

The creator of the lego brick business essay



The Ole Kirk Christiansen, a master carpenter and joiner founded LEGO Group in 1932. He established a small business in the village of Billund in Denmark. The company produces stepladders, ironing boards and wooden toys. The name ' LEGO' is an abbreviation of the two Danish words " leg godt", meaning " play well" (Lego, 2009).

Lego is a famous name between the children. It is very reputed multinational company which operates in 130 countries in the world. It is the world's 6th largest organization produces toys. Lego speedily enlarge in last few years and capture a huge part of market share. Lego fundamentally changed the concept of entertainment and play by introducing the event of learning and development. By doing this the company offers a healthy maturity, applying scientific way and by increasing the imagination power in their childhood. Hence satisfying its corporate social responsibility.

Lego innovated victorious strategy. They have suffered the way from bankruptcy to one of the world top toy producers. Organization culture, its design which changed the face of the organization is unbeatable. The objective of this report is to understand how this change Tookes place.

Lego group has produced many playing sets of robot, space, pirate, Viking, knight's kingdom, dinosaurs, Wild West, the arctic, spider-man, harry potter and many more. It has recently announced the procurement of international toy rights with the cable TV channel Nickelodeon for creating sets with themes from two hit TV shows such as SpongeBob Square Pants and Avatar: The Last Air bender (Brickipedia, 2009).

This literature is cautiously customized about the operation and structure of an organization known as “ LEGO”. This work provides a comprehensive study of structure of Lego and what, why execution of change has been practiced in the organization. It provides the brief study of the change they brought in their organizational structure and alter it from a tall organization to a semi-flat organization. It will show some of the characteristics a tall and flat organization exhibits.

Organizational Design

Today world is very volatile; change of organizational design is a regular, ongoing activity and challenge for every manager, whether managing a global enterprise or a small work team. Globalization increased competition, deregulation, and ever-new technologies drive the ongoing reassessment of the organization. Many new forms of organizational design: virtual, learning, modular, cellular, network, alliance, or spaghetti came into existence. Still organizations require a formal design. The essentials are: what are our goals? (Burton et al., 2006).

Organizational design - is the process by which managers select and manage various dimensions and components of organizational structure and culture so that an organization can achieve its goal (Lamar, 2009)

Contingency Theory

Contingency theory believes the organization analytically as a cooperative network of functional essentials bound together in search of a common purpose. Each aspect is essential to the success of the organization, and the requirements of each element must be convened within the context of the

organization. In other words, an appropriate balance must be required between the elements. (Donaldson, 1995).

According to Jackson (2000), there are five “Strategic contingencies” which affect each other and influence the choice of organization structure. They are:

Goals

People

Technical factors

Managerial factors

Size

1. Goal: The goal is a part and it is concerned with the survival of the organization in both the long and the short term – with normative, strategic and operational objective. These goals need to be meeting up the ambition of the stakeholders, which in turn needs to be reflected in the decision-making structure. Lego set its goal and created strategies on the basis of adopting innovation techniques.

2. People or Human: People are concerned mainly with the growing needs of the employees of the organization. These needs must be fulfill within the organization, so that they can be attracted to it and can be motivated for their work. These needs will vary with the circumstance in which the individuals are employed. Fundamentally, the design of the organization must take account of the needs and capabilities of the staff. Lego is keen to

focus on its employees needs and fulfill them to achieve its goals; to achieve productivity staff satisfaction is compulsory.

3. Technical Factors: It refers to the technology utilized by the organization in carrying out its work. Typical organizational forms developed in a specific industry and successful firms utilized these structures, it is called benchmarking. Lego use technology to work smoothly and to provide high class service to the customers, they use technology in retail chain, online store, and educational market offering. They created online play experiences to keep customers engaged with their products and business.

4. Managerial Factor: The role is to co-ordinate and enables the activities of the others. Current research identify that the management of an organization can enable it to respond effectively. It consists of planning, organizing, staffing, directing, coordinating and controlling the activities of the various subsystems. Lego formed four groups to manage its operations; they created team-based structure that helped them to achieve innovation targets.

5. Size: It refers to the size of the organization. It effects structural differentiation in the manner of contingency fit theory, on the horizontal and vertical aspects of structural differentiation. On horizontal aspect, increasing size adds employees, who at the start stand idle or duplicate and hold up with the task execution of other employees. In the vertical aspect increasing size extend the span of control of a manager to the point where it becomes too wide and performance sufferer. So that new level introduction becomes necessary which ensure results. (Donaldson, 2001). Lego used vertical

structure, when they were near bankruptcy; they split innovation efforts to eight types, by these new types and levels they managed to come out of problem and sustained their position in the market.

Best practice of process innovation

A Best practice is a technique, method, process, activity, incentive, or reward that is understood to be effective in delivering a specific outcome than other technique, method, process, etc. when applied to a particular condition or circumstance. It is a process innovation technique. The inspiration is that with proper processes, checks, and testing, a preferred outcome can be bringing with lesser problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people (Zairi, 1999).

Lego used innovation as a best practice, they took a broad view of innovation and applied it on new products, pricing plans, community building, business processes and channels to market.

Team based structure

Team-based organizations pursue an unusual sense from traditional hierarchical organizations that rely mainly on individuals as the key performing unit. Organization design and processes are involved when organizations convert to a team-based organization, or they reinforce the capabilities of an organization that already performs its work in teams (Fogg, 1994).

Use of the complementary expertise with new technological changes in the area of manufacturing, distribution, HR, marketing and CRM helps companies in realizing the full return from their technological resources. To lead these expertise development efforts, cross-functional teams, either formal or informal, need to be formed. Cross-functional teams are teams work in different working areas but for the same goal. (Fogg, 1994).

Lego created four cross-functional teams' Functional groups, Concept lab, Product and marketing development and Community, education and direct. All teams focus on their area but to achieve organizational goal that is innovation.

There are three main organizational designs which are authority, bureaucratic, authority and communication flow, used by the Lego. The structure that is used by the Lego team based structure. The team based structure has a very flat extent of control. Due to this, the processes are organized properly, by this it directly affects to the behavior of each person in the team. The structure of the organization directly affects to the behavior, motivation, performance and team work. Therefore the performance of organization is depending on the organizational structure and its design.

Chapter 2 Organization Culture

McKinsey define Culture as “ How we do things around here”. In other word it is the personality of the organization. Culture is containing of the assumptions, values, norms and tangible signs of the organization members and their behavior.

The turnaround of LEGO Group was stand on the belief that ‘ only the best is good enough’ because it recognizes the unexpected value that the LEGO Group brings to the world. What the LEGO Group is all about, translates into the five company values: “ Creativity, Fun, Learning, Quality and Care”. Lego has a team building culture with focus on innovation.

Trompenaars' four diversity cultures

This model presume major magnitude of person vs. task and centralized (which is also assumed to be hierarchical) vs. decentralized (which is assumed to be more egalitarian). These dimensions are very common measures and both can be normally simply determined (Kutschker et al., 2006) .

Lego is a family business and centre is an individual, it followed a decentralized organizational culture, even though they made different groups for the operations but decisions come from the corporate level management.

Egalitarian/Decentralisation

Person/Informal style

Incubator

Guided Misile

Task/Formal style

Family

Eiffel Tower

Hierarchical/Centralisation

Following are the four style of culture in detailed.

Family:

Focused on Individual Relationships.

Hierarchical with differentials authority structure

Lego pay attention on family culture, they have created a team called CED which is accountable for community building with Education and Direct. They hold the clientele into the organization by educating them about the organization.

Eiffel Tower:

Authority focused on allotment of labor and coordination.

Emphasized on planning to achieve its corporate goals.

Lego created four cross-functional teams for those, who are divided as per tasks put work in the course to achieve the same organizational goal.

Guided missile:

Unrestricted, unfriendly, task oriented

Lego followed and independent organizational culture, based on the power allocation with central control with corporate level management; they have four teams and assign them tasks to achieve organizational goals.

Incubator:

endeavor to diminish organizational structure and culture

Lego followed vertical organizational structure and importance given on innovation with the current organizational hierarchy.

The intention of the analysis is to evaluate the extent to which the leading culture reflects the real desires and limitation of the organization

The LEGO Group wants to encourage an organizational culture stand on the LEGO spirit and core values. A culture promotes business integrity by increasing awareness of the significance of high standards of personal behavior. The objective is that LEGO Group employees universal make decisions in conformity with LEGO business principles and in association with the LEGO spirit and values. The culture portrays the three to four major characteristics of the organization. These are the Power, The Role, The Task and The people. But in Lego, the main attention is on the Power and the Role. It also describes the different models like Handy and the Trompenaar model, each of which have separate functions. There is also having little explanation about the processes of the organization.

Chapter 3 Learning Organizations

According to Senge, Kleiner et al (1994) A learning organization is “ an organization that is continually expanding its capacity to create its future”. For them, it is not sufficient to just survive. ‘ Survival learning’ or what is frequently termed ‘ adaptive learning’ is significant really it is essential. But for a learning organization, ‘ adaptive learning’ must be attached with ‘ generative learning,’ learning that increase our ability to create.”

In the LEGO Group it is believed that children learn best when they are having fun. Motivating learning with the creativity and imagination is considered by specialists in the field of child progress to be more relevant at present than ever before. The natural advice to learn is simply the key to thriving in a challenging world.

Pedler et al (1997) discovered 11 features for an organization to become a learning organization. Following are the features which exist in Lego.

Participative policy-making: Company policies of the Lego replicate the values of all members & not just top management's. Stakeholder's analysis also has strong control in Lego turnaround strategy. There is commitment in all Lego members to discuss differences and deal with the conflicts.

Informative: Lego utilized Information Technology not just to utilize to mechanize but to make information broadly available to front line employees to authorize them to act & take initiatives. Databases and communication systems help everybody in to getting feedback and making sound decisions.

Internal Exchange: Internal units of the Lego treat themselves as internal customers and suppliers as end users in a supply chain or client in calculation contracting with and learning from other departments. All the departments of Lego look for to delight their internal customers and come to agreements on quality, cost & delivery at the same time as remaining aware of the needs of the company as a whole.

Enabling Structure: In Lego roles and careers are flexibly controlled to allow for trials, growth and variation.

Boundary Workers: Environmental scrutinizing is carried out by all those who have contact with customers and all stakeholders. There are organizational systems and events for receiving, assembling & sharing information from outside of the company. Meetings always include reviews of what's going on in the business environment.

Self Development Opportunities for All: Resources and facilities for self-development are made available to all members. Individuals are encouraged to take accountability for their own learning and development. Opportunities, materials & resources are voluntarily accessible for "open access" learning; people possess their own self-development budgets & choose what training and development they require.

The LEGO Group continues to split up existing norms and change them into creativity and imagination on a child's own terms. That is the reason I portrait the LEGO brand as the world's strongest brand among families. May not be the biggest, but the best. I envision the LEGO name known by all as a brand familiarity contributing as an integrated creation of play designed to inspire children's creativity, imagination and learning.

Chapter 4 Innovations

Five years before, the LEGO Group was in front of bankruptcy. a lot of its innovation hard work theme parks, an action figure called Galidor supported by a television show and it were not making money or had failed complete. Today overall toy market declines, LEGO's revenues and profits are increasing by 19% and 30% respectively in 2008.

LEGO's turnaround is a new structure for strategically coordinating innovation activities, led by a cross-functional team: the managerial Innovation Governance Group. LEGO managers take a wide view of innovation which comprises new products, pricing plans; community building, business processes, and channels to market, all of can be powerful business drivers. The company allocates tasks for innovation in all areas across four groups and expects different degrees of innovativeness from each of them.

New Product innovation

Product/service innovation is the result of carry out an innovative way to solve the consumer's problem that benefits both the customer and the company. In other words progress of new products, changes in design of well-known products, or use of new materials or components in production of established products. (Kuczmanski, 1988).

Product Innovation

New Product types

High

New to the world

Level of technology newness

New to the company

and local market

Line extension/ Flanker

Revision of improvement

Risk

&

Reward

Cost reduction and repositioning

Low

Low

Level of newness to the market

High

The key to achievements are harmonization and regulation. Following factors are important to consider while deciding new product (Leonard & Sylvia, 1998):-

Engineers have to imagine and invent the product, using customer input provides via sales men, then

Marketing experts must measure the product's potential and help in shaping its exact features.

Financial persons have to analyze the cost of marketing it and decide a competitive price.

Manufacturing experts have to decide how to make the product in a large volume.

Lawyers have to measure how it can be protected from competitors.

Lego Concept Lab is responsible for the development of new products, located in its own building, they have high level of innovation with messaging, offering and platforms.

Pricing plan

LEGOs by the pound generally sell for around \$6. Generic LEGO Minifigs sell for about \$1 each. A little more with accessories. Minifigs From Theme: Western, Space & Pirate \$2-\$3, Castle \$2-\$10, Star Wars \$4-\$75. Used sets in the following themes sell for about 70%-90% of the Original Retail Price. (Please note there are some exceptions) Newer Castle Themes, Rock Raiders, Adventurers, Western, Old Pirate Themes, Space. Older Castle sets tend to sell for 120%-200%! (You can find the Original Retail Price (ORP) at peeron.com.)

New sets from the themes listed above sell for about 110%-200%. (They are listed in order of lowest to highest price compared to ORP.) Brand New Older Castle sets sell for around 200%-500%. Star Wars Sets (before 2007) sell for about 90%-130% in used condition or 150%-250% in new. Star Wars Sets

(2007 and after) sell for about 80%-120% in used condition or 90%-150% in new. All other set themes sell for around 30%-60% in used condition or 70%-100% in new.

Community

It is a key to have close contact with its fans and consumers throughout the world the Lego Group. For this, the Group holds in a lot of initiatives to strengthen bind between Lego enthusiast and the Group. LEGO. com is the official website of the Lego Group. The intention of LEGO. com is to make a practical Lego universe in which users can enjoy one of the most powerful Lego experiences. LEGO. com is more than just an online shop. It is a place where children, parents and Lego fans of all ages can play and learn about Lego Group values and ideas through games, stories, activities and experiences.

Channels to market

Organization utilized different channels of market to sell their product or service. Extra market channels may possibly be used to innovate the marketing and selling process (Businesslink, 2009).

Direct Selling: Position a direct sales operation so that the consumers don't need to go through a third party, such as a retailer or wholesaler. Lego sells their products at their theme parks.

Using wholesalers or distributors: by using it you can broaden your base. This will signify you are effectively 'piggybacking' on their customer bases. Lego also use wholesalers and distributor to sell their products because of its well known brand and high demand.

Agents: To increase business into other geographical areas at smallest risk, think about appointing an agent. This can provide representation in areas that would otherwise be difficult to reach. However, you will have to spend time managing the relationship.

Online and e-commerce. To break down geographical barriers e-commerce can help you out. Lego has online store and sells their products.

Chapter 5 Lego as a Service Driven Organization

A service-driven organization means that organization which gives a better service according to the consumer needs and perceptions. This ability is instituted only when there is good customer knowledge and good customer service is available. Listening personally to customer needs and reacting with solutions that meet these needs more successfully than any other company (Donovan, P. & Samler, T., 1994). To meet this challenge, a company requires having the adaptable business culture and flexible technical infrastructure to respond to change (Johnston, K., 1993).

Gulati and Oldroyd (2005) says that companies should look for the customer focus: ' It's a learning journey one that fold over four stages, requiring people and business units to coordinate in progressively more sophisticated ways'. The process starts with the formation of a companywide storehouse containing each interaction a customer has with the company, planned not by product, purchase or location but by customer. Lego realized the need of the hour is the collective coordination as each group contributes its information to the data pool independently from the others and then taps into it as needed.

Lego is a definitely service driven organization because the company has made a separate group Community, Education and Direct (CED) where they innovate new ways to help the community and help the company to boost the profitability. Lego produces toys which help the children to teach which a great service to the community. This strategy of linking community in product ideas has proven successful for Lego turnaround. The level of innovation varies from low to high. They have to interact with customer, sales channel and business model. The main focus of the LEGO is customers and their requirement which makes it a service-driven organization and results in gaining competitive advantage in the market.

Chapter 6 Conclusion

In this high competition era information is saturated in the environment. It is essential to try to remain dynamic, competitive, and to continue to look for ways to improve the organization. As David Garvin of Harvard University writes, “ continuous improvement requires a commitment to learning” (Garvin 1994, 19).

Lego entered in to the service industry by providing a platform for competition in structure design, online. They also entered into the software support market to pushes its service sector. They also established the children amusement places called LEGOLAND, like Disney. Their invention is simply a mixture of both their merchandise and their service they provide with it. They believe as their mission statement, only the best is good enough, and tried there best to achieve expertise is all fields they operates in. They had completely satisfied their corporate social responsibility by giving children an opportunity to learn while they play. It enhances their

capacity of thinking, generating ideas and escalates their knowledge, as children are the future of the nation.