



## Smart Strategies for Radical Change

*Can blockchain achieve its much-heralded promise for transformative innovation—in distribution and beyond? Join us in February to find out.*

*Blockchain has been in the news recently for all the wrong reasons, as a technology that makes cryptocurrency possible for positive disruption and, unfortunately, massively scaled fraud. But blockchain may also enable radical change for incumbent businesses, helping them leapfrog toward new industry practices for the benefit of all players—customers, contractors, distributors, manufacturers, and more. In our next Office Hours discussion, hosted by NAED's Futures Group, we will explore smart contracts powered by blockchain as a market platform offering industry-wide benefits. Join us and find out—on February 16, 2023, at 1 pm CT.*

### **A new approach to managing contracts**

The construction industry is vital, chaotic, ancient, and perhaps until now, unchanging. Contractors build, remodel, and sometimes demolish the spaces where we live and do our work. Contractors provide jobs, enable economic development, and are essential for achieving a sustainable and regenerative society. Contractors are savvy and scrappy entrepreneurs, the beating heart of the construction industry, and the glue that makes things work. And while all of

this is true and may seem heroic and even romantic, the sad truth is that contractors struggle every minute of every day to juggle project commitments, schedule workers, obtain materials, collect funds, pay for labor and supplies, keep customers happy, and ultimately, stay in business. Their business systems are manual, without big data analytics or algorithms. Tribal knowledge, personal relationships, and a delicate balance between trust and litigiousness are how business is done.

Technology may offer a way out through smart contracts, a capability designed as a digital contract platform to advertise, negotiate, document, execute, keep records, and report on how business is done. Smart contracts offer a disruptive change from the inside by facilitating revolutionary visibility, accountability, and efficiency for construction projects. Smart contracts are a tool for all incumbents, not a technology wielded by an emerging power or outside player bent on defeating, replacing, or co-opting the existing value chain. Smart contracts seem a heavenly offering, but are they too good to be true?

We have much ground to cover in our first NAED Office Hours discussion about smart contracts. Our guest, [Trent Cotney](#), provides an excellent summary of blockchain, smart contracts, industry benefits, and potential concerns [here](#), a must-read before our Office Hours explorations. I suspect we will get started by covering the basics and creating an actionable understanding of smart contracts, but I hope we can leap ahead, even if incrementally. Office Hours is a conversation about the future of distribution, not contracting. Our discussion will succeed if we can at least begin to imagine how smart contracts may enable distributors to perform new responsibilities, deliver new customer experiences, and, ultimately, reinvent their business models.

In this edition, I return to three potential distribution business models, first offered [here](#), and briefly explore how smart contracts might enable them. This is a radical approach. In distribution, we often consider new technologies developed by others as best practices we must adopt to stay viable in the digital age. By leading with radical business models, distribution leaders and innovators can take control of their future, directing technologists to explain their worth or, better, to develop technologies as solutions for the future businesspeople imagine. Undoubtedly, more business model innovations are possible. Still, for now, I suggest we explore

these three to get started and work through the process of reinventing what it means to be an intermediary in the digital age:

- **Super self-service.** Smart contracts automate price negotiations and service commitments and include execution triggers for delivery and payment. Operating as connected businesses, distributors may build digital links, through [APIs](#) or other means, to complement smart contracts. Most of the day-to-day transactional operations of a distributor would then operate automatically, essentially transforming the routine conduct of business as a self-service offering led by contractors as customers.
- **Knowledge hub.** As explored in yet another edition, designers can enable blockchain platforms to accept any additional data relevant to a solution's core mission, creating more value and innovation opportunities. Construction examples might include installation instruction, training videos, warranties, professional standards for digitally enabled work, surveys to measure customer satisfaction, and so on. If distributors take responsibility for providing this information, they may transition to a new intermediary role that is more about delivering and acting on knowledge than doing so for products.
- **Supply chain captain.** Imagine that the data associated with fulfilling smart contracts are collected for a local community or economic zone. Or not geographically, but for contracts related to a specific need or industry transformation, like electrification and the transition to a renewable energy grid. Distributors might access this data and then add their deep knowledge and professional expertise around sourcing, delivery, and value add to act as supply chain captains. Doing so would be a radical upgrade for distributor business models and might help usher in a supply chain that is not only resilient but also responsive and regenerative. (Click [here](#) for more on this.)

## Foresight and footsteps

I offer five questions for any innovator thinking about the power of smart contracts for enabling new intermediary business models and the future of distribution, and specifically for enhancing our Office Hours discussion:

1. What are the most critical challenges your contractor customers articulate?

2. Are your contractor customers aware of smart contracts? Do they have experience?
3. How would smart contracts help you provide more value for contractors?
4. Do you have the necessary knowledge, capabilities, and organizational confidence to embrace smart contracts? Where can you get help?
5. Setting aside smart contract trends, what are the radically new business models you can imagine for your business? Will smart contracts help you refine and enable your foresight?

Please share your questions and comments below—and better, [join us](#) for our next [NAED Office Hours](#), *Smart Contracts*, on February 16, 2023, at 1 pm CST. Click [here](#) to register.