

Blockchain Still Shows Great Promise After The Hype

NEW YORK CITY, NEW YORK, UNITED STATES, September 6, 2019 /EINPresswire.com/ -- In recent years, promoters of blockchain have pushed the technology as a major disrupter to existing digital payments and transactions systems. Indeed, it offers tremendous promise to become a key building block of the digital economy, but the technology has fallen victim to massive hype and irrational exuberance in past, driven largely over a Bitcoin-buying frenzy.

With the hype subsiding — perhaps the best thing to have happened for blockchain —it's time to shift the focus from get-rich-quick schemes to a more sustainable model of value creation.

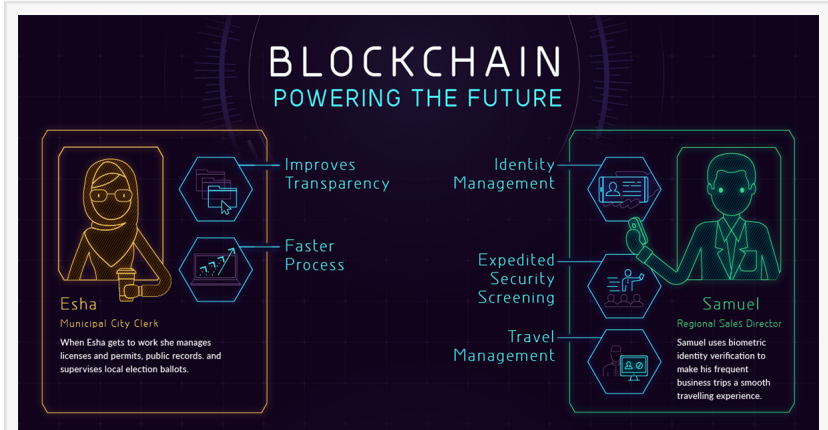
It's worth taking a look back before moving forward. A recent survey of advertising executives by MediaPost found "blockchain" to be the most overrated word of 2018. This is hardly a surprise: Many companies from industries unrelated to cryptocurrency claimed to use or test blockchain technology last year with little to show for it.

The survey seems to suggest advertisers knew that many companies abused the word "blockchain" just to get free media hype. In January, management-consulting firm McKinsey & Co. found that the vast majority of blockchain pilots and proofs of concept were still stuck in "pioneering mode" or were being shut down.

But an end to the hype doesn't mean the end of blockchain. The technology still has a strong future, but we need to recognize it is still in its infancy.

The Sweet Spots

I see several opportunities for blockchain. The distributed ledger technology underpinning it creates both secure record-keeping and other transactions. Blockchain's fundamental value is enhancing trust, and it achieves this by increasing the transparency and veracity of transactions. With improved trust built into transactions, results are improved speed and efficiency.



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Nitin Seth

I see two areas ripe for widespread adoption of Blockchain in the next few years.

Financial services: Blockchain has a wide range of applications, particularly for payments in the banking space. A number of banks are now experimenting with blockchain proofs of concept, and I expect to see some of these use cases at banks to go mainstream within three years.

E-governance: Many governments are focused on servicing citizens by moving records to a digital format. Blockchain has an important role to play by creating more transparent and accessible public records. For example, blockchain could play a key role in real estate records and other areas where certificates need to be issued.

Remaining Challenges

Still, big gaps exist today between blockchain opportunities and their realization. Cointelegraph reported on a recent survey by Globant that found while 61% of organizations have started researching blockchain, only 28% chose a provider to help them deploy the technology.

Meanwhile, a press release on a recent TD Bank survey revealed that 90% of treasury and finance professionals believe blockchain and distributed ledger technology will positively affect the payments industry. But only 14% said their organizations had training strategies for blockchain.

These surveys suggest that several implementation challenges exist. I see six key challenges that need to be addressed before organizations can get sustainable value from the technology:

1. Integration with existing technology: Many industries embracing blockchain are traditional organizations with legacy IT infrastructure. Integrating blockchain may be time consuming and expensive.
2. Change management: Many senior executives still have limited understanding of blockchain. Sustained evangelization and awareness-building efforts will be required within their organizations.
3. Digitization of physical records: In many organizations, the underlying records to be used in a blockchain system are still in paper.
4. Scaling blockchain: The blockchain infrastructure is not ready for mass adoption. It requires significant investment, and in some cases, the costs of adoption will not be competitive compared to other technology options.
5. Talent: There is a widespread shortage of professionals trained on blockchain technologies. Organizations need to invest in training and partnerships.
6. Ecosystem development: The vendor and partner ecosystem required to support blockchain technologies and their applications is still developing. Organizations need a reality check on potential use cases that cannot be implemented or supported.

Two-Speed Implementation Strategy

While these challenges are significant, they are worthwhile to address, given the huge number of benefits blockchain can bring. For a sensible implementation, I recommend a two-speed strategy.

Use cases: Blockchain sometimes feels like a technology searching for problems to solve. It is important to anchor blockchain programs in well-defined use cases where the business need and performance merits are clear.

Building blocks: While use cases are the right way to start a blockchain program, they alone are not sufficient. Organizations need to develop the underlying technology infrastructure and other building blocks, such as the digitization of records, for a blockchain rollout to have a sustainable and scalable impact.

Blockchain is a nascent technology with tremendous potential to enhance trust in both record keeping and transactions. After the Bitcoin-related hype has died, it's a good time to focus back on the underlying technology. Organizations should embrace focused and balanced implementation approaches to unlock the potential of this powerful technology.

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