

LEGO EDUCATION CASE

And whether to keep it or divest it

William Kranker & Jeppe Andersen



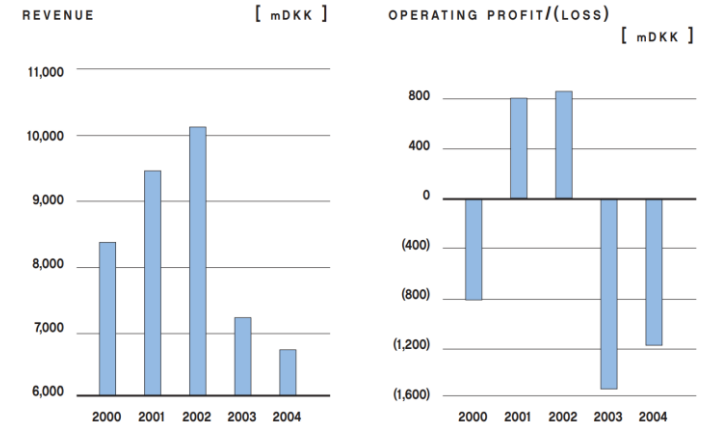
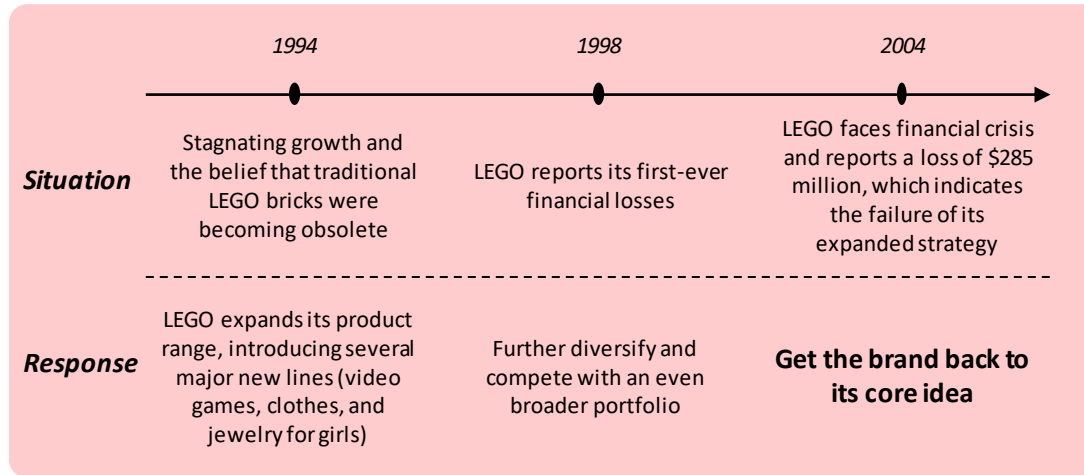
“We are on a burning platform, losing money with negative cash flow and a real risk of debt default...”

“We likely won’t survive.”

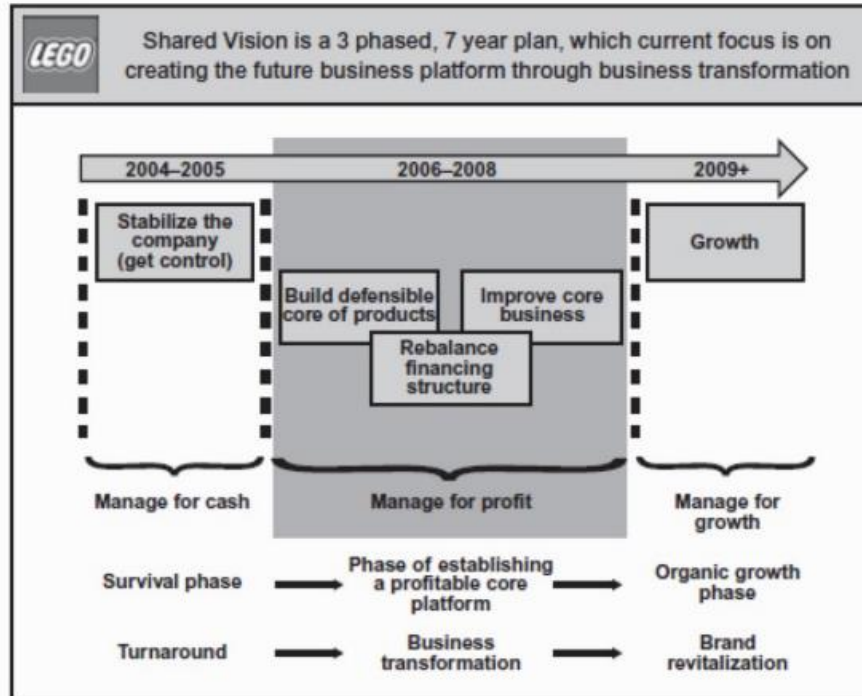
CEO, Jørgen Vig Knutstorp, 2004



In 2004, LEGO was on the brink of bankruptcy and to survive, management decided to get the brand back to its core idea



As part of the turnaround, the CEO created a 3-phased strategic roadmap



Internal strategy document from 2004

Back to its core idea meant refocusing on core on-brand products

The essence of the LEGO brand

*Fostering creativity,
learning, and play
through LEGO bricks*

Examples of on-brand product lines that were kept



Examples of off-brand product lines that were discontinued or divested



LEGO Education: A product made for learning, sold to school districts and used in teaching across subjects

Declining sales

Unprofitable

B2G business model

Leads STEM education

Educational institutions/
municipalities



It's now time to discuss the future of LEGO Education...

Should LEGO keep the LEGO Education business unit? Is it aligned with the new strategic direction for the brand?

Or should LEGO divest this unit, similar to its strategy with LEGO Theme Parks, to focus resources on its core on-brand product lines?



Management decision

Where LEGO Education ended

LEGO decided that LEGO Education was part of the core brand and today, it is a large BU within the LEGO group

The essence of the LEGO brand

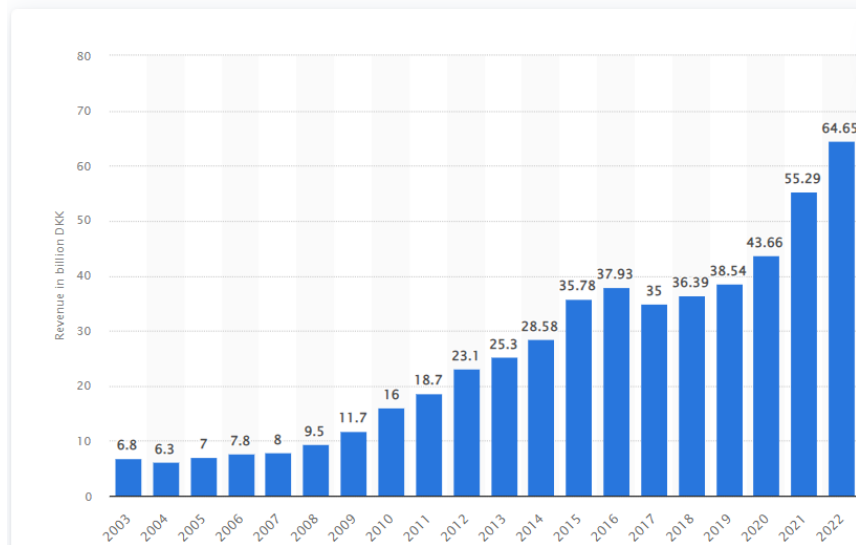
*Fostering creativity,
learning, and play
through LEGO bricks*

“Our idea has been to create a toy that prepares the child for life – appealing to its imagination and developing the creative urge and joy of creation that are the driving force in every human being.”

2. generation owner, Godtfred Kirk Christensen, 1955

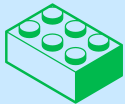
The decision to keep LEGO Education was one of many hard choices made by LEGO management – but it turned out well

Revenue of the LEGO Group from 2003 to 2022
(in billion Danish kroner)

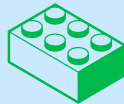


LEGO is the largest and most profitable toy-company brand globally – and business is booming

Hailed as the **greatest turnaround in history**



#1 global
education
provider



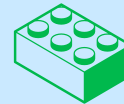
10B
USD

in 2023 revenue



2.9B
USD

in 2023 profit



#1 most
powerful
brand

in 2015 by Forbes

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Whether to keep it or divest it

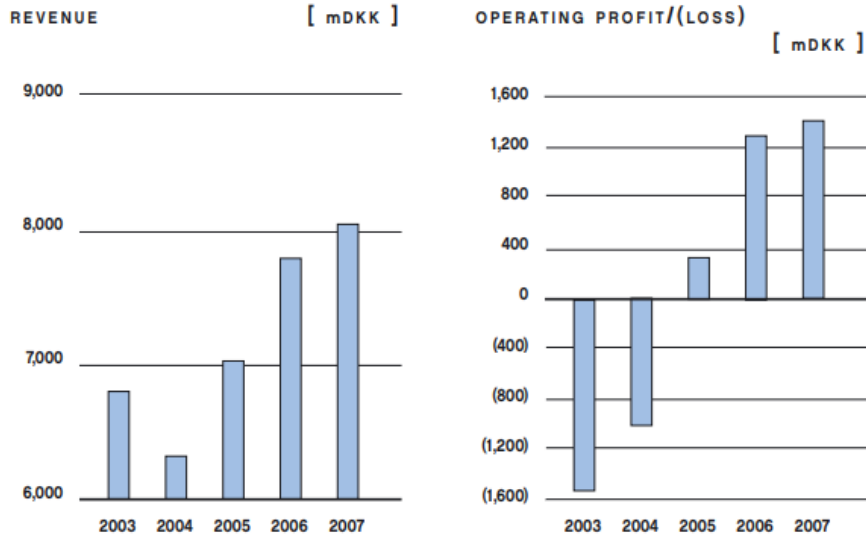
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Appendix

LEGO is the largest and most profitable toy-company brand globally – and business is booming

From 2003 to 2007



From 2018 to 2022

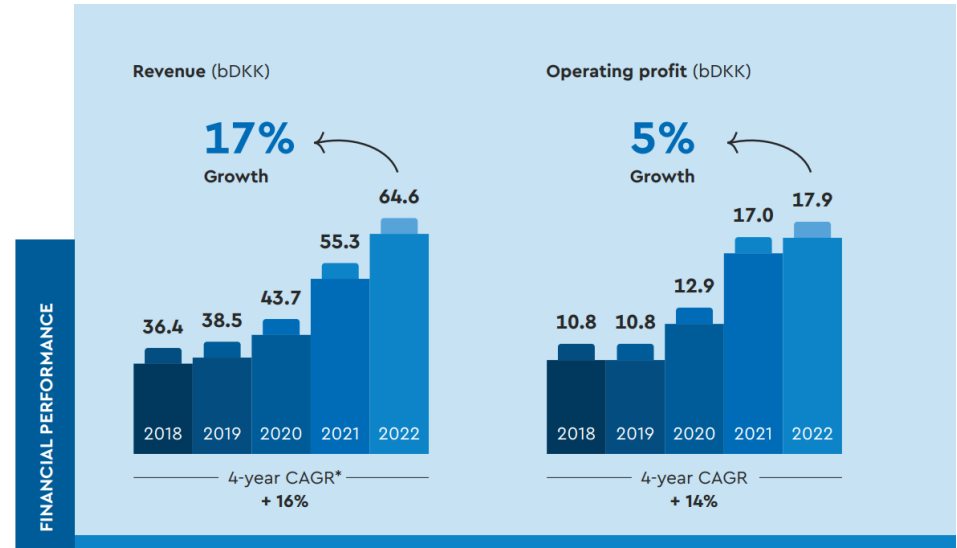


Exhibit 1 Business Model Canvas

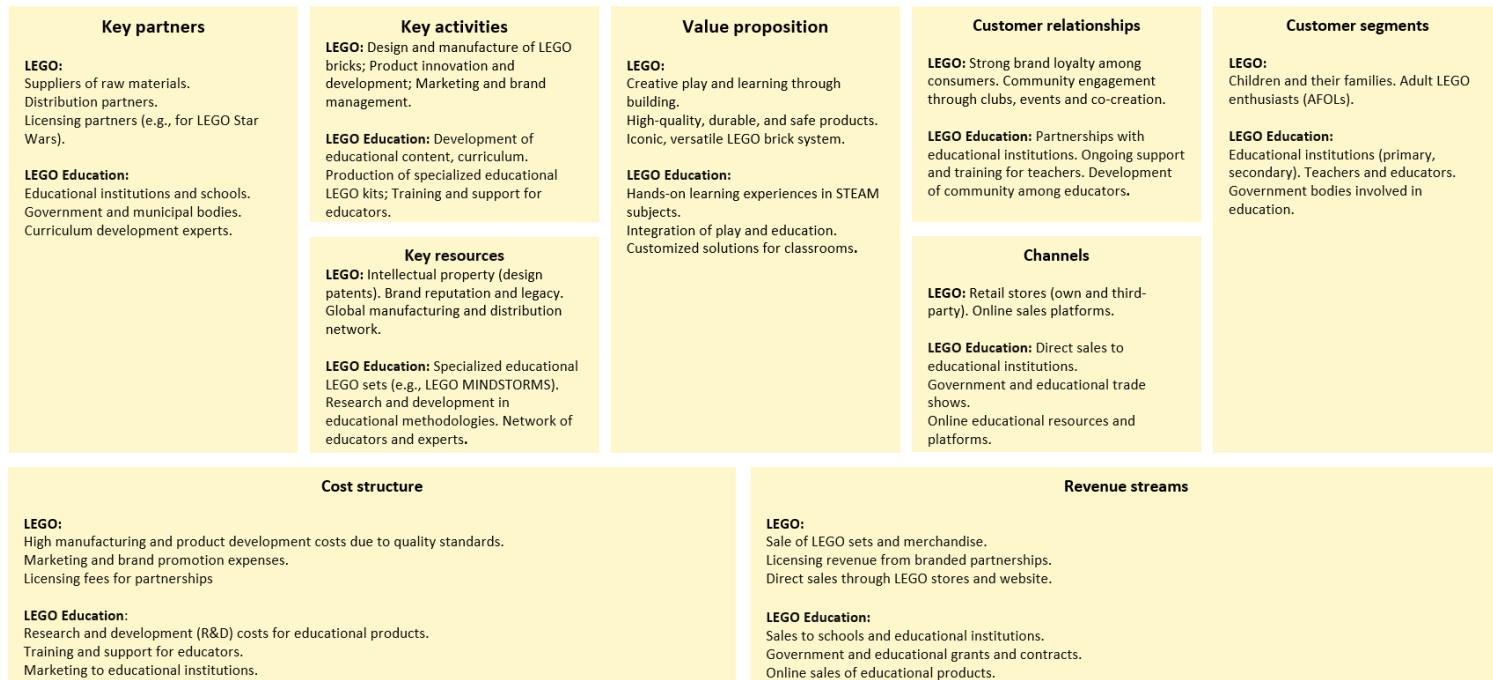


Exhibit 2 Kotter's 8-step change management model

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.

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6. 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.

7. 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.

8. 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.

9. 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.

Exhibit 3 Corporate Brand Matrix

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>