

**Case of Lego:** In 1932 LEGO started off successfully despite having only very few variations to their basic building sets. However, its success in the baby boomer years of the 1980s inspired increasing differentiation of its product line, including themed building sets such as the Caribbean islands or airports as well as going beyond the classic LEGO set-up. Their success also fuelled company expansion and diversification to include branded electronics, amusement parks, games, and education centres. After the last the LEGO brick patent expired in 1989, sales volumes stagnated and, due to very extensive product line expansions, the cost and complexity for manufacturing, warehousing, and distributing parts began to eat up revenues. Finally, in 2003 LEGO was on the verge of bankruptcy and extinction. So, the questions is, where did LEGO go wrong?

In the 1980s and 90s LEGO tried everything they could to be innovative and tackle new markets and customers outside of the realm of the classic LEGO bricks. David Robertson (2013) analysed the innovation history of LEGO. According to Robertson the company had followed the “mantras of innovation” such as going for the “blue oceans” rather than “red” ones (Kim & Maubourgne, 1996/2015). Robertson remarks that since so called “red oceans” are considered to be a worthwhile space, competition is high. For LEGO, in attempting to enter the undiscovered blue oceans, they lost sight of not only their mantra but also what their customers really wanted. LEGO began to produce actions figures and play sets that lacked a special creativity that LEGO, till then, had inspired among children. Moreover, somewhere along the way LEGO forgot to pose existential questions such as, “Where, as a company, do we want to go?”, “Where are we now?” and “How will we get there?” A company’s critical self-reflection is essential, because, as Robertson adds: “If you are going to accelerate innovation, you need to know which way you are going” (Robertson, 2012).

At the pinnacle of LEGO’s downfall Madsbjerg and Rasmussen (2014, 109) quote LEGO’s designer Smith-Meyer, who joined the company in 1999, as being surprised how LEGO was not “all about the brick” as he had thought it would be, but instead all about the LEGO “brand”, with a product portfolio widely branched into action figure and video games. According to these authors, LEGO had lost track of their users, i.e. children’s desire. In attempts to become more modern, LEGO missed the clues that their consumers still wanted the core LEGO product; in other words, they still would rather invest LEGO time and effort to achieve mastery at such a “skill” (ibid., 119). In the case of LEGO – over diversification and going too far beyond the basic LEGO concept was their downfall. After LEGO’s business ran out of cash in 2003 a successful turnaround was started. They tried to understand the role of play and the meaning of children’s dedication to play and used this to contribute to the formulation of a new mission statement focusing on “builders of tomorrow”. Ethnographic insights on what children care about also provided initial clues where to reduce breadth and depth of the product portfolio.

As a result, measures for cost reduction, streamlining the product portfolio, and mining new avenues of growth were introduced. Most importantly, innovations from there on had to be aligned “with its new mission: *‘Inspire and develop the builders of tomorrow’*. Our ultimate purpose is to inspire and develop children to think creatively, reason systematically and release their potential to shape their own future - experiencing the endless human possibility.” (Lego, 2015) According to Mads Nipper, LEGO’s executive vice president (cf. Madsbjerg & Rasmussen 2014, 121) every new development is judged on whether it supports systematic creativity: “We don’t want to do stuff just because there’s a market for it ... The LEGO brick and variations of it remain the core part of what we do. It’s part of our DNA”. A company’s mission statement is considered a fundamental building block upon which strategic planning is built and which can drive and focus innovation. In the case of LEGO, posing reflective and existential questions, and re-identifying with their customer base helped bring LEGO back to their original mission and direction and success.

## Lego Case Questions

1. What negative effects did LEGO's over-diversification cause? What were some of the sources leading to it? When and how can innovation become a bad thing?
2. How did LEGO turn the company around?
3. How would you describe a mission statements role in innovation? To what degree should innovation be influenced by a company's values and mission? How does a mission focus innovation? Inspire innovation?
4. Why did LEGO's focus on retuning to their origins through streamlining and narrowing a broad product portfolio succeed?
5. Please explain the interplay between strategy, mission & values, and product innovation using the LEGO example.