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By Andrea Tinianow and Michael Marquardt
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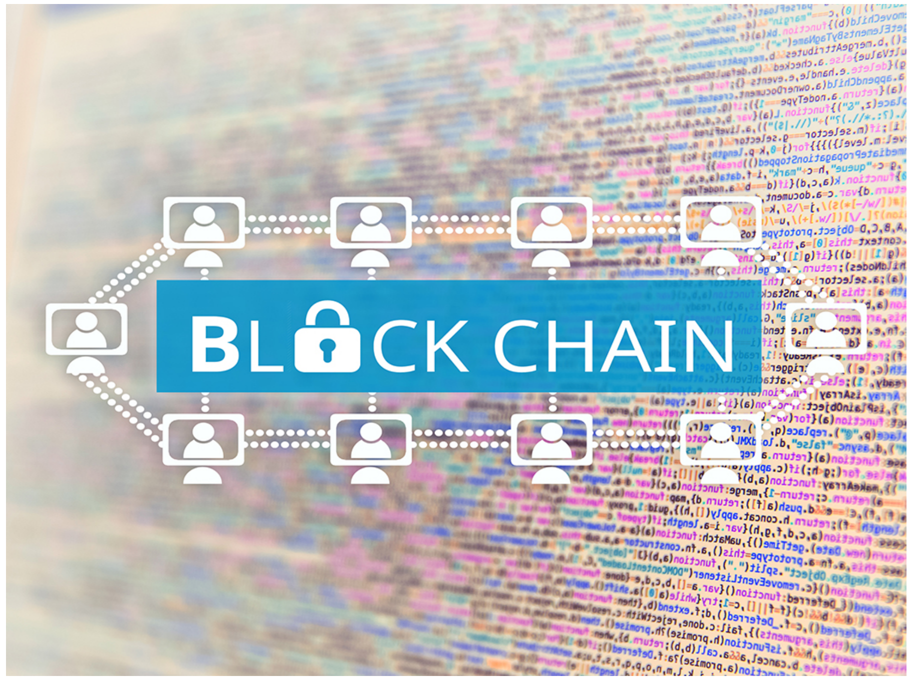
Understanding what could be the next "disruptive" technology



In its simplest terms, blockchain technology allows several parties to transact business in real time by recording information to a ledger through a network of computers. The record is only updated on the ledger if everyone who is a party to the transaction is in agreement. Once updated, the record cannot be changed and becomes an immutable record of the transaction.

The enactment of Delaware's blockchain amendments (that authorize corporations to maintain corporate records on a blockchain) in August of 2017 catapulted blockchain technology into the mainstream. This is because Delaware is the legal home of more than two-thirds of Fortune 500 corporations and of more than half of all publicly traded companies in the United States.

Because blockchain technology replaces the need for a trusted intermediary, it can transform the way business is conducted across almost every sector, from finance to manufacturing, from healthcare to agriculture.

Tech-savvy boards of directors have already begun to consider the disruptive potential of the technology. But, what about everyone else? If your company does not have a blockchain strategy, you need to ask, “why not?” If your company is developing a blockchain strategy, you need to ask the right questions, as a director, to ensure that it will not only reduce the chances of disintermediation and reputational risk, but also improve your company's bottom line, and increase long term shareholder value.

Here's a checklist for corporate directors to ensure they are asking the right questions, so they can inform themselves about the technology and the technology's potential to impact (and possibly disrupt) their business.

Questions

- Who at the company is a blockchain expert? Ask the CEO to arrange for that person (or team) to make a presentation to the board. This presentation should include a discussion of permissioned vs. public blockchains; smart contracts, crypto currencies, publicly announced actions by your competitors and Initial Coin Offerings (ICOs).

- Does your company have a blockchain strategy and, if so, what is it and who owns it from a management perspective (the Chief Information Officer, the Chief Technology Officer, a specific business unit)? All blockchains are not created equal. If your company has a blockchain strategy, ask what problems or issues the strategy addresses? Ask how blockchain technology specifically addresses the problem.

- Which blockchain will be used? Is it a public blockchain such as Ethereum or the Bitcoin blockchain, or a private blockchain. What are the issues associated with each of the blockchains, i.e. speed, scalability, whether documents stored on the blockchain?

- Has anyone considered whether blockchain technology has the potential to disrupt the corporation or critical business models? If the company is at risk, can the company leverage its subject matter expertise to create a new value proposition for its clients by deploying the technology. That is, can the company disrupt itself and provide new value-added services.

  Note: Companies whose value proposition is based on being an aggregator or middleman in business transactions are most vulnerable.

- Supply chains will soon become digital on a blockchain. Companies that are part of a supply chain should imagine that all of their counterparts will be identified up and down the supply chain. Companies will no longer be able to disavow less than reputable business partners. Boards should consider this, and how this could impact their business, including reputational risk.

- Directors should ask about Initial Coin Offerings (ICOs). Ask about all of the ways they can be used in private industry. There are so many creative ideas in process, including coins/tokens for marketing/advertising, financing, fractionalizing assets, and so much more.

- Directors should ask about the impact of digital shares on corporate governance, including proxy voting. Digital shares can offer significant benefits, including reducing errors, reducing the risk of litigation, and increasing shareholder value, while simultaneously reducing costs.

- Directors should ask if they have considered accepting cryptocurrencies, such as Bitcoin and Ether, among others, for payment. Or, whether such currencies could ease the burden (and expense) of moving money across borders.

- Directors should ask whether deploying blockchain technology could enable breakthrough solutions and blockbuster services that could differentiate them from competitors.

- Blockchain technology can make strange bedfellows. The board should ask whether they should be looking at new types of partners and customers, including state government, innovative tech companies, and companies in adjacent markets.

This is just a quick list to get the process started. There are many more questions to ask once the board gets engaged. The technology may be complicated, but don't let that deter you. Once you start learning about it, you will see the potential. And then you will see what many others have already concluded, that the potential of blockchain technology to change business all over the world is being underestimated in the long term and overestimated in the short term. Time to get started now.

Andrea Tinianow *is a Delaware attorney and the founder of the Delaware Blockchain Initiative. She serves on the Advisory Board of the John L. Weinberg Center of Corporate Governance at the University of Delaware. Andrea joins Global Kompass Strategies, Inc., a global management consulting firm, as a principal, effective January 1. 2018. In her new position, she will advise organizations in the private and public sectors to create and implement breakthrough opportunities by deploying blockchain and other emerging technologies. Follow her @AndreaTinianow (https://twitter.com/AndreaTinianow)* [1]

***Michael Marquardt**, CEO of Global Kompass Strategies, Inc., is a global advisor to corporations in the United States, Europe and Asia, working closely with chief executives and senior leadership teams on business development, cybersecurity and strategic planning. He also advises boards of directors and audit committees on effective risk management measures, corporate governance, geographic expansion and emerging digital technology issues. Follow him @MarquardtGlobal (https://twitter.com/marquardtglobal) [2]*

Get in touch

- 800.637.4464 (tel:800.637.4464) or 215.567.3200 (tel:215.567.3200)
- mail@directorsandboards.com (mailto:mail@directorsandboards.com)
- 1845 Walnut Street
  Suite 900
  Philadelphia, PA 19103

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