

# Sound investments

Glasgow-based Linn, a Royal Warrant-holding manufacturer of high-end music systems, has weathered the storms to thrive globally. MD Gilad Tiefenbrun tells *Director* why devolved decision-making and investing in R&D are key to growth post-Brexit

Words Nick Scott Photography Chris Watt

**W**hen Gilad Tiefenbrun was a young man, his friends bet him a crate of bubbly that he would be working at Linn, the company his father founded in 1973 – the year after Gilad’s birth – by the time he was 40. “One of my conditions before accepting a job as R&D manager in 2003 was that my dad paid for the champagne,” he laughs. “Part of the bet was that we all had to drink it together, though, so that was good...”

The decree that Tiefenbrun and his siblings should carve their careers elsewhere came from the patriarch himself. “My dad would say: ‘It’s not a family business – you’re going to do your own thing, make your own way in life,’” he says. “He didn’t want to be deciding where our lives were going to go, and he also didn’t want us to have a soft option.”

Like many business success stories, the journey of Glasgow-based music system manufacturer Linn was born of frustration. Fed up with the disruptive effect of speaker pressure on the sound quality put out by turntables, Tiefenbrun’s father Ivor created the revolutionary Sondek LP12 – a model that was not only impervious to feedback but whose precision engineering meant it actually plucked more information from the record’s grooves. Among the younger Tiefenbrun’s earliest memories is hearing 1970s rock classics thumping through his bedroom wall, as Ivor and his colleagues tested the latest tweaks to the technology.

Four decades later, an estimated 80,000 LP12s have been sold, while Linn has evolved into a purveyor of across-the-board, top-echelon audiovisual hardware. It now exports to more than 50 countries, and turnover has risen 11.7 per cent, from £16.2m to £18.1m, since Tiefenbrun was made managing director in 2009. Net profit has averaged 8.5 per cent over the



Clockwise from main picture: Tiefenbrun in the main site near Glasgow, factory interior; an Akurate-Exakt-Akudorik turntable

same period. But the disruptive forces encountered along the way have often been as tricky to overcome as that acoustic feedback blighting Ivor Tiefenbrun’s listening pleasure in the late 1960s.

## Growth challenges

“My dad would take me into the Linn factory as a kid,” recalls Tiefenbrun. “I think there’s a real magic in seeing raw materials turned into product.” The magic would sink in deeper thanks to school holidays spent working in the product assembly and design departments. But having completed his degree in electronics and electrical engineering at Edinburgh, Tiefenbrun, in tune with his father’s aversion to the nepotistic leg-up, went to work in software development. Stints at Drake Electronics, Avid

Effects and Symbian followed – the latter London-based position coinciding with a boom time for mobile communications (during this period, he delivered innovations for the likes of Nokia, Sony Ericsson and Motorola). So it wasn’t until 2003 that three factors aligned, altering both Linn’s fortunes and Tiefenbrun’s career path forever. First, his father was struggling to fill an R&D position. Second, Tiefenbrun’s wife became pregnant, an event the couple had previously decided would mean them leaving London. The third factor centred on the massive changes then underway in music consumption – with Tiefenbrun keen to be at the vanguard of the revolution. “Linn was bringing out a new range of CD players, and I knew the future was not in physical media,” says Tiefenbrun. “So I said to my dad: ‘If I’m going to take this job I’ll be taking us away from physical media and into a different future.’”

His father concurred and, in 2007, Linn launched the high-performance digital player, Klimax DS. There had been a chorus of naysaying, both in the company and the wider industry, about the £10,000 cost and the fact it didn’t play MP3s, but it was an immediate hit with serious hi-fi aficionados – something Tiefenbrun attributes to Linn knowing its audience.

But the road to this juncture was strewn with challenges. When Tiefenbrun joined, Linn products were a staple in five-star suites, St Tropez yachts and Aston Martins (the two had a relationship from 2001–07). Turnover had soared to more than £30m, the workforce numbered around 300, and the company had been awarded the Royal Warrant as suppliers to the royal household the previous year.

Yet something was amiss. “The company wasn’t the same one I’d worked for before I moved to London in 1994,” he says. “Its fundamental culture and

## Vital stats

**Founded** 1973

**HQ** Renfrewshire countryside, near Glasgow

**Turnover** Up from £16.2m to £18.1m since 2009

**Staff** 176

**International** Exports to over 50 countries

**Accolades** Queen’s Award for Enterprise in Innovation in 2012; Ivor Tiefenbrun was awarded an MBE for services to the electronics industry in 1992

**Low point** Needing to reduce Linn’s then 300-strong workforce to below 200 in 2007 – “To refocus on our core competencies”, said Ivor Tiefenbrun

**Did you know?** In 2014, Gilad Tiefenbrun was appointed visiting professor at Heriot-Watt University by the School of Management and Languages



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values had changed." Part of the problem, clearly, was an audacious expansion that had almost doubled headcount in the late 1990s. "Around 1999, when that expansion took place, was about the time my dad got very ill with ulcerative colitis. He wasn't able to have as much to do with the company over those years – from 1999 to about 2003 when I joined. So as well as changing the technology base, we had to restore Linn's internal technological leadership, which is the real core of the business. A lot of the product decisions were wrong, some of the roots to developing technology went against how the company was set up. It had lost its traditionally flat hierarchy and devolved decision making, which is so critical to our team structure and allows people to work at the highest level.

"Working at Symbian, I'd noticed there was a fractious relationship between management and engineering," he continues. "At the heart of it, the directors and board have to be bone-deep when it comes to the capability of the business. It's no use for us having finance, sales or marketing directors who don't understand technology. Where it goes wrong and becomes confrontational is when management ask for things that either cannot or should not be delivered."

#### **Collaborative approach**

To Tiefenbrun – who was promoted to director of engineering in 2005, then MD in 2009 – management statements such as 'we want it at all costs' are anathema. "Engineering departments might be forced to outsource key pieces of technology, without management realising what the long-term implications are. You need processes in place that allow engineers to innovate, to develop new technology, and still have the company bring out new products. Honesty and collaboration have to come first."

Another challenge, Tiefenbrun says, was succession planning. "The father-son working relationship was harder than I could have imagined, for reasons that are common in a lot of family businesses," he says. "Succession planning is a complex business. Over time my father devolved more responsibility to me. Thirteen years after I joined we're still doing it."

Tiefenbrun – who says that he and his father now "have robust succession plans in place" – recommends inter-



Engineers working in the Linn factory near Glasgow. Tiefenbrun believes in keeping design and manufacturing together

generational flexibility, as well as planning for the future, to smooth the handover. "We also chose non-exec directors to strengthen the board," he says. "The board has evolved its processes over the years, becoming more long-term strategic."

A volatile economic climate has also posed the company challenges over the last decade. In the same year that Linn launched the wildly successful Klimax DS, the global financial crisis hit, forcing it to downscale drastically (the workforce shrank from more than 300 to less than 200). The Brexit blizzard, it seems, has been shorter lived. "We lost about three-quarters of a month's sales," he says. "The referendum didn't just affect the UK, the uncertainty impacted globally and we're 75 per cent exports. Thankfully, by September we were through it. The volatility's a problem – we tend to project our sales a year ahead – but if it stays low for a few years we'll see some benefit."

Whatever the longer-term effects of withdrawal from the EU, Linn, he says, will continue to invest in R&D. It currently spends in excess of £2m – roughly 15 per cent of sales. "We have to – there's just no choice. Unless we continue to innovate, and come up with groundbreaking products, we don't have a future. We compete through delivering new ways to get closer to the original source of music. That's a continuous, day-by-day, week-by-week, month-by-month, year-by-year investment."

Relentless proactivity, he says, is imperative for any high-tech company. "It's rarely one large improvement that makes a great product – it's usually 100 small ones that add up to a giant leap forward." One thing Linn can usually rely on, however, is a worldwide appetite for its products. "It doesn't matter whether you're in Britain, Germany, America, Japan

or China – everywhere you go there's a group of discerning people who have that curiosity, that drive, to feel the emotion of music more and really connect with it." Another boon is the international upsurge in vinyl sales – turntables now account for 20 per cent of Linn's revenues, the highest it's been for 30 years.

#### **UK commitment**

Global as the product is, no part of the Linn operation will be moving abroad. "I don't believe you can separate the design of a product from its manufacturing," Tiefenbrun says. "The two go hand in hand – you want the people designing the products to be inspired by the products themselves. British industry's gone too far that way in terms of going for low costs and outsourcing everything. In the end all you're doing is educating your foreign competition for the long run."

There is, he admits, also a sentimental factor. "We want to stay grounded in the community. We believe we can operate globally out of Glasgow and carry on shipping worldwide. We have no desire to chase some low-cost horizon – which, by the way, never stays low for long. We have a much longer time horizon than that."

Given Linn's trajectory, it's likely the champagne corks will still be popping in the coming years. And whatever the blips, Tiefenbrun will relish the journey. "I love the fact you make something out of nothing, it brings someone else pleasure, and they say to you: 'That thing you invented has made my life immeasurably better.' And you think, 'My life has a purpose.'" **1**

 To find out more about the company's top-of-the-range stereo systems visit [linn.co.uk](http://linn.co.uk)

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