In June 2003, Jørgen Vig Knudstorp, a young ex-consultant, presented the findings of his study to the LEGO Board of Directors. The Board, led by LEGO CEO Kjeld Kirk Kristiansen, was stunned.

In October 2004, Kristiansen appointed Knudstorp CEO of LEGO. He was 34 years old.

LEGO was founded in 1932 by a carpenter named Ole Kirk Christiansen.

In 1947 Christiansen acquired a plastic injection molding machine, the first in Denmark.

In 1958 LEGO patented the plastic brick.

A short history of The LEGO Group
Over the next 20 years, sales grew slowly and steadily, reaching $180 million in 1978.

In 1977 and 1978, the company also introduced the Technic building system and the Fabuland play theme.

Over the next 15 years, sales exploded, doubling every five years.

In 1978 LEGO introduced the minifigure and the Castle and Space play themes.

In 1993, sales growth stopped.

In response, LEGO tripled the number of toys it offered. Sales remained the same, and profits fell.
In 1998, for the first time in its history, LEGO lost money. The company laid off 1000 people.

LEGO managers surveyed the market to find out what went wrong.

They’re leaving our toys earlier.

Most of the company’s competitors had moved their manufacturing to China.

The company’s retail partners had become more concentrated and powerful.

In 2000, LEGO introduced its new mission statement, designed to inspire and spark innovation across the company.

Our mission: To become the world’s strongest brand among families with children by 2005.

Boosting innovation throughout The LEGO Group.
LEGO created a full spectrum of new innovations, including movies, video games, amusement parks, education centers, and jewelry.

LEGO hired diverse and creative people all over the world.

The LEGO Galidor toy had integrated electronic games, and interacted with the Galidor TV show and video game.

To boost innovation, LEGO followed the advice that leading consultants and academics were giving.

LEGO opened its innovation process and partnered with outside companies to make LEGO Harry Potter™, LEGO Star Wars™, and the LEGO Steven Spielberg Movie-Maker toys.
LEGO surveyed its target customers and found most didn’t like construction toys. It designed the Jack Stone line of toys with a few pieces that snapped together quickly.

To find “blue ocean”, LEGO developed the Explore line of electronic toys for children.

LEGO created its own “disruptive” technology – the LEGO Digital Designer – which allowed kids to build with virtual LEGO bricks.

The company’s culture valued creativity and innovation, spinning off one big idea after another.
LEGO did what everyone told them to do to boost innovation.

The result was disaster. In 2003, the company lost almost $300 million and was close to bankruptcy.
To generate cash, LEGO sold a 70% stake in its theme parks and sold its headquarters building. Management moved into a nearby factory.

LEGO outsourced 80% of its brick production to factories in Mexico and the Czech Republic.

To cut costs LEGO considered cutting the number of pieces it made in half.

Lego had generated enough cash to survive, but the business was broken. How could Jørgen Vig and his team reinvent the way that LEGO managed innovation?

By reinventing the way it manages innovation, The LEGO Group has become one of the most successful companies in the world. Over the past 5 years, it has grown sales by an average of 24% per year, and profits at 40% per year. To find out how LEGO turned itself around, read Robertson’s book "Brick by Brick: How LEGO Rewrote the Rules of Innovation and Conquered the Global Toy Industry" (to be published by Crown Business, bit.ly/brickbybrick).