Innovating a Turnaround at LEGO

by David Robertson and Per Hjuler

FIVE YEARS AGO, the LEGO Group was near bankruptcy. Many of its innovation efforts – theme parks, Clikits craft sets (marketed to girls), an action figure called Galidor supported by a television show – were unprofitable or had failed outright. Today, as the overall toy market declines, LEGO’s revenues and profits are climbing, up 19% and 30% respectively in 2008.

Central to LEGO’s turnaround is a new structure for strategically coordinating innovation activities, led by a cross-functional team: the Executive Innovation Governance Group. LEGO managers take a broad view of innovation that includes not only new products but pricing plans, community building, business processes, and channels to market, all of which can be powerful business drivers.

The company distributes responsibility for them across four areas of the firm: the functional groups, the Concept Lab, Product and Marketing Development, and a unit called Community, Education, and Direct. The areas’ expected innovativeness ranges from incremental (“low”) to groundbreaking (“high”).

The Executive Innovation Governance Group

Determines LEGO’s innovation goals and strategy, defines the new-product portfolio, coordinates efforts so they’re mutually reinforcing, delegates authority, allocates resources, and evaluates results to ensure that all activities support the company’s overall strategy.

LEGO Games:

How LEGO developed its newest product line

LEGO GAMES are board games that players construct from classic LEGO bricks. They can be built in innumerable ways, and players can change the rules to, for example, emphasize strategy over luck. The product launched in the UK and Germany in August 2009 and will be marketed globally in 2010.

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