LEGO Group: An Outsourcing Journey

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When the LEGO was going through a financial crisis, they decided to outsource 80 percent of production to Flextronics, a Singaporean electronics manufacturing service. They did this in order to cut costs fast, but they had limited knowledge on a collaboration with the outsourced company. I believe this was a premature mistake, because this quick change could cause a lot of back fire, and they cut their contract three years later. Also, they signed a longterm contract based off Flextronics success with other global companies. This was a mistake because they did not establish trust first, and they just based their reliance on Flextronics from what they’ve heard about the company.

Initially it seemed that the collaboration with Flextronics had been a setback, but looking at the growth of knowledge LEGO inherited after they cut the contract, it had actually helped LEGO understand its need for standardization and documentation. The engagement with Flextronics allowed them to to expand their global operations footprint, and gained impetus for altering its global production network to serve important markets while saving costs. The collaboration also gave LEGO Group a lesson in learning its own processes and structures. When they increased the documentation, this had given LEGO transparency and control to manage complexity in its demand. Overall, the good outweighed the bad!