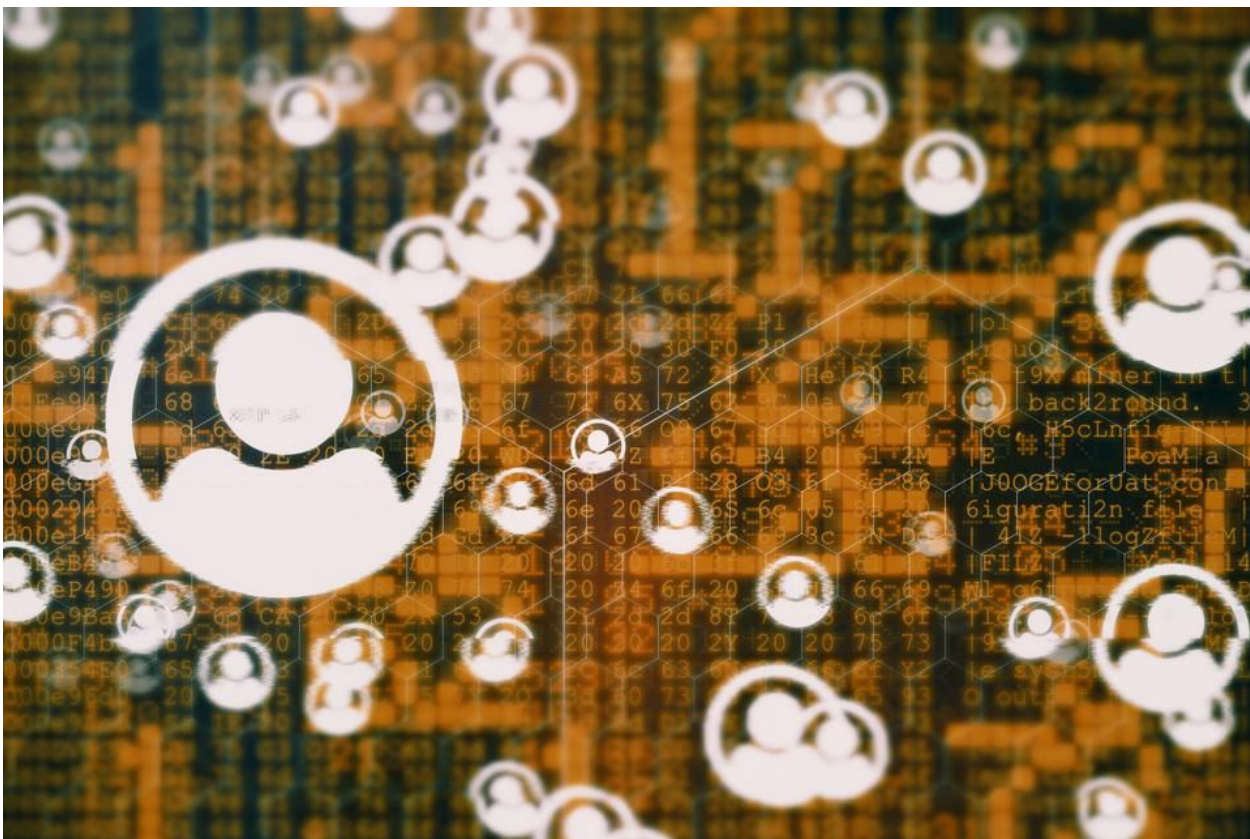# Why Enterprise Blockchain Projects Fail

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Leadership Strategy

I write about risk, readiness and resilience.

Social coordination marks a key point of failure for enterprise blockchain projects.   GETTY

Blockchain technology, like other innovative breakthroughs before it, is undergoing a rapid prototyping and adoption phase. A big percentage of the largest companies in the world are embarking on all manner of experimentation, from the trivial to the ambitious. Indeed, blockchain's allure is so powerful that it has won over once ardent detractors, such as JP Morgan, whose CEO, Jamie Dimon poured cold water on cryptocurrency speculation when bitcoin was at its hottest, only to launch JPM Coin and now embrace the transformative potential of blockchain in

a [new partnership](#) with Microsoft. What belies this fervor is the unspoken reality that notwithstanding the noise in the market and the volley of "world changing" press releases announcing the latest way blockchain will change everything, is that many of these projects fail to deliver their stated goals. This high failure rate is perhaps fair of any experimentation with emerging technologies, but in blockchain's case, the failures seem to be borne from a deeper wellspring of technological, organizational and, perhaps most importantly, sociological naivete.

A high failure rate is fair given the [early state of play](#) for blockchain in the digital transformation arsenal. Perhaps this high failure rate, which some [estimate as high 92%](#), speaks to the broader complexity for technology-powered change. A look at the billions lost in peak crypto ICO mania, like so much vaporware, only supports a maturing and somewhat chastened market. Yet with blockchain there appears to be something more fundamental at play – an irony even – in how a technology that was meant to create a decentralized and democratized economic system, is now one of the leading tools in the hands of highly centralized traditional enterprises. These organizations and project leaders would stand to improve their outcomes if they on-boarded the following key lessons early in the design phase.

For one, there is a general lack of vision and understanding that plagues many blockchain projects. Blockchain, like other technologies, does not live in a vacuum devoid of any significant linkage to organizational and societal norms, design, dysfunction and purpose. When you add in years of pent up inertia and entrenched behaviors present in organizations and markets, means that just because something new can evoke positive change, does not mean it will. For this, a clear organizational vision and deep technical and strategic understanding of where blockchain is fit for purpose can go a long way. Unfortunately, many project leaders are hardly conversant in blockchain, let alone the other array of emerging technologies they must intersect with in order to extract maximum value and autonomy. Perhaps the biggest point of failure, is the [general lack of](#)

[cyber hygiene](#) present in many early blockchain projects.

The second major point of failure and perhaps the hardest to overcome is blockchain's social, organizational and market coordination issue. A read through the latest and greatest blockchain press releases reveals how carefully choreographed projects must be, aligning stakeholder interests, tradeoffs and activities in order to reach their full potential. This social coordination challenge is in many ways anathema to learned human behavior and norms. For this, blockchain projects should be viewed as an augmenting technology, merely amplifying or simplifying the things we already do, rather than a disruptive technology requiring major changes in habits, behavior and market conduct. Just look at the billions lost in cryptocurrency due to deliberate, inadvertent or fraudulent loss of private keys – the true guardians of crypto wealth – as an example of this problem. New behavior does not go over well in transformation efforts involving new technologies. In short, the technology must fade to the deep background, rather than being a key protagonist on stage. For now, far too many potentially game changing projects and startups are leading with the "how and what" of their initiatives featuring blockchain and every other techno buzz word imaginable, rather than leading with "why" and the outcomes.

When people stop talking about blockchain and all of its whizzbang features and benefits, they can begin changing the world with it – provided of course there is a healthy respect for the third point of failure. In order for blockchain to be deployed and for value to be captured in an

enterprise setting, it must plug-in to legacy systems, operations and behaviors. This is a very real issue that often poses high operational and technological barriers, especially as the gains from blockchain cyber resilience can be negated by plugging in to vulnerable legacy systems. Additionally, the high computational burden from blockchain, especially with trust or truth verifying algorithms such as proof of work or proof of stake, can also negate the reductions in market friction they engender. This counterintuitive issue flies in the face of traditional digital transformation efforts, where the return on technology investments is gained from the second instance of a product or service having a fractional cost of zero compared to the first.

Blockchain projects that require algorithmic or computationally intense burdens of proof have no such luxury, at least not in the current generations of the technology. Work is underway to speed up the transaction speeds blockchain variants are capable of supporting to becoming a near peer to credit card processing volumes and speeds. Once this standard is achieved mass adoption of cryptocurrencies as a true means of exchange becomes possible. This leverages an audit-resistant property of blockchain, which offers traceability down to the micro-payment level due to how records are accumulated and time stamped. For this reason, there is an emerging school of thought that blockchain may be more of a machine-to-machine ledgering system, rather than a peer-to-peer "trustless" transaction engine. With the proliferation of internet-connected devices and the internet of things (IoT) on the ascendant, it is now possible to envision an explosion of micropayments based on utilization, location, passage and consumption in entirely new ways. Much as cars equipped with automatic toll devices, such as EZ Pass, the links between near-field computing (NFC), IoT and digital payments now has an audit-resistant ledgering and settlement system in blockchain.

Against this list of the salient points of failure with digital transformation and enterprise blockchain efforts, perhaps the most important item to remember, especially if blockchain is an augmenting technology, is to

keep it simple. Simplicity is the enemy of complexity and to read a blockchain or cryptocurrency whitepaper is as straining to the English language, which enjoys over 500,000 words, as it is to credulity. Mercifully, the technology and the technologists in whose hands the balance of success or obsolescence lies, are maturing rapidly with each course correction and failure.

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