



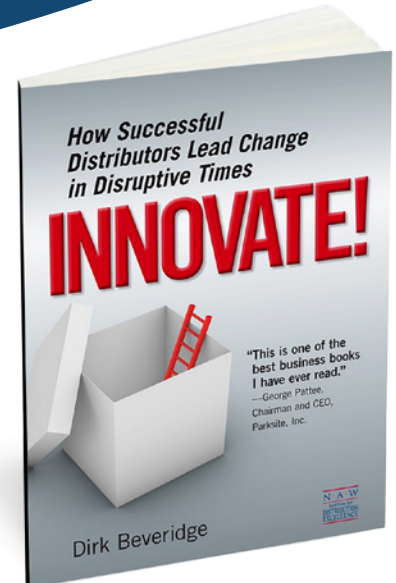
# An NAW Institute Pocket Guide

**PUBLICATION TITLE**

*INNOVATE! How Successful Distributors Lead Change  
in Disruptive Times*

**AUTHOR**

Dirk Beveridge



**THE NAW INSTITUTE FOR DISTRIBUTION  
EXCELLENCE CONDUCTS RESEARCH INTO  
STRATEGIC MANAGEMENT ISSUES AFFECTING  
THE WHOLESALE DISTRIBUTION INDUSTRY.  
ONLY THE NAW INSTITUTE PUBLISHES LEADING-  
EDGE RESEARCH STUDIES WITH PRACTICAL  
APPLICATION FOR WHOLESALE DISTRIBUTION  
FIRMS OF ALL SIZES AND LINES OF TRADE.**

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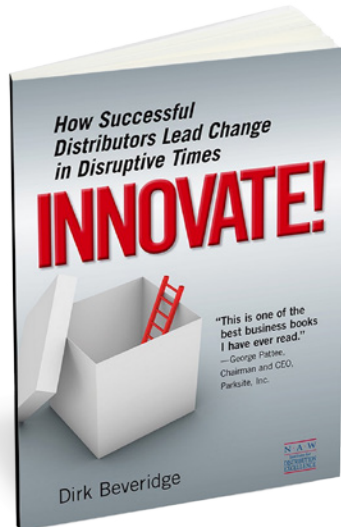
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ABOUT THE AUTHOR



With more than 25 years in the distribution industry, **Dirk Beveridge** helps distribution firms align, focus, and strengthen their strategies to remain relevant, outperform the market, and provide deeper value to customers.





WITH REAL-LIFE EXAMPLES ABOUT COMPANIES AND INNOVATION, THIS RESEARCH STUDY PROVIDES THE ROADMAP FOR CREATING INNOVATION. LEARN WHAT DEFINES THE INNOVATIVE DISTRIBUTOR.

Wholesaler-distributors are experiencing disruptive times. In fact, 76% of wholesaler-distributors surveyed by the NAW Institute for Distribution Excellence and author Dirk Beveridge believe we are in an environment they would call the “age of disruption.”

The distribution industry is challenged by pressures coming from all directions – from marketplace competitors, new government regulations, shifting demographics, or the pace of technology. Navigating these big shifts to create a sustainable and relevant business has become the new mandate for every leader and every employee in distribution.

At the core of this new mandate is innovation.

With real-life business examples of innovation, *INNOVATE! How Successful Distributors Lead Change in Disruptive Times* provides the roadmap for creating innovation. Learn what defines The Innovative Distributor. Each chapter concludes with action items and exercises for guiding your innovation journey.

Innovation means leading customers to a better future – and they are willing to reward you for it.

It demands a continuous journey of evolution and change. Innovative distribution executives charge their teams with thinking critically about how to improve their companies ... and then to take action on their ideas.

For innovation to catch fire, your employees at every level must be prepared and willing to look at your business as if they have never seen it. They must understand that the power to transform your business for the future resides within them.

*When You Begin Your Innovation Journey, You'll:*

- Find the will, energy, and focus to lead change in today's disruptive times
- Escape the tyranny of the urgent, drive mediocrity out of your business, change the rules, and break free from the gravitational pull of the status quo
- Reimagine your business model and craft your own story to inspire organizational change
- Create a culture of collaboration where you and your team experiment without fear of failure, and the best ideas (regardless of title or tenure) win
- Pursue a deliberate process of reinvention that will help ensure sustainability and profitability
- Lead your customers to a better future for which they are willing to reward you!

And, here is the good news ... 95% of leaders surveyed feel personally empowered to be a disruptive change agent within their business. Are you in? If so, *INNOVATE!* is for you.

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### **Foreword from** *INNOVATE! How Successful Distributors Lead Change in Disruptive Times*

You may be asking, “Why is it important to innovate?” Let’s go back about 40 years and look at a company that was at the top of its game. I was just entering the workforce and one of the premier companies to land a sales trainee position with was Eastman Kodak. The company had its choice of who to hire, and so making the cut was difficult. One of my classmates made the cut and we collectively thought that he had won the lottery. Little did we know that a new brand called Fuji would emerge and start the assault on Eastman Kodak’s business model! Eastman Kodak suddenly had competition that went head-to-head with it on quality, and this competitor was more aggressive in providing incentives for shelf space at retailers. If an aggressive “me-too”

product was not enough to diminish Eastman Kodak's star, along came innovative digital technology that has all but made the company's legacy business a footnote of history.

What is ironic is that Eastman Kodak was a leader in developing digital products! The company had the technology, and yet its management focus was on defending the status quo. The company abdicated technology leadership to hold on to the products that were its past glory. The company refused to innovate.

Today wholesaler-distributors are having their traditional value propositions challenged by information technology. How we disseminate information and how the new generation entering the workforce wants to receive that information are being transformed at such a rapid pace that it can seem overwhelming. But in that chaos of change are hidden opportunities that will be exploited by the innovators.

We as leaders must stimulate the type of thinking within our organizations that is transformational. That will keep us relevant. We must attack our business models with new ideas before someone makes us a footnote of history.

Because transformational thinking and leadership are very important to me as a distribution CEO, I am pleased that the NAW Institute for Distribution Excellence is devoting an entire book to this significant and timely topic. With *INNOVATE! How Successful Distributors Lead Change in Disruptive Times* by Dirk Beveridge, we have an inspiring vehicle with which to bring "outside-the-box" critical thinking to not only our leadership



teams, but to every employee in our companies. Dirk has given us a thoughtful roadmap for creating innovation in our businesses. We need to think differently and also learn from others outside our industry about how they and other successful business leaders are innovators in their industries.

I encourage you to use this book and to get it into the hands of the people in your organization who share your passion for keeping focused on the future and rethinking your business model for new revenue streams and continued growth. Commit to innovate!

Joseph Nettemeyer

Chairman

NAW Institute for Distribution Excellence

**Introduction from** *INNOVATE! How Successful Distributors Lead Change in Disruptive Times*

You are about to discover how innovation can change your business.

As I look back to when the idea for this book started to germinate and I began my research, I am inspired by the conversations I have had, the people I have met, and the interviews I have conducted. It has been awesome. I have learned with every touch and have been inspired along the way.

In business, you are never finished. That is the central premise of this book about the need for innovation in wholesale distribution. Quite simply, innovation means leading customers to a better future for which they

are able and willing to reward you. And that requires constant work and focus. I am thrilled with the stories, insight, and new ideas that you are about to discover in the following pages. And I am confident that this book will become central to your conversations internally about creating a new, better, and stronger future for yourself and your company.

This book is just the start of a much-needed conversation throughout wholesale distribution about innovation. It is designed to inspire you with stories, anecdotes, and new ideas from inside and outside the wholesale distribution industry. By no means do I consider this book to be the encyclopedia or the definitive textbook on how to innovate. There are tons of books out there on that. What's needed first is a conversation throughout the industry about why wholesaler-distributors must transform their businesses by innovating. We need to create a new spirit of innovation throughout the industry, and that is what I have set out to do in these pages.

This book is about being alive. It is about being optimistic. It is about the great wholesaler-distributors and business leaders I have met during the course of my research and the stories they have told.

### **Self-Reliance and Innovation**

Innovative distributors will ensure that those on their teams relish the challenge — and feel prepared to be a part of the change and transformation — that comes with innovation. They also will empower those individuals to think critically about how to improve their jobs and their companies — and to take action on their ideas. That's because innovation requires self-reliance. How many times have you heard throughout

your career, “If you don’t like it, change it.” We hear it all the time, but too few of us do the changing. We realize the fundamental truth that change and innovation are hard. And as a result, we are pulled back to safety, comfort, and the status quo.

In his essay *Self-Reliance*, Ralph Waldo Emerson writes:

*There is a time in every man’s education when he arrives at the conviction that envy is ignorance; that imitation is suicide; that he must take himself for better, for worse, as his portion; that though the wide universe is full of good, no kernel of nourishing corn can come to him but through his toil bestowed on that plot of ground which is given to him to till. The power which resides in him is new in nature, and none but he knows what that is which he can do, nor does he know until he has tried.*

For innovation to take place, your leadership team must be prepared, willing, and excited to toil the land. They must understand that the ability to transform for the future resides within them. Innovating is not up to the banker, accountant, or even the consultant who will lead your innovation workshops.

To speak out against the status quo requires confidence. To suggest a bold initiative that doesn’t make sense on paper because the numbers don’t add up requires a form of fearlessness. To lay out a new, transformative service that will lead your customers to a better future requires self-reliance. However, if you rely on others, there is no reason to look at the world, your business, or your job, any differently. There is no need to innovate.

Some will immediately react and say: “But what do you mean? You need a team around you to innovate.” That is true. But without self-reliance — *without the internal awareness that you have the power to change things* — your business will always be pulled back to the status quo. In the course of doing research for this book, one CEO said, “Most distributors don’t change until someone says ‘we need to close these branches.’” Within those distribution businesses there is a void of individuals who take responsibility for improving their lot by toiling the land.

Jay Steinfeld of Blinds.com (who we will talk about in chapter 2) has developed a culture of innovation in part because he hires the self-reliant. In an UnleashWD presentation, he described a tenet of his recruiting process as “only hiring those who are trying to improve.” Those self-reliant types are who “we deliberately try to hire and we build our interviewing questions around it. What do you do in your personal life to improve? It could be cooking classes, it could be reading, whatever. Tell us that you are not only willing to change, but that in your personal life already demonstrate the behavior that you can prove to us that you want to change. That this is how you are. Because when we have people that are open and take active steps to making themselves better in some way, we know they have the mindset when they come in, we know that they will fit the culture.”

Steinfeld and the Blinds.com team know they have self-reliant individuals who are ready to be part of the new future that an innovative culture is creating.

What's more, innovative distributors will invest in their people to continually develop the team's self-reliance. One distribution owner interviewed as part of the research for this book is in the process of developing a program to help his managers become innovation leaders. He says they need training on innovation, new ways to think, and the Lean Startup approach so that they “stop being stuck in their office, falling in love with their ideas, and rejecting other new ideas before they are even tried.”

Innovative distributors will have “the right guy” on the team with the skills, capabilities, confidence, and self-reliance required to succeed. As you build your team, build it with people who do not mind being disrupted. Most are uncomfortable with disruption, but some can adapt and say, “Okay, I understand, this is the way we operate here. I'm going to get on board. I'm going to transform myself so that I can be part of this disruption and not be left behind.”

Throughout these pages you will read about distributors that are far along on their innovation journey — organizations for which innovation has been a part of the company culture for many years and that many in the industry hold up as both role models and, at times, threats. Others that you will read about have just begun their innovation journey. At first blush these distributors will not come to mind when you think of defining The Innovative Distributor™ — a term that describes companies that have embraced the models outlined in this book. Yet, they have begun their innovation journey. They know that they are at risk of becoming irrelevant and disrupted if they don't start now. So they have started, and that is inspirational.

They are looking to break through nostalgia, legacy, and the pull to the status quo. This is no easy task by any means. These wholesaler-distributors move forward with no guarantees. Yet, they try. Their leadership has seen the light that says innovate or become irrelevant. And they decide to innovate. You have the same choice. I hope these pages inspire you also to say: “It’s time to innovate.”

### **Assessing the State of Innovation**

This book is part of a larger research project on innovation in wholesale distribution. The goal was to assess the state of innovation in the industry, identify some necessary steps forward for companies looking to build a culture of innovation within their organizations, and, ultimately, to start a larger conversation about the need for innovation industry-wide. The research involved an industry assessment survey conducted by the NAW Institute for Distribution Excellence; a supplemental survey by the Canadian Institute of Plumbing & Heating (CIPH), a major Canadian trade association representing wholesalers and manufacturers; and one-on-one interviews with distributors in multiple lines of trade.

The NAW Institute survey asked C-Suite executives and vice presidents of member companies a series of questions about the current state of their businesses and the industry and whether they thought business leaders are prepared to meet the changes and challenges ahead. The majority of wholesaler-distributors

surveyed agreed that we are living in unique times that call for a new spirit of innovation throughout wholesale distribution:

- 76% of distributors surveyed said they believe we are living in an environment we could call “the age of disruption”
- 85% said they feel they need to “reinvent” their business before someone else does
- 81% said that much of the distribution industry is operating from “dated” business models.

Despite this pressing need for innovation, change, and transformation, the distributors surveyed said their companies were doing little to act on it:

- 72% said they think their companies are slow to make changes to the business
- 78% said they get trapped in the day-to-day and don’t focus enough on creating the company’s future
- 42% said they feel like they are “too rooted in the past” rather than focused on innovating for the future.

As a result of all this, 57% of the distributors surveyed said that many wholesaler-distributors are “already out of business — they just don’t know it yet.” There is good news, however:

95% of the distributors surveyed said they feel personally empowered to be a “disruptive change agent” within their business. This is an especially important point. As we will discuss throughout this book, innovation and change require the will, energy, and focus. Without a commitment to change from company leaders and rank-and-file employees alike, your innovation journey cannot begin.



The CIPH survey yielded similar results, and we will share some of those in the coming chapters. The third and largest piece of research for this project were the many interviews conducted with wholesaler-distributors throughout the country, which included long conversations in offices and conference rooms, in the field with sales representatives, and across the dinner table with company owners and managers. It was these conversations that revealed the most about the state of innovation, providing insight into the frustrations that abound among many executives and managers and offering a glimpse at what some successful companies are doing to begin their innovation journey. These conversations — along with additional research from a wide range of industry and non-industry sources — provided a wealth of data in the form of stories, models, and tools you will find throughout this book.

### **Sparking a New Conversation**

There are challenges to developing a culture of innovation. We'll talk about them in the opening chapter. But this book is about moving beyond challenges and focusing on continuous improvement and even transformation. It's about surrounding yourself with like-minded people who believe they have the power to change their businesses — and themselves — for the better.

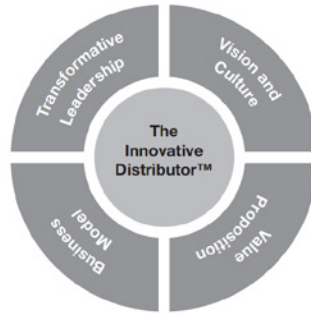
I hope that this book, if it does nothing else, sparks a new conversation and even a movement — a new optimism and a new focus — on cutting through the red tape and putting the words “fun” and “excited” back into our conversations.

Throughout the course of this project, I have had the great fortune of being surrounded by wholesaler-distributors that are focused on bringing a new spirit of innovation to their organizations. I have met with them, interviewed them, and watched how their businesses function. Through these efforts, together we have focused on business model innovation, the need to disrupt yourself before you can lead change in disruptive times, the art of removing complexity from our businesses, how revolutions provide keys to engaging employees, and more. During our meetings and conversations, these comments were given:

- “I feel I can truly be a disruptive agent.”
- “You have changed my mindset.”
- “When you explore other companies that have done something that you thought was impossible, it makes you rethink ‘what’s my ceiling?’”

And, maybe my favorite, one individual said, “I might be an old dog, but you have my tail wagging.”

That statement is my hope for this book. I want the stories you are about to read, the lessons that we will present, and, more importantly, the thinking and conversation it will generate in your business to spark a new culture focused on innovation. I hope these pages that define The Innovative Distributor will have your tail wagging.



### **EXCERPT || CHAPTER 1: A CALL FOR INNOVATION**

*INNOVATE! How Successful Distributors Lead Change in Disruptive Times*

### **A VUCA World**

The military has coined the term “VUCA” to describe the change and disruption it faces in defending freedom around the world. Ever since this acronym took hold after the terrorist attacks of September 11, 2001, business leaders have adopted it to describe the new normal we find ourselves in. VUCA stands for

- Volatility — the nature and dynamics of change and the speed of change
- Uncertainty — the lack of predictability and the prospects for surprise
- Complexity — the multiples of forces, the confounding issues, and the chaos and confusion that surround an organization
- Ambiguity — the lack of clarity and mixed meanings of conditions.

The VUCA world we find ourselves in is challenging distribution leaders in ways unimagined just a few years ago. Globalization is causing many distributors to become more susceptible to shifting economic conditions around the world, for instance. And new technologies such as 3D manufacturing and the Internet of Things are making business leaders take a more critical look at their processes and procedures. More so than ever, change is coming from the outside — from areas that were once so tangential to our businesses we didn't have to pay much attention. Think about Amazon Supply; who would have thought an online retailer of books would jump into wholesale distribution? The change is coming fast and with VUCA velocity. One distribution CEO interviewed said, “Chronic chaos is popping up every two years and getting stronger.”

### **VUCA Velocity Creates Burning Platforms**

When Stephen Elop took the helm of struggling Nokia in late 2010, he was asked to accelerate the execution of Nokia's transformation. Part of Elop's leadership style is to spend an enormous amount of time listening with the belief that, “The truth is out there, if you listen for it, you can hear it.”

He found the truth at Nokia.

This truth was then communicated to Nokia's employees with Elop's “Burning Platform” memo. This 1,200-word manifesto begins with the following story:

*There is a pertinent story about a man who was working on an oil platform in the North Sea. He woke up one night from a loud explosion, which suddenly set his entire oil platform on fire. In mere moments, he was surrounded by flames. Through the smoke and heat, he barely made his way out of the chaos to the platform's edge. When he looked down over the edge, all he could see were the dark, cold, foreboding Atlantic waters.*

*As the fire approached him, the man had mere seconds to react. He could stand on the platform and inevitably be consumed by the burning flames. Or, he could plunge 30 meters into the freezing waters. The man was standing upon a “burning platform,” and he needed to make a choice.*

*He decided to jump. It was unexpected. In ordinary circumstances, the man would never consider plunging into icy waters. But these were not ordinary times — his platform was on fire. The man survived the fall and the waters. After he was rescued, he noted that a “burning platform” caused a radical change in his behaviour.*

*We too, are standing on a “burning platform,” and we must decide how we are going to change our behaviour.*

“Beveridge gives solid examples of what to do, how to do it and a roadmap to reimagine our business model and value proposition. This book is on the required reading list at Summit.”

VICTOR R. JURY, JR.  
SUMMIT ELECTRIC SUPPLY  
CO., INC.

“This is necessary reading for anyone who wants to remain or become an effective leader in our industry.”

L.T. GIBSON  
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“...indispensable book... Leaders can’t let what they know limit what they can imagine. Use this book to fire your imagination to make long-lasting change in fast-moving times.”

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