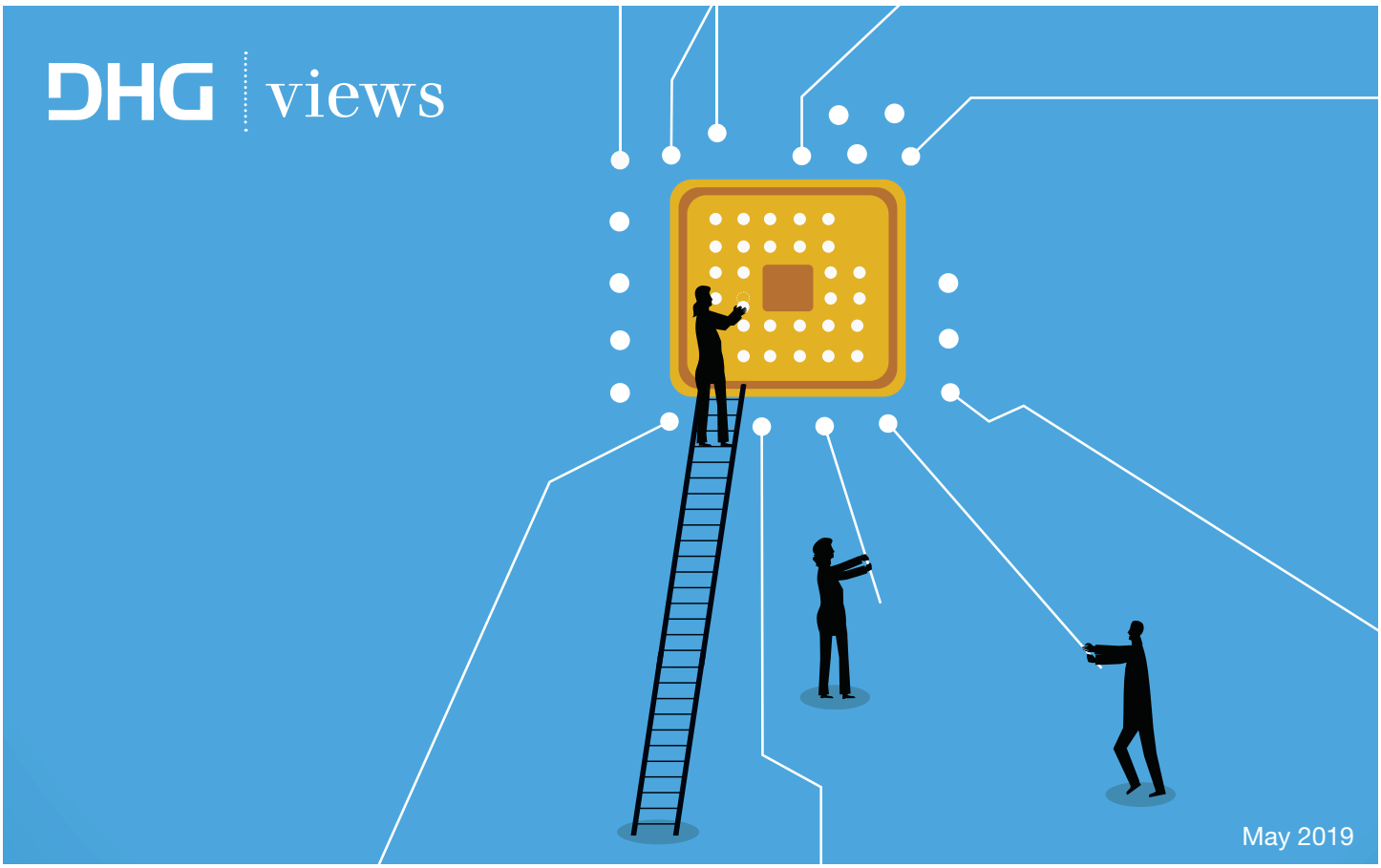
DHG views



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Blockchain Series #2: Hype vs. Reality

The Hype and Reality of Blockchain

John Bowles, Chief Information and Digital Officer | DHG

Blockchain has the potential to disrupt existing business models and practices in many industries, but questions remain as to when, where and by how much. Despite the considerable hype, blockchain is still in its infancy today and has not yet been widely adopted for commercial purposes.

Gartner, Inc., a leading global technology research firm, describes the current state of blockchain and when it is likely to produce significant value:

"The current phase of irrational exuberance highlights that adoption is light (through 2021), where enterprises are exploring how to achieve the most benefit. This initial phase will be followed by targeted large initiatives and many successful business models (2022 through 2026) in the second phase. However, phase three will see global, largescale value-add, and by 2030, blockchain technologies will deliver $3 trillion of value worldwide, through a combination of cost reduction and revenue gains."[1]

Investments are being made by both large, well-known organizations and startups in what Gartner describes as "exploring how to achieve the most benefit" from blockchain. To date there are very few, if any, large-scale implementations of blockchain. In fact, many so-called blockchain initiatives are actually creative uses of existing technology that do not meet the definition of blockchain.

Blockchain ecosystems and platforms are evolving rapidly, but widespread adoption will not occur until new business models and use cases are mature enough to significantly improve or replace existing ones. Several obstacles must be overcome for that to happen:

- **Regulations –** Consistent federal and state laws and regulations will be needed for blockchain technology; very few exist today.
- **Standards –** There are no generally accepted standards for blockchain technology to ensure interoperability. Investments in blockchain today could be relatively short-lived as competing technologies vie to be the long-term winner.

- **Technology performance –** Blockchain can require enormous amounts of computing power to handle large volumes of transactions with acceptable performance.
- **Security –** For blockchain to replace existing intermediaries, it must prove that it is at least as trustworthy and secure as they are. Bitcoin and other cryptocurrency security breaches continue to create doubts.
- **Acceptance –** Established paradigms will not change quickly or easily. For example, it could take generations for blockchain to replace the trust that people have in banks, insurance companies and other such entities.
- **Legacy –** Changing and modernizing existing infrastructure and processes to support blockchain will take significant time and investment.

In summary, rapidly evolving blockchain technology has enormous potential to disrupt existing paradigms and improve efficiency, but widespread adoption will take time and require overcoming major obstacles.

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1. *Blockchain-Based Transformations: A Gartner Trend Insight Report*, March 27, 2018, Gartner, Inc.