

Lego case study of innovation



Technology Management (Case Study)

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Case Study 1:

Q. 1: How do you think the changes that LEGO made will reshape the firm for the long term?

Answer: After LEGO met with failure in its innovative toys and diversification into other areas like theme parks, action figures like ‘ Galidor’ and craft sets known as ‘ Clikits’, it had to come up with an innovative strategy that will help the company to rise from the abyss.

The company developed a new creative structure for its operations. A cross-functional team was being engaged in order to bring control and coordination in the innovative activities. The team divided the innovation processes into eight categories as follows:

- Core Processes-they consist of the operations, financial planning and the sales and marketing.
- Offerings-they consist of the presentation of the product and the packaging.
- Messaging-These processes include the developing of the website and the advertising.
- Enabling Methods-These consist of the market forecasting and planning.

- Interaction with customers-services to customers, linkages with customers.
- Platforms-here the design and the usage of the building blocks have been modified.
- Model of Business-it deals with the pricing and the revenues.
- Channel of distribution-it consists of the several distributing channels like the direct marketers, retailers and others.

LEGO innovation is a new line of product known as the ‘LEGO Board Games’ by implementing the new framework of innovation. This game enables the players to build new structures each time they play the game. It was launched in 2009 in the UK and Germany and in 2010 it was launched all across the world.

It is expected that the new innovation strategy implemented by the company and with the manufacturing of new product lines like the board game, LEGO will be successful to regain its dominant position in the toy market and will be able to grow and attain sustainability in the global toy industry.

Q. 2: What suggestions would you have for LEGO’s competitors in the declining toy industry? What should they be watching for?

Answer: The suggestions to the competitors of LEGO in the declining toy industry can be enumerated as follows:

- In this extremely competitive toy industry in the world, there is need for constant innovation to compete with each other. LEGO is the leading toy brand and the rivals need to bring in innovative strategies to bring change in the toy market.

- The other step which the rivals should take is to bring in diversification in the toy products to suit the different age groups of the children.
- Keeping the prices competitive is another major step which the rivals should take to compete with LEGO. If the prices are too high then the competitors will face even more difficulty to fight with LEGO.

The competitors should take a cue from the innovative Change Management Strategies that LEGO has undertaken to rise to the top once again, after it met with a huge failure in the toy market. They should emulate the several steps which the company has successfully taken with the help of a very efficient management at the helm of the organization.

Case Study 3:

Q. 1: How did Corning address the issues presented in this chapter?

Answer: Corning has implemented an innovative strategy to bring in diversification in the product lines apart from manufacturing glass. The company has an extremely competent R&D Department who are engaged in extensive research work on how to bring in innovation and diversification to sustain and grow in the industry. The company holds offsite meetings with the top level and the technical managers regularly at intervals of four to six weeks.

It also believes in taking customer feedbacks and suggestions regularly in order to design products and services as per their tastes and preferences. Corning has also a cross-functional team which has members from different departments like operations, engineers, sales and marketing specialists and

scientists who work together in designing the innovative strategies for the company.

This is the process by which the company handles the several issues related to innovation in services.

Q. 2: What advice would you give to Corning about planning for innovation?

Answer: Corning has a very effective cross-functional team which takes care of the innovation strategies by working in coordination with each other. This is the reason why the company has been successfully running for more than 150 years. But, it is often seen that the company sometimes plan too many innovative things which might not be suitable for the organization at the current moment. This involves some outflow of funds also, as extensive research work comes at a significant cost. This is the area which I would suggest the company to take care of, not to overdo the innovative research. It should be done at some intervals and after watching the customer responses to a newly launched product. But, it cannot be denied that the company has earned more than 50% of its revenues during the last 10 years from selling products which are not even 5 years old.

Q. 3: If you were a Corning competitor, what would worry you most? How would you compete with them?

Answer: If I was a competitor of Corning, I would be extremely worried about the fast changes in product lines that the company is making which is making it difficult for the competitors to sustain in the industry.

As a rival company the main effort will be into developing a sound and efficient system of R&D which will enable the company to foresee a lot of events relating to the industry. An extensive research will ensure that the company has understood the tastes, preferences and the demands of the customers. The most emphasis will go into the product diversification which will enable the company to capture the changing demands of the customers and also to increase the diversity of products and services.

Case Study 6:

Q. 1: Do you think United Technologies was wise to focus only on subcontractors in India and the United States?

Answer: It can be said that the decision taken by United Technologies to subcontract the Information Systems process to India and US was the right one. This is because in both the countries there is cheap availability of subcontractors who are already established and there is plenty of support system available, which has helped the company to achieve reduced costs of transaction. Also, the company had made annual savings of \$50 million by subcontracting the processes to India and US.

Q. 2: The Otis unit of United Technologies illustrates differences that occur in a worldwide firm as it manages alliances. What are some of the other differences illustrated? What other issues should be considered?

Answer: In case of OTIS, one of the subsidiaries of United Technologies, it was observed that the move by United Technologies to subcontract the process to India had some initial difficulties although the project was successful. The subcontract brought thirty applications to India. OTIS saved

around \$5, 00, 000. But the company was facing trouble in coordinating the different projects in different locations. Hence, OTIS opened a dedicated center which was run by Wipro in Bangalore. This helped the company to bring back consistency of services and coordination in the different OTIS projects which were then under once center.

It has been seen that there are certain inherent disadvantages which a company faces when it subcontracts its process to a different country. The major problem arises when the company is into multiple projects. This creates a lack of coordination and control in the foreign country, It is better in such cases for the company to hand over the services to a single organization who will be running all the projects on behalf of the company. These issues are to be considered by any company who is trying to subcontract to some other country.

Case Study 7:

Q. 1: What do you see as the primary integration issues facing the new acquired units? How did IBM address the issues? What should they do next?

Answer: In 2002 IBM took over PwC as a merger. IBM is a technological firm whereas PwC is a consulting firm. Hence, the merger created some initial troubles for the employees of both the organizations. IBM was looking to adopt the consulting services of PwC on how to implement different technologies like ERP, CRM and SCM services. The merger combined 30, 000 employees from consulting unit of PwC with 50, 000 employees from the IBM consulting unit. IBM was operating as a specific corporation whereas PwC is a partnership firm. Hence, it was an area of concern. IBM was dealing with the

issues related to infrastructure and PwC dealt with providing consulting services and solutions to the clients. The cultures were also different. It happened that the clients of PwC were beginning to feel concerned that they might be forced to purchase the IBM products as the result of the merger. These were the major issues.

IBM developed a three stage process to deal with the issues. Firstly, it cancelled the deal, and gave back the initial operating model to the unit. It declared the President for the unit. IBM offered lucrative incentive packages to retain the employees. In the second stage, a new operating model was created to incorporate several main factors of the business. These happened in 2002. The last phase happened in 2003. In this stage the IT processes and systems of both the companies were incorporated and the true integration of the companies took place. IBM also laid-off 5, 000 of its employees in order to make way for PwC employees.

In the end, the IBM Global Systems unit was formed and the company should take care of the values of the employees from both the companies and to take care of their interests and recognize the difference in cultures and provide time to them to mix with each other and adopt the IBM culture.

Q. 2: This Global Systems unit is the largest in the company. How does the expectation for the unit affect the management of the unit? What possible problems emerge because of the expectations? What possible advantages?

Answer: The IBM Global Systems is the largest IT services provider in the world. There is huge expectation of the customers on the merger of the two global giants. The management of the unit has to take care of their

responsibilities so that they can live up to the expectations of the clients. The objective should be to provide the highest quality of IT and consulting services to the customers all across the globe.

There could be few problems which might emerge because of the high expectations. This can be in the form that the clients all across the globe can think of or expect of services which can sometimes be illogical or unprofitable for the organization. They will think that the company will be providing the products and services of the highest quality but with the minimum price. This is not possible as the company has to undergo huge investments at every stage in order to keep alive its brand image and the quality of services.

The advantages can be many. The clients will trust quality of products and services because of the big brand name. This will help the company to automatically retain the goodwill formed out of the two of the most renowned brands of the world. The company will not find it difficult to promote the products and services in order to gain competitive advantage, as the clients are already aware of the products and services of both the companies which are integrated into one. This is a huge advantage for the company as it has already been provided with a pool of happy and loyal customers.

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