

# A winning team

Digi-Key's president and COO Dave Doherty explains why the distributor's culture is a winning differentiator. By **Neil Tyler**

It's now more than two years since Mark Larson stepped down as president and chief operating officer at Digi-Key, the electronics components distributor.

"Mark was certainly a visionary, who led the company from 14 employees to one that now employs more than 3400 globally," says Dave Doherty, the company's current president and COO. "He had a vision and almost single-handedly pushed the business forward, turning it into an organisation with an annual turnover in excess of \$2billion."

Doherty had been with the company for many years before his appointment in 2015, having served as the company's executive vice president of operations.

"When I was appointed as Mark's successor, I realised that the business had become too large and complex for one person to manage and would require a management team capable of communicating in an open and transparent way, if we were going to deliver business improvements going forward," Doherty explains.

"We took the role that Mark had, and while I assumed some of that, we sought to diffuse other elements of his responsibilities out across the broader team," he says. "There's a real sense of camaraderie here and decisions can be made quickly, which means that we can experiment and be flexible."

"Crucially, we're open to honest and constructive criticism. Collective decision making is also about respecting what's been built, and acknowledging the success that's been achieved and embracing the culture that's developed over the years."

It's that culture, one of service and hard work, that Doherty believes sets Digi-Key apart from its competitors.

"It's not the processes we use or the logistics companies we employ, but the people who work here," Doherty argues. "That's the key differentiator. I'm not from this region – Minnesota – but I've never seen people so committed to a company."

"Digi-Key is part of the local community and there's a real sense of pride about the work people do."

"The culture here can be described as 'we don't leave until the job is done' and that's true of everyone, whether they work in the warehouse or are part of the management team."

The importance attached to the workforce suggests that one of Digi-Key's biggest challenges is recruitment.

"With more than 90% of our workers living locally in Thief River Falls, it's a challenge," concedes Doherty.

"A few years ago, we struggled with churn. We'd brought in external advisors to help manage the business and had been running a policy of mandatory overtime. In the process, we lost the hearts and minds of the people who work here. And that was certainly a 'stumble' on our part."

"Deep down, our employees see themselves as stakeholders in the company's success and I think we forgot that. Today, we no longer have mandatory overtime. While overtime is available – and when we're processing as many as 21,000 orders a day – it's vital, we offer our staff much greater flexibility. We appreciate that they have to manage commitments external to the business."

"As a result, we're seeing more people volunteering for overtime and we have people from all functions of the business working in the warehouse. One of the benefits of that is that they get to understand each other roles better."

Doherty can often be found working in the warehouse and engaging directly with the workforce.

"Training has an important role to play and is a crucial part of our commitment to the workforce," explains Doherty, "especially as we look to expand the business and embrace automation. We need to empower our people to make those changes work."

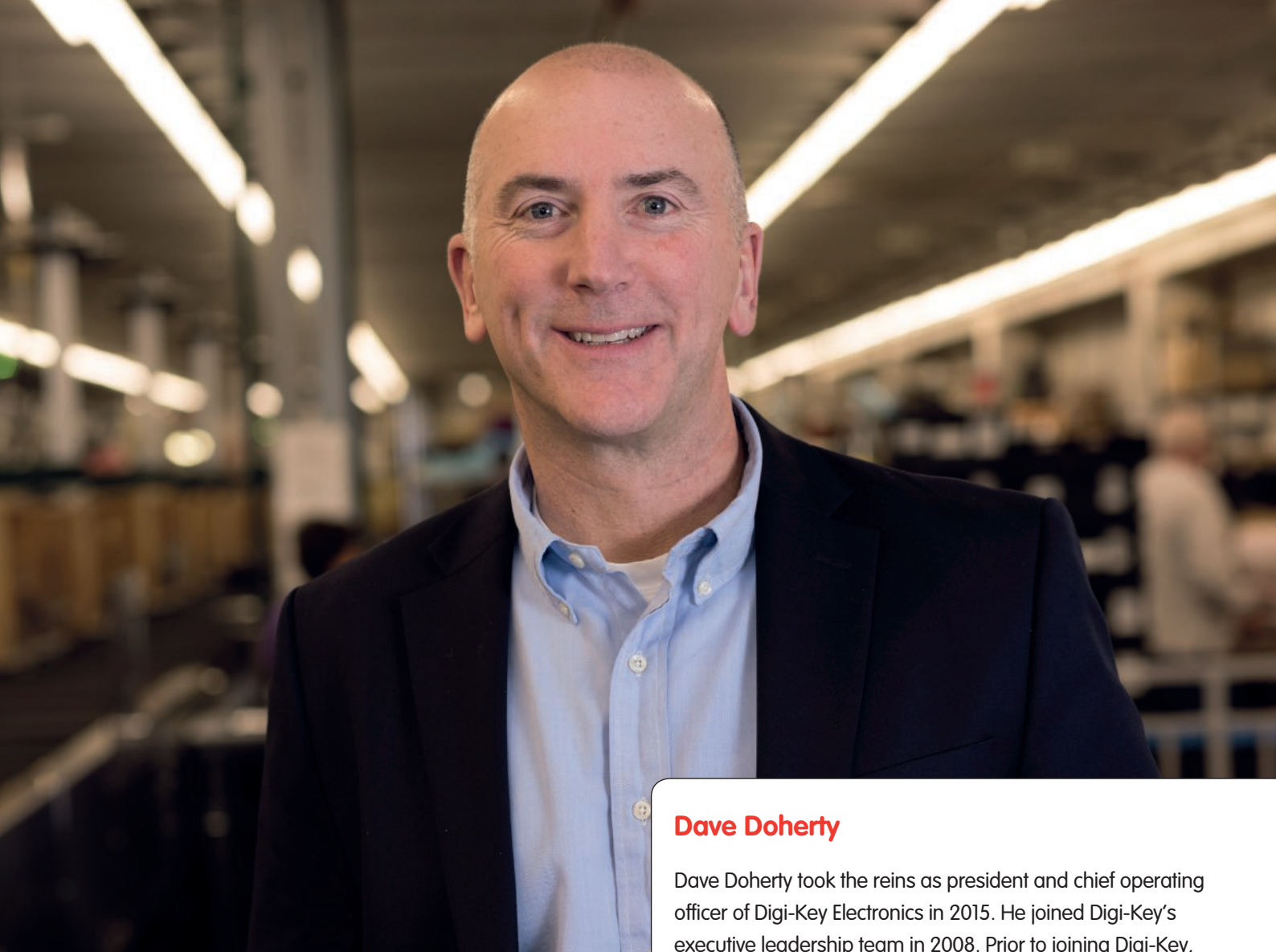
## Looking to the future

Digi-Key is looking to expand its facilities and having acquired a large tract of land next to the current building, is set to 'break ground' in the Spring.

"It's a significant investment on our part," concedes Doherty, "and while we do have a facility in Fargo, which is around 100 miles away, we wanted to bring as much as we could onto the one campus."

"We'll look to move professional functions to the new facility, which will free up space in the existing building. Fargo provides us with 400,000sq ft and will be used as a repository for extra inventory, but we will also look to use it to develop new business concepts and ideas."

The expanded facility at Thief River Falls will provide Digi-Key with three times the current usable space and is expected to be 'up and



## Dave Doherty

Dave Doherty took the reins as president and chief operating officer of Digi-Key Electronics in 2015. He joined Digi-Key's executive leadership team in 2008. Prior to joining Digi-Key, he began his career in engineering with Digital Equipment and held sales leadership positions with Toshiba and Exar. More recently, he worked for Arrow Electronics, serving in multiple roles, including director of technical resources, regional sales VP and VP of semiconductor and product

running' within the next three years. According to Doherty, the facility will embrace new digital technologies, including automation and artificial intelligence (AI).

While he is reticent to discuss the company's plans for AI, he accepts that automation will have a significant impact.

"Automation will impact on our rate of hire," he notes. "We employ more than 3000 local people – that's a third of the county that works here. We've recruited more than 1800 people in the past 10 years and we are looking to take on a further 1000 in the coming 10 years.

"We understand that we have a community role to play. When we first looked at investing in new facilities, we were advised to look at moving to a big regional hub, but none of us were comfortable with that idea and, to be honest, I don't think, with our service model, that location is a significant issue.

"Looking to the future, automation will impact on fulfilment but we'll need to employ people to work in customer services, IT, engineering, marketing and accounting as the business grows."

When asked about the company's plans to use AI, Doherty's response is 'stay tuned', but it's clear it is set to invest heavily in new technologies.

"Digital transformation is expensive, but a number of initiatives are under way," he says.

All this investment comes at a time when the company is seeing double digit growth, well in excess of the industry average.

"Growth is being driven by innovation across all our main markets. Innovation never dies. Engineers require access to broad product lines and look for reliable and fast delivery of orders and that's what we do. We have more than 650 lines in stock and have responded to changing customer requirements by adding more than 89 new suppliers in the past 12 months alone.

"The competitive nature of the market is changing and forecasting customer demand remains problematic. History is often said to be the best predictor of the future, but I don't think that's as true as it was, but the opportunities for us going forward are certainly huge."

As a private company, Digi-Key can respond quickly to new competitive threats; whether from existing competitors or from new entrants into the market, such as Amazon.

"Whoever you're competing with, you can't be afraid of competition," Doherty concludes. "I'm not naïve about the competitive threats we face, but teams that win tend to be those that play for one another and I believe that what we have created here at Digi-Key is unique."