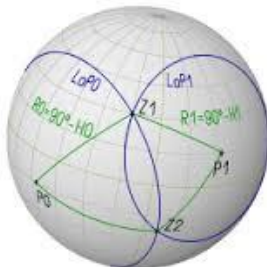




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## ***Anchor Chain or Blockchain? Drop the Anchor or Set the Sails?***



A TrueCourse “Line of Position”\*

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### Abstract

In this ‘LOP’ white paper, James Dean, President and CEO of TrueCourse Advisory Services, examines the benefits and challenges to firms in adopting blockchain solutions. This paper introduces c-suite executives to effective ways to develop an appropriate adoption strategy.

***“In a chronically leaking boat, energy devoted to changing vessels is more productive than energy devoted to patching leaks.”***

Source: Warren Buffett, Chairman and CEO of Berkshire Hathaway

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Dropping anchor is a key to securing your ship in harbor. But mariners know that as Captain if you wish to reach a new destination with additional opportunities, then you *must* weigh the anchor and raise the sails. From a business perspective, sails are to an anchor as blockchain is to a legacy environment.



*Drop the Anchor?*



*Or Set the Sails?*



In this white paper we're going to examine why and how executives should make the decision to develop an accelerated enterprise strategy to drop their legacy operations and embark on blockchain opportunities.

### ***How does blockchain work?***

Wrong question to start a discussion with. When you book a flight do you ask how long the runways are, what the ATC communications protocols are or what the minimum controllable airspeed of the aircraft is? No...you ask what time do I leave, when do I arrive, how much does it cost and how many points do I earn?

So if advisors, vendors or articles start discussing blockchain by mentioning Satoshi Nakamoto, distributed ledgers or cryptographic methodologies and their keys – then find another source of more useful and actionable blockchain insight. For executives the right types of questions are more like;

### ***What does blockchain really do?***

Think of blockchain as simply a FedEx tracking number for documents and transactions instead of packages. If you are given access to the FedEx number then at any time you can find exactly where the package is during point of its transit. But you will have no access as to details of the size, composition, insurance value or contents of the package - these are kept confidential.

Blockchain packages are not physical boxes and envelopes though; they are digital documents and transactions. They can be insurance contracts, claims files, financial transactions, invoices, safety manuals, blue prints, educational certificates, permits, registrations, etc. Just about any type of documentation can be managed by blockchain technology.

### ***What is the functionality of a blockchain platform?***

Imagine a business process that has many stakeholders in it. Let's take a commercial insurance contract negotiation – it will have business, technology, legal, insurance, underwriting, actuarial, accounting and regulatory specialists involved - not only internally but also from third parties such as the contracting parties, reinsurers, outside attorneys, consultants, etc. - all of whom need access to the most current contractual wording.

If the contracting process was managed by a blockchain platform all authorized parties would have access to;

- All changes to the document immediately and simultaneously
- A verifiable audit trail of all changes – what, by whom and when
- Ability to recreate the document contents at any point in time of its history
- High levels of security architected into the platform

### ***What are the benefits?***

The benefits are the *Holy Grail* of traditional cost / benefit analysis – faster, better, cheaper and increased security.....

### ***Is Blockchain Crypto-currency?***

No. When discussing blockchain, many executives (not yet in the know) confuse blockchain with crypto-currencies such as Bitcoin or Ethereum. Due to this misunderstanding they may dismiss operational blockchain solutions because of bad publicity of virtual currency development.

This misunderstanding is understandable as blockchain is the underlying technology that processes crypto-currencies. Crypto-currencies are just one of hundreds of potential applications of blockchain. Blockchain is like the operating system of a smart phone that supports many apps – consider it as a general purpose operating system for documentation.

In and of itself, the smart phone operating system is not that useful, but it enables everything from communications and photography to GPS positioning and spreadsheets apps to run on the phone. This range of flexibility has made smart phones transformational to our society. *The applications of blockchain technologies are just as wide ranging and transformational to business, as are apps for a smart phone.*

### ***What are the challenges of implementation?***

There are several challenges, but the hardest one in our opinion might surprise you...

- Technology – there are a lot of players in this market providing blockchain technology, from in-house platforms to blockchain as a service. Maritime, Shipping, Insurance, Banking, Investment Management, Law, Real Estate, Education & Training Certification are a few high visibility industries that have heavy blockchain investments and services. There are live operations, demonstration and pilot projects as well as major research projects that are active today. The technology platforms are rapidly becoming robust with millions of transactions being processed successfully per day .
- Business Transformation – In our view, a bigger challenge than the technology is in business transformation. All business processes, policies, communications, and decision making related to an application of blockchain will need to be changed. It is truly a different way of administering your business operations and will require a cultural shift.
- Business Network – Surprisingly, the hardest challenge of implementing a blockchain solution may be in incorporating your business network of vendors, clients, third parties, etc., on to the same platform and sharing common processes and policies.

Let's discuss this last one a bit more. Being the first on your block to have blockchain technology is like being the first person with a phone....cool stuff, but not much point if you

can't call anyone else! A blockchain solution is not only an internal project – it must be one conducted in *conjunction* with your key business partners, vendors, and customer networks.

This means creating or having significant participation in consortiums, partnerships, industry associations and other groups in your network. It also means that participating in these partnerships early is critical. *If your competition gets in before you do, not only do they have a jump on you for influencing this network but there also may not be room for your firm to join later* - and from inaction you could end up being ostracized from your key business network.

Which brings us to the next point.....*"The need for speed" .....*

### ***What is the rate of adoption of new technologies?***

This is becoming one of the greatest challenges for all industries and all new technologies. As the following chart clearly demonstrates, in the late 20<sup>th</sup> century the rate of adoption of new technologies from concept to general use in an industry was 10-15 *years*. In the 21<sup>st</sup> century it is 24-48 months!

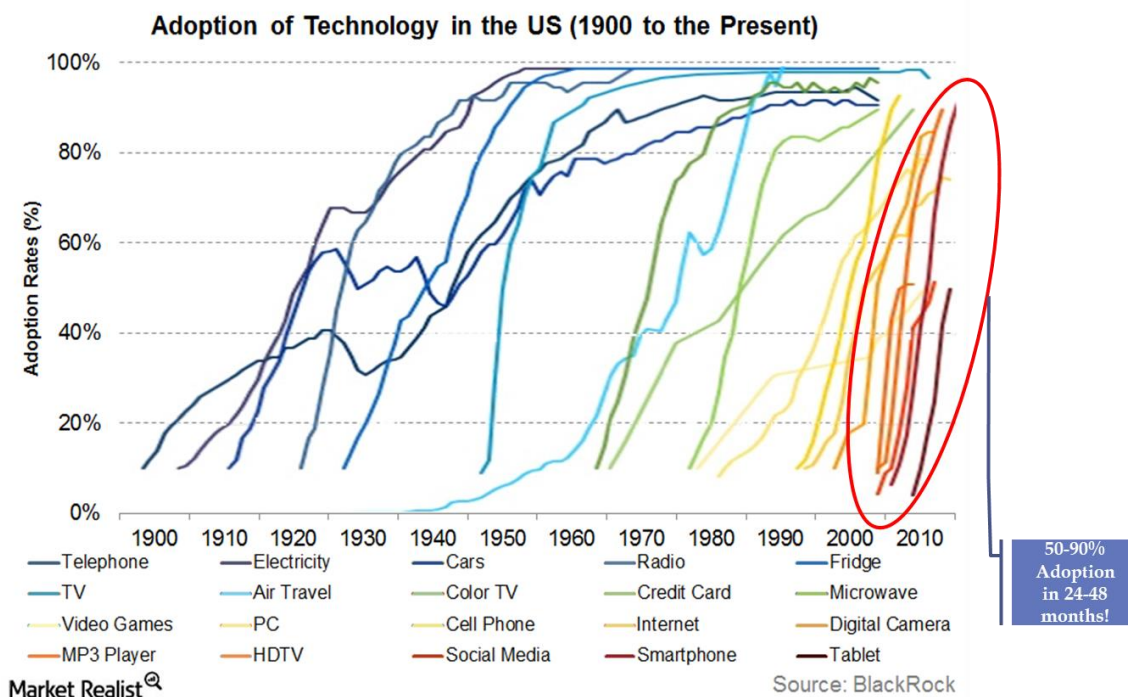
The implications of this accelerated rate of adoption in a competitive environment will be a key challenge to executive management in the foreseeable future.

Consider that Radio Shack, Block Buster, Kodak, Sears, Pan am, Borders and Circuit City (just to name a few) did not keep up with industry innovation - despite having nearly a decade to develop new corporate strategies and implement them. Ponder how many companies may fail in the next decade if executives do not realize that the current time frame to devise and implement new strategies to remain competitive will be measured in months not years!

### ***How well is adoption of blockchain solution progressing?***

A good example of rapid adoption in the Maritime and transportation industry is the Maersk/IBM Collaboration called *TradeLens*. In less than 2 years 90 international partners have participated and have processed 154 million live shipping transactions and are *growing at 1 million transactions a day!* The adoption is rapid, and it should be noted that Maersk is a 214 year old company and blockchain is part of a 3 year enterprise digitalization transformation.

In the Insurance and Reinsurance arena B3i was established in 2016 for research in to blockchain in the insurance industry. The consortium includes companies such as Swiss re, Hanover re and Liberty Mutual plus 12 other international insurance and reinsurance companies. In 2017 it completed a successful prototype and in 2018 completed successful testing with 38 insurers and reinsurers. They just recently raised \$16 million in capital to continue roll out its production platform.



Presently, for most firms, blockchain is like dark storm clouds on the horizon. Within sight, but the seas are still calm. Take warning though – at sea not only can the storm move faster than you think, it will also rapidly grow in size. If a rapid change of course and ship preparation is not taken by the Captain, the storm can be quickly overwhelming.

### ***What change of course should we make?***

First steps are to draw *clarity out of confusion*. Confusion on the bridge can cause panic on the deck. Very few company's c-suites have a consensus view of what blockchain is, its development state in their industry, how it may affect them in the future, and their strategy to address the challenges and opportunities. Many c-suites are either dismissive or confused because they have not conducted a proper analysis of the potential impact of blockchain technology to their firm.

These key questions can be answered though, in a short period of time, in a structured way and at relatively low cost. This will allow consistent communication to the board, employees, vendors, clients, and other third parties on the enterprise strategy for embracing blockchain solutions. An effective approach taken by our clients have been;



1. Agree at the c-suite level that blockchain is a transformational technology that the c-suite will need to address. To reach consensus it may be desirable to bring in an independent trusted advisor for a few executive briefing sessions. Topics to be covered would include what blockchain platforms do, the state of the blockchain technology current activity in your industry and its potential impact on your industry.
2. Also agree that blockchain is a business level transformational technology and requires cultural change by management and staff. This demands that it is an enterprise executive effort, not just a technology project by the CIO.
3. Create an Executive Blockchain Research Team of representatives from business operations, technology, legal, accounting, trusted advisors etc. to perform a 90 day blockchain assessment study. The goals of this study are to;
  - a. Assess the state of activity in your industry: competitors, vendors, other business partners, and industry organizations.
  - b. Determine how their activity could affect your business and under what time frames.
  - c. Identify blockchain industry groups you should assess for membership for your firm to increase your firm's blockchain business intelligence.
  - d. Identify those applications and operations in your own firm may benefit the most from a blockchain solution.
  - e. Create a Blockchain Network diagram showing the business partners that would be needed to be included in discussions of a blockchain strategy.
4. Based on this information, design an enterprise level strategy for addressing blockchain challenges/opportunities. This strategy will based on blockchain adoption rates which vary by industry and could be any of the following;
  - a. Adoption is currently not moving quickly enough in your industry to take action but should be reviewed each quarter
  - b. Adoption is moving steadily and now is the time to allocate resources and budgets to initiate formal design projects.
  - c. Adoption is moving very rapidly and you may be behind the industry very quickly unless an accelerated program is created to quickly join other industry players in pilot or a demonstration project.

Conducting an organized study such as this led by key enterprise executives is the only way to obtain the industry focused business intelligence needed to drive a c-suite consensus of the strategy on which your firm should embark. In this way you will know whether to drop the legacy anchor or set the blockchain sails!





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**James Dean,**  
President & CEO  
TrueCourse Advisory Services, LLC

Jim brings 30 years' experience in providing hands on leadership of Business, IT and Security strategy to the FinTech, Banking, Insurance and Health Care industries. His experience includes Strategy Development, Cybersecurity and IT and Consulting Management with leading FinTech companies, and international consulting firms - including KPMG and BearingPoint. He also has been awarded CISSP and AML/CA certifications. He is a frequent industry speaker and contributor to industry publications.

### ***TCAS Services Overview***

TrueCourse Advisory Services (TCAS) is a management consulting firm specializing in the following industries;

- FinTech
- InsureTech
- Financial Payments
- Financial Services
- P&C, Life & Health Insurance
- Reinsurance
- Maritime & Transportation
- Shipping
- Ports
- Software & SaaS vendors

TCAS Executive and senior consulting team colleagues all have 'big 4' or fortune 50 career experience. Under the TCAS business model our clients have the benefit of personalized engagements with 'Big 4' quality, but at value rates. Typical engagements are 8-16 weeks and focus on providing immediately actionable deliverables. We specialize in strategy development, M&A operational due diligence, digital transformation, large scale program management, project management and cybersecurity strategy. We provide customized advisory services, a sample of which is highlighted below;

#### ***Insurance Services***

- Vendor evaluation
- Implementation planning
- Program management
- System migration management
- Cybersecurity risk assessments

#### ***Business & IT Operations***

- Digital/Blockchain Transformation
- M&A integration planning
- Business process assessment
- Organization structure evaluation
- Vendor selection support