

Finding the Real Enterprise Value in Blockchain

Alex-Paul Manders



Finance teams are using blockchain apps to great advantage – and thinking through how distributed ledger software applications can bring value to an increasingly large array of functional areas. But before moving ahead with blockchain, finance leaders need to assess their companies' readiness, assess the risks involved and precisely define the opportunities for value creation.



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I recently participated in the CFO Magazine webcast [A Finance Leader's Guide to Blockchain](#). Along with my co-panelists, we covered the most significant developments in blockchain, specific ways to prepare for it, and what the future of blockchain will look like for companies. Most importantly, we began simply by defining blockchain. While blockchain is often associated with cryptocurrencies, understanding precisely what it is, how it can add value and how it works eludes even the most sophisticated business leaders. An informal survey taken during the webcast showed the overwhelming majority (37.1 percent disagreed and 29.3 percent strongly disagreed) with the statement, "My finance team has a clear understanding of how to use blockchain to my company's advantage." Only 1.7 percent of respondents agreed.

Much of the confusion arises out of the fact that there are two parts to consider: The underlying network and technology platform, and the applications that are built on top of the platform. In fact, most enterprises won't need to build blockchain networks from scratch, but instead should focus on developing apps. From the enterprise perspective, the value comes from the apps themselves. For example, [Walmart developed a blockchain application for supply chain transactions](#), in which the data is accessible only by Walmart and those to whom Walmart grants access.



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Once understood, [finance teams can quickly find ways to use blockchain](#) – and blockchain apps – to their advantage. This often begins with defining use cases to automate manual, internal processes, and then defining which business processes might be outsourced to BPO providers. Many BPO providers are keen to expedite transactions for the clients they serve and deliver faster time-to-value. Using blockchain apps to accomplish that goal represents a win-win for both BPO provider and the enterprise customer.

But is your team ready for blockchain? There are four steps to ensure readiness. Before diving in head-first, structure a cross-functional team (realizing that most of what occurs will be outside of enterprise IT). This will ensure that different views are brought to the table. Next, define the vision and prioritize ideas, and then blueprint a technical solution before actually developing the prototype. Finally, a business and ROI analysis will determine the development time needed, along with important benefits such as reduction in technology spend and improved speed, security and scalability.



A major benefit of blockchain is that it mitigates a lot of the risks normally associated with finance processes, but there do remain some risks, primarily in not fully understanding what is required or what blockchain (and blockchain apps) really mean. Also making blockchain a technology-led activity rather than a business-led one carries the risk of turning it into an IT project that fails to take into account the business goals of the company.



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Having the knowledge and resources necessary to prepare for and implement blockchain and blockchain apps is the key to success, and lacking that knowledge is the biggest risk. In the webcast, it was shown that a large percentage of attendees lacked the knowledge and resources necessary, with only 1.8 percent strongly agreeing with the statement "My finance team has the knowledge and resources necessary to prepare my company to implement blockchain." The largest number, 40.4 percent, disagreed with the statement, and 25.7 percent strongly disagreed, reinforcing the notion we still have a long way to go.

This lack of understanding is temporary however, and the future of blockchain holds tremendous potential. Ultimately, its benefit will extend far beyond core accounting and finance processes. We're already seeing practical applications in supply chain management and blockchain apps layered on top of ERP solutions. The market is evolving quickly. Understanding what it is and how to prepare for it, and staying ahead of the trends, will be the key to success.

If you didn't have a chance to join us live, the [playback](#) is now available online.

ABOUT THE AUTHOR

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