

Blockchain, disruption and changing talent needs

Understanding the disruptive potential of the blockchain and what it means for business.



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Yanouk Poirier and **Michael Zinn** of Penrhyn International's TMT practice group explain how the application of blockchain technology has the potential to disrupt business models across many industries.

This report also includes a Q&A with security, technology and business strategy expert **Gilbert Verdian**, who discusses with TMT group member **David Goldstone** the transformative power of the blockchain on the banking sector.

Key takeaways

- Blockchain technology is on course to change the way that every sector in the world economy does business.
- Blockchain cuts out middlemen in complex processes and transactions.
- This technology has the potential to improve the efficiency and security of transactions, simplify compliance and ensure privacy and anonymity.
- Executives facing this new reality will require core competencies in leadership, change management, digital comprehension, innovative thinking and continuous improvement, along with entrepreneurial spirit.
- Values such as curiosity, openness to others, being brave in challenging how things are done, collaboration, adaptability and agility will need to be integrated into the workforce for an organization to respond and succeed.

A shifting global political landscape and constantly evolving technology are transforming industries around the world. The financial services sector is no exception. Not only has it faced widespread change and upheaval over the past decade, but it must now adapt to, and embrace, the disruptive potential of fintech.

Technology and talent

In this rapidly evolving and innovative environment, it is vital for companies in the financial sector to review their business models. Trust and transparency will be critical to this. Finding the right people to lead businesses through this period of transformation and harness the potential of fintech to drive growth and innovation are hot topics in the sector.

In particular, the potential application of blockchain technology is creating a huge buzz across the financial services community, as well as in a range of other sectors. Originally developed through the creation of the first digital cryptocurrency known as bitcoin, new uses for the technology are being discovered in a variety of other industries such as law and real estate.

Defining blockchain technology?

There is growing awareness of the potentially transformative power of the blockchain, a digital database that stores, manages and transmits a growing list of records known as blocks.

Each block contains a timestamp and is linked to a previous block. A blockchain is usually managed by a peer-to-peer network, which follows a protocol for authorising new blocks. Accessible and easily distributed, a blockchain is cryptographically secure and impervious to modification and corruption. It serves as a historical record for all transactions, providing proof of who has owned what at any time, from the genesis block to the latest block, hence the name.

The blockchain is usually thought of as a secure repository of common knowledge. BlockchainFrance, for example, describes it as a “very large notebook, which everyone can read freely, at no cost, on which everyone can write, which is impossible to erase and indestructible”.

Reshaping industries

As explained in our Q&A with Gilbert Verdian in this report, over the past two years blockchain technology has attracted huge investment and experimentation around the world and across a diverse range of sectors.

Applications being explored include tracking the ownership of cars and property, updating medical records and use in cloud computing. This technology has the potential to change the way that every sector in the world economy does business and the interactions between customers, vendors and employees. Many current business models will need to be re-evaluated to prepare for this disruption and for the inevitable eruption of new businesses created by visionaries and entrepreneurs.

Blockchain technology is set to create new opportunities and reshape business models in a similar way that social media and technology have transformed and disrupted industries and changed the way we interact with the world by bringing us smartphones and companies like Amazon, Facebook and Google.

Financial transactions

The financial services industry's particular interest in blockchain technology lies in its potential to improve the efficiency and security of transactions, simplify compliance and ensure privacy and anonymity. For example, it will allow ‘smart contracts’ to be created algorithmically.

While blockchain technology may not automatically or directly make existing companies more money, the ability to immediately and securely transfer or exchange funds creates opportunities for others to create businesses that may not have been possible previously because of limitations and time lags built into legacy systems.

Sources

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Q&A with Gilbert Verdian

TMT group member David Goldstone talks to security, technology and business strategy expert Gilbert Verdian about his involvement in creating regulation around blockchain and its potential to transform the financial services industry.



Gilbert is currently CISO of Vocalink – placed by David Goldstone – a company that designs, builds and operates the UK payments infrastructure. He has more than 20 years' experience advising on disruptive technology, is the author behind the Blockchain ISO Standard initiative and chair of the UK's national committee on Blockchain and Distributed Ledger Technology. He was recently voted CISO of the year 2017 at the Cyber Security Awards.

Q: What is the journey towards cross-sector adaptation of blockchain?

A: Blockchain has been in the experimental stage for the past two years. 2017 is becoming the inflection point when people stopped experimenting with blockchain and started to implement and test it in real world use cases. Private and public organisations are constantly looking at the disruptive benefits of technology and how they can apply this innovation in order to bring change to existing internal and external business processes. We can now find numerous blockchain use cases that have demonstrated the value of this technology. With many technological advancements we need proper governance and design to manage risk. Risks need to be managed in order to realise the full potential of any implementation.

Q: Which sectors and applications are most likely to benefit from this platform?

A: Versatility and the diverse application of blockchain mean we have seen benefits across numerous sectors and industries, with financial services and government receiving significant focus. The supply chain lends itself well to this technology. There was a recent use case in the farming sector, where from 'farm to table' the blockchain was able to cut out 20 of the steps it takes for a farmer to get paid. It reduced the process to three steps, with no delays in settling invoices.

The blockchain cuts out middlemen in complex processes and transactions and the reach of benefits can be significant. For example, the two billion people in the world with no bank account could get banking access through blockchain technology as it offers fewer barriers to entry. Quick and efficient onboarding of new banking customers and their access to financial services would completely disrupt traditional banking onboarding methods.

Blockchain can verify banking identity much more quickly and easily than in the branch of a bank. Once an identity or person has been verified, any organisation can access that identity to save the duplication of time and effort of ID checks. Once an ID check is done everyone can use that as definitive confirmation.

Blockchain can give traditional areas of financial services greater efficiency and cost savings in existing operational processes. This can also span central

banks and capital markets as well as the plethora of products and services wrapped around these organisations.

Q: How is the market addressing issues of standardisation?

A: Market forces traditionally allow innovators to create products and foster innovation. But based on past experience this is not always the best course of action due to the potential of technology lock-in. This in turn could make it difficult to migrate platforms in the future. I foresaw the potential challenges of this approach back in 2016 and proposed that the ISO create a Blockchain ISO Standard that will allow for interoperability, governance and security internationally in order to define a common model through a standard that will support organisations and allow them to benefit from future blockchain technologies.

35 countries and many organisations, including the European Commission, are involved in the Blockchain ISO Standard, which will take two to three years to create. A number of work streams are running which each address a different part of the standard, including: terminology; reference architecture, taxonomy and ontology; security and privacy; identity; smart contract; governance; and interoperability. The ISO standard will allow for the wide adoption of blockchain, allowing governments and regulators to endorse it, for organisations to adopt it and for citizens to benefit from it.

Q: What will be the barriers and challenges to growth and adoption?

A: The market is dispersed at the moment, so the challenge will be to herd everyone in the right direction. There are no barriers or parameters currently in place to enforce controlled adoption. In the UK this is being encouraged, including through technology partners in the ISO process. Partners that are part of the standardisation work such as Hyperledger (IBM) and R3 that are building blockchain technology can take progress, updates and thinking around the standard back into their organisations and products. The output will be that people building the technology will deliver solutions that are truly interoperable and compatible with the standard.

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Q: What risks should organisations consider when thinking about implementing blockchain technology?

A: Contrary to what the media would have you believe, blockchain is not the panacea for everything. The key is being able to understand the real benefits of the technology, then look at existing business processes or use cases that make good candidates for blockchain. It's only then through proper governance and risk management that one can then assess the tangible benefits and outcomes that organisations would like to achieve. Then add some Silicon Valley 'fail fast' methodology (try it and if it doesn't work then park it) to prove use cases and proof of concepts. You would then be in a position to determine if this technology delivers benefits over the long term. Consideration needs to be given to operational, technological and financial benefits before applying common economics – in other words, will this provide a better return?

Executive search in a fast-changing world

Businesses should be preparing for blockchain technology now and ensuring they have leaders in place with the capability to harness the wealth of opportunities offered by this fast-developing new reality. The core competencies required include leadership, change management, digital comprehension, innovative thinking and the ability to drive values and build trust.

Blockchain, along with technologies like artificial intelligence, is creating a fast-moving environment of technological advancements that will probably cause a dramatic shift in the global economy. As a consequence of this change, the workforce in some organisations is gradually being replaced by computers and/or robots. This requires businesses to embed values such as curiosity, openness to others, collaboration, adaptability and agility to be able to respond to these changes and succeed.

New global leaders will need the ability to not only set strategy, but get buy-in across every level of the organization. Collaboration, digital, innovation and creativity will therefore be core, strategic characteristics required by all leaders and managers within a business if it is going to compete, survive and thrive in this new business landscape. All employees, from entry level to the C-Suite, must possess a baseline of business experience and technology know-how.

Ultimately, the key to adapting to technological change is creating value – this is all that matters to the people most important to your bottom line: the customer.

For further information about how Penrhyn International's TMT group can assist organisations in identifying and securing leadership talent in this rapidly changing environment, contact:

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