

Lego structure

[Business](#), [Company](#)



Structure is dependent on strategy. If an organization has vertical integration then they operate a functional structure, which gives efficiency through economies of scale. If an organization uses a diversification structure then there is a business unit structure which gives customer responsiveness. However, many firms have a hybrid structure; this type of structure balances efficiency and customer responsiveness. A company also can choose to outsource through a contract with another company for them to perform an activity along their value chain.

Many companies choose to outsource work which is not vital to their core in order to take advantage of cheap labor, there is a trade-off between cost and quality. LEGO has a functional structure as it is split into sectors such as markets & products, global supply chain & community, education & direct. Under each of these functions are executives for each product and regional area, which proves for an effective centralized communication structure. Since its creation LEGO has been privately owned by the Kirk Christiansen family.

The Corporate management of LEGO consists of the CEO, SCOFF and 4 executive Vice Presidents who each have their own business area.

Previously, to develop stronger leaders with skills to take groups into new areas managers were moved around rapidly. After 6-12 months in one position, managers were rotated or replaced by someone who could do better. The reasoning for this was general leadership experience was considered more valuable than specialized direct experience with LEGO toys. Also during this period (1999 - 2004) senior management consolidated 25 country-level sales companies into 5 regional entities.

In late 2003, LOGO was facing a dire situation and changes were required. Ploughman (CEO) and 4/14 person management team were asked to leave the company by the Christiansen family. 517 senior manufacturing executives were fired due to differing views on what direction LOGO needed to take to become successful again. New CEO, Inductors also decided to change the management team policies. LOGO has become focused on specializing their managers to make them the best they could possibly be.

Managers have stayed in the same position for the last few years and are focused on upgrading their capabilities and becoming more strategic as they truly understand their roles and business areas. LOGO has been focused on having a family like atmosphere and an approachable CEO to encourage owner/CEO relations, strong alignment with their brand vision, celebrating loyal employees and a willingness to give your best. To create an environment for employees to thrive, LOGO had their management emphasize collaboration between different departments and create opportunities for people to meet other employees through inter-department meetings.

In the early sass, many of the LOGO groups competitors outsourced their manufacturing to the Far East due to the cheaper costs. LOGO kept their manufacturing processes in-house as their strategy is highly focused on quality to maintain their brand reputation upheld since 1932. The mentality of keeping expansions in-house was to protect the LOGO brand, and that only LOGO sufficiently knows their brand and the expression of it could therefore not be outsourced. LOGO later decided to outsource to Flatirons,

an electronics manufacturing service Flatirons and move production back in-house as manufacturing is core to LOGO.

Flatirons was too different from LOGO and their inventory accuracy fell, McCollum betimes shortened because of lower maintenance levels and in some cases purchasing costs rose instead of falling. LEO now mainly outsource where they lack the in-house capabilities like LOGO NOMINATORS electronics. Overall, LOGO has made appropriate changes to better match their structure to their strategy by having experienced managers in specialized roles with specific knowledge and experience of LOGO products. Their functional structure has allowed LOGO to continue with their efficiency required for their innovative build, differentiation strategy.