

The Lego group

During one of the worst economic downturns in modern history, Ole Kirk Kristiansen established the LEGO Group in Billund, Denmark, in 1932. The Danish expression "leg Godt" (which means "play well") served as the inspiration for the name itself. This seemingly straightforward idea would eventually serve as the foundation for one of the most well-known businesses in existence. Driven by an unwavering conviction that high-quality children's play was worthwhile regardless of financial situation, Ole started out as a carpenter making wooden toys from a modest workshop. Godtfred Kirk Kristiansen, Ole's son, patented the now-iconic interlocking plastic brick in 1958. This innovation was so precisely built that a brick made in 1958 is still completely compatible with one made today. This dedication to systemic compatibility became the architectural cornerstone of the brand's multigenerational identity as well as the product.

Godtfred had spent his entire life getting ready for the first generational shift, which is why everything went smoothly. Since he was a young child, he had worked with his father, directly learning the company's craft-first ideals instead of through formal succession planning. Godtfred took over as head without any problems or uncertainty following Ole's death in 1958. Under his leadership, LEGO transformed from a Danish toy company into a truly international brand, opening LEGOLAND theme parks and becoming well-known throughout North America and Europe. During Godtfred's tenure, the firm grew without losing its essence, demonstrating what a successful first generational transition looks like when a founder passes values rather than just ownership.

The seeds of the company's biggest disaster were planted during the second transition. As the third generation of the founding family, Kjeld Kirk Kristiansen, Godtfred's son, took over as head in 1979. Throughout the 1980s, Kjeld led the company's global expansion and introduced classic product lines like LEGO Technic and LEGO Mindstorms. He was a thoughtful and really committed steward. However, Kjeld came to the conclusion that the classic LEGO block was becoming outdated in the middle of the 1990s due to increased competition from video games and changing childhood play habits. The reaction was disastrous and violent. The company undermined the open-ended creativity that had always been the brand's greatest appeal by simultaneously launching LEGO apparel lines, jewelry, television networks, lifestyle products, and company-owned retail stores while breaking up the core brick product into hundreds of hyper-specialized components. By 2003, LEGO had lost over \$300 million in a single year. By all objective standards, the business was in danger of going bankrupt.

Genuine self-awareness, a trait incredibly uncommon in family company patriarchs, was necessary for Kjeld's response to this crisis, which ultimately preserved the dynasty. Jørgen Vig Knudstorp, a former McKinsey consultant who had only joined LEGO four

years prior, was named the company's first non-family CEO when Kjeld resigned from the position in 2004. This was a significant act of institutional bravery rather than a small change. For the first time in LEGO's seven-decade history, operational management was transferred to a professional CEO, while Kjeld kept the chairmanship and majority ownership through the family holding company. As its curator, he prioritized the institution over his own identity, and that choice was crucial.

Knudstorp made a quick and decisive turnaround. He decreased the number of unique brick components from over thirteen thousand to less than seven thousand, divested non-core assets, closed company-owned retail locations, and refocused the entire organization on the core brick and the idea of unrestricted creative play. With Star Wars, Harry Potter, Marvel, DC, and numerous more properties, he established the historic licensing agreements that turned LEGO from a toy corporation into a cultural institution that appeals to all age groups, from young children to adult collectors. LEGO was profitable again in three years. It surpassed Mattel and Hasbro to become the world's biggest toy company by revenue in less than ten years.

Equally important was the governance structure that safeguarded the family's ownership during this crisis and recovery. The Kristiansen family's devoted holding company, KIRKBI A/S, owns 75% of the LEGO Group in addition to the LEGO Foundation. Any individual family member was legally prohibited from breaking ranks and selling their ownership during the company's most vulnerable time due to this centralized structure, which was consolidated similarly to Walton Enterprises at Walmart. A written family constitution, a foundational governance instrument that outlines the family's relationship with the company throughout generations, is at the core of KIRKBI. By selecting a single, specifically trained family representative as the unified voice of family ownership on the board, this constitution formalizes the family's "Active Owner" concept. The "too many voices, no direction" dysfunction that paralyzes so many multigenerational family enterprises is eliminated by the constitution, which concentrates governance authority in one selected baton holder rather than distributing it among all heirs concurrently. The family's proactive "LEGO School"—an internal education program that teaches the youngest generation of Kristiansen heirs' corporate responsibility, ownership values, and institutional stewardship from an early age—complements this structure and guarantees that the family constitution is a living cultural legacy rather than just a legal document.

Governance now incorporates the fourth generation. While his sisters Sofie Kirk Kristiansen and Agnete Kirk Thinggaard work for KIRKBI and the LEGO Foundation, Thomas Kirk Kristiansen is the Vice Chairman of the LEGO Group board. Under CEO Niels B. Christiansen, who succeeded Knudstorp in 2017, professional management of day-to-day operations is still in place, upholding the division of operational leadership from family governance that established the cornerstone of LEGO's post-crisis design.

Because it includes every component that characterizes both failure and recovery, the LEGO story is the most comprehensive family business narrative. a visionary creator who effectively instilled principles in the first generation. A competent third-generation leader whose strategic arrogance almost destroyed the foundation his family had built over decades. A patriarch giving way to a professional was a crucial act of institutional bravery that transformed near-bankruptcy into worldwide power. And now a fourth generation is taking over administration inside a constitutional framework designed to keep the mistakes of the past from happening again. In 1932, Ole Kirk Kristiansen instructed his staff that only the best would do. His family has demonstrated that the standard applies not only to the product but also to the governance of the organization developed around it, with operations in more than 130 countries and yearly revenue over \$9 billion, nearly a century later.ⁱ

ⁱ https://www.google.com/url?sa=i&source=web&rct=j&url=https://www.lego.com/en-us/aboutus/lego-group&ved=2ahUKEwjDw7GvkbKVAXW6TaQEHb_KCTEQqYcPegYIAAgoEAM&opi=89978449&cd&psig=AOvVaw3Y6EVoG3jGVfsxDp_LvVoy&ust=1783017886737000
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