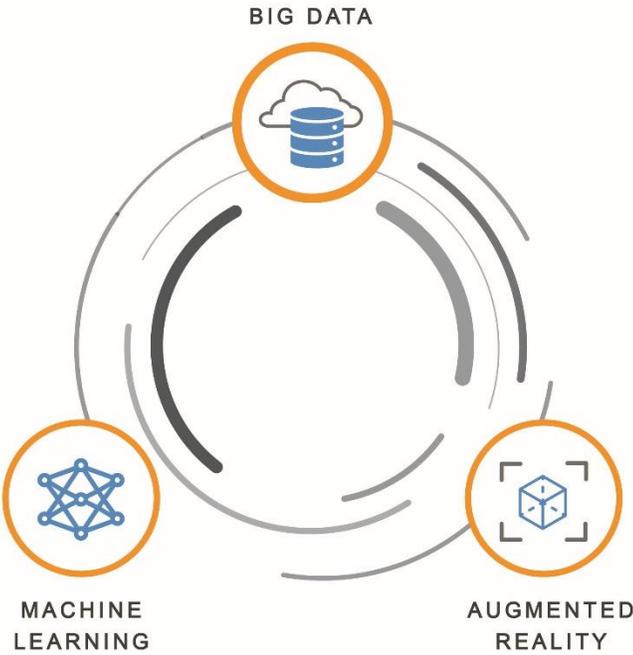




What Business Processes Will Be Transformed with Blockchain Technology?

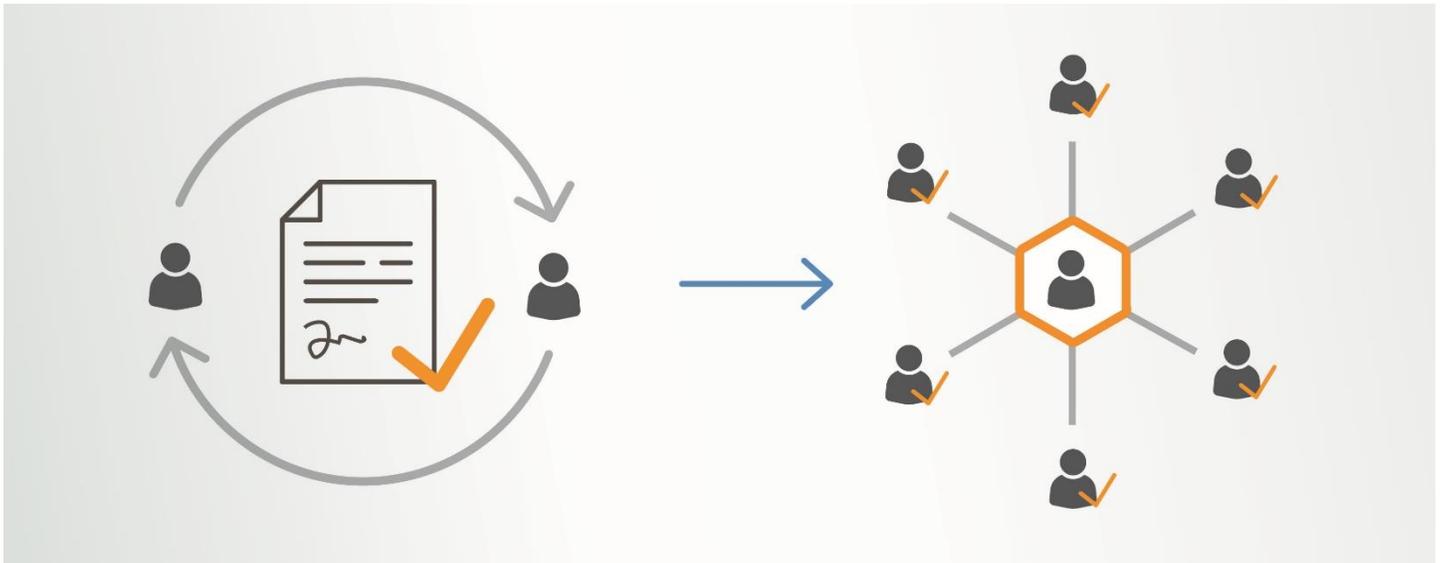
In the first part of our blockchain series, we dove into how blockchain technology will transform business. In part two, we explore the ways in which enterprises are using blockchain to transform their markets.



It's no secret that many executives today are exhausted by the pace of technological ion. Big data, machine learning, augmented reality - it feels like every year there is a new 'big thing' to track. The truth is that many of these innovations have yielded real-world benefits. The darker truth is that most of those benefits have been captured by the largest tech companies. Often only they can afford the army of engineers required to turn technical innovation into cash flow. For the vast swath of the American economy, the 'next big thing' has been a mirage.

This status quo prevails because most new enterprise technology is limited to two functions. It either shifts a critical business process from analog to digital or incrementally improves an existing process. Blockchain is the rare innovation that transcends that formula. Because blockchain removes friction from interactions among people and institutions and makes them transparent, faster and more secure, it will fundamentally *reorganize* how businesses operate internally and with each other.

Consider what's ahead for supply chain management. Too often all that connects two nodes in a global supply network is a paper record. Companies suffer when their downstream partners are inefficient. They may invest millions into IT and process management and still end up with no insight into why a shipment is being held up in customs or how much counterfeit product has made it to their shelves. In the future, a product's path from raw material sourcing to retail sale will be recorded on a blockchain.



This unprecedented level of visibility will transform how supply chains work. It will stymie counterfeiting, theft, and bribery. It will empower authorities to quickly trace and contain dangerous outbreaks. It will give consumers confidence that they're purchasing authentic products and supporting fair trade practices. It will allow companies to reward their supply chain managers on more transparent measures of cost and efficiency. Taken together, the improvements will change the meaning of trust in the context of business. It is no wonder then that major players like Maersk, Walmart and Nestle are launching pilots in blockchain-based supply management.¹

Blockchain's ability to reveal how a product is created, processed and consumed will also change the way businesses create value through intellectual property. Creators will be able to easily prove their ownership and track *actual* consumption of copyrighted products in real time. IP users will be spend less money litigating rights and distributing funds to a fragmented group of owners. These changes will 'grow the pie' for all involved. They will also allow companies to value their IP more accurately. More importantly, well-managed IP will spur even more investment in private research & development.

¹ <http://fortune.com/2018/01/16/ibm-blockchain-maersk-company/>



Blockchain is also bound to boost global trade by making cross-border payments cheaper and faster. On a blockchain, large transactions settle in minutes for a fraction of today's costs. Enterprises with a global network of vendors and employees are bound to save millions on transaction costs. Smaller companies will compete with better-capitalized competitors for global consumers. As cryptonetworks mature, companies will be able to do even more with payments, such as profitably deploying micropayments or "streaming" payments to better manage working capital.

These examples represent only the first of many transformations. Inevitably, blockchain-based optimization will extend to all business functions. Marketers will directly reward consumers for ad conversion. Sales managers will use micropayments in their incentive plans. HR executives will use the work recorded on internal blockchains to identify rising stars. Finance leaders will reconcile transactions in minutes rather than days. Blockchain will be the fabric of the modern enterprise.

Shifting business processes to blockchain should be a priority for every company. The good news is that there are many approaches to choose from. Some companies are piloting blockchain in non-core offerings like new rewards or loyalty programs. Others are joining like-minded upstream/downstream partners to shift siloed databases to a permissioned blockchain. The most advanced are investing in synergistic technologies like AI, IoT and Robotics to get even more value from blockchain-recorded data. What unites them all is the belief that blockchain technology is a disruptive force that will be orders of magnitude greater than digital transformation alone. It will transform the enterprises that run them and eliminate those that fall behind.