

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



**It is all about the bricks.
THE LEGO® Case**

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It is all about the bricks - THE LEGO® CASE

Introduction

"In my vision – in my dream – the LEGO® name is associated not only with our products and with the company. And it is not limited within the confines of specific goals and strategies. The LEGO® name has become something universal. A concept which can be defined by the words: Idea, exuberance and values." - Kjeld Kirk Kristiansen, 1988

This case is all about the bricks. Playing with LEGO® has changed a lot since the beginnings, and so has the LEGO® Group itself. Back then kids had a tub of LEGO® bricks, they would build something of their own imagination, play with it and admire it for a few days, and then tear it apart and build something new. The more bricks you had the greater things you could build. Sets were very simple and didn't require many directions. Over the years the brand has come a long way - from a small carpenter's workshop to a modern, global enterprise that is now one of the world's largest manufacturers of toys.

While the LEGO® brick is the most important product and the foundation of the brand, the case is going to illustrate interesting insights of a journey from success to failure and crisis management.

LEGO® Group

History of LEGO® until the beginning of the 21st century

The LEGO® Group - A Family Business

Ole Kirk Kristiansen founded the LEGO® Group in 1932. Today, the LEGO® Group is owned by KIRKBI A/S (75%), the holding and investment company of the Kirk Kristiansen family, and the LEGO® Foundation (25%). It has been passed from father to son to a grandchild of the original founder and is now managed by Niels Christiansen as CEO. The company started as a small shop in Billund, Denmark selling wooden toys, stepladders, and ironing boards. In 1935 the company got its iconic name LEGO®: which came from the Danish words "Leg godt", meaning "play well." The company and product line grew exponentially.

Birth of the LEGO® Brick

In 1946, the company bought its first plastic injection-moulding machine, which could mass-produce plastic toys. The founder and his son, Godtfred Kirk Christiansen, developed many types of LEGO® bricks until 1958 when Ole Kirk Christiansen died, and his son Godtfred became head of the LEGO® company. Within the same year, the LEGO® brick we know today was patented.

LEGO® becomes world-famous and introduces LEGO® Sets

In 1963, Godtfred announced the ten LEGO® characteristics:

1. Unlimited play possibilities
2. For girls and boys
3. Enthusiasm at all ages
4. Play all year round
5. Stimulating and harmonious play
6. Endless hours of play
7. Imagination, creativity, development

8. More LEGO®, greater play value
9. Always topical
10. Safety and quality

The LEGO® Brand framework was built. Within the next years, the company introduced many new products like the LEGO® wheel (1962) or LEGO® sets (1963), which included all the parts and instructions to build a particular model. In 1968, the first LEGOLAND® Park opened in Billund. One year later (1969) the LEGO® DUPLO bricks, for younger children, were introduced; bricks twice the size of a LEGO® brick. By 1979, the grandson of the founder, Kjeld Kirk Kristiansen, became CEO of the LEGO® Group. He brought new ideas and visions into the company with a strong focus on children and their development. Until 1973, LEGO® had gone international, with sales all over Europe and the US.

LEGO® introduced figures with movable arms and legs in 1978 and developed a variety of themed lines, including town (1978), castle (1978), space (1979), pirates (1989), Western (1996), Star Wars (1999), and Harry Potter (2001).

In 1999, the LEGO® brick was elected as “Toy of the Century”.

Crisis and Repositioning

In the mid-90s, the LEGO® company became old-fashioned in the eyes of the public due to the decreasing trend of classical brick toys. Caused by an increasing trend of technology, children no longer enjoyed playing with bricks anymore. Since LEGO® did not want to take part in the trend of creating video games with more violating backgrounds, the company could not keep up with its new competition. In the late 90s, the brand was still strong but did not differentiate itself as much anymore. Due to other competitors, who created similar bricks for a smaller price, LEGO®’s revenue took a hit.

This damage forces the company to rethink their core values of the brand which needed to be reinvented and strengthened in order to be able to increase the brand but also stay true to itself. 'Stimulate creativity' became the new brand identity. The company wanted to get an image of supporting creativity instead of only building bricks for entertainment. This brand identity also left enough room to expand to new markets without not being true to the core brand. LEGO®'s expansion into new markets with new toys, the theme parks and others, was supposed to increase their image value again and focus less on their old core values in order to stay competitive. However, it also caused that the brand could not stay true to a specific value, which made stakeholders lose focus on what the company was about. Moreover, the brand tried to go into many different directions to stay competitive but could not handle all the new ways, which more damaged the brand than helped it. Within the years before the repositioning, the company registered high losses and even internally the company struggled. Employees were not able to keep up with the new brand identity and lost focus.

When the repositioning started, the company first had to rethink their values again. A task force was created to take on the repositioning of LEGO® with the usage of the Corporate Branding Toolkit by Hatch and Schultz. The framework includes 4 cycles LEGO® had to go through in order to reposition itself.

Table 1: The Cultural Dimensions of the Shift to Corporate Branding

<i>Cycles of corporate branding</i>	<i>Cycle 1 Stating</i>	<i>Cycle 2 Organizing</i>	<i>Cycle 3 Involving</i>	<i>Cycle 4 Integrating</i>
<i>Key managerial challenge</i>	Select values for the redefinition of the corporate brand and make them relevant to own managerial practices	Set priorities and implications of redefined brand values for cultural practices	Listening to the organizational culture in order to enhance cultural change towards a more coherent culture	Build awareness of national cultural differences and estimate their importance for brand execution
<i>Key cultural activities</i>	Creating a range of new cultural symbols, redefining espoused values; renewed reflections about strengths and weaknesses of basic assumptions	Shift in relations between subcultures; inserting new competencies and cultural mindset. Overcoming cultural conflicts	Dialogue workshops with top management. Development of LEGO Brand School; involving new group of brand champions	Dialogue with regional markets; cascading processes to involve local employees; exploring the limits of a one-company culture.
<i>Key cultural paradox</i>	Balance the promises the company wants to make to stakeholders and what stakeholders want to hear from the company	Balance the central policing of cultural values and key symbols and the need to empower employees to enact the brand decentrally	Balance the respect for past cultural heritage and the need to make the culture relevant and emotionally appealing to current and future employees	Balance the vision for a global one-company culture and adaptation to national cultures; business subcultures and local markets

The first cycle was about strategic vision, where the brand value and brand image were redefined completely to start at the beginning. All brand extensions were also rethought and the company analysed which brand extensions were actually needed and would be able to stay true to the brand identity. The sub-brands of LEGO® were also redefined in a way that there were four different platforms/portals based on the targeted age of children, where parents could decide which one was best for their children. The four platforms were LEGO® Explore, LEGO® Stories and Action, LEGO® Make and Create and LEGO® Next. After those platforms were established, all brand extensions that did not fit into those platforms were no longer continued.

Table 2: New LEGO® sub-brands

Platform =>	Lego Explore	Lego Stories and Action	Lego Make and Create	Lego Next
Type of product	Different coloured and shaped Lego bricks to help children learn and grow while having fun	Construction with emphasis on bringing to life different character universes	More challenging and complex construction, with maximum flexibility of outcome	High-tech, programmable creation kits
Core age group	0-5	4-8	7-10	10+
Examples of versions	Explore being me Explore together Explore logic	Harry Potter Bionicles Star Wars	Lego Technic Construction designer kits	Lego Mindstorms robots Lego Spybotics

The second cycle of the framework was organizational culture, where possible damages of the new repositioning were analysed and accordingly prevented with internal restructuring. Additionally, the vision of the management was to be integrated into the organisational culture and external stakeholders.

The third cycle was stakeholder image, and about involving the stakeholders in the process. The task force offered activities which gave employees and customers the possibility to be part of the repositioning of LEGO®. Moreover, the task force tried to align employees expectations with the management one and talked to both parties in order to get both opinions and expectations.

Cycle four was about identity, meaning integrating the brand into cultural boundaries. Here, the task force looked at different cultures and analysed how realistic a global integration would be.

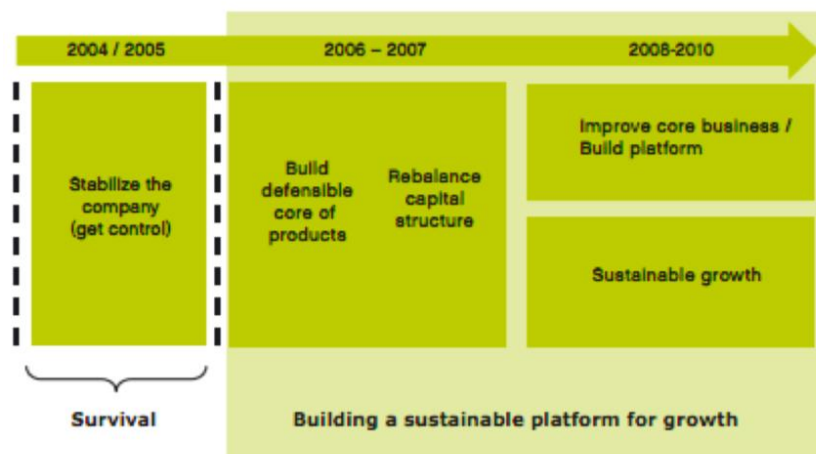
After analysing the organisation with the framework, LEGO® decided to conduct a seven-year-long repositioning process with three key objectives:

1. Create a clear direction and drastically change the business model
2. Become more competitive by focusing on customers
3. Downsizing the activities that are not profitable and reduce the level of risk

(LEGO® Group, 2004)

Next to selling the LEGOLAND® parks, the company also sold everything that did not fit into the new strategy or were not willing to integrate. In the first step of the repositioning, the company made sure to be more financially stable for the repositioning process. Next, the company created a variety of core products between 2006 and 2007 and finally, the last step of the repositioning was to focus on the core business and create a sustainable growth strategy.

Figure 1: LEGO® Reposition Plan



Also after the repositioning of LEGO®, customers were still able to integrate their opinion to the brand, which lets LEGO® focus on consumer demands and opinions as well. Moreover, LEGO® wanted to have the possibility to react to new innovations and competitors more quickly. Therefore, the brand decreased the creation process of new products compared to before the repositioning. The financial state of the company stabilized and sales increased steadily.

Positioning of LEGO®

The main focus of the repositioning process of LEGO® has been to create strong customer relationships, cut costs, and to create a clear direction by changing its business model towards positioning itself as one of the strongest brands in the world.

After setting up a successful repositioning, the LEGO® Group has developed the LEGO® Brand Framework, a framework encountering four main promises to its stakeholders: Play promise, partner promise, planet promise and people promise.

With this strong positioning in mind, LEGO® put itself in a position to further support its mission to “inspire and develop the builders of tomorrow.” In addition to the four promises, building the core of the framework, it also clearly demonstrates what the company's motto and values are and therefore forms the essence of the company until today.

Figure 2: The LEGO® Framework

Mission	Inspire and develop the builders of tomorrow	
Aspiration	Globalize and innovate the LEGO System in Play	
Promises	Play Promise Joy of building. Pride of creation	Partner Promise Mutual value creation
	Planet Promise Positive impact	People Promise Succeed together
Spirit	Only the best is good enough	
Values	Imagination - Creativity - Fun - Learning - Caring - Quality	

With its clear values of imagination, creativity, fun, learning, caring and quality in place, LEGO® was in a strong position to repair its reputation. Nevertheless, it was of most importance for LEGO® to keep its brand grounded by its iconic product to

reconnect to its key audience - children. This way trust has been restored and LEGO®'s reputation slowly increased over the years.

LEGO® Serious Play®

In 1996, the concept of LEGO® Serious Play® (LSP) was developed by Johan Roos and Bart Victor, two students at IMD business school, Lausanne. They tried using LEGO® bricks instead of other tools for brainstorming and idea generation. However, the idea was not fully developed until Robert Rasmussen, the director for product development of LEGO® was involved. He created, together with Roos and Victor, a method behind the brick building for strategy development. Per Kristiansen joined the product development of LSP in 2001, and the development of the concept was funded by Kristiansens company Executive Discovery LLC, where Rasmussen and Victor were CEO and COO. The LEGO® Group was only used as the research case. LSP was launched in 2002 and the purpose behind the new methodology was to support adults in building their visions for future strategy. However, the method and concept were still adjusted and developed further over the years, to correct any problems the concept faced. In 2004, the LEGO® Group took over Executive Discovery LLC, which gave LEGO® all naming rights of LSP. Nevertheless, Rasmussen and Kristiansen were still in charge of facilitator training of the LSP methodology. Until 2010, the concept and methodology of LSP was further developed and a final concept was tried to be created by taking live action cases into consideration.

Management Question

It is now after the repositioning process, 2010, there is the monthly business development lab session. The executive board of the LEGO® Group comes together in a meeting to discuss business development. The CEO suggests dropping LSP, since it does not fit into the sub brand categories of the new LEGO® repositioning anymore. Because the concept has still not been fully established in order to properly launch the final concept it would take a lot of work to train everyone for the LSP methodology. The Head of Business Development does not agree, since innovation is a key aspect in order to stay competitive. Assuming the role of the repositioning Task Force, how would you answer the following question:

On which grounds should the LEGO® Group keep or drop the LEGO® Serious Play® sub-brand, and if keeping, under which concept should the sub-brand be integrated?