



Privately Speaking

Insights on private company growth
from private company insiders

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Blockchain: Finding the value within the hype

You have probably heard a lot of hype about blockchain over the past few years. But do you really understand how it delivers value to organizations? In this edition of Privately Speaking, we demystify some of the fundamentals of blockchain to offer private market decision makers some real and practical insight into the value of blockchain.

Do you need blockchain?

Blockchain isn't about cryptocurrencies anymore; it's about enterprise advantage. And you don't need to be a big, complex multinational to get value from blockchain technologies.

Indeed, whereas other new technologies tend to deliver value through automation, insights, and efficiency improvement, blockchain's value lies in its ability to deliver security and transparency. And every company can find value in better security and transparency.



Far too many private companies are ignoring the potential of blockchain. Our view suggests that private companies could see massive benefits from blockchain, particularly in terms of trust and transparency. The driving force for blockchain is not the technology, it is the unique way it can solve business problems across the front, middle, and back office.

—**Brian Hughes**, National Private Markets
Group Leader and Venture
Capital Coleader, KPMG LLP



What is blockchain?

Here's one way to look at it: Blockchain is like an uber-secure shared Excel file hosted by no one. Or in more technical language: Blockchain is a distributed ledger technology where transactions are recorded and stored with incomparable security.

That makes blockchain technology uniquely valuable for things like:

- Enabling direct payments between companies
- Tracking and transacting for various types of assets
- Streamlining tax compliance activities.

The benefits could be massive. Blockchain can help manage a complex supply chain that encompasses many third parties; it can help transform procurement for fixed assets; it can help standardize original equipment manufacturer (OEM) reporting across vendors; it can help automate and monitor third-party performance; and it can help streamline operations and reduce manual steps.

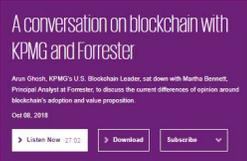
A basic blockchain glossary

There's a lot of jargon associated with blockchain. Some you should know; some is best left to the technology geeks. But regardless of your technology background or position within the business, here are six terms and ideas that everyone should know about blockchain.

- **Authentication:** The process of proving the counterparty identities and the existence of assets via private and public keys
- **Blockchain:** A type of distributed ledger that maintains a continuously growing list of transaction records ordered into blocks with various protections against tampering and revision
- **Cryptographic Signature:** A method to mathematically validate the owner of a piece of data beyond any doubt (assuming the user has kept the private key to sign the transaction safe)
- **Public Blockchain:** A network in which anyone can participate by reading data, submitting transactions, and participating in the validation process
- **Public Key:** The public address where other wallets send transaction values
- **Private Key:** The encryption key uniquely linked to the owner and known only to the parties exchanged in a transaction. It is secretly held in a digital wallet.

Want to learn more about blockchain's value proposition?

Listen to this podcast featuring Martha Bennett, principal analyst with Forrester Research, and Arun Ghosh, principal and national blockchain leader for KPMG.



[click to listen >>](#)

Did you know?



Almost half—48 percent—of global technology leaders say blockchain will very likely change the way their companies do business within the next three years.

Greatest disruption resulting from blockchain initiatives in the next three years

IoT processes

(e.g., tracking software upgrades, product refills, warranties, etc.)

27%

Trading

(e.g., platforms for small business)

22%

Reduced cyber risk

(e.g., reduced risk via ledger identity authentication)

20%

Contracts

(e.g., payments, insurance, identity confirmed via blockchain records)

18%

Partial list. Percentages do not sum to 100 percent.

Source: KPMG LLP infographic, "2019 KPMG Technology Industry Innovation Survey: Blockchain" (February 2019).

Top potential benefits with adopting blockchain technology



Improved business efficiencies



Product and/or service differentiation



Cost reductions



New business insights from incremental data

Partial list. Percentages do not sum to 100 percent.

Source: KPMG LLP infographic, "2019 KPMG Technology Industry Innovation Survey: Blockchain" (February 2019).



Even with major advances in technology, business transactions remain inefficient, expensive and vulnerable. Blockchain has the potential to solve for these issues and enhances many of the systems that organizations have relied upon for decades by building greater transparency, speed, reliability and trust into core operations. Across industries, blockchain can help businesses eliminate inefficiency in supply chains, address the challenges of global trade and tariffs, improve product tracking and safety, help reduce fraud, and better track and protect customer data.

—Arun Ghosh, Principal and National Blockchain Leader, KPMG LLP



Innovation in progress

While use cases are being tested and applications are being commercialized, investors strongly believe that we are only just starting to uncover the potential of blockchain.

In 2018, for example, blockchain-related companies raised more than \$5 billion in venture capital (VC) investment globally—up from \$1 billion the previous year. It is expected that interest in blockchain will only continue to grow as the applicability of blockchain technologies continues to expand well beyond its cryptocurrency starting point.



Investors are very interested in the future of blockchain and its ability to drive value. For private companies, that means that executives should be thinking “big picture” about how blockchain may evolve in the coming years. This further serves to highlight the massive opportunity for those private companies focused on developing blockchain solutions.

—**Conor Moore**, National Venture Capital Coleader, KPMG LLP



Want to learn more

To find out more about the current venture capital (VC) market for blockchain technologies, read our most recent **Venture Pulse 1Q 2019 report**.

[Read more >>](#)



Four next steps for private companies



- 1 Determine which processes are best suited for blockchain.** Look for processes that are highly rules-based where significant manual intervention is required and where data may currently be fragmented.
- 2 Consider which regulatory and legal frameworks apply.** Consider data protection, Anti-money Laundering (AML) and Know Your Customer (KYC) requirements and Foreign Account Tax Compliance, as well as other tax and business legislation and regulation.
- 3 Develop a holistic picture of the risks.** Apply a risk assessment lens to help ensure proper governance and security controls over blockchain-like systems and assume responsibility for its safety and security.
- 4 Assess other organizational impacts.** Consider wider impacts in areas such as information technology (IT) infrastructure, governance and controls, talent and capabilities, third-party relationships, and customer interactions.

How KPMG can help



KPMG's value-add approach integrates financial management and digital transformation with industry proficiency to provide businesses with detailed guidance on blockchain. KPMG helps clients develop blockchain solutions from strategy to implementation.

KPMG's distributed ledger technology capabilities and perspectives include a global distributed ledger services team, a Lighthouse team of data scientists, a market-leading strategy practice, and industry-specific professionals. KPMG provides the following services to clients:

- Strategy development
- Business case reviews and validation
- Customized use case development
- Proof of concept and prototypes
- Business and technical evaluation and selection
- Production systems development
- Education and change management.

To find out more about our services and capabilities, [click here](#).

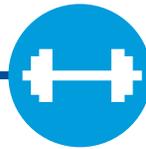
Starting your business



Growing your business



Strengthening your business



Transitioning your business



Privately Speaking focuses on the issues that matter most to privately held entities, including PE- and VC-backed companies.

KPMG's Private Markets Group understands what it takes to drive private company growth. In each edition of *Privately Speaking*, we share our insights—along with practical and actionable tips—to help boards, executives, and management grow, strengthen, and transition their privately held businesses.

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