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## Businesses look beyond the finance benefits of blockchain innovation



by

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Companies from a variety of industries have started exploring how blockchain governance strategies can reduce costs, speed interactions and expand business capabilities.

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Blockchain, the technology that drives bitcoin, is being trumpeted as the next big thing to shake up business and how the world handles transactions.

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Fortune 500 companies, industry consortiums and venture-backed startups are exploring how to use blockchain and the enabling cryptography technologies to reduce costs, speed interactions and expand business capabilities.

"We're in the early stages of what could be a huge revolution. This could be as fundamental a change in how we work and live as the Internet was," said Ron Hale, chief knowledge officer of ISACA, an international professional association focused on IT governance.

A number of enterprises, executives and technologists are banking on that prediction as they explore governance opportunities that expand the technology beyond bitcoin and financial transactions.

Among those leading that work is Microsoft, which with ConsenSys is offering Ethereum Blockchain as a Service (EBaaS) on Microsoft Azure to allow enterprise clients and developers a cloud-based blockchain developer environment.

Then there's the Linux Foundation's Hyperledger Project, an open source, collaborative effort, with IBM as a premier member, aimed at creating a blockchain for business.

Another example is R3, a financial innovation firm formed by a consortium of the world's leading banks to design and deliver the technology to the global financial markets.

#### Bitcoin's blockchain influence

Blockchain, which in the most basic terms is a distributed ledger technology, quickly caught the attention of technologists following a paper titled *Bitcoin: A Peer-to-Peer Electronic Cash System* that was posted on the internet in 2008 under the name Satoshi Nakamoto. Interest in the technology grew following the establishment of bitcoin and the ascent of this decentralized currency system.

Analysts say bitcoin advanced blockchain by delivering technological breakthroughs, including the ability to ensure against "double spending" virtual currencies. Another significant accomplishment is its peer-to-peer capability, which thus takes intermediaries out of transactions.

"It provides security in the sense that you can prove the transaction hasn't changed and can see where it came from, so it's really about taking the middleman out of a transaction," Hale said. "All the money and value in financial transaction that is consumed by middle partners who provide the trust factor now goes away. That takes a great deal of risk out of financial systems."

It also cuts down on the time it takes to clear and settle transactions, he said.

"It's going to be very disruptive. The people sitting in the middle are going to have to tremendously modify their business and services or disappear," Hale added.

Given bitcoin's success, it's not surprising that companies in the financial sector are looking at how they can develop and implement this technology. For instance, R3 and Ripple Labs Inc. use blockchain technologies to enable institutions to transfer money internationally.

There's also interest in using blockchain for other transactions such as transferring deeds and stocks or divvying up royalty payments for streaming music, shows and other artistic creations.

Big names are already taking advantage of the technology to do that. In March, Overstock.com Inc. announced it would lead the world's first public offering using blockchain technology.

#### Industry taking notice of blockchain innovation

Analysts, technologists and entrepreneurs see blockchain's potential beyond the finance industry. Individuals can put personal information on the blockchain so they can access, control and selectively share their driver's license information or voting registration data.

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Companies in this space include ShoCard, which offers a digital identity card on the blockchain, and Proof of Existent, which according to its website provides users the opportunity to "select a document and have it certified in the bitcoin blockchain."

Others point to blockchain's potential to transform how healthcare records are governed by allowing each patient to control his or her own records that can then be shared in whole or part with any care provider on demand.

"That's a powerful idea that could revolutionize the way we manage medical services," said Jon Watts, managing director and global lead of innovation for Deloitte Advisory's Financial Services Business.

Companies are also excited about blockchain's potential to govern complex supply chain systems, Watt said.

"Blockchain could simplify how to monitor along that supply chain at a granular level, so you can create records and a permanent immutable record," he said, explaining that companies could use this to better and more easily identify the source of a problem along the supply chain. "Blockchain gives you the ability to go back and look at who did what, and that takes out risk."

Not all, however, see blockchain innovation as revolutionary.

Constellation Research analyst Steve Wilson notes that the technology is certainly significant, but he strongly cautions against the hype. He cited UNICEF's interest in blockchain technology in its mission to fight persistent extreme poverty and related issues that face children around the world. "I think it's outrageous to put that much stock in any technology," he said.

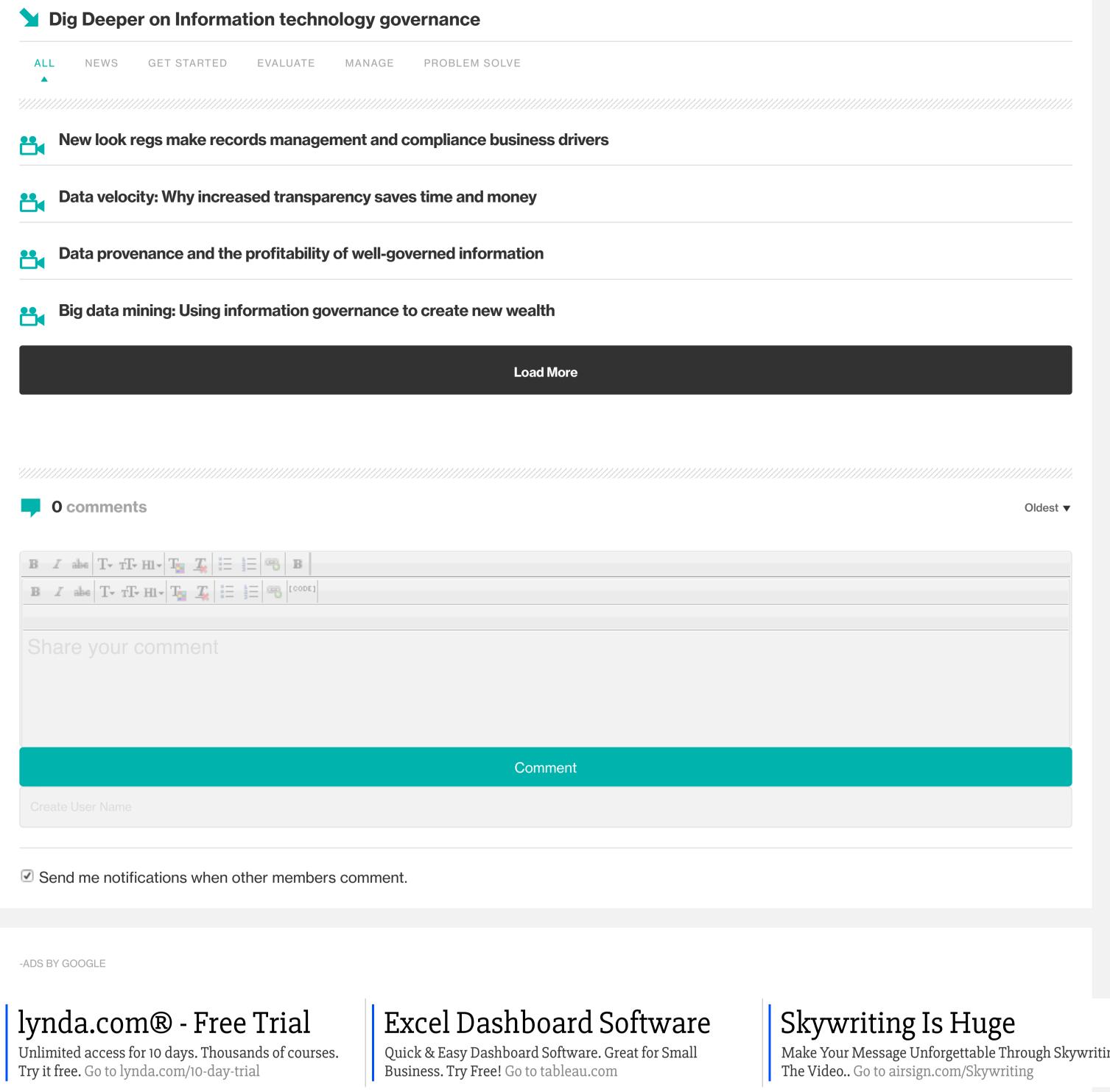
He also questioned the idea that blockchain creates trust; he clarifies the technology's ability by saying that although it verifies the transaction, it cannot look into the transaction to say whether someone truly owns what they claim to own just because they put it on the blockchain.

Still, risk management concerns have been dwarfed by blockchain's business potentials and in particular by its transformational promise to draw billions of disenfranchised people into the digital economy. That alone, some suggest, is a historic achievement.

"It doesn't need to disrupt every business to be successful," Watts said. "It's about expanding the digital economy."

## Next Steps

Learn more about how blockchain innovation is making its way into the corporate world, including how the industry is trying to determine the most beneficial blockchain use cases and how blockchain tech could be the key to securing the Internet of Things.



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