

## **“The best argument should always win, no matter who makes it” Entrepreneurship through engagement in the Lindum Group**

### **Why this case study is important**

Lindum is a fascinating and inspirational example of transformation from a traditional construction company to a diverse and entrepreneurial organisation that seeks to draw on the full range of its employees’ talents and creativity. In the company’s own words, “the difference is our people”. The company consistently appears in the *Sunday Times 100 Best Companies to work for* list, often as the highest ranking construction company. Lindum is one of only 46 UK companies that are 100 per cent owned by its employees in the UK, with well motivated employees and a strong customer service ethos.

Lindum’s success is demonstrated in its growing business and the quality of its client relationships. The company now has 12 trading divisions embracing construction, joint venture commercial property, housebuilding, plant, joinery and maintenance. Today, the Lindum Group directly employs over 460 people and has a turnover of over £90m, with offices in Lincoln, Grimsby, Spalding, Peterborough and London. According to Herman Kok, the Group’s FD: *We’ve got the strongest balance sheet of any construction company in Lincolnshire and we are in the top three or four percent of the UK in terms of financial performance in terms of margin on turnover.* As the figures in the table below show, Lindum not only established a steady pattern of growth but has proven resilient against recession.

### **Lindum’s history**

<p><b>1994 Results</b></p> <ul style="list-style-type: none"> <li>● <b>Turnover : £19.2m</b></li> <li>● <b>Gross Margin : 4.12%</b></li> <li>● <b>Profit Before Tax : -1% (Loss)</b></li> <li>● <b>Net worth – very little!</b></li> </ul> <p><b>2011 Results</b></p> <ul style="list-style-type: none"> <li>● <b>Turnover : £92.27m</b></li> <li>● <b>Gross Margin : 16.5%</b></li> <li>● <b>Profit Before Tax : 5.1%</b></li> <li>● <b>Net worth - £27.6m</b></li> <li>● <b>18th in <i>Sunday Times Top 100</i></b></li> </ul>
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John F. Chambers, a Civil Engineer, started Lindum Construction in 1956 (Lindum is the Roman name for Lincoln). From the very beginning the philosophy of the Company was set clearly towards high quality practical skills and good relationships with clients. This philosophy has continued to guide the company to this day.

Lindum recognised the need for change during the recession of the early 1990s. The turning point followed Lindum's success in winning their biggest project yet. However, according to one senior manager: *the job was a complete disaster on all fronts. Lindum lost a lot of money and if the company hadn't been financially strong we would have gone under . . . and it was at that point when I think people realised that we are doing something wrong here.*

The controlling culture of the management team gave people that worked in the company little opportunity to come forward with ideas: *you will do a valuation this week, you will get that final account done by the end of next month, you weren't left to your own workload and your own devices and sort out your own remit, everything came down from the top, you were told what to do... it was very, very hands on from the top . . . it was controlled quite rigidly.*

David Chambers joined Lindum as Chairman when his father retired. Although he had worked there occasionally, his background was very different from the construction sector. Herman too joined the company as Finance Director at that time with little knowledge of construction. As one of three shareholders, David's father owned some 95 per cent of the company, allowing David and Herman some latitude in changing Lindum's structure. They recognised that the 1994 financial results indicated a moment of crisis and argued that future success or failure lay in the hands of the employees, not the management.

David and Herman believed that through a combination of shared ownership, freedom to operate and free-thinking management, employee engagement would flourish and reverse the fortunes of the company: *It was about control really. Prior to that, because it was hands on from the top management-wise, we ground to a point where management couldn't see everything and couldn't control everything. But our staff weren't empowered to do anything about it, so things went wrong because the staff didn't really have the authority. And David unlocked it, said let's empower everybody so that it comes from the bottom up.*

As soon as David came into the company he met and talked with every one of the employees, often more than once, to learn what they knew about the company and how it worked. He was interested in their ideas for the company and its future: *David kept coming back to me and several more of my colleagues and saying what do you think to that? As David took over the reins of the company, he encouraged employees to come forward with ideas and develop them: I came to realise that David had faith in us - that the guy trusted you to do the job right. We had confidence in ourselves anyway because we knew how to do it, we just weren't allowed to previously. The culture had already started to change. It was empowerment.*

The business soon expanded from traditional civil engineering into a versatile construction enterprise with the capacity to handle major projects. Lindum diversified from a customer base comprising mainly water utilities and industrial companies into food manufacturing, retailing, education and social housing. In 1994 seven of Lindum's current divisions didn't exist. Lindum has since acquired other companies and developed new enterprises from scratch. In that time it has also invested in several non-Group companies.

### **From traditional construction to a dynamic and diversifying enterprise**

David and Herman realised that the 1990s recession could be a great opportunity for change, working in a different way to become more customer-centred. The different company boards were combined into one Lindum Group board with wider representation. As Herman recalls: *We took all the guys that were on the various boards and put them in as a*

*holding board, basically creating a House of Lords, and created a management team with younger people that had the interest in the divisions. They became the divisional management teams.*

Since the restructuring, Lindum operates under twelve trading divisions within a single registered Company. These divisions include Lindum Construction, Lindum Building & Maintenance Services [BMS], Lindum Plant Hire, Lindum Sturgeon, KGM Roofing, Lindum JV Developments, Lindum Homes, Lindum Joinery, Lindum Decorators, Lindum Security, Lindum Holdings & Lindum Waste Recovery. In order to focus on the needs of the client, each division has a General Manager or Director, with its own management team. Business Plans are set and coordinated within the overall framework of the Group's aims and objectives. Lindum Group Health and Safety, environmental issues, and Group Quality Assurance and Compliance have separate Group management teams.

Company culture had already started to change with this new structure. The next step was to address the share allocation as a way of involving employees as stakeholders. David, as Chairman, decided to make 26% of his shares available for the employees to own. As Herman is keen to argue, *this was a very brave decision of him to put 26% of the shares in the kitty and said, in the first instance we had to distribute an initial tranche free of charge to people so we create a big block of employee shareholders, give it to them free of charge, because if you try to sell it, it is going to be difficult, we had to overcome a degree of scepticism.*

Moving to new premises provided an excellent opportunity for Lindum to re-evaluate their work environment, providing further opportunities to reinvigorate the business and improve its performance. The office area with its open spaces and glass walled rooms plays an important role in encouraging creativity, facilitating interaction and enabling productive reflection. Good workspaces celebrate teamwork, and team spaces encourage social interaction. Using the work environment itself as a powerful medium, Lindum communicates its organisational values to employees and visitors through open plan floors, communal meeting spaces with sofas, and no door on Herman's centrally situated and accessible office.

### **Sharing the benefits of success with employees**

Many organisations seek to reward employees for performing repeated tasks efficiently rather than encouraging them to challenge the status quo and change things. In contrast, innovative organisations reward creative behaviour to encourage idea generation and entrepreneurial behaviour. As the Lindum Group has grown, so has its philosophy of sharing success with its employees.

All employees have the opportunity to purchase shares in Lindum Group Ltd. David now controls 55% of the shares and the rest are held by the directors and employees that bought them at various times or were given them for free. According to one manager, widespread employee shareholding *gives that sense of belonging and family, everybody works for everybody else.* At any one time, some 80 per cent of employees have shares in the company, often through SAYE schemes. Herman is proud of the fact that this has brought real financial benefits to ordinary employees: *Our return on shares has been phenomenal. When we started this journey typically compared to today, the shares would have been worth about £0.87 and today they are £9.44. If somebody stayed with it from the beginning and kept only their free issue shares today, they would currently have an investment worth £25,000.*

Further to the share scheme, Lindum distributes 10 per cent of its pre-tax profits to employees, rewarding effort and productivity. Crucially everyone receives the same bonus. One manager is keen to point out that *whether you are the MD of construction or whether you are a junior surveyor you all get the same*. Herman realised that to distribute these profits equally on head count rather than pro-rata to salary would give higher rewards to those on lower salaries. By giving all employees a stakeholder share of profits they have a vested interest in the productivity, success and future of Lindum Group. As the same manager points out, *that sort of philosophy is trying to get the people to have more, take ownership, a stakeholder in the business. It is not just about taking your monthly salary or your weekly wage this is about going that extra mile, you have got a stake in the business and I do witness people, they are checking things*.

## **Leadership**

Leadership is a much discussed and little understood concept. In Lindum, leadership can be described as “distributed”, an approach which is substantially about creating the spaces and legitimacy for people at all levels of the organisation to lead in their own areas of experience, knowledge and skill. This is reflected at the most senior level of the company where David and Herman share the leadership role, demonstrating mutual respect for their different competencies and personalities.

The creation of an Executive Board, many members of which are seconded from management roles across the company, exemplifies the way in which distributed leadership enables Lindum to draw on a wide range of expertise and experience and to encourage entrepreneurial thinking. David and Herman believe that it’s the way day-to-day business is conducted at management level that shapes culture at the frontline. According to Herman: *It’s things that we try to [do] in management meetings, it’s listening to them, asking for suggestions, if they do make a suggestion show that it is taken, given credit for it. The other thing that we have is a simple saying, our work still has to be fun*.

With the accelerating dynamics of competition, the key to competitiveness no longer lies in re-applying past successes. Having the ability and techniques to facilitate creativity, instilling the desire in people to be innovative and creating an environment which enables and empowers innovation has been crucial to Lindum’s success. Herman points out that firms capable of innovation and of differentiating their products and services from those of competitors are, on average, twice as profitable as other firms.

David and Herman are clear that creating a culture of innovation with an organisation rests with the leaders. A key dimension of their role is to ensure the support systems needed to maintain innovative ways of working by involving employees in decision-making, encouraging inter-disciplinary teamworking and building partnerships with other organisations. Creative ideas translate into innovative practice only with careful management and evaluation.

## **Participative culture and practice**

Culture refers to the shared values and beliefs in an organisation, often described as ‘the way things are done round here’. David and Herman achieved a dramatic culture shift through the mutually reinforcing effects of Board-level restructuring, share ownership, equal profit distribution, and a clear devolution of operational responsibilities to the lowest possible level in the company. Herman argues that: *I don’t think it is just the distribution of*

*shares on its own it's not going to do it. You need to have a cultural change, you need to have belief, you need to have empowerment, you need to tell people they have empowerment.*

Management can influence culture by establishing consistent organisational practices that encourage and reinforce desired behaviours. Lindum gives employees freedom to act, with few internal structures, documented procedures or policies. Formality and control would constrain innovation in Lindum, while its decentralised structure with informal work practices enables the organisation to be flexible and respond to uncertain environments through innovation. As one manager suggests, formal procedures are *just enough to cover health and safety matters and legislative requirements but in the main we are chameleon like, we are free to mould to best suit the client's needs.*

This even extends to financial management: *We are not a budget driven company. Whilst we do a budget forecast, the one thing that sets us out again from other companies is we are not budget driven at all. We know six or seven months ahead of what our profit is likely to be, we have a profit margin forecast and unlike a lot of businesses it is very realistic.*

Employee empowerment and involvement can be found across all working practices at Lindum, and managers believe that sustained immersion in the company's participative culture builds up a positive reserve of experience, knowledge, energy, natural creativity, commitment and morale. Lindum's core belief in the power of employees to improve every aspect of the business is exemplified by the company slogan: "the best argument should win no matter who makes it", from factors that shape the strategy and culture of the organisation as a whole to those that shape the ways in which employees perform their work tasks. One manager is clear that *this is more than words. This means managers can't just insist on pushing through an idea without being able to justify it and all employees have a voice.* Herman also rejects a command and control approach to management: *Titles never meant anything to me. I don't believe in authority, I think you earn respect, it doesn't come with the office. So therefore in my thinking of line management, I think line managers are there to support people certainly not to rule them, to direct where needed but not to direct because they can.*

A culture supportive of learning and development is a necessary counterpart to the company's belief in employee involvement. Training is seen as an investment in the individual and the company alike, and is not unduly constrained. Unusually for an FD, Herman is passionate about developing the full range of talent in Lindum's workforce: *Okay, statutory training is compulsory but if the guy that drives the JCB wanted to do an evening course in opera singing I would sponsor him if it makes him a happy employee.*

Lindum believes that its high performance is closely linked to a demonstrable commitment to training and development, equipping employees with the skills to take on broader roles within the organisation, and to have an understanding of the roles of others in their team. Training and development empowers individuals to take on additional responsibility and to demonstrate more initiative at work. It also helps to retain those with the right skills and attitude. In the workshop, for example, the manager is keen to point out that *all fitters and mechanics are now trained and multi-skilled to work on all vehicles. This has increased the flow rate of vehicles through the workshop and given improved job satisfaction. The investment in skills has increased revenue by 20 per cent.*

## Encouraging entrepreneurship

Entrepreneurship is not just for those at the top of an organisation: in the right circumstances employees at every level of a company can identify opportunities for innovation and business development. According to Warren Glover, Lindum's General Manager, the company's inclusive culture has created those circumstances in a remarkable way: *The majority of us are shareholders, that's over 400 pairs of eyes looking out for new market opportunities, new parcels of land or cost saving ideas.*

Stimulating creativity and generating actionable ideas however don't happen by accident. Likewise a degree of leadership and collaboration are required to ensure that ideas are implemented effectively and lead to sustainable innovation: *There is a free flow of information, there are no barriers. It's just because we are such a big animal it's getting people to do it. Not because they won't or can't, it's just getting them to think about doing it. When you are a smaller unit and you are all on one floor or something and you are all within geographical distance it is always easier, we are quite split, we are quite spread out now, even on the construction division on the first floor.*

Effective leaders nurture creativity. In Lindum, David and Herman ensure that *no idea or approach will be turned away without consideration.* As one manager points out: *we are looking at different opportunities and . . . we always have quite a few irons in the fire, I think one of the strengths is that the directors have good networking throughout the County, that is quite fundamental.*

### Tom's story

The Plant Division was set up to service Lindum's own heavy specialist machinery. Tom recognised the potential for expansion and was encouraged to take the initiative. Since then the Division has diversified to become an accredited MOT station. They provide services to outside companies, maintaining HGVs for utility companies and other commercial operations. In 2009 they won the contract to service and maintain Lincolnshire Fire Service Vehicles. Three men are on call to respond anywhere in the County at any time. The Division maintains two emergency support call out vehicles, fully stocked vehicle for road side repair. Tom attributes much of the Division's success to the engagement of his team, and their ability to decide day-to-day priorities.

Tom approached David with the idea of expanding the business into 'muck moving' - clearing and waste disposal. He was given the go ahead to write a proposal for the Board. When he presented his plan he was offered training and support in writing business plans, as well as encouragement to take the initiative forward. This new business area has grown substantially in the past few years.

While innovation is inherently risky, Lindum is prepared to take risks and looks on failures as a learning and development opportunity. Individuals or teams are not punished in such circumstances because this would only serve to reduce creativity and the impetus to innovate. They accept that mistakes are inevitable - market success only comes when the right idea hits the market at the right time - and just because an idea might not work is not a reason not to do it. The ways in which success and failure are measured, and finding the right way to deal with failure, are both vital.

## **Conclusion: a journey to engagement**

Employee engagement has emerged as a key management issue during the last two years, and enlightened employers realise its importance as a resource in responding to the current economic crisis. The Government's *MacLeod Review of Employee Engagement (2010)* presents a convincing body of evidence that an engaged workforce delivers tangible and sustained business benefits. But there is no quick fix. Lindum's experience over fifteen years demonstrates that employee engagement is the product of a consistent approach by leaders and senior managers, reinforcing the importance of employee involvement and voice through a willingness to experiment, learn and engage in continuing dialogue.

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