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Blockchain Technology Could Disrupt Everything. Are You Ready?



Large banks are making the news with big bets on blockchain, but regional banks should also be looking at opportunities to leverage blockchain. The financial services industry has moved beyond the proof of concept stage and is now beginning to embrace the transformational potential of blockchain-based digital ID, digital banking, smart identity, smart contracts, trade finance, voting, reinsurance, KYC, onboarding, cross-border payments, loyalty and rewards, and real estate management. Just for starters.

Today, questions about blockchain are both strategic—should I do it or wait?—and practical—if I go in, where do I start?

Smaller banks will have to be smart and focused about time and resource investments. Forming groups—or consortia—can help create the aggregation of abilities and shared risk to take advantage of blockchain, either to do things differently or to do different

things.

Three Pieces of Advice

Make choices early. Make decisions about what you want to achieve with blockchain before you put money on the table. Start from a business point of view, and with a business issue you want to solve. You can't do everything, so make choices early and pick goals that are specific to your business and your bank: grow, create new ways to generate revenue, or cut costs with a cheaper or faster platform.

Start from a place of strength. Choose a specific use case close to your core competitive advantages, something you're confident could help secure your current market position or open opportunities that you have the resources to pursue successfully.

Don't go at it on your own. Like the internet, the value of blockchain derives from group participation. Establish a minimal viable ecosystem (MVE) to start. For example, if you want to use blockchain to address syndicated lending, first identify all the abilities required to bring it to market. Identify who needs to be part of that system to make it successful and form a consortium to bring them all together. Start small—that's what MVE is all about—to validate that it works so you can extract value, then create and run a pilot, and finally expand to include others.

Three Areas of Focus

Get smart. Dedicate a team to study blockchain and develop a proof of concept. This should include a business strategist, a developer who knows blockchain or programming languages like Java, Bison and C#, and a technical architect who can connect dots between technology and the business. Build something beyond a pilot and learn from the effort so you can recognize limitations and identify the best potential opportunities for your bank.

Improve what you're doing. Pick a specific use case that solves a problem in your organization. Take into account the platform you're using today, a consortium you're part of, or how you're delivering services—and then consider how blockchain can help you be more cost effective or deliver better value in that one area to improve what you're already doing.

Innovate. Once you've identified ways to cut costs or improve on services you already deliver, consider adopting services you don't deliver today. Blockchain can help you identify new opportunities to help you keep a leadership position or expand a position of strength. If you're a leader in large loans for farmers, consider the two-part question: How can blockchain make farm loans better, faster or cheaper—and how can it help open new opportunities for an agriculture bank?

The bottom line for bankers: To get value out of blockchain, do it with others. A good first step is to join or create a consortium that supports your goals. Hundreds are already established, for specific use cases, for creating technology techniques and standards, and for redesigning business processes. You can also buy or invest in a startup to bring resources and ideas to a use case you have a strong position for. Either way, focus on one specific goal—the narrower it is, the more likely that people will be passionate and specialized—and able to build an ecosystem that can help everyone improve their business position with blockchain.
