A governance token is very common, and the token often might also be a utility token. A shares system is more common to funds where users deposit cryptocurrencies with the DAO to be invested.

**4. A DAO needs a community.** Decentralization gets stronger as more people join and participate in the governance of your DAO. This way, power is spread across more stakeholders.

**5. A DAO needs a way to manage its funds.** Most DAOs will have a treasury or access to some crowdfunding. This is usually held in a multi-signature wallet, which can only be used if all key participants agree.