

Finding the DLT Value For Your Business Case

BLOG



The most important question that any organization leader who wishes to embrace blockchain or DLT asks today is why? Why do I need it?

We all have witnessed the progression in last two years. It started off with the clients asking ‘what is it?’ and ‘Do I need cryptocurrency for implementing it?’ to ‘Do I really need it?’

The blockchain community spent significant amount of time in interactions with clients and investors in 2017–18 explaining what the technology is? Is it bitcoin? Is it necessary to mine a block? Can we afford such huge energy bills? Who controls it? Veterans in the industry often tell me that, in the lifecycle of technology, blockchain is at the sweet spot. ‘Why’ is the defining moment for blockchain, answering it requires us to essentially investigate the benefits that all proclaim it brings to the table. In my experience of partnering with corporations in the journey of adopting blockchain, I have come across occasions in which explaining the benefits was more confusing than the technology. For example, a blockchain can help create unique incorruptible identities for people or assets, however, the sanctity of such a system is completely dependent on the on-boarding process or system, which could be compromised. Let’s double click on the benefits to check whether and how they are relevant.

In my opinion, there are 5 major benefits one can look at vis Audit-ability, Settlement, Authenticity, Visibility and Privacy proclaimed by blockchain community. To demystify the probability of whether such benefits accrue to certain business scenario, let’s try to evaluate each benefit for a certain real life case that we come across.

01

Audit-ability

We know that a DLT creates an immutable ledger that is verifiable and controlled with conditions and smart contracts among stakeholders. However, one has to ask whether it is a need in the present scenario or network and what the cost of not having an immutable one is. While audit log or report can be

generated with other simpler technologies, a blockchain is only be applicable if the cost and risk of not having a trustworthy one on it for that one unpredictable unfortunate incident is significantly high. I would suggest you to think of it like an insurance policy, is it worth spending?

02

Settlement

In a settlement scenario that has 3 or more parties transacting with each other and based on pre-defined rules reconciliation takes place post completion of these transactions, we see a ‘good’ use case for blockchain, provided challenges exist. The blockchain takes care of the reconciliation whether it is account update or document creation or data exchange or some other action. The automated settlement benefit comes when the systems involved are independent and belong to separate organization which may have conflicting incentives. Ask yourself — do you trust the systems in place today and are they working optimal? If yes, don’t overkill with a DLT.

03

Authenticity

DLTs are often considered beneficial for cases that require authenticity of transactions across several stakeholders. Consider a structure in which there are multiple contributors to a single process, for example, to get a new business license one may require approval from multiple government and non-government departments or agencies that have their own sub-processes. In such cases, authenticity of documentation and signatures plays a vital role. In most governments today these are partially or fully paper based process, ripe with corruption, tampering, and exceptional overrides influenced by politics or the powerful. Blockchain can usher authenticity with transparency to complete process. However, the authenticity of data updated into the ledger is completely dependent on the security of the systems that provide the input to the chain. A separate security layer should be considered for such cases.

04

Visibility

Immense capital is invested today to enable business process visibility in processes that are internal to an organization. Processes that have external interactions are vulnerable to manipulations and are highly dependent on external entities to update in time. Access of such requisite and authentic information from silo-ed system or applications can be achieved by connecting a DLT across stakeholders. Supply chain is suitable example of realizing the visibility benefit in procure to pay, order to cash and track and trace areas. Data collected from disparate system can be stored on the ledger and can be visualized using a dashboard customized for each stakeholder. Ask yourself — will the extended visibility that blockchain provides have any monetary benefits? Are the analytics models being used today for inventory, forecast, planning, etc. matured enough to accept the external data and predict with significantly lower variance? Most of the time operations teams are unaware of what exactly to do with such external information.

05

Privacy

The encryption and certification or private/public key feature of blockchain ensures privacy of data across the network. Complete encryption of ledger in addition to security layers of enterprises ensure dodging attacks successfully. But such enhanced encryption makes it difficult to analyze the incoming data in real time and may require separate steps to help with analytics. Often cases may not require such high encryption, for instance, public sector records of registrations — land records, vehicle records, etc. Depending on the long term strategy of your organization to leverage blockchain, you should evaluate and select the right protocol/platform.

The benefits of blockchain / DLT are relevant when the present structure of business involves three or more parties, fails to have required single source of truth, faces challenges of trust in process, system, individual and organization, and present architecture and technology is ineffective to find a resolution.

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