Getting SA businesses blockchain ready

By Wayne Zwiers   27 Sep 2018

While C-suite executives are accustomed to news of revolutionary technology on an almost daily basis, the emergence of the blockchain is arguably a technology that simply cannot be ignored.

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Already, global leaders are gearing up for its integration into business, civic and even political systems – with *Forbes* reporting that the global blockchain market is expected to be worth a staggering $20bn by 2024. Ginni Rometty, CEO of IBM, has noted, "What the internet did for communications, blockchain will do for trusted transactions."

First, let's take a step back to identify the fundamental principles behind the technology. At its core, blockchain is a distributed or decentralised ledger that allows for digital transactions without the oversight/involvement of a third party. Essentially, it's a real-time ledger of anything that can be recorded (financial transactions, supply chain data, physical assets, etc), with transactions conducted via a highly secure and transparent peer-to-peer network. For companies, one of the major benefits of the blockchain is that it enables them to build their own transactional network -- without requiring a third party to govern the transactional process.

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Notably, a handful of leading technology companies (Amazon Web Services, IBM, Microsoft, HP, Oracle and SAP) have launched blockchain-as-a-service (Baas) offerings to enable customers to test the technology without the capital costs or the risk of deploying it in-house. This means that companies anywhere can more easily deploy blockchain applications to disrupt their own 'business as usual' processes and avoid being left behind.

A tentative start

In South Africa, the business community has been slow to embrace blockchain – which may be due to its initial associations with Bitcoin and the controversial cryptocurrency market. As awareness grows, however, and executives begin to understand the real potential of blockchain (which extends way beyond cryptocurrencies) the market will undoubtedly gain traction and grow over the next few years.

To date, blockchain technology is most actively being explored in the local finance and insurance sectors. The SA Reserve Bank, for one, announced the success of its proof of concept project "Khokha" - a distributed ledger system aiming to perform real-time gross settlements between local banks.

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Project Khokha connected eight banks to its network, and set up test cases to see how the distributed ledger processed transactions. Another interesting local example is The Sun Exchange, a Stellenbosch-based blockchain start-up that leverages blockchain technology to allow individuals to purchase solar cells in solar projects.

Looking ahead, however, most local businesses are simply not prepared for the blockchain revolution and are at risk of being left behind by more agile and forward-thinking global players.

Accelerating Adoption: Here's How

To begin with, businesses have to establish smart technology standards that will match their workflow. These standards must lay the foundation for blockchain – which is an enabler, and not a technology standard in itself. Secondly, business leaders must explore the various blockchain platforms that are now available – for example, Hyperledger and Ethereum – and identify which best suits the business and its workflow. An important question to ask will be: Does the business implement its own version of blockchain, or purchase an existing service such as IBM Blockchain or Amazon Baas.

Without question, SA businesses will have to acquire or invest in the advanced technical skills that will be required to properly embrace blockchain platforms - and possibly even implement a private blockchain network.

Importantly, it must be noted that as business leaders prepare for blockchain adoption and the integration of blockchain applications, compliancy should be top of mind. Data protection laws such as PoPI (Protection of Personal Information Act) will enforce crippling penalties on companies that breach regulations, so any new technology dealing with data has to be approached with caution. For example, if blockchain is immutable, would that infringe any customer's right in relation to PoPI? These questions need to be actively explored.

Yes, it's coming

According to the Harvard Business Review, disruption refers to 'an event that changes an industry's competitive patterns. An incumbent finds it almost impossible to respond'. With blockchain start-ups and new blockchain applications emerging daily, businesses cannot afford to play a wait-and-see game with this technology.

Indeed, it's already threatening to upend the banking sector by catering for the 'unbanked' market whereby blockchain is proving that a middleman is unnecessary. Within the insurance space, blockchain companies are looking at implementing Identity Management for customers to reduce the cost of onboarding a client taking a policy. In short, blockchain is fast entering the business environment – and savvy leaders must take steps now to ensure that companies are blockchain ready.

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