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Developing Blockchain-Based Business Globally

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What Will We Know after This Lecture?

- What is blockchain-based business?
- What is a business and regulatory environment like for the development of blockchain-based business (BBB)?
- What are key elements of BBB?
- How do BBB strategically respond to the uncertain and regulatory-incomplete environment?

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Defining Blockchain-Based Business

Blockchain: A database of a specific kind

Based on: Šilenskytė, A., Botkevičienė, J., Dhanaraj, C. (2022) "Digital Entrepreneurs' Strategic Responses to the Incomplete Global Policy Framework for Blockchain-Based Business" (Chapter 10). In Munoz, J. M. (Eds.) (2022) "Digital Entrepreneurship and the Global Economy". Routledge.



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Defining Blockchain-Based Business


Blockchain: A database of a specific kind



Various entrepreneurial efforts to utilize public blockchain for business development

Blockchain-Based Business







Companies that develop decentralized Apps or engage in decentralized finance development, or otherwise utilize public blockchain for various businesses

Defining Blockchain-Based Business

Blockchain: A database of a specific kind

Does not consider private blockchains used within some larger corporations, or consortium blockchains used by several companies in supply chain management

Blockchain-Based Business



Legal advisors



Marketing agencies

Defining Blockchain-Based Business

Blockchain: A database of a specific kind

Does not consider private blockchains used within some larger corporations, or consortium blockchains used by several companies in supply chain management

Blockchain-Based Business



Smaller firms that are laden by opportunities arising from the features of the public blockchain

Decentralization

Removal of intermediaries

Trust via 'code is law' principle

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Defining Blockchain-Based Business

Business laden by ideas of decentralization within an emerging crypto-economy and Web3

Does not consider private blockchains used within some larger corporations, or consortium blockchains used by several companies in supply chain management

Blockchain-Based Business



Smaller firms that are laden by opportunities arising from the features of the public blockchain

Decentralization

Removal of intermediaries

Trust via 'code is law' principle

Environment to Develop BBB

The previous business values, practices and regulations within local and global markets are redundant for or incongruent with the BBB

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Environment to Develop BBB

Constant change in formal & informal institutions

ICO has resulted in many scams

Initial DEX Offering

Increasingly required due diligence

Regulations for fundraising activities, such as via ICO

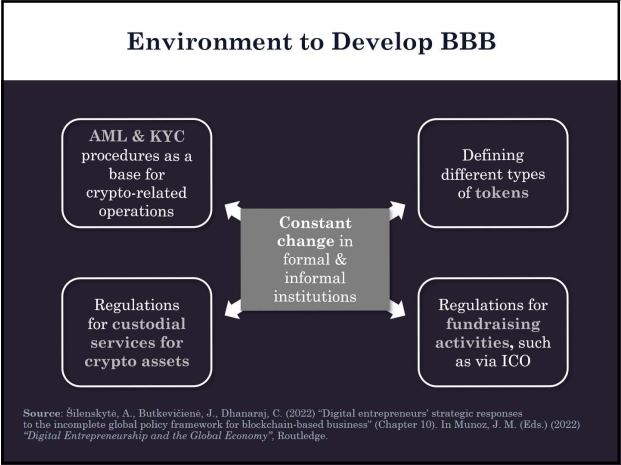
Source: Šilenskytė, A., Butkevičienė, J., Dhanaraj, C. (2022) "Digital entrepreneurs' strategic responses to the incomplete global policy framework for blockchain-based business" (Chapter 10). In Munoz, J. M. (Eds.) (2022) "Digital Entrepreneurship and the Global Economy", Routledge.

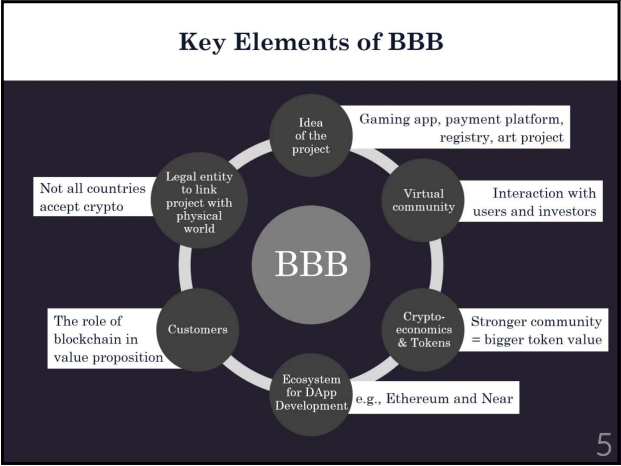
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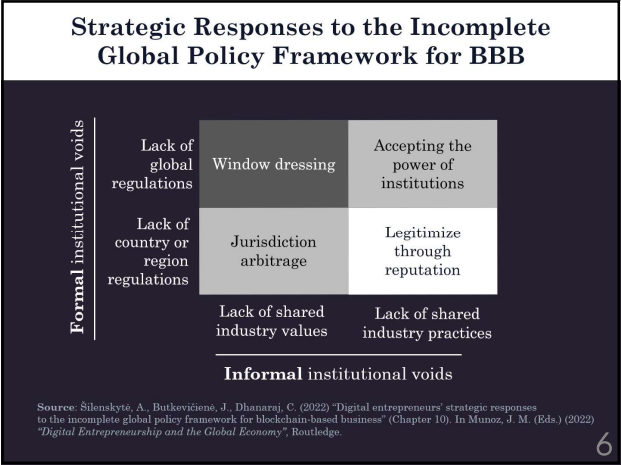
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Firms operating in countries where crypto is banned or constrained in some way

Window dressing &/or Jurisdiction arbitrage

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Legitimizing through Reputation

SUPER HOW?

- Lithuania's leading private research and development lab focusing on DARQ
- Founding member of INATBA - The International Association for Trusted Blockchain Applications
- Experiments and projects conducted together with the National Bank in the country
- Art auctions with famous painters
- Constant involvement in educational and information events; discussing the 'bad' and 'good' BBB practices

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Legitimizing through Reputation

SUPER HOW?

- Legitimize through reputation and strategically address formal institutional voids in the country and region, and informal institutional voids in the industry
- Work on promoting 'good practices' through communication or by working on building institutions that would promote good practices among the industry participants
- Conduct industry-related experiments together with the trustworthy institutions
- Collaboration with well-known artists, influencers and alike help maintaining good reputation



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Accepting the Power of Institutions

- Building business with compliance in mind when utilizing emerging BBB opportunities
- Developing capabilities to establish legally compliant operations within the incomplete policy framework
- In 2013, three entrepreneurs from Lithuania established a crypto-currency exchange
- Crypto-currency exchange is an online platform, in which users can exchange cryptocurrencies or exchange cryptocurrencies to fiat currencies, such as EUR or USD

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Accepting the Power of Institutions:
SpectroCoin



Well-established medium size brand
500,000 registered users from the crypto community
20 employees
3 million in sales revenue
Half a million net profit

2013

2014

2015

2016

2017

2018

2019

2020

Only Bitcoin was the most popular crypto currency

A large number of other cryptocurrencies exist and are known in the market

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Accepting the Power of Institutions:
SpectroCoin



Released a cryptocurrency brokerage service, cryptocurrency wallets, and various solutions for crypto payments
Created at the time when no clear regulatory framework was established
The firm was anticipating the forthcoming regulations and followed many procedures before the regulations were issued

2013

2014

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Only Bitcoin was the most popular crypto currency

A large number of other cryptocurrencies exist and are known in the market



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Accepting the Power of Institutions:
Pervesk

PER /ESK

Entitled to perform money transfer services
Gained the access to the **SEPA** (Single Euro Payments Area)
Easy access to the entire European Union payments' area
with the relatively low cost
Did not directly provide any crypto-related operations

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Pervesk was established in Lithuania to operate in the regulated financial marketBank of Lithuania granted Pervesk the **Payment Institution License**

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Accepting the Power of Institutions:
Pervesk

PER /ESK

SpectroCoin

SpectroCoin and Pervesk were connected via the technological solutions, enabling the connection between the traditional and cryptocurrency markets
SpectroCoin customers had access to cryptocurrency related services and linked applications to more traditional bank-type services provided by Pervesk
This tandem created the first in the world unit which served both the regulated fiat currency and the unregulated cryptocurrency markets

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Pervesk was established in Lithuania to operate in the regulated financial marketBank of Lithuania granted Pervesk the **Payment Institution License**

Accepting the Power of Institutions:
Bankera

B

BANKERA

Bankera, one of the brands used with Pervesk services, has received wide recognition
Bankera listed as number 42 among top hundred Leading Global Fintech Innovators
Among the top six challenge category winners in European Innovation Council-led EUvsVirus Hackathon

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Accepting the Power of Institutions:
Bankera

Bankera, one of the brands used with Pervesk services,
has received wide recognition

Bankera Business Care was awarded for their solution to provide SMEs
with short-term financing to cover their liquidity needs during crisis

Being compliant and legitimate when doing BBB is not always easy
and solutions may not be straightforward

The complexity of the industry requires entrepreneurs
to be innovative, creative, and resilient

Thank You!

For further questions: ausrine.silenskyte@uwasa.fi

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By leading world experts
