



DON TAPSCOTT - Winning in the second era of the internet

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If Don Tapscott is to be believed, the digital age is entering its second era, in which blockchain will become the foundation technology. “During this uncertain time in our history, the technology genie has once again escaped the bottle,” Tapscott told the crowd of 7,500 at the Nordic Business Forum in Helsinki.

A longtime authority on the impact of technology on business and society, Tapscott is now a leading voice on blockchain strategy and its implications for global business structures. He is a co-founder of the Blockchain Research Institute and has co-authored the book *Blockchain Revolution: How the Technology Underlying Bitcoin is Changing Business, Money, and the World.*”

During his research into the blockchain, Tapscott became convinced that the technology, when combined with AI, is poised to transform the modern corporation as we know it.

The “internet of value” and the double-spend problem

Tapscott calls the first digital era the “internet of value.” This era included the evolution of mainframes, PCs, the internet, social media, the cloud, and big data. According to him, the internet of value’s biggest shortcoming is the “double-spend problem,” a term coined by cryptographers years ago. “If I send you some information – a picture, a powerpoint, or an email – I’m actually sending you a copy. Even with a website, I keep the original.”

But when it comes to assets that really matter to our economy – money, loyalty points, contracts, intellectual property, votes, or our identities – sending a copy of those assets as part of a transaction is, in Tapscott’s words, “a terrible idea.”

“You don’t want somebody copying your identity or your vote. And if I send you a thousand euros, it’s really important that I don’t still have the money,” he said.

The double spend problem is largely one of trust. Before the evolution of blockchain, our systems of banking and business had little choice but to rely on intermediaries to maintain trust and reduce the risk of double spending during asset transactions. But our reliance on intermediaries has its own set of flaws. Tapscott used banks to illustrate his point, explaining that: centralization makes banks vulnerable to hacking; they lack transaction speed; transaction expense is relatively high; data ownership is an issue as we create our data, but intermediaries capture it.

According to Tapscott, we have now entered the second digital era, with artificial intelligence and machine learning at the center and technology infusing itself throughout everything. It is the era of virtual reality, drones, robots, and autonomous vehicles. The foundational technology for all of these, in particular for AI, is the underlying technology of cryptocurrencies called blockchain,” Tapscott said. “For the first time in human history, people can trust each other and do transactions peer to peer.

” This trust is no longer achieved by an intermediary. Instead, it is achieved by “cryptography, collaboration, and some clever code,” Tapscott explained.

Disrupting the corporation in every industry

With blockchain, a credit card transaction at a coffee shop no longer takes three days, moving through half a dozen computers before clearing. Rather, the payment and the settlement are now the same activity. There is no delay, no counterparty risk, and no cost for each of the counterparties. But banking isn't the only system being disrupted by this. Tapscott sees blockchain as transformative for nearly all industries.

General-purpose platforms are emerging, allowing users to build applications of all types on top of blockchain technology. When combined with AI, this devastates the transaction costs that have held corporations in place. No longer will the cost of transacting in an open market be greater than the cost of transacting within the boundaries of a firm.

“We are in the early days of a profound change to the deep structure and architecture of the corporation and of how we orchestrate capability in society,” said Tapscott. In the near future, companies will look less like corporations and more like networks.

So what does this future networked company look like? Tapscott and his colleagues have identified over 100 Open Networked Enterprise Business Models. He expanded upon eight of these.

- 1. Blockchain Cooperatives:** An Uber or an Airbnb, but with no company, just a distributed application.
- 2. Rights Creators:** Music and other intellectual property released on the blockchain, with smart contracts that self-execute, bringing value back to the creators.
- 3. The Re-Intermediators:** New value is created in the middle, replacing old intermediaries in this new landscape.
- 4. The Supply Chain:** The supply chain becomes a shared network state, with every transaction on a real-time distributed ledger. Add in AI and “your supply chain becomes a cognitive network that is learning.”

5. Animating the Physical World: IoT will need a “ledger of things.” As an example, we are moving to a distributed energy grid that uses many sources of power. These transactions require data and will be managed on a distributed ledger.

6. The Platform Builders: The internet of information was in the public domain. The internet of value will be owned by investors. Early examples: Icon, Hyperledger, Metronome, and Cosmos.

7. The Data Partners: Data is a new asset class. But the old system of data is like a “digital feudalism.” You create the data, but it gets taken away from you. In a new order, your sovereign identity is owned by you on a blockchain. You negotiate with data brokers to give them access to your data.

8. The New Public Sector: We need better, cheaper government and a re-establishing of trust and legitimacy. This will be achieved through AI and blockchain with; e-voting, transparency, accountability to citizens through smart contracts, new platforms for citizen engagement, and reinvented central banks.

“This is a new paradigm. When you get a new paradigm, you get a leadership crisis. Vested interests fight against change and leaders of old paradigms have great difficulty embracing the new. How is your company going to find leadership for change? How will your country find leadership for change?” Tapscott ended.

