

# CIOs can't ignore the realities of blockchain

What would happen if a car automatically negotiated its own insurance rate or centralised banks were no longer necessary to verify payments? What if neighbours could buy energy directly from each other's solar panels? What if a contract enforced its own clauses?



Rajesh Kandaswamy, VP Analyst, Gartner

These scenarios might seem overly futuristic, but the reality is that blockchain could make all of them possible. The more important question is how might these changes affect the enterprise and how can the organisation exploit the technology?

"Few enterprises have deployed blockchain, yet it can significantly impact broad swaths of the business," says Rajesh Kandaswamy, VP Analyst, Gartner.

"The low adoption of blockchain technologies lulls many CIOs into thinking they don't yet have to take action."

Only 4% of enterprises expect that blockchain will be a game-changer for them, according to the 2019 Gartner CIO Survey. Only 11% of enterprises have deployed - or will deploy over the next year - even minimal, blockchain-inspired technologies.

But CIOs need to start thinking about what value blockchain can add to their organisation and how to tackle the challenges

over the next five years.

## **Reality No 1: Blockchain provides a spectrum of opportunities that evolve over time**

Blockchain is not a monolithic technology. The term blockchain actually encompasses a wide range of technologies, from smart contracts to tokens to consensus models that will continuously mature and become available. In turn, CIOs should plan for incremental evolution of their own blockchain strategies.

Blockchain technologies fall into four phases on the Gartner Blockchain Spectrum:

1. **Blockchain-enabling:** These are the building blocks of blockchain, including encryption and consensus algorithm, distributed computing infrastructures, tokens and others.
2. **Blockchain-inspired:** Technologies in this stage combine some elements of blockchain, but lack two core elements: decentralisation and tokenisation.
3. **Blockchain-complete:** These solutions have all five elements of blockchain. They are decentralised, immutable, encrypted, tokenised and distributed.
4. **Blockchain-enhanced:** Alongside the five elements of blockchain, blockchain-enhanced is combined with technologies such as artificial intelligence (AI) and the Internet of Things (IoT) for more intelligent solutions.

## **Reality No. 2: Blockchain can change your operating model, not necessarily your business model, in the next 5 years**

While blockchain will eventually change the core of a business, in the next five years it will mostly affect how an organisation executes its business. Focusing solely on how blockchain is being used today (i.e. efficiency and record-keeping) is limiting. CIOs should look for opportunities to leverage blockchain technology for deeper business changes that can drive real value.

Begin by looking for areas where blockchain could strengthen the organisation's value proposition, and propose projects that could truly differentiate the organisation. Put real thought into how this technology could benefit the business, versus just purchasing a cool "disruptor" venue.

## **Reality No. 3: Blockchain offers the ability to create a multi-asset digital economy**

It's time to think creatively about tokenisation and digitally representing assets in the marketplace. For some organisations, this will increase efficiency and for others, it will enable entirely new markets. Consider how tokenisation would be helpful in current business operations and in the future, and talk to ecosystem partners about tokenisation's potential and challenges.

## **Reality No. 4: Blockchain enables a new society, but doesn't solve trust problems at all levels**

One of the main elements of blockchain is decentralisation. It removes central authorities from the process and enables a level of trust between two parties who have never done business together. This means that the definition of a participant will expand beyond individuals and businesses to include smart contracts, distributed ledgers, connected things and DAOs.

Blockchain will facilitate the interactions between all of these participants and enable a new society, but cannot solve all trust problems. For example, any goods that are physical or not completely digital would gain limited (if any) trust value. Create a map that highlights potential gaps and weak spots, and don't oversell blockchain technologies to executives as a solution to every problem.

## **Reality No. 5: The programmable economy will set the terms of competition in the future**

The reality is that blockchain and its core elements will radically alter not only the business world but the world in which businesses exist. Blockchain will allow autonomous e-commerce and eventually a programmable economy. A programmable economy results from applying distributed computational resources, such as blockchain at scale, in a decentralised manner to support exchanges of monetary and non-monetary value between people, organisations and artificial agents that have a legal standing equivalent to today's corporations and individuals.

This will eventually evolve into a digital society, as consumers change behaviours and adopt new practices. Organisations will need to develop the technology, but also the ethics and practices to exist in the digital society.

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