

How innovation nearly killed LEGO

 By [Sid Peimer](#)

27 Jan 2014

Take six standard LEGO bricks, and there are more than 915 ways to stick them together. Actually that's incorrect; there are 915 MILLION permutations. I think 'endless hours of fun' is most appropriate in this case.

LEGO was the world's most profitable and fastest growing toy company from 2007 to 2012, but the past wasn't all that rosy - the company had a near-death experience in 2003. So how did this happen even though they ticked all the boxes for innovation?

The building blocks of innovation

LEGO managed innovation in a somewhat more 'textbook' fashion. This was in stark contrast to Apple where Steve Jobs had the final say of what would or would not go to market. If he never came to work, no new products would come out the pipeline. The LEGO process was, in comparison, decentralised. LEGO CEO Jørgen Vig Knudstorp stated that he could leave his company for three months, and its innovation process would continue unabated. I'm not saying that any one method is better than the other is. In contrast, LEGO's methodology was fine, as you shall soon discover.

The whole truth

There are seven truths to innovation proposed by David Robertson, and this is how LEGO did all the right things in the wrong way [1]:

1. *Hire diverse and creative people*

They did hire the best creative minds; unfortunately there was no communication between design and production, or even marketing for that matter. Nothing that came out the system made profitable sense. Although some of the products were awesome.

2. *Head for blue ocean markets*

Blue Ocean Strategy is a concept proposed by Chang and Mauborgne that purports that an organisation should create new demand in an uncontested market space, or a "Blue Ocean", rather than compete head-to-head with the competition in the same way with the same products in a "Red Ocean". [2]

Not exactly brain surgery, but makes a valid point (although the junkyard is littered with those who drowned in blue oceans)

Other companies were producing similar bricks, so LEGO went for the blue ocean and came up with the LEGO Studios

Steven Spielberg MovieMaker. It took off relatively well in the States, and LEGO then rushed to give the market add-on sets to be used with the original kit. Without the camera kit, these add-ons meant nothing - so the line got flooded and it wasn't long before the add-ons hit the discount bins at the retailers. And so MovieMaker became an unprofitable line and it was 'The End'.

3. *Be customer driven*

The market wanted 'edgier' products - kids were now playing pretty violent video games. They brought out a character called Jack Stone - a kinda superhero who would save the day. He was about as edgy as a tennis ball, and neither did parents find any of the core LEGO values in it: "the joy of building, pride and creation". Jack Stone took a bullet to the head.

4. *Practise disruptive innovation*

It was time to fish where the fish were: in the video games arena. Forget about the physical joy of building, just go digital in a big way. So they tried to duplicate the experience digitally, which required the computerisation of every single LEGO part. It was an enormous ground-breaking project appropriately called DARWIN. Maybe it was too soon (the technology to create 3D wasn't very advanced at that stage) and they tried to create everything - taking LEGO completely into the digital realm. Irrespective of the technological problems, the DARWIN team proceeded independently and just tried to reproduce the total experience in a virtual world. This was too big a task too soon, with the added advantage of limited feedback from top management - no one high up was digital-savvy. So DARWIN's evolution became extinct. The site has since gone digital, but under a very different paradigm without trying to replicate the physical building experience.

5. *Leverage the 'wisdom of the crowd'*

LEGO came up with a digital service called Design ByMe. You could put together your own custom design and LEGO would ship you the appropriate parts. The truth is that people aren't really that creative (as Steve Jobs often reminded us), and with the expensive price tag for bespoke sets, the crowd wasn't that wise at the end of the day. It too died.

6. *Explore the full spectrum of innovation*

LEGO had great success with the Star Wars and Bionicle range. They came with a rich story background, and kids were eager to get their hands on it. So LEGO decided to go for the whole channel: invent a character and then make the TV series. The item was Gallidor which featured a unique build - not one of the traditional bricks came with the kit. LEGO knew that only one in five action figures was a success, but they felt they had the control, and what's more, kids loved it in focus groups. To cut a long series short, the TV programme was awful and once again you would find Gallidor in the discount bin.

7. *Build an innovation culture*

There was an enormous innovation culture at LEGO. The problem was that there was no feedback loop (no one learnt from their mistakes), poor communication between innovation cultures and creativity was put on somewhat of a pedestal immune from guidance of the brand's value proposition. Ideas flourished. Products bombed.

An amazing comeback

LEGO revisited each of these issues to experience a major resurrection. In 2012, the group increased revenue by 25% to over US\$4bn - nearly triple the sales of 2007. [3]

So now you can build a full-size Rolls-Royce aircraft engine by using just 152,000 bricks. It doesn't work though, but it's great fun.

To find out more about joining the Innovation Generation in just one day, contact Sid Peimer on 082 659 9167 or email sid@stratplanning.com. And you get to play with real LEGO.

Sid Peimer provides freelance strategy, training and consulting. Details on the website www.stratplanning.com

References:

1. David C Robertson (with Bill Breen). Brick by Brick. How LEGO Rewrote the Rules of Innovation and Conquered the Global Toy Industry. Crown Publishing Group, 2003.
2. [Blue Ocean Strategy. Wikipedia.](#)
3. [Successful LEGO strategy delivers continued strong growth.](#)

ABOUT SID PEIMER

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