Internet-Native Organizations: A New Paradigm

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***Abstract*—Decentralized Autonomous Organizations (DAOs) emerged as a promising mechanism for blockchain-based coordination, yet have failed to overcome the coordination problems they set out to solve. This paper introduces the concept of the *internet-native organization* (INO)—a network-coordinated body whose work, governance, value systems, and incentive structures are fundamentally mediated by the internet. Unlike DAOs, which are defined by technical implementation (smart contracts, tokens, voting), INOs are defined by coordination outcomes and are technology-agnostic. Through a genealogical analysis of DAO failures from 2013–2026, we identify three systemic bottlenecks—Opacity, Capture, and Friction—and propose corresponding interventions: open knowledge architecture, polycentric governance, and continuous decision-flows. We argue that both traditional organizations and existing DAOs can evolve toward the INO ideal, and that the path forward requires intentional, bottleneck-specific intervention rather than wholesale adoption of any single mechanism.**

***Index Terms*—decentralized autonomous organizations, internet-native organizations, governance, coordination, polycentric governance, open knowledge architecture**

I. Introduction

The promise of decentralized coordination has captivated technologists, entrepreneurs, and governance theorists for the better part of a decade. The roots run deeper than blockchain. Governance theorists like Elinor Ostrom demonstrated as early as 1990 that communities could self-govern shared resources without centralized authority—work that earned her a Nobel Prize.

Technologists proved the model through open-source projects like Linux (1991) and Wikipedia (2001), before Bitcoin's 2008 whitepaper showed that decentralized consensus could operate at scale without a trusted third party. When Ethereum launched in 2015 and made coordination programmable, entrepreneurs followed the signal: over $5 billion poured into token sales in 2017 alone, DAO treasuries surged from $380 million to $11.5 billion in 2021, and by 2024 nearly 20,000 DAOs managed roughly $37 billion in collective assets.

Yet despite tens of billions of dollars flowing into blockchain-based experiments, the organizational innovations that emerged—primarily Decentralized Autonomous Organizations (DAOs)—have failed to overcome the very coordination problems they set out to solve:

- Knowledge remains scattered across a median of six to eight platforms per DAO with no formal sharing protocols [5], [6].
- Power has reconcentrated such that fewer than 1% of token holders control roughly 90% of voting power [7], [8].
- Participation rarely exceeds 10% of token holders and even critical votes at top DAOs seldom break 25% [8], [9].
- Decision cycles still require three to eight weeks from proposal to execution [10].

But this is a failure of implementation, not vision. The DAO was only ever a mechanism—a partial solution to a problem that demands comprehensive reimagining. The true goal is the internet-native organization (INO).

A. Defining the Internet-Native Organization

An internet-native organization is a network-coordinated body whose work, governance, value systems, and incentive structures are fundamentally mediated by the internet—remove the internet and the organization ceases to exist in recognizable form.

The term has appeared before. Seed Club Ventures (2023) used it to describe a category encompassing DAOs, tokenized communities, and guilds. Forefront (2022) used it interchangeably with DAOs themselves. But prior usage either equated the concept with DAOs or treated it as DAO-plus-legal-compliance. The definition here is distinct in two ways: it is technology-agnostic—no blockchain required—and it identifies the specific dimensions (work, governance, values, incentives) that must be internet-mediated, not merely internet-enabled.

Consider Wikipedia: its work is coordinated through internet infrastructure, its governance operates through consensus-based editing norms and elected committees mediated entirely online, and its value system—radical openness, verifiability, neutral point of view—is constitutively internet-native. Wikipedia has never touched a blockchain. It is, by this definition, closer to an internet-native organization than most DAOs.

The distinction from DAOs is crucial. A DAO is just a mechanism, defined in recent research as "an organization governed by a smart contract, typically deployed on a blockchain that autonomously enforces rules for interaction among the members" [1]. An internet-native organization is the ideal that mechanisms serve.

II. Mechanism vs. Paradigm

Not all DAOs rise to the level of internet-native organization. Many remain what Eugene Leventhal—governance

TABLE I
DAO VS. INTERNET-NATIVE ORGANIZATION

	DAO	Internet-Native Organization
Nature	Mechanism (contracts, tokens, voting)	Paradigm (comprehensive coordination environment)
Scope	Tokenized governance + treasury management	Full spectrum: distributed knowledge, reputation, infrastructure
Defined by	Technical implementation	Coordination outcomes
Technology	Blockchain-dependent	Technology-agnostic

researcher, Head of Governance at Octant, and Research Director at the Metagovernance Project—calls "governance theater": structures created primarily for regulatory avoidance, with token voting bolted on but with no coherent approach to knowledge, reputation, or dispute resolution [2].

In his December 2025 essay "gov/acc: Accelerating Governance Innovation in Web3," Leventhal draws this line explicitly, arguing for a time-bound research program to distinguish functional decentralized governance from its performative counterpart—with Devcon 2026 as the deadline [11].

Some DAOs do achieve internet-native status: those that transcend the cryptographic layer to build open knowledge systems, polycentric governance, and verifiable accountability. And critically, organizations can become internet-native without ever being a DAO—the ideal is defined by outcomes, not tooling.

A. Where Coordination Breaks Down

Traditional organizations are tethered to nation-state infrastructure. Disputes end in jurisdictional courts. Employment assumes geographic presence. Knowledge stays locked behind proprietary walls. The result: exiting the ecosystem—the fundamental check on organizational dysfunction—remains prohibitively costly. The infrastructure that once enabled coordination now constrains it.

DAOs emerged as an attempt to transcend these limitations by encoding governance rules in smart contracts and distributing decision-making authority among token holders. The experiment yielded valuable insights: strangers could coordinate around shared treasuries without centralized control, and governance rules could be enforced programmatically. But DAOs also exposed significant limitations. Token-weighted voting devolved into plutocracy. Knowledge fragmented across Discord servers and forums with no coherent architecture. And DAOs focused almost exclusively on the cryptographic layer while neglecting the social, epistemic, and reputational dimensions of coordination.

III. A BRIEF GENEALOGY OF DAOS

To understand what internet-native organizations must achieve, we can trace where DAOs went wrong. Each era exposed new coordination failures that together reveal three bottlenecks any successor must solve: Opacity, Capture, and Friction.

TABLE II
GENEALOGY OF DAO COORDINATION FAILURES

Era	Key Events	Bottlenecks Exposed
2013–2016: Genesis	DAO concept; The DAO hack	Infrastructure fragility (Capture), No legitimate adjudication (Friction)
2017–2019: ICO Era	Token boom/bust; early governance	Working groups & committees (Capture), reputation becomes speculation (Opacity)
2020–2021: DeFi Summer	Governance tokens (Compound, Uniswap); voter apathy emerges	Slow coordination, costly exit / identity lock-in (Friction)
2022–2024: Disillusionment	ConstitutionDAO; governance fatigue; team wind-downs	Knowledge silos, all bottlenecks apparent (Opacity)
2025–2026: Reckoning	ENS governance retro; Uniswap delegate exodus; gov/acc movement emerges	Foundation vs. DAO tension (Capture); re-delegation crisis (Friction); systematic self-diagnosis

IV. THE THREE BOTTLENECKS AND THEIR INTERVENTIONS

A. Opacity—You Can't See What Matters

Knowledge is frozen in silos. By the Disillusionment era, critical context was scattered across Discord servers, Notion pages, and forum threads—institutional memory evaporated when contributors churned. Reputation compounds the problem: token holdings became status signals, and speculative clout overshadowed verifiable contributions.

The intervention: open knowledge architecture that thaws frozen information through documentation, transparent decision records, and cross-domain routing—paired with verifiable merit signals that build credible reputation through proof-of-contribution systems and portable credentials that move with contributors.

B. Capture—You Can't Leave or Act Freely

Power concentrates in gatekeepers. The ICO era created feudal structures: working groups that enforced norms through personal authority rather than procedural legitimacy. By 2025, this pattern reached crisis: at Uniswap, a top delegate resigned after the Uniswap Foundation—recipient of $165 million in DAO funds—allegedly sidelined contributor voices in favor of institutional priorities [4]. The dispute escalated to a Congressional hearing. Token-weighted governance had created new feudal structures, just with different lords.

The intervention: polycentric governance that replaces feudal moderation with dynamic, consent-based hierarchy where expertise leads when relevant and roles rotate to prevent power

accumulation. Self-sovereign infrastructure minimizes platform capture through portable identity and protocol-level composability. Voluntary exit paths preserve voluntarism through low-friction departure options.

C. Friction—You Can't Move or Resolve Fast Enough

Coordination cycles are slow and uneven. Proposals take weeks or months from draft to execution, creating mismatches between urgency and action. When disputes arise, there's no legitimate resolution—conflicts escalate to social exile or nation-state courts. Speed and legitimacy are both broken.

The intervention: continuous decision-flows that accelerate coordination through pre-authorized automation, conviction voting, and governance milestones that allow sentiment to emerge continuously. Protocol-level dispute resolution through polycentric arbitration and graduated sanctions replaces the binary of compliance or exile.

V. Pathways to Evolution

Neither traditional organizations nor current DAOs are fully internet-native. But both can evolve toward this ideal.

A. For DAOs: Expand Beyond the Cryptographic Layer

DAOs have solved the mechanism problem—smart contracts, transparent treasuries, on-chain governance. The path forward isn't more tokens; it's addressing the bottlenecks that tokens can't solve: open knowledge architecture, governance legitimacy beyond token weight, verifiable reputation, and mature dispute resolution.

This shift is already underway. In early 2026, ENS DAO approved a $125,000 governance retrospective led by Eugene Leventhal and Mike Cooper at Metagov—30+ stakeholder interviews, systematic spending analysis, and a sequenced reform roadmap [3]. Mature DAOs are recognizing the limits of mechanism-only coordination.

B. For Traditional Organizations: Skip the DAO Phase Entirely

Traditional organizations don't need to become DAOs to become internet-native. The DAO experiment was a decade-long research program that mapped the coordination bottlenecks for you. Learn from it without repeating it.

Traditional organizations already have what most DAOs lack: accountability structures, legal clarity, institutional memory, and dispute resolution processes. What you're missing is what internet-native organizations provide: open knowledge flows, permissionless contribution pathways, portable identity, and coordination that moves at the speed of the problems you're solving. You don't need blockchain to get these. You need the interventions, not the mechanism.

Both paths lead to the same destination: organizations that solve the three bottlenecks, regardless of where they started.

VI. Conclusion

The internet-native organization represents neither a rejection of traditional institutions nor a validation of the DAO experiment. It is a synthesis—taking the accountability structures of traditional organizations, the permissionless innovation of DAOs, and the coordination potential of networked technology to create something genuinely new.

The three bottlenecks—opacity, capture, and friction—are not bugs to be patched but fundamental constraints that have shaped human organization for centuries. The corresponding interventions offer a coherent framework for addressing them. The path forward requires intentional evolution: identifying which bottlenecks constrain your organization most severely and implementing the corresponding interventions.

Lighthouse is operationalizing this framework: open knowledge architecture, polycentric governance, and continuous decision-flows—not as theory, but as infrastructure you can adopt.

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