Bitcoin, blockchain, crypto currencies—the buzz around tech’s newest—and potentially most ambitious—venture is tangible. But the general knowledge of what exactly blockchain is, how it works, and its incredible potential, is falling short of its meteoric rise.

We sat down with Jonathan Johnson, a member of the Board Directors of Overstock.com, a company whose stock rose a great deal in 2017, thanks in part to its embracing blockchain technology following its early adoption of Bitcoin in 2014, and president of its blockchain investment subsidiary, Medici Ventures, to get his take on why blockchain is so important right now, and what it means for the future of business.
What blockchain is and how it’s redefining our concept of trust.

Blockchain is a technology that allows for you and me to exchange ‘assets’ without going through various trust intermediaries. Today on the Internet, information flows almost frictionless and freely. But if you and I want to exchange a dollar bill, a stock certificate, or piece of land, we rely on middlemen—banks, brokers, insurance companies, or the government—to make it so you and I, who have never met, can trust each other in commerce.

Blockchain is trust technology that replaces all those middlemen, so that when I send you something digitally, you know you’re not getting a copy of it—like if I sent you an email or PDF where you’re getting a copy of an asset—but you’re getting the actual thing itself, something that can’t be replicated. I can send you title to my boat or my money without any friction.

Why you should think much, much bigger than Bitcoin when you think blockchain.

The biggest misconception for newcomers to this world is that blockchain is Bitcoin. Email is not the Internet—it was the first killer app on Internet technology. Well, Bitcoin, and other crypto currencies, are the first killer apps on blockchain. The underlying trust technology of blockchain that powers Bitcoin is where I see the biggest opportunity.

Today, the Internet touches and changes my life every day. Within five years, blockchain technology is going to be that way, too. There will be less chance of fraud, less cost, and less friction. We’ll rehumanize how we deal with each other instead of through governments and institutions. That’s the vision I have for blockchain.

Why—and how—Overstock.com became the first major retailer to accept Bitcoin, and how it’s changed their business forever.

In the fall of 2013, my then teenage son was lounging around on the couch and asked me “Dad, when’s Overstock going to start accepting Bitcoin?” I said, “I don’t even know what that is.” He explained it to me and I started to research it. I didn’t realize that Patrick Byrne, our CEO, had been following Bitcoin for quite some time himself. In late 2013, in one of our executive meetings, someone asked about accepting Bitcoin. Both Patrick and I had been coming at this, unbeknownst to each other, and we both said, “Yes, we should do this.”

The week after Christmas, a couple of development teams locked themselves in a conference room, we slid pizza under the door, and on January 9, 2014, we became the first billion-dollar retailer to accept Bitcoin.

Why—and how—Overstock.com became the first major retailer to accept Bitcoin, and how it’s changed their business forever.

I think blockchain will do for the transfer of assets what the Internet did for transfer of information.”

Three things excited us about the opportunity: First, at Overstock, we’re in the business of making it easier for people to buy from us. Whether it’s credit cards, PayPal, or crypto, we want to make it so that people can spend it on our site. Second, we’re always worried there’s going to be some kind of banking crisis. And third, we’re very pro-freedom, and Bitcoin is a very pro-freedom currency.

Today, we accept around fifty different crypto currencies, and we keep up to 50% of our crypto revenue in Bitcoin. Our crypto revenues have been running about $150k per week.

The vision of a better future, thanks to blockchain.

I think blockchain will do for the transfer of assets what the Internet did for transfer of information. It’s why
Overstock established this subsidiary, Medici Ventures, that purchases ownership in companies that are advancing blockchain technology. Our vision—and we think this is not too audacious—is that we can change the world through advancing blockchain technologies that democratize capital, that eliminate middlemen, and that rehumanize commerce. So you and I can do business, one-to-one, almost like when we were grade school kids and we spit in our hands and shook on it, and that was the deal. We trusted each other. We think blockchain technology is that spit in the hand trust technology.

**Where Medici Ventures is focusing its current blockchain investments.**

We’re mostly investing today in pre-revenue or early-revenue companies. We look for a few things. First, we look for a problem being solved. A business isn’t a business unless it’s solving a problem that someone will pay for. Second, we look at the people. There are three groups of people we look for: great technologists, because we’re dealing in that space, great promoters who know how to sell and create buzz while also closing a deal, but the hardest thing to find is industry expertise. You and I could come up with an idea of how blockchain could fix voting, but we don’t deal with county clerks or those that run the voting. Cracking and disrupting an industry requires a level of familiarity.

There’s this myth that a great idea is all you need. It might be interesting, but there are a thousand other ideas that have to happen for it to work. Everyone had the idea for the iPhone, but there were a thousand other ideas that had to happen to make it become a reality.

**A snapshot of the companies Medici Ventures is currently investing in, and their potential to disrupt business as usual.**

The first company we invested in is called tZERO. When you and I trade stock today, that trade is supposed to settle in trade plus two days (T+2), but we think trades should be completed at settlement, or T+0. This is a system where blockchain can make the trade the settlement and get rid of the layers of institutional friction.

Another is Voatz which solves all kinds of problems around voting. There are so many different systems that can fail in the voting process, and at the end of the day, I really have no idea if my vote has been counted, or counted correctly. With blockchain, you can use a fingerprint or facial recognition in a cryptographically secure system. That’s technology replacing five or six trust institutions that routinely fail.

**What’s on Jonathan’s reading list.**

I’m a big believer in reading the newspaper every day. News is the lingua franca of business. If you’re not current, you’ll fall behind. I read the Wall Street Journal every day, cover to cover.

My favorite business book from last year was Thomas Friedman’s book, Thank You For Being Late: An Optimist’s Guide to Thriving in the Age of Accelerators. The book talks about how there are a lot of different ways to succeed, even with a slow and deliberate pace, in the age of accelerators. I view blockchain as one of the great accelerators of our time, and I want to thrive in that.

**What it means to be a leader, especially in a landscape of dramatically advancing technologies.**

I think people that are successful today and will be in the future are learners. Ecommerce wasn’t a thing when I was in college. Blockchain wasn’t a thing when I was president of Overstock. To be a leader, you have to be a learner, because as technology advances accelerate, we have no idea what next year or the next decade holds. So good leaders are learners.

Where a lot of companies struggle is by over-articulating goals and constraints so that the outcome is pre-determined. There is no room for improvisation or learning. I use a military term: “commander’s intent.” If the goal is to take the hill, let those on the ground improvise around a central goal, because they know the conditions on the ground better than the commanders that aren’t in the battle.

I also think good leaders are collaborators. One of the things we’ve done as Medici Ventures has grown is define our culture. I put together what I thought were a good set of core values, and I sent it out to everyone in the company. Over a series of meetings, we got to a vision that wasn’t just my vision, but it was the entire team’s vision. And it was a lot better than my original. I found if I sit alone in my office and think great thoughts, they’re anything but. At Overstock, when I’d spent time in the warehouse, with customer support reps, or on trips with buyers, that’s when I learned what our business was really about and how things could be fixed. It’s important for leaders to talk to people that are on the knowledge frontier in their organization. That’s where you learn the most.
An interview with
Joshua Gans, One of the Authors of
Prediction Machines

AI for the Rest of Us

As an expert in AI, Joshua Gans spends a lot of time separating hype from reality. Currently a Professor at the University of Toronto’s Rotman School of Management, he teaches MBA students networking and digital marketing strategy—including how companies can use technology to compete through innovation. We sat down with Joshua to discuss the new book Prediction Machines: The Simple Economics of Artificial Intelligence, that he coauthored with Ajay Agrawal and Avi Goldfarb.

Joshua Gans
There’s a lot of talk in today’s market around the possibilities of AI. But are there concrete examples of AI’s benefits today in today’s business world?

I’ll admit it: AI is seeing a lot of hype right now. In the book, we take a different approach to what AI developments over the last 10 years have been all about. We’re not talking about general intelligence—replacing humans and all their cognitive abilities—but just one facet that hasn’t been exploited previously, which is our ability to predict.

Normally, we think about prediction in the context of forecasting. With weather, we gather historical data about wind and precipitation and other factors, and we produce a prediction about what the weather’s going to be tomorrow, and next week. But prediction isn’t always about the future. Computer vision is one example: when you give a machine an image and ask what it sees, what it’s really coming back with is a prediction. The computer is asking “What would a person think is in this picture?”

Prediction is all about making better decisions. With weather predictions, you can determine what you should wear. When you have a prediction regarding what’s in an image—take an MRI, for example—you can then make a decision on the right course of treatment. Seen in that regard, AI is kind of boring. It’s just a better statistical technique. But it is such a huge advance, that prediction itself is going to become better, faster, and cheaper. That’s going to open up a whole lot of uses for prediction that weren’t there previously.

So how does AI move from hype to real value for businesses?

One of the concerns in the back of our minds as we wrote this book was recalling what happened with the computer revolution and the internet revolution. With those, there was a lot of hype, and a lot of companies spent millions of dollars on things that weren’t really thought out. We don’t want to repeat that mistake. What we instead encourage services to do is to say, “If prediction is going to help better decision making, let’s take workflows from our organization and break them down into all the decisions that have to be made in order to go from an input to an output, and in that process, identify where the sources of uncertainty are.” It’s there that you’ll start to understand where AI might be useful in reducing that uncertainty and making better decisions. This is a process that happened previously with computers. People broke down the workflows and tasks, and worked out where computers were going to be useful. It led to this movement, 20-25 years ago, called reengineering. What we’re suggesting is that there’s an opportunity to do that again.

In the book, you write that everyone has a light bulb moment with AI—a moment where it clicks for them. Will every industry need to see their own light bulb to embrace the technology?

Some people are ahead of the curve, asking, “Can AI help our business?” In other situations, it does need to be more tangible. For instance, one supermarket chain that we studied used AI to predict their cold storage levels, which if optimized can be a critical cost savings. Food space is expensive and you need to hit the right balance of supply and demand, otherwise you risk spoilage. This chain applied machine learning to look at what was driving the demand for yogurt in Canada. They found that a significant driver of whether there was more yogurt or less than expected in the store at the end of the day was the weather. Even a reduction in a few degrees in an otherwise cold Canada changed buying behavior around yogurt. And that was something that was completely surprising. They started seeing gains—5% here, 5% there—and that all starts to add up. Those are the sorts of times in which people say, “Oh, this could really matter for us.”

AI is fueled by data. There are companies that have vast amounts of data to work with, and others that are behind in that area. Will AI give an unfair advantage to data-rich companies?

That’s really quite difficult to say. You need data for AI, but the simplest way to scare everybody is to say, “They have data and you don’t.” I have no doubt that this is why companies like Google, Facebook, and Amazon have such great leadership in AI at the moment, because they’ve already been thinking about data, and they’ve been collecting it the right way. The standard business that’s been collecting data, without thinking about precisely how it’s going to be used, is not necessarily in the same position. For AI, you need the right data—structured in the right way, measuring the right things, clean. It may well be that the new businesses that start their data collection from scratch today may end up creating the best AI data.
Where should AI capabilities sit in an organization?

That’s the tough question many organizations are facing. I see AI as part of an analytics core function right now, because there are still many amount elements requiring data scientists to understand the data. But long-term, that should change. First, there’s the choice of outsourcing versus building capabilities in-house, both with their own benefits and risks. It will also depend on which pieces of the organization the AI function is meant to impact. General-purpose capabilities make sense in a centralized function, but more departmentally specific functions might drive the ownership into those respective groups. Take HR, for example: they’re trying to predict if a new hire will be productive or if someone should be promoted. Today, there’s a lot of data collected that could help these predictions, but it’s all sitting in files, not being used.

What steps can business leaders take to get their business ready to take advantage of AI?

Beware of history. Beware of people bringing technological gifts. AI is ultimately distinct. Having a good understanding of the technology and what it can bring you is going to serve you well in understanding whether you’re being sold something real and what its potential is. In other words, it’s very important that you have people close to you in the organization that can tell you whether the potential benefits are real or not, from a data science perspective and an operations perspective.

That being said, there are enormous benefits to being open to experimentation. If you have a large organization, letting teams go and find an application of AI—not as a core operating piece of the business, but as an experiment on the side—can have great benefits. You need to manage your risk but take advantage of the opportunity that AI presents.
An interview with Sam Riley, CEO of Ansarada by Chris Kerns

The Deal with AI
Sam Riley thinks about deals all day. As the CEO of Ansarada, an AI-powered dealmaking platform, he focuses not just on making the deal experience transparent for all parties—including corporate acquisitions, mergers, and partnerships—but also on learning from the 12+ years of data the company has seen fly through its system, to identify patterns in the deal-making process, and opportunities for businesses to reduce risk.

On founding Ansarada and the problem they were solving:

We started about 12 years ago. My partners were involved in a company, getting it ready for a sale, and they needed to facilitate due diligence to allow the potential buyer access to critical information. The existing technology was so expensive that our CTO ended up just building something himself. We stepped back and figured there could be a business there. We dove into the process of how major transactions happen, and I did research on all the different players in a typical deal—lawyers, accountants, bankers, CFOs, CEOs—and we ended up creating a platform that’s simple for them to use to disclose the right information and to manage, but is also very secure for managing risk.

On extending the platform with AI:

During the first eight years of the business, we focused on being a productivity and risk management tool. Then we realized that most of these deals were being approached and managed like they were the first one ever done and that with the data we had on over 10,000 deals at that time, there must be patterns of behavior we could find. We realized that we could automate certain pieces, reduce risk, and add data-driven insight to the decisions being made.

For example, we looked at behaviors of successful buyers compared to groups that had dropped out early in the process—people we believe were just in there to kick the tires. We built an algorithm looking at 56 different behavioral attributes, such as which roles are involved, how often a group logs in, and what types of questions they ask on particular topics. We ended up with an algorithm that is now 97% accurate at predicting which groups are engaged and which ones aren’t by the seventh day in a deal, which can be a huge piece of knowledge for groups on the other side. We've built out our own natural language app, and an automated deal assistant. Plus, lots of new technology in the works.

On other industries that are ripe for disruption via AI:

We use a lot of marketing automation tools, and it astounds me how little people do with their own data, just on their own prospects. In general, you have to look at the most repetitive, mundane work that needs to be done, but for something else of value to occur. For us, it was clear after working in the space for a while—for example, in M&A delivery, everyone wants a due diligence report, but that takes assembling documents, reading through them, finding clauses, and so on—there's a huge opportunity here for how AI can improve all types of business functions.

On finding and retaining data talent:

It's important to have moon shots in your business. You don't have to make your whole data strategy that ambitious, but you need one or two big, challenging projects to work on that will attract people to the challenge. It might be something they can chip away on or even do a bit of R&D on. Data folks love to not only solve those kinds of puzzles, but also share that knowledge as well. They hang out in those communities and go to meetups, they share what they're working on with friends and peers, and that means more of them are more likely to end up wanting to work with you, too.

I remember hiring one guy, and when we told him our plans, he said, “Are you guys really going to do this?” He asked us this a few times throughout the interview. When we asked why he kept pressing on the subject, he said, “Well, all my friends get sold in interviews on working with AI, and then three weeks later we’re working on JavaScript and C#.” So, you have to be serious about these projects. Have one or two initiatives where you can let people think really big and play with some big problems.

On what data he needs to do his job as CEO:

Lots. I need a healthy mixture of leading and lagging indicators—leading indicators around the top of our sales and marketing funnels and lagging indicators like financials—but, I'm increasingly leaning on data that's more actionable. That often involves less generic data and more specific. So, for example, if I can break out sales data by geography, industry and transaction types, I can see that deals about capital raise in the U.S. tech industry are converting much faster than the normal timeline. We can take action on that type of data which has a real impact on our business to amplify the good and manage the risk on the others.
On how to spot a good area of investment:

Ideas have to be tested for validation. Even with the smallest test, you can save a lot of time and money. When people come to me with an idea, I first ask them how they're going to measure its success. If they don't have a good answer, they need to do more work before we look at the idea. Not that long ago, someone thought we should put chat functionality in our deal room product, but I wasn't sure that customers wanted to chat in our product due to the secretive nature of deal-making. So, we tested the idea via the cheapest method we could think of—we just added a link in the product to a chat window that didn't exist. If someone clicked on it, we'd just pop up a window saying “chat is coming soon.” We had over 50,000 users see the link and not one person clicked on it, so it was clear that there wasn't a need to build chat.

That being said, you also know when to lock down and go with a product vision instead of asking for constant feedback from customers. There’s a quote I love: “To conduct an orchestra, you have to turn your back to the crowd.” As we’ve been in the space for a long time now, we have a feel for what’s next and need to be able to trust that for our direction.

On his favorite business books:

As a company, we read a book every quarter for the past 10 years around something that we're focused on at the time. Some of those books have been particularly useful— a recent one titled Play Bigger that covers creating a new category with a solution-based mindset—proved great read across the board. From a company perspective, Exponential Organizations has helped us understand the right way to scale and the best way to engage with customers and communities. And then there's also No Limits: Blow the Cap off Your Capacity, which walks through Maxwell’s five levels of leadership, which is about raising the bar by identifying and growing 17 critical capacities we all have.
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