Building your business, the Lego way

By GEOFFREY LEE

[SINGAPORE] It is a simple matter of putting brick upon brick. But at the International Creativity Conference held here, the chief executive of Lego gave an insight into the building blocks that can not only make a game come alive, but grow a business too.

Holding up a pair of the company’s Lego building blocks, Jorgen Vig Knudstorp said: “The magic of Lego is that any child, any person, anywhere in the world can put these two bricks together... as if it were glued, yet it only takes a two-year-old to take it apart.”

Mr Knudstorp, who took over as CEO of the Danish toy-maker in 2004, shared the reasons for his company’s near-miraculous turnaround from being an ailing giant losing over US$240 million in 2003, to a healthy, vibrant corporation that made profits of over US$200 million last year.

Lego, he said, helps children think logically – while developing endless creativity. “Nobody learns anything by just thinking or listening, but by doing,” he added.

Businesses like Lego also involved their own share of doing – and Mr Knudstorp pointed to four frontiers, or building blocks.

The first concerned the execution of the business, the effort to make things happen. “Many people make resolutions that just don’t happen,” he said.

Businesses often come up with goals that do not materialise because of a lack of follow up action.

Transparency and leadership by action is paramount. Mr Knudstorp’s bonus for instance, is based on the ultimate measure of the success of the company, through a simple survey of how many customers would recommend the product to a friend.

The next frontier is the ability to adapt and “break the value chain”. With globalisation being a reality that businesses had to face, outsourcing was not just a simple matter of cutting costs, but also the fact that someone else would just do it better.

Citing the expedient that the Blackstone Group did a much better job operating the theme park Legoland than the Lego Group ever could, Mr Knudstorp said that it was a simple matter of Blackstone having better expertise in the area of theme park management, and that the arrangement profited both parties.

The third frontier entailed user involvement and putting more power into the hands of customers. He explained Lego’s success in making its development software freely available online where fans could use it to work on new designs and submit their proposals.

Lastly, Mr Knudstorp mentioned that although Lego had its building blocks in plastics, there is no way to avoid digitalisation today.