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

Strategic Management Conference
Copenhagen Business School
December 12th, 2006
Meaning to stakeholders – why do you exist? And where should you go in the future?

- Different interests – different meaning
  1. Shareholders
     "Best in industry sustainable value creator"
     - Value creation
     - Streamlines operations
     - Prepared for growth
     - Governance
  2. Customers
     "Deliver differentiation, high velocity, and good margin"
     - Customer profitability
     - Service effectiveness
     - Innovation
  3. Business partners
     "Access to brand in a mutually value creating way"
     - Reliability
     - Responsiveness
     - Mutually value creating

- Innovation far from "only" product innovation

Sustainable business
- Strong market presence
- Community building
- High quality
- Product on brand
  "Joy of building – Pride of creation"

Employees
- Employee commitment
- Talent development
- Leadership
- "An exciting, challenging and rewarding place to work"

1. Ethical SC management
  2. Environment
  3. People, Health & Safety
  *Responsible, trustworthy and adhering to the principles of Global Competitor"
E. Society & environment

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

- 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 disintegration

- ROS
- Employees
- Invested Capital
Making it happen

General principle #3: Acting into new ways of thinking

- 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”
- 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