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How LEGO Built the Foundations and Enterprise Capabilities for Digital Leadership

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Executive Summary

Digital leadership means doing the right things for the strategic success of digitalization for the enterprise and its business ecosystem. It means thinking differently about the six foundational building blocks of digital leadership—business strategy, business models, enterprise platforms, mindsets and skill sets, the IT function and the workplace. Based on the decade-long digitalization journey and experiences of the LEGO Group, the full article describes some of LEGO’s digitalization moves and provides insights on building the foundations for enhancing enterprise capabilities for digital leadership.

The Six Foundational Building Blocks for Enterprise Digital Leadership

1. A different kind of business strategy: Digital technologies are becoming fused into the very fabric of the business, which means the concept of business strategy should be enlarged to include digitalization. The prevailing view of IT strategy aligned to the business strategy but always subordinate to it needs to be replaced with an enterprise-wide digital view that reflects the fusion between digital strategy with business strategy.

2. Different kinds of business models: Business development often occurs in collaboration with partners that leverage ecosystem platforms to co-create value around products and services. An integrated digital business strategy and collaborative ecosystem platforms enable new digital business models for creating business value.

3. A different kind of enterprise platform integration: Intensive interactive digital connectivity to the outside requires integration between the outside and inside of the enterprise that goes beyond the traditional ERP and supply chain management integration paradigm. The upcoming era of adaptive and dynamically responsive digital platforms and accompanying organizational arrangements requires a new kind of platform integration.

4. A different kind of people mindset and skill set: Digitalization requires a different mindset from top management downwards. Everyone will need to be more adaptive and willing to experiment and innovate while occasionally failing, and will need to have an appropriate adaptive skill set and digital know-how.

5. A different kind of corporate IT function: The organizational changes required for digital leadership and a digital business strategy will require rethinking the roles of the corporate IT function and the CIO.

6. A different kind of workplace: As more “born digital” younger employees enter the workforce with different values, they will have different expectations of the workplace in terms of flexibility of location and working hours, sophistication of mobile online access, and the extent to which the workplace environment is “humanized”—i.e., emphasizes sensitivity to the human spirit, fosters collaboration toward common goals, avoids robot-like behaviors that can cause alienation, avoids “corporate babblespeak,” encourages politeness and more.

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Digitalization Moves at LEGO Group

LEGO has undertaken several product and marketing digitalization moves, which have necessitated associated moves in the enterprise IT platform. Examples of all three types of moves are described in the full report. One of the more interesting was in IT platforms. LEGO identified the need for an engagement platform that would complement the enterprise platform, with the two co-existing. Compared with the existing enterprise platform, new demands from digitalization have a very different set of platform requirements: digital interaction, 24/7 availability even as changes are made, user-driven experience, experimentation, quickly added functionality that is “good enough” and a two-way real-time dialogue with users through a simple intuitive interface. It was also clear that open architecture, micro-services and APIs would drive the engagement platform architecture and that it would have loose-tight connectivity to the enterprise platform.

Lessons for Digital Leadership

LEGO’s digitalization moves have resulted in new ways of thinking about the strategic success of digitalization and the requirements for digital leadership, and will be of value for other organizations. The lessons are grouped under three headings: new ways of thinking about enterprise digitalization, new ways of thinking about platforms and new ways of thinking about the digital workforce.

New ways of Thinking about Enterprise Digitalization. Lesson 1: Execute business strategy digitally. LEGO no longer has a separate digital strategy aligned with business strategy; the corporate business strategy is now executed through digitalization. Lesson 2: Use digitalization to bolster business strategy around your core distinctive competence. Organizations need to ensure that digitalization neither deflects nor diffuses their core business strategy away from their core distinctive competencies. Lesson 3: Position the corporate IT function close to the business to enable responsive digitalization. Effective digitalization requires positioning corporate IT close to the business on all proximity dimensions (co-location, collaboration, business area and cultural). Lesson 4: Create multiple digital officers to distribute digital innovation across the enterprise. LEGO found that, instead of appointing a single chief digital officer, creating digital officers in each business area is a much more effective way of orchestrating digital innovation. Lesson 5: Leverage the ecosystem of partners for complementary digitalization competencies. It is best to leverage the ecosystem of partners for complementary digitalization competencies, rather than get involved in an area that deflects from the company’s core skills and competencies. Lesson 6: Iterate to success in digitalization. Digital leadership requires a different mindset that nurtures the capability to experiment, learn and iterate. Experimenting and iterating is the new normal for designing processes and platform developments.

New Ways of Thinking about Digital Platforms. Lesson 7: Recognize that user experience drives IT architecture, not vice versa. Because an engagement platform focuses on the external digital audience, user experience is a fundamental part of IT solutions on this platform. You need to think through what the user experience requirements are and then build an IT architecture that is suited to that. Lesson 8: Recognize that dynamic engagement platforms for digitalization invert business priorities and generate a new level of complexity. The typical business priorities for traditional enterprise platforms are cost then quality then reliability then time. Digitalization requires a dynamic engagement platform where the priorities are time then reliability, then quality, then cost. Lesson 9: Collaborate with technology vendor partners to create dynamic digital platforms. Organizations embarking on digitalization in dynamic business environments will need to think through how to manage relationships and boundaries with new types of vendor partners. Lesson 10: View SMAC technologies through a digitalization value lens. SMAC technologies (social, mobile, analytics, cloud) are the four key drivers of digitalization.

New Ways of Thinking about the Digital Workforce. Lesson 11: Hire digital generalists rather than just technical specialists. Organizations seeking to develop digital leadership capabilities and trying to boost their digital workforce should hire technical people for a digitalization career in the company rather than for a specialized job in IT. Lesson 12: Create an attractive workplace for digitally savvy people. The born-digital generation has different workplace expectations in terms of flexible working hours and mobility, information sharing and consumer-grade technology capabilities and access. Lesson 13: Improve and monitor the digital quotient [the digital maturity] of the workforce. Companies seeking to develop their workforce for digitalization should measure their digital quotient, seek ways to improve it and monitor it over time.

In conclusion, LEGO has enhanced its enterprise capabilities through digitalization and has moved further along the path toward digital leadership. Its experiences and learning helps to advance understanding of how to more effectively lay the foundations and build the capabilities needed for digital leadership.