LEGO EDUCATION CASE

And whether to keep it or divest it

William Kranker & Jeppe Andersen



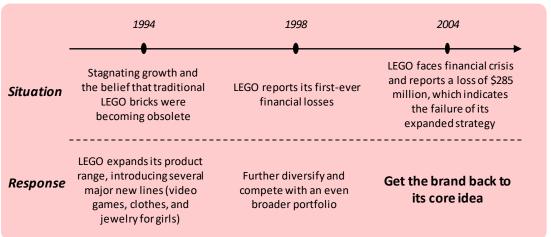
"We are on a burning platform, losing money with negative cash flow and a real risk of debt default..."

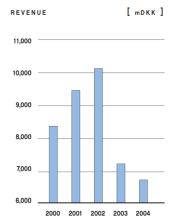
"We likely won't survive."

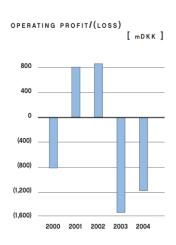
CEO, Jørgen Vig Knutstorp, 2004



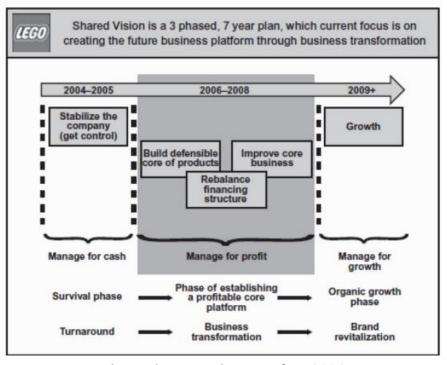
In 2004, LEGO was on the brink of bankruptcy and to survive, management decided to get the brand back to its core idea

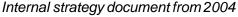






As part of the turnaround, the CEO created a 3-phased strategic roadmap







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 **B2G** business Unprofitable sales model **Educational Leaders STEM** institutions/ education municipalities



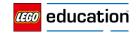


It's now time to discuss the future of LEGO Education...

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

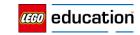
Or should LEGO divest this unit, similar to its strategy with LEGO Theme Parks, to focus resources on its core on-brand product lines?





Management decision

Where LEGO Education ended



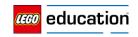
LEGO decided that LEGO Education was part of the core brand and today, it is a large BU within the LEGO group

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."

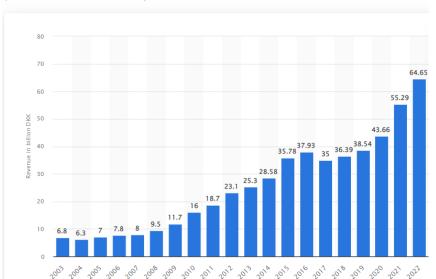
2. generation owner, Godtfred Kirk Christensen, 1955



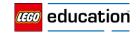
The decision to keep LEGO Education was one of many hard choices made by LEGO management – but it turned out well

Revenue of the LEGO Group from 2003 to 2022

(in billion Danish kroner)

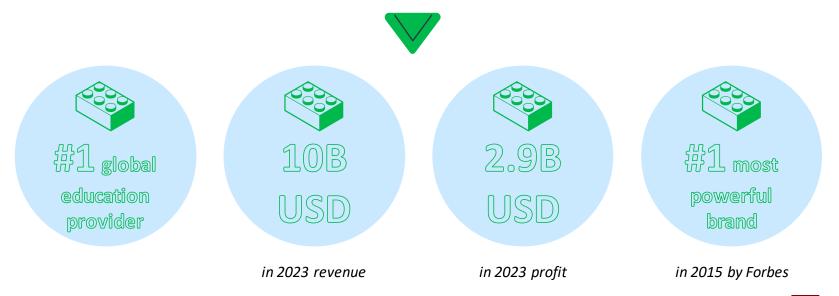






LEGO is the largest and most profitable toy-company brand globally – and business is booming

Hailed as the greatest turnaround in history



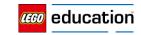
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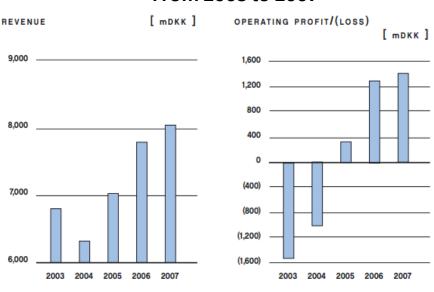


Appendix



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From 2003 to 2007



From 2018 to 2022

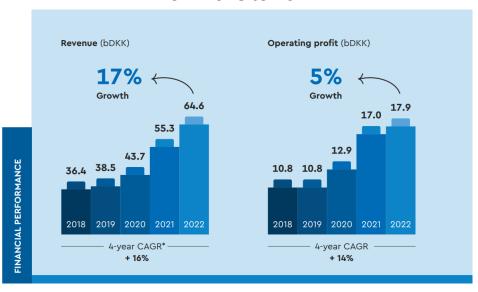




Exhibit 1 Business Model Canvas

Key partners

LEGO

Suppliers of raw materials.
Distribution partners.
Licensing partners (e.g., for LEGO Star Wars).

LEGO Education:

Educational institutions and schools. Government and municipal bodies. Curriculum development experts.

Key activities

LEGO: Design and manufacture of LEGO bricks; Product innovation and development; Marketing and brand management.

LEGO Education: Development of educational content, curriculum. Production of specialized educational LEGO kits; Training and support for educators.

Key resources

LEGO: Intellectual property (design patents). Brand reputation and legacy. Global manufacturing and distribution network.

LEGO Education: Specialized educational LEGO sets (e.g., LEGO MINDSTORMS). Research and development in educational methodologies. Network of educators and experts.

Value proposition

LEGO:

Creative play and learning through building.

High-quality, durable, and safe products. Iconic, versatile LEGO brick system.

LEGO Education:

Hands-on learning experiences in STEAM subjects.

Integration of play and education. Customized solutions for classrooms.

Customer relationships

LEGO: Strong brand loyalty among consumers. Community engagement through clubs, events and co-creation.

LEGO Education: Partnerships with educational institutions. Ongoing support and training for teachers. Development of community among educators.

Channels

LEGO: Retail stores (own and thirdparty). Online sales platforms.

LEGO Education: Direct sales to educational institutions. Government and educational trade shows.

Online educational resources and

Customer segments

LEGO:

Children and their families. Adult LEGO enthusiasts (AFOLs).

LEGO Education:

Educational institutions (primary, secondary). Teachers and educators. Government bodies involved in education.

Cost structure

LEGO

High manufacturing and product development costs due to quality standards. Marketing and brand promotion expenses. Licensing fees for partnerships

LEGO Education:

Research and development (R&D) costs for educational products. Training and support for educators.

Marketing to educational institutions.

Revenue streams

LEGO:

Sale of LEGO sets and merchandise.
Licensing revenue from branded partnerships.
Direct sales through LEGO stores and website.

platforms.

LEGO Education:

Sales to schools and educational institutions.

Government and educational grants and contracts.

Online sales of educational products.

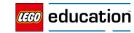


Exhibit 2 Kotter's 8-step change management model

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.

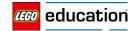


Exhibit 3 Corporate Brand Matrix

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Value proposition

LEGO: LEGO promises creative play and development through its iconic bricks, appealing to both children and adults with a focus on imagination and innovation.

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.

Expression

LEGO: Distinctive for its simple yet versatile bricks, colorful aesthetic, and the ability to build almost anything. Communicates a brand of endless possibilities.

LEGO Education: LEGO Education communicates its brand through the educational value of its products, focusing on learning outcomes and skills development.

Mission/vision

LEGO: Engage and develop children through play, building the future of innovation and creativity.

LEGO Education: Empower learning and skill development in educational settings through the LEGO play experience.

Relationships

LEGO: LEGO maintains strong relationships with customers, often invoking nostalgia and fostering a community of enthusiasts and collectors.

LEGO Education: Its relationships are mainly with educational institutions, focusing on educators and students, promoting a collaborative and learning environment.

Brand core

LEGO: The core promise of LEGO is to inspire and develop the builders of tomorrow by fostering creativity through play.

LEGO Education: The core values of LEGO Education are educational, fostering problem-solving skills, and promoting a hands-on learning philosophy.

Culture

LEGO: The culture within LEGO emphasizes innovation, quality, and a deep understanding of the role of play in child development.

LEGO Education: A culture of learning, education-centric innovation, and pedagogical effectiveness defines LEGO Education.

Positioning

LEGO: As a market leader in the toy industry, LEGO positions itself as a premium brand synonymous with quality, creativity, and play.

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

Personality

LEGO: LEGO's personality is imaginative, reliable, and fun, resonating with a sense of playfulness and cognitive development.

LEGO Education: The personality of LEGO Education is seen as innovative, supportive, and academic, aligning closely with educational principles and student development.

Competences

LEGO: LEGO's competencies lie in its exceptional design capabilities, high-quality manufacturing, and a robust brand that spans generations.

LEGO Education: LEGO Education's competences are in developing educational content that integrates seamlessly with the LEGO philosophy of learning through play.

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