

The future of LEGO Education amidst the greatest turnaround in history

TEACHING NOTE

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

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The future of LEGO Education

Introduction

This document serves as a guide for facilitators facilitating the LEGO Education case. Designed primarily for case facilitators, it offers insights and recommendations on various aspects of presenting and discussing the case. Key elements include ways to introduce the topic, various considerations for creating an engaging and thought-provoking discussion. Moreover, this guide outlines specific learning objectives to assist facilitators in highlighting the most crucial aspects of the case to the students. Concluding the guide is a practical example of approaching the case, along with essential points and insights that instructors might find valuable during their preparation.

Case synopsis

In 2004, LEGO faced severe crisis that threatened its existence. During this difficult time, LEGO faced a critical decision regarding the future of one of its divisions: LEGO Education. Established in the 1980s, LEGO Education provided innovative learning solutions for educational institutions. The LEGO Education business unit was losing money, with declining sales and a capital-intensive operation. This was particularly concerning as LEGO at the time was on the brink of bankruptcy, struggling with negative cash flow and looming debt. CEO Jørn Vig Knudstorp had already established a new strategic vision, which led to the discontinuation or diversification of several product lines and business units. The focus was now on returning to LEGO's core strengths and values, primarily centered around the essence of the LEGO brand: fostering creativity, learning, and play through its iconic bricks.

The critical managerial question faced by Knudstorp and the executive team was whether to keep the LEGO Education business unit or divest it. LEGO Education has a completely different business model and the primary market for LEGO Education was educational institutions and municipalities (B2G), unlike the rest

of LEGO, which primarily targeted individual consumers (B2C). However, this business model's divergence from LEGO's main operations raised questions about its alignment with the company's new strategic direction around returning to the essence of the LEGO brand.

This decision had implications for the brand's identity and its position in the market. The management was faced with the following crucial question:

Should LEGO keep the LEGO Education business unit, seeing it as aligned with the new strategic direction and core brand values? Or should LEGO divest this unit, similar to its strategy with LEGO Theme Parks, to focus resources on its core, on-brand product lines?

This decision would play a significant role in determining LEGO's future trajectory and its ability to emerge successfully from its crisis.

Learning objectives

The frameworks of the Corporate Brand Matrix, Kotter's Change Management Model, and the Business Model Canvas provide valuable perspectives for students analyzing the case of LEGO's potential divestment of LEGO Education.

The intersection of brand and business strategy: Corporate Brand Matrix

This framework helps to understand how LEGO Education aligns with LEGO's overall brand identity. By examining LEGO and LEGO Education across the matrix's nine elements and four diagonals (Strategy, Competition, Interaction, Character), students can assess the coherence between LEGO Education and LEGO's mission, competences, culture, and brand personality. This analysis is crucial to determine if LEGO Education supports or diverges from LEGO's strategic direction, thus influencing the divestment decision. The matrix also highlights the degree of intersection between business and brand strategies.

Transformational change: Kotter's Change Management Model:

Kotter's model, particularly the fifth step, "Empowering others to act on the vision," is relevant to understanding LEGO's situation in 2004. This model provides a structured approach to analyse the steps preceding and following the divestment decision. It emphasizes the importance of establishing a sense of urgency, forming a guiding coalition, creating and communicating a vision, and empowering action. The decision to keep or divest LEGO Education can be viewed as a part of LEGO's broader strategy to navigate through its transformation and align with its core vision and brand promise.

Business and brand strategy: LEGO’s business model:

The Business Model Canvas will enable students to dissect and understand the strategic implications of either keeping or divesting LEGO Education and how it fits within the broader business strategy of LEGO (Osterwalder, 2010).

These frameworks allow students to approach the LEGO case from different angles, considering brand alignment, change management processes, and the underlying business model. This comprehensive analysis aids in making a well-informed decision regarding the potential divestment of LEGO Education.

Key learning objectives

Exhibit 1 offers a synopsis of the principal learnings that participants of the case should attain, anchored in the principles of Bloom's Taxonomy (Bloom, 1956). This tabular representation links actionable verbs, which are indicative of the audience’s comprehension levels, with essential learning objectives. These objectives are then contextualized within the framework of the case study.

Exhibit 1 Key learning objectives

Skills	Description	Application
Remembering	...the pivotal moment of LEGO's crisis and the strategic choices made for LEGO Education	Recall the strategic decision to focus on LEGO's core brand values and the implications for the LEGO Education business unit.
Understanding	...the strategic shift LEGO undertook and how LEGO Education fits within this new strategic direction.	Discuss the alignment of LEGO Education with LEGO's brand core and the rationale for keeping or divesting the unit.
Applying	...Kotter’s Change Management Model to LEGO's transformation process and the role of LEGO Education within it.	Apply Kotter’s model to analyze the steps taken by LEGO during its transformation
Analyzing	...the differences and synergies between LEGO and LEGO Education’s using the Corporate Brand Matrix and Business Model Canvas.	Analyze how LEGO Education’s focus on STEAM education and B2G market complements or diverges from LEGO’s B2C model.
Evaluating	...whether LEGO Education aligns with the company's core mission and brand promise.	Evaluate the coherence/difference between LEGO Education's offerings and LEGO’s new strategic direction for a focused brand identity.
Creating	...strategies for the future trajectory of LEGO Education to ensure alignment with LEGO's new strategic direction.	Create a strategic plan for LEGO Education that supports LEGO's mission of fostering creativity and learning through play.

Corporate brand matrix

Exhibit 2 Corporate Brand Matrix, Urde (2021)

External	<p>Value proposition</p> <p>LEGO: LEGO promises creative play and development through its iconic bricks, appealing to both children and adults with a focus on imagination and innovation.</p> <p>LEGO Education: Delivers hands-on educational experiences using LEGO bricks to foster learning in e.g., STEM. Tailored to be appealing to educational institutions and the curriculum.</p>	<p>Relationships</p> <p>LEGO: LEGO maintains strong relationships with customers, often invoking nostalgia and fostering a community of enthusiasts and collectors.</p> <p>LEGO Education: Its relationships are mainly with educational institutions, focusing on educators and students, promoting a collaborative and learning environment.</p>	<p>Positioning</p> <p>LEGO: As a market leader in the toy industry, LEGO positions itself as a premium brand synonymous with quality, creativity, and play.</p> <p>LEGO Education: Positioned as an innovative educational resource, LEGO Education aims to be a leader in hands-on STEAM education, complementing the LEGO play experience</p>
	Both	<p>Expression</p> <p>LEGO: Distinctive for its simple yet versatile bricks, colorful aesthetic, and the ability to build almost anything. Communicates a brand of endless possibilities.</p> <p>LEGO Education: LEGO Education communicates its brand through the educational value of its products, focusing on learning outcomes and skills development.</p>	<p>Brand core</p> <p>LEGO: The core promise of LEGO is to inspire and develop the builders of tomorrow by fostering creativity through play.</p> <p>LEGO Education: The core values of LEGO Education are educational, fostering problem-solving skills, and promoting a hands-on learning philosophy.</p>
Internal	<p>Mission/vision</p> <p>LEGO: Engage and develop children through play, building the future of innovation and creativity.</p> <p>LEGO Education: Empower learning and skill development in educational settings through the LEGO play experience.</p>	<p>Culture</p> <p>LEGO: The culture within LEGO emphasizes innovation, quality, and a deep understanding of the role of play in child development.</p> <p>LEGO Education: A culture of learning, education-centric innovation, and pedagogical effectiveness defines LEGO Education.</p>	<p>Competences</p> <p>LEGO: LEGO's competencies lie in its exceptional design capabilities, high-quality manufacturing, and a robust brand that spans generations.</p> <p>LEGO Education: LEGO Education's competences are in developing educational content that integrates seamlessly with the LEGO philosophy of learning through play.</p>

In determining whether LEGO should keep or divest LEGO Education, each of the 9 elements and the corresponding diagonals of the Corporate Brand Matrix can help inform the case teams on whether LEGO Education is aligned with the overall identity of LEGO (as Exhibit 2 shows). If LEGO Education is coherent with e.g. LEGO's mission, competences, culture, and brand personality, it supports the overall brand and contributes to LEGO's strategic direction. Therefore, it may be beneficial for LEGO to continue investing in this business unit. However, if LEGO Education's direction diverges significantly from LEGO's core brand identity elements and strategic focus, then a divestment, similar to the strategy with LEGO Theme Parks, could be considered to focus on core on-brand product lines. Figure 1 presents the Corporate Brand Matrix to both LEGO and LEGO Education specifically to be able to identify the differences between the two 'brands' identities. This model moreover highlights how brand strategy and business strategy is intertwined.

Moreover, each of the four diagonals can help understand whether the LEGO Education is aligned with the LEGO brand (Urde, 2021).

1. Strategy diagonal (mission/vision to positioning):

LEGO: Mission to inspire and develop the builders of tomorrow aligns with its market position as a leading innovative toy brand.

LEGO Education: Mission to empower learning and skill development complements the strategic position as a hands-on STEAM education leader.

2. Competition diagonal (value proposition to competences):

LEGO: Value proposition of creative play and development matches its competences in design and manufacturing.

LEGO Education: Offers tailored educational experiences, supported by LEGO's competences in creating educational content aligned with play.

3. Interaction (relationships to culture):

LEGO: Builds strong customer relationships through community engagement, reflecting a culture of innovation and quality.

LEGO Education: Fosters collaborative relationships with educators and students, indicative of an education-centric innovative culture.

4. Character (expression to personality):

LEGO: Expresses brand through versatile bricks and play, mirroring its personality of being imaginative and reliable.

LEGO Education: Communicates educational value, showing a supportive and academic personality that's innovative and aligned with educational principles.

Kotter's 8-step change management model

Kotter's 8-step change management model can be used to help understand the divestment decision from a change management perspective (Kotter, 1995). We argue that the case in 2004 takes place in the 5. step of the change management model, "5. Empowering others to act on the vision". By applying Kotter's model, the students will get a better understanding of what precedes the decision and what will take place afterwards, all depending on whether LEGO Education is divested or not.

1. Establishing a sense of urgency

LEGO recognized the pressing need for action. This sense of urgency catalyzed the initial steps towards transformation and change. *"We are on a burning platform, losing money with negative cash flow and a real risk of debt default which could lead to a breakup of the company"... "We likely won't survive."*

2. Forming a powerful guiding coalition:

LEGO's leadership, including the CEO, played a crucial role in spearheading change. They assembled a team capable of driving the change effort, crucial for steering the organization in a new direction.

3. Creating a vision:

The CEO and leadership team developed a new vision for LEGO that would guide their change efforts. This vision included a strategic shift focusing on core products and the core of its brand, profitability, and a new strategic vision with roadmap for recovery and future growth.

4. Communicating the vision:

LEGO's management actively communicated this new vision internally, rallying employees around the necessary changes and ensuring everyone understood the importance of the new strategic direction and their role in it.

5. Empowering others to act on the vision:

By 2004, LEGO was at a critical juncture where action became critical. The organization needed to remove obstacles that were impeding the transformation. One such obstacle could be the LEGO Education division, which, while valuable, might have required restructuring or strategic realignment to fit better with the core vision/brand promise and business model.

6. Planning for and creating short-term wins:

Identify opportunities for immediate, visible performance improvement. Decisions around LEGO Education, whether a turnaround or divestiture, could serve as short-term win that reinforces the path to recovery.

7. Consolidating improvements and producing still more change:

Use the momentum from short-term wins to drive deeper changes within LEGO. Ensure all parts of the business, including LEGO Education if retained, is fully aligned with the core of the LEGO brand, the new strategic vision, and contributes to overall growth and recovery.

8. Institutionalizing new approaches:

Embed new strategies into the organizational culture. If LEGO Education remains, integrate its educational role deeply into LEGO’s identity and ensure its vision/mission support long-term brand success.

Business Model Canvas

To address the management question of whether LEGO should keep or divest its LEGO Education business unit in 2004, we’ll develop a Business Model Canvas for both LEGO and LEGO Education (Osterwalder, 2010). Each element of the Business Model Canvas can help inform students about the differences and similarities between LEGO and LEGO Education, and thereby help determine if LEGO Education should be divested (as **Exhibit 3** shows).

Exhibit 3 Business Model Canvas applied to LEGO and LEGO Education

<p>Key partners</p> <p>LEGO: Suppliers of raw materials. Distribution partners. Licensing partners (e.g., for LEGO Star Wars).</p> <p>LEGO Education: Educational institutions and schools. Government and municipal bodies. Curriculum development experts.</p>	<p>Key activities</p> <p>LEGO: Design and manufacture of LEGO bricks; Product innovation and development; Marketing and brand management.</p> <p>LEGO Education: Development of educational content, curriculum. Production of specialized educational LEGO kits; Training and support for educators.</p> <p>Key resources</p> <p>LEGO: Intellectual property (design patents). Brand reputation and legacy. Global manufacturing and distribution network.</p> <p>LEGO Education: Specialized educational LEGO sets (e.g., LEGO MINDSTORMS). Research and development in educational methodologies. Network of educators and experts.</p>	<p>Value proposition</p> <p>LEGO: Creative play and learning through building. High-quality, durable, and safe products. Iconic, versatile LEGO brick system.</p> <p>LEGO Education: Hands-on learning experiences in STEAM subjects. Integration of play and education. Customized solutions for classrooms.</p>	<p>Customer relationships</p> <p>LEGO: Strong brand loyalty among consumers. Community engagement through clubs, events and co-creation.</p> <p>LEGO Education: Partnerships with educational institutions. Ongoing support and training for teachers. Development of community among educators.</p> <p>Channels</p> <p>LEGO: Retail stores (own and third-party). Online sales platforms.</p> <p>LEGO Education: Direct sales to educational institutions. Government and educational trade shows. Online educational resources and platforms.</p>	<p>Customer segments</p> <p>LEGO: Children and their families. Adult LEGO enthusiasts (AFOLs).</p> <p>LEGO Education: Educational institutions (primary, secondary), Teachers and educators. Government bodies involved in education.</p>
<p>Cost structure</p> <p>LEGO: High manufacturing and product development costs due to quality standards. Marketing and brand promotion expenses. Licensing fees for partnerships</p> <p>LEGO Education: Research and development (R&D) costs for educational products. Training and support for educators. Marketing to educational institutions.</p>		<p>Revenue streams</p> <p>LEGO: Sale of LEGO sets and merchandise. Licensing revenue from branded partnerships. Direct sales through LEGO stores and website.</p> <p>LEGO Education: Sales to schools and educational institutions. Government and educational grants and contracts. Online sales of educational products.</p>		

Discussion questions

Main question:

The year is 2004, LEGO is struggling to survive and you are the CEO:

Should LEGO keep the LEGO Education business unit, seeing it as aligned with the new strategic direction and core brand values? Or should LEGO divest this unit, similar to its strategy with LEGO Theme Parks, to focus resources on its core, on-brand product lines?

Assisting questions:

- 1) How does the LEGO Education unit align with LEGO's core values and brand identity? Is this alignment strong enough to justify its continuation despite financial challenges?
- 2) How does the LEGO Education unit fit into the concept of brand extension? Does it represent a logical expansion of the LEGO brand, or does it divert focus from the company's core competencies?
- 3) Considering LEGO's financial state in 2004, what are the pros and cons of prioritizing the educational business unit over more traditional product lines?
- 4) How is LEGO Education similar or different to the divestment of the LEGO Theme Parks?
- 5) What key factors should influence the decision to keep or divest LEGO Education? How do these factors align with the company's strategic vision, brand core, while considering the company's financial state?
- 6) Is there a third option? Could the company license the brand to another operator?

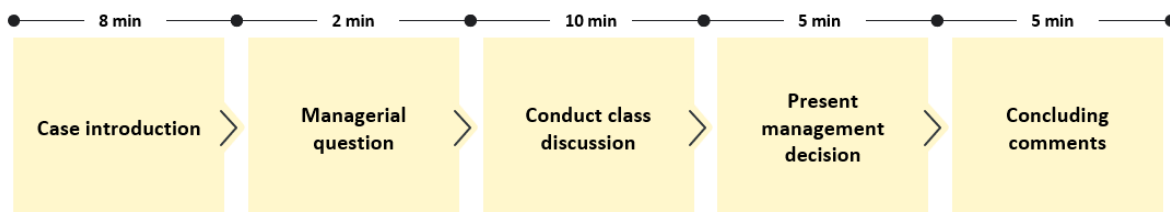
Facilitation

Based on the Brand Stewardship model, the Corporate Brand Matrix, and Kotter's 8-step change management model, the facilitators could create a simple overview of the pros/cons of keeping and divesting LEGO Education - with input from the class.

Time plan

Begin with an 8-minute overview of LEGO's history, the context of the financial crisis it faced in 2004, and the development of LEGO Education. Spend the next 2 minutes presenting the central managerial question: whether LEGO should keep or divest the LEGO Education business unit in light of the company's new strategic direction and core brand values. Allow for a 10-minute discussion period where students can debate the pros and cons of keeping versus divesting LEGO Education, considering LEGO's crisis. Take 5 minutes to explain the decision that was made by LEGO's management to keep the LEGO Education unit and the rationale behind this choice. Conclude with a 5-minute session where you summarize the key points of the discussion (see Exhibit 4).

Exhibit 4 Time plan



Reflections on case writing

Reflecting on the case it becomes evident that the intersection between business strategy and brand strategy is not just theoretical but a practical reality for brand management. This case excellently illustrates how the two strategies are inextricably linked; the decision regarding LEGO Education was not solely a business strategy decision, but also a brand decision that could redefine LEGO's identity and its future. The case facilitates an interesting discussion by challenging participants to consider the core idea of LEGO's brand amidst a crisis of survival. It invokes critical thinking about brand alignment and what it means to stay "on-brand".

Moreover, the case is a great example of large-scale transformational change, analysed through Kotter's eight-step process. It provides a real-world context for examining how a company can embrace change management to not only avert impending disaster but also to strategically position itself for the future. The fifth step of Kotter's model, 'Empowering others to act on the vision,' is particularly relevant. It underscores the importance of empowering decision-makers at all levels to act in the best interest of the brand's core values and strategic vision.

In conclusion, the case of LEGO Education offers an invaluable learning experience. It sheds light on the criticality of coherent brand and business strategies and provides a compelling narrative of transformative change management. The journey LEGO embarked upon in 2004, and the strategic choices made since then, are not just a lesson in survival but a masterclass in how to thrive by staying true to one's core values while boldly embracing change.

References

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