



Innovating the business model in order to  
renovate and revitalize the brand

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# Meaning to stakeholders – why do you exist? And where should you go in the future?

- Different interests – different meaning

<p><b>1. Shareholders</b></p> <p><i>"Best in industry sustainable value creator"</i></p> <ul style="list-style-type: none"> <li>Value creation</li> <li>Streamlines operations</li> <li>Prepared for growth</li> <li>Governance</li> </ul>	<p><b>2. Customers</b></p> <p><i>"Deliver differentiation, high velocity, and good margin"</i></p> <ul style="list-style-type: none"> <li>Customer profitability</li> <li>Service effectiveness</li> <li>Innovation</li> </ul>	<p><b>3. Business partners</b></p> <p><i>"Access to brand in a mutually value creating way"</i></p> <ul style="list-style-type: none"> <li>Reliability</li> <li>Responsiveness</li> <li>Mutually value creating</li> </ul>
<b>Sustainable business</b>		
<ul style="list-style-type: none"> <li>Strong market presence</li> <li>Community building</li> <li>High quality</li> <li>Product on brand</li> </ul> <p><i>"Joy of building, Pride of creation"</i></p> <p><b>4. Consumers</b></p>	<ul style="list-style-type: none"> <li>Employee commitment</li> <li>Talent development</li> <li>Leadership</li> </ul> <p><i>"An exciting, challenging and rewarding place to work"</i></p> <p><b>5. Employees</b></p>	<ul style="list-style-type: none"> <li>Ethical SC management</li> <li>Environment</li> <li>People, Health &amp; Safety</li> </ul> <p><i>"Responsible, trustworthy and adhering to the principles of Global Compact"</i></p> <p><b>6. Society &amp; environment</b></p>

- Innovation far from "only" product innovation

<b>level 3</b>	<p>We will continue the market leading way we have seen before product innovation and systems. The current (2014) portfolio is the best we could do. We will do this by continually exploring the potential of the platform and partnering with other technological companies.</p> <p><b>FACTORY</b></p>	<p>We will continue the way consumers expect since the core strategy of LEGO. We will do this by continuously experimenting with new levels of experiential. We will do this by continuously expanding all recent experiences and continuing with differentiated partners.</p> <p><b>FACTORY</b></p>	<p>We will strive to continue the way we do business in a "best in class" way. We will do this by continuously exploring all adjacent industries. We will do this by creating a LEGO platform that enables us to bring brands and products to market.</p> <p><b>FACTORY</b></p>	<p>We will continue processes to bring new products to market. We will do this by continuously exploring the supply and value network. We will do this by continuously exploring the supply and value network. We will do this by continuously exploring the supply and value network.</p> <p><b>FACTORY</b></p>
<b>level 2</b>	<p>We will reconfigure known product parameters to find new ways of solving known customer needs. We will do this by challenging the unit and by creating LEGO unique solutions to our market. We will do this through focused experimentation and experimentation of new products.</p> <p><b>FACTORY</b></p>	<p>We will reconfigure known experience parameters to find new ways of enhancing the customer experience. We will do this by combining LEGO experience with new products from other industries, to use as the through-line understanding customer.</p> <p><b>FACTORY</b></p>	<p>We will reconfigure the ways we do business to increase the potential of our existing product offerings. We will do this by exploring new and new business models from other industries and collaborating with relevant business partners.</p> <p><b>SHOP AT HOME</b></p>	<p>We will reconfigure known process parameters to bring our products to market. We will do this by exploring new and other industries to challenge the unit and value network. We will do this by continuously exploring the supply and value network.</p> <p><b>DELL</b></p>
<b>level 1</b>	<p>We will continuously make adjustments to our existing products to optimize their market potential. We will do this by a high degree of innovation. We will do this by always aiming for the best. We will do this by finding our own experience and by making things of our own and competitors.</p> <p><b>club</b></p>	<p>We will continuously make adjustments to the way we apply known experience parameters and integrate these in a relevant and meaningful way. We will do this by improving customer and user purchase experience, as they live up to our own ideas. We will do this through our own insight to our customer experience (2014).</p> <p><b>club</b></p>	<p>We will continuously adjust known business parameters to improve the business potential. We will do this by always monitoring, analyzing and verifying the situation of our business. We will do this by continuously exploring new and relevant insights and in a relevant context.</p> <p><b>club</b></p>	<p>We will continuously adjust our processes to optimize our efficiency in bringing our products to market. We will do this by adjusting all known process parameters, always aiming to be better.</p> <p><b>club</b></p>
	<b>product</b> How do consumers buy & use LEGO products?	<b>experience</b> How do consumers experience LEGO?	<b>business</b> How do consumers buy & use LEGO products & experiences?	<b>process</b> How does LEGO bring products & experiences to the market?

Types of innovation



## Getting the business model (and processes) right is essential

- Core assets and identity
- Values & vision (raison d'être) → Essence
- Structure incl. performance, aligned with value creation (e.g., CPP)
- Asset configuration (Asset characteristics)
- Financial structure (ROS, ROIC, WACC)
- Repeatable model!



## Example 1: LEGO Factory



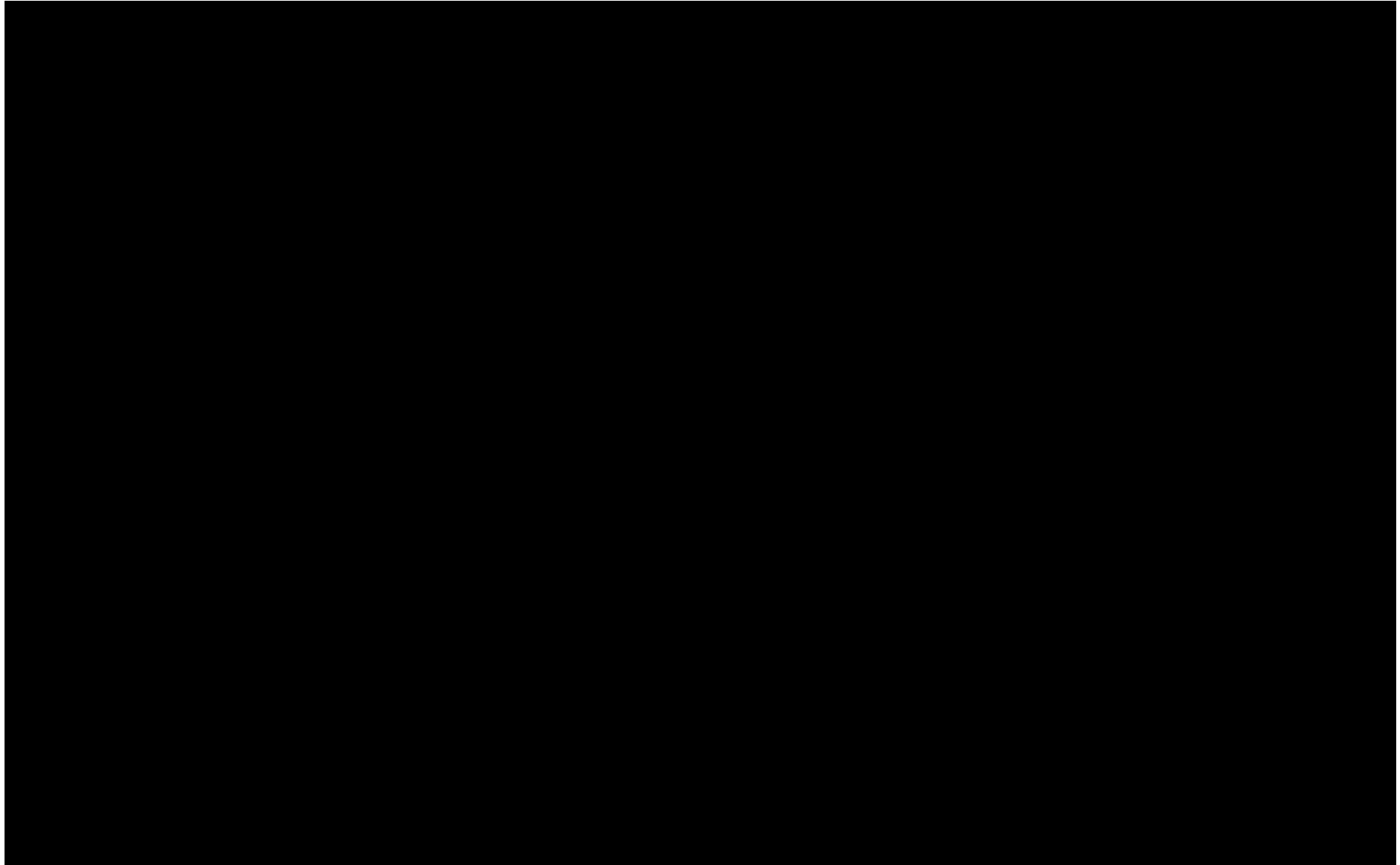
### Levels of customer involvement

1. User testing
2. User co-development
3. Own user development of finished products





Listen to this little visionary chap.....



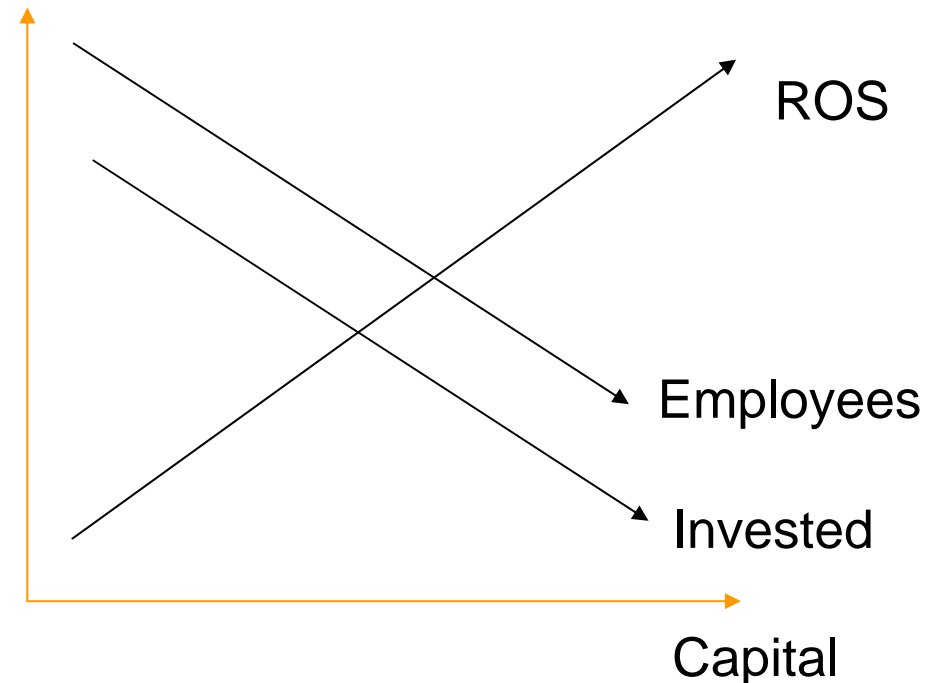


## Example 2: Our changing business model

### General principle # 1: Open Source <The case for listening>

- User testing: LEGO City
- User co-development: LEGO MINDSTORMS
- User Own Customization: LEGO Factory
  
- **Letting the customers run with the brand (fueling the insurgency inside the brand)**

### General principle #2: Vertical dis-integration <Property rights>





# Making it happen

## General principle # 3: Acting into new ways of thinking



Acting ourselves into new ways of thinking  
<execution vehicles>

The early and happy days    Trouble in paradise    The ten-year desert walk    **Running as if there was no tomorrow**    Into the deep – and up again    Sustainable value creation (the transformation energy)

- Customer and Product profitability (CPP)
- Sales & Operations Planning (S&OP)
- LEGO Development Process (LDP)
- Key Account Management (KAM)
  - Account Wheels
- Decision models (RASCI)
- War Rooms and "visual factory" } **Physical change**
- Performance Management Program (PMP)
- Communication vehicles; blog, weekly letter, etc.
- Talent and lynch pin
- Specialist
- People reviews

- Must Win Battles
- Integrity
- Execution (Systems and decision rights)



## Innovating the business model to re-vitalize the brand

- Not only Turnaround but also Transformation
  - Strategic purpose is different to different stakeholders - sustainability
  - Innovation direction is multifaceted – product/experience, etc.
- Strategy frontiers
  - Principle # 1: Entrepreneurship (Open Source/Property Rights)
  - Principle # 2: Platform/Business Model Design (excess liquidity)
  - Principle # 3: Execution – Making it happen (Integrity)
- **How does research inform us?**



Thank  
you