Strategic Management

[Author Name(s), First M. Last, Omit Titles and Degrees]

[Institutional Affiliation(s)]

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The LEGO Group is a corporation held privately by a family, named Kirk Kristiansen, who set up the company in 1932. The company is based in Billund, Denmark. It commenced its business with an idea that ‘good quality play' nourishes a juvenile's life and makes a basis of the adult life of children. This philosophy of child learning through play is intertwined in all the Lego products since the company is formed. Since its formation, the company has been emphasizing the significance of high-quality products and services and has remained true to its motto, i.e. ‘Only the best is good enough'. The company is a market leader in the industry of toys, currently. The Lego group has 138 retail stores operating in the US, the UK, Germany, Canada, Spain, France, Belgium, China, Poland, India and Sweden as well. This paper seeks to explore the concepts of strategic management such as **SWOT analysis, Porters Five Forces Framework, Value Chain Analysis, Strategic Marketing, strategic leadership and innovation**. These concepts are chosen as they give an overview of the strategic management at Lego group, and demonstrates its role in the performance of an organization.

# The Internal and External Environments of Lego Group

SWOT analysis is a vital strategic management tool employed in strategic planning. It is the complete assessment of an organizations strengths and weaknesses, denoted as internal aspects and opportunities and threats, called as external features (Hay & Castilla, 2006). Lego has several strengths as a player in the market such as it offers toys with a difference, for instance, Lego bricks. Each of the toys is backed by its philosophy of being the best in quality and has a creative expression. Though Lego toys are expensive due to the high-quality ABC plastic and some of the kids remain unaware of the themes and philosophy of Lego toys. Parents are more interested in the creative toys created by Lego and chose it for their kids. Experiential learning is also a new opportunity for the company. However, it has a threat of substitution of Lego toys and cheap counterfeits available in the market also pose threats to the company's sales and profitability. An understanding of the external and internal environment will help Lego in making successful strategic decisions in a challenging global environment. Understanding of these factors helps a company evaluate its position and assists in utilizing strengths to uncap opportunities and eradicating weaknesses and threats.

# **Porters Five Forces Framework**

The five force model by M. Porter is a great tool to understand the five competitive forces that can impact an organization in the industry. These forces determine the level of competition in the industry and if the company holds a weaker position then its strategic decisions must aim at improving its competitive position (Porter, 2008). The suppliers have strong bargaining power because Lego toys are not made of ordinary plastics but high-quality plastic. The company is in the industry for almost more than 80 years the rivalry among existing players is low since the company is a market leader in its industry. The threats of substitutes as mentioned earlier is high for the company. Chinese toy makers have come up with the substitutes of Lego toys. In addition, numerous other options of entertainment have available for kids with the popularity of tablets and smartphones. With increasing competition and available substitutes barging power of buyers has also increased. The threat of new entrants is also low for the company owing to its strong position in the market. In order to sustain its competitive position in the industry, Lego group runs an online community called, “LEGO Ideas,” to take new ideas for the products to innovate in its existing product portfolio (Seybold, 2014).

# Organizational Structure of Lego Group

Organizational structure refers to the taxonomy of jobs and people in an organization in order to achieve the organizational goals and objectives. It is the way the pieces of an organization fit together internally and for a business to achieve its strategic objectives, the structure and strategy must be intertwined (Neis, Pereira, & Maccari, 2017). This relationship between the strategy and structure gets clear when the strategy is put in place. An analysis of organizational structure led the company to make changes in its organizational structure to achieve the need for expansion and to take the company out of bankruptcy. Since the company is present internationally in USA, China, Singapore, Enfield and UK. The horizontal distinction is high with 21 different decisions and vertical differentiation is low within three levels. It begins at corporate management distributed into five distinct groups having their own top managers that were overseen by the board of directors and CEO. The organization has been made a flatter one and the number of tires has been reduced to develop a deeper understanding of the business realities and quick decision making. In order to expand the Lego group changes have been made in the structure to uncap new opportunities (“Lego builds new company structure to grow brand,” 2016).

# **Value Chain** Analysis

The value chain analysis is the strategic tool that helps an organization to analyze its primary and support activities. Value chain analysis also assists in lessening cost and growing differentiation. Some of the primary activities in Lego’s value chain include suppliers for standardized commodities, on-demand manufacturing. In addition, the Lego group has large hubs for controlling inventory to avoid stock shortages and courier delivery for online sales. It has also entered into a strategic partnership to market its products well and has a retention scheme for customers. The support activities include cost-effective infrastructure of the firm, top-rated employees and human resource professionals, research and developed for innovation and quality control in procurement. An analysis of these activities results in making an assessment of what activities are relatively important for the strategic performance of the company. In this way opportunities of reducing cost and creating differentiation can be availed.

# **Strategic Marketing**

Marketing plays a crucial role in the strategic planning of an organization. Since strategic planning helps a company to attain its objectives and goals. Marketing is linked with those strategic goals and priorities to new market opportunities. Understanding the link between marketing and strategic planning helps a company accomplish its objectives through marketing activities. The company has been making great moves in making the online presence (El Sawy, Kræmmergaard, Amsinck, & Vinther, 2016). The company has developed a portfolio consisting of licenses and themes. It started the strategic partnership with Warner Bros and Lucas Arts whose Harry Potter and Star Wars became protectors for Lego during the times of crisis. It remained at the top by adopting a differentiation strategy and selling the best at higher prices. The Lego movie in 2014 was also a great success and it became the hallmark of Lego's marketing plan. Lego also focuses on making highly innovative products. In addition, its global marketing campaigns are also active in creating and spreading content as soon as the new product is launched.

# Strategic leadership and innovation opportunities at Lego

Strategic leadership is the capability of management to express a strategic vision for the company. A strategic leader develops the long-term objectives for a firm to achieve its vision and mission. The CEO and higher management of Lego discovered the needs of the company and understood what makes the company unique as compared to its competitors. When the new CEO took over in 2004, he took the company back to its vision of creating a creative expression of its central product. Being honest and moral is what enabled the leadership to achieve the objectives of the company. Innovation has remained at the heart of the Lego group. Two of the core strengths of the company are its capability to innovate and its commitment to quality and these also remained the focus of leaders at the time of crisis of the company. The drive to innovate was deeply rooted in the company's culture. In 2017, the company also announces more creative and innovative companies, LEGO BOOST and LEGO Life. The Lego brand is considered as synonymous with innovations and creative play experiences.

# Role of Economic Situation

The economic situation or condition refers to the current state of the economy of a country or a region. The economic situation of the countries keeps on changing and changes in the business cycle. Economic conditions are an indicator of business success and the strategic planning of organizations is highly dependent on these conditions. Since the Lego group is no more a local brand and operates internationally in the UK, the US, Singapore, China, India and other few other countries. The strategic decisions of Lego group are influenced by the changing conditions of the economy, for instance, with the increase in substitute products made by China, the demand of Lego toys, that are pretty expensive can be reduced. In addition, the changing economic conditions of the countries in which Lego is operating can also influence decisions like pricing, marketing, and business expansion. The improving economic conditions of developing countries can also offer corporate strategic decisions of business expansion opportunities to the Lego group.

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