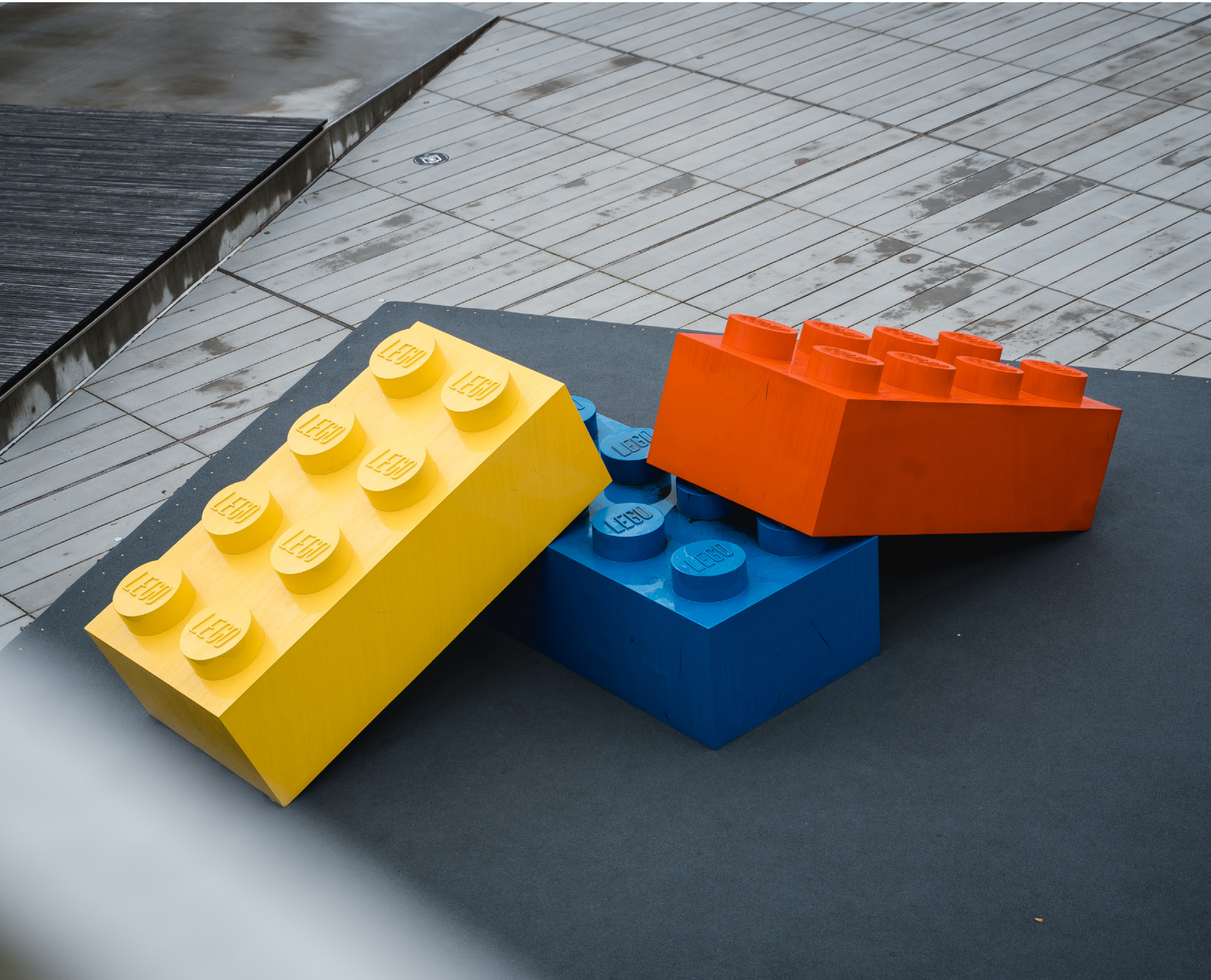


# Empowerment and simplicity

A leadership conversation with Niels B. Christiansen and  
Loren I. Shuster, CEO and CPO of the LEGO Group

By Elaine Yew and Morten Tveit



It was a sunny afternoon in the office of Niels B. Christiansen, CEO of the LEGO Group. From where we sat with Niels and Loren I. Shuster, the Chief People Officer and Head of Corporate Affairs, we could see giant LEGO blocks built into the company's global headquarters in Billund, Denmark. On the opposite roof, workers were dismantling a large tepee used for a recent LEGO Play Day event. This was no ordinary corporate environment: Niels had arrived early and chatted with each person in the area, smiling and engaged. The sunny day, the playful campus, the open demeanours of the LEGO Group leaders – it all made for a feeling of lightness.

The team had much to celebrate. The LEGO Group's results for the first half of 2021 – a 140% rise in net profit, to US\$992 million – had just been released. And in the year to date, the LEGO Group and the LEGO Foundation had pledged more than US\$235 million in donations. Examples of their support ranged from Covid-19 relief that focused on children's health and development, to helping vulnerable children in Haiti and Afghanistan.

As long-term admirers of the LEGO Group, we had arranged the interview to understand better what was driving the team's sustained outstanding performance. By chance, we ended up meeting with Niels and Loren just days after the announcement of the Group's latest outstanding results. The LEGO way, and Danish culture, is not to trumpet one's own achievements – but the two leaders shared some key practices of the LEGO Group with us, showing the refreshing clarity and candidness of their executive team.

In [“It starts with the CEO”](#), Egon Zehnder's recent report of insights from its global CEO survey, we made the observation that many CEOs across the world are asking, “Am I enough?” Niels does not appear to feel that uncertainty. His approach is to keep matters simple, honing his decisions and practices to their essence. Instead of emphasizing the vast challenges of running a global company, he works to make his decisions and messages clear and straightforward, trusting his people to be responsible and figure out challenges. Niels is invigorating in his simplicity and focus.

In the edited highlights of the interview below, we try to capture something of the easy, fruitful and respectful relationship between Niels and Loren as they discussed the LEGO Group's path over the past few years. Their interactions illustrate the approach of the executive leadership team: members of the team invite the best from one another. “It's super-important that an organization feels energetic and optimistic,” he said at one point – and in our discussion, the two leaders exemplified this approach.

### Jumping on the moving train

*Niels is open, direct and confident – “comfortable in his own skin”, as one of us noted afterwards. He brings this candour to the LEGO Group by consistently displaying his values in action. We were curious to know how he signalled his leadership approach at the LEGO Group.*

**Loren:** In 2017, when Niels joined, anyone close to him was bombarded with questions: “What’s his leadership philosophy? What are his leadership behaviors? What does he expect from us as leaders?” You name it. Everyone was trying to figure out what he stood for and were desperate to hear him articulate it. And he took a unique approach: “My leadership will be demonstrated in action. Let’s not have an academic discussion around it.”

*“You can bring momentum into an organization by standing by your word and not saying a lot of things that may not happen in reality.”*

Niels B. Christiansen, CEO, the LEGO Group

**Niels:** We call it the bias to action. If you can signal credibly to an organization that the train is in motion, that is way better than standing up and saying, “Listen, we are going to...” If you’re saying we’re going to do this or that, everybody sits around and thinks, “I wonder if he’s serious. I wonder if it’s going to happen.” Whereas if the train is starting to move, most people will say, “That’s exciting. I’d better get on and help.” If you’re pretty certain we’re going to be there, you want to be there too.

So today, if the executive leadership team comes out and says, “We need to do something extra on sustainability or on digitalization,” then people know they’re going to do it. The response is: “I’ll get onto it, educate myself, and start moving in that direction.” And it actually happens.

You can bring momentum into an organization by standing by your word and not saying a lot of things that may not happen in reality, because then you dilute the impact of any new initiative. There’d been too much academic talking and too little doing; many things were being said, and not always being done.

## Taking the time to make it simple

*We asked how Niels found the time to formulate a clear strategy with his team, given the pressure on a new CEO to make quick, tangible changes.*

**Niels:** When I joined, the company was performing well financially, but we were stalled out on growth. We saw the lead indicators – like our people pulse, our customer pulse, our brand strength – coming down. Advisory firms came to me, advocating, “Listen, you need to clean it all out, change everything and have a new team.”

We opted for something different: to allow a little time for me to get into the company and figure out what we actually wanted to do, what the strategy was, before going on

to bring the people onboard that we thought could deliver this strategy. There were probably people thinking that we were not brave enough to make the decision or too slow in our thinking. But the fact that we took time to do things in the right order, strategy first, then structure to support, and then people, has worked for us.

*“We aligned at a strategic level, kept super-focused, created a strategy that’s simple and easy to understand, and communicated to the organization.”*

Loren I. Shuster, Chief People Officer and Head of Corporate Affairs, the LEGO Group

**Loren:** Many CEOs, when they enter an organization, immediately bring ex-colleagues in with them or make immediate changes, to signal that there’s a new sheriff in town. That’s an outdated approach in today’s world.

Instead, as the executive leadership team, we locked ourselves in a room and worked out the commercial strategy. For that process – over, call it six months or so – there was a such a high level of commitment from Niels and the team to land on something that we all co-created, and all believed in. Since then, we’ve been executing against that plan. Of course, there are always refinements and tweaks. But it was so important to build that baseline alignment across the executive team.

By having each of the executive leadership team engaged in that process and owning the outcome equally, we started to form a very strong fabric within the team. And then, probably more importantly, we went to the next level of leaders – we call it the senior leadership group, which is about the top 150 in the organization – to get their buy-in, and then of course, the wider organization.

With Niels’ encouragement, we aligned at a strategic level, kept super-focused, created a strategy that’s simple and easy to understand, and communicated to the organization. And we’ve stayed the course. That creates the context and the conditions for all the rest of the decision making. Once we got momentum and started to deliver, we had some headspace to think further ahead.

## The undervalued virtues of “subtraction”

*When we asked about the challenges of managing complexity in a global organization, the LEGO Group leaders discussed how they act against the temptations of continual addition.*

**Loren:** When Niels arrived, we were suffering from too much complexity.

**Niels:** We had too many of our people sitting in too many meetings that were marginally relevant, pulling them off making decisions and doing things. A lot of what we have done is to remove the unnecessary parts. It's much more difficult to take things out than add things. It always seems logical to do something new on top, so that you keep on with everything you did – and now you have to do this also. At some point, it breaks.

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Niels B. Christiansen, CEO, the LEGO Group

**Loren:** Take the HR systems: well-intended, complicated, and time consuming. A paradigm of deeply entrenched annual processes, constructed over many years, probably for the right reasons at the time. But we found ourselves with something like 28 different leadership models and artifacts, which created confusion. It became mechanical, with so many boxes to check. We rated people on this and that. You could finally say, “We've been through all of this” – but the result was probably so-so, and much of it we didn't use for anything.

**Niels:** Loren was willing to say, “Let's clean this up. Let's just not do it and see what happens.” We learned that nothing happened. Nobody missed it at all.

**Loren:** No one believed we would take the models out, because they had seen nothing but adding, but those models are gone. We replaced them with a single model, the Leadership Playground. Rather than excessive and mechanical rating, the Leadership Playground allows people to find themselves. It's not prescriptive – it's inspirational.

**Niels:** Whatever we do needs to bring value to the business.

## Compatible leadership styles that click into place

*We asked Niels and Loren what each of them notices and admires in the other that makes it easy for them to work together. As members of the executive leadership team, they described how they complement and support each other.*

**Loren:** Niels is purposeful and focused about how he chooses to spend his time, which I think is an admirable quality today, where we all struggle with 24/7 connectivity, multiple devices, and sources of information. I wasn't always as disciplined. When people asked for my time, I said yes too often, not challenging it enough. But I've learned what I want to focus on, and what I delegate to my team. Still, I'm attuned to a broad range of issues. Niels and I joke sometimes that I'm half finely tuned Swiss watch and half hippie, the hippie part being caring about people and the community in which we operate – while not letting go of the results orientation.

**Niels:** If there is any new area, Loren will dive into it. He will read a lot about it and talk to experts. I benefit from that, and it has widened my perspective to value those things even more. We have different ways of working. And I think we've found a very good way – and you, Loren, have been good at observing how I work, and ensuring that your way of working fits well with mine.

**Loren:** I'm so conscious of how much Niels values his time that in my communications, I try to be very precise. I translate all my thinking and reflection time into something digestible, to enable Niels to make wise decisions with the information that we have. And I say either, "I need a response on this," or "No need to respond – I just want you to think about it," and give him the bottom line upfront.

**Niels:** Our relationship is open, to the point, and uncomplicated – and, in a way, non-selfish. Our attitude is clear: if this is a good journey, I want to be on it. If it's not, then not. We're also both pretty pragmatic and rational. When we argue for our points of view, both of us can be moved, and we get to a situation we both feel good about. Whatever we come up with is always better than what either of us brought to it. If you have all the answers yourself from the beginning, there's no point in having a leadership team!

**Loren:** It's crucial not to let things fester – and it's a non-issue whose argument ultimately wins.

## No night-time curfew

*"Niels treats people as adults," one of us reflected after the interview. When we asked about the extent to which he expects autonomous decision-making, and the roots of his leadership style, he showed that he trusts employees, and stands ready to support them – without reaching out excessively.*

**Niels:** When I joined the LEGO Group, I witnessed a somewhat top-heavy orientation to leadership.

**Loren:** The frontline employees, whether in commercial activities or operations, were waiting for decisions to be made at the top of the organization, and it was slowing us down quite dramatically. In the complex world in which we operate, you need people making decisions who are closest to the customer, the consumer, or supply chain partners.

Niels has brought this approach of aligning on the strategic direction but then empowering the organization and then allowing people to go out and, in their respective areas, execute against it. A big part of the results that we're generating today are about unlocking the potential in each and every employee so that they can make fast and relevant decisions within a framework of our strategy.

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Loren I. Shuster, Chief People Officer and Head of Corporate Affairs, the LEGO Group

**Niels:** We wanted to create a space where people can make decisions, act, and feel responsible. I remember sitting down with the team in Germany for my first meeting, getting to know them. At the end of that meeting – we were facing one another in a circle, no table – I asked them: “Is there anything I could do to make life easier for you?”

The head of the business unit stood up and said, “If I could just have some funds that I didn’t have to apply for.” He had no room to maneuver if there was an opportunity that suddenly came up, because the formal procedures mean that he needed three months to get it. So we said, “We’ll give €5 million to Germany. They can decide.” We picked seven or eight more countries, and they all got something over and above. The only thing I asked, at the end of the year, was what they did and whether it worked. We called those the booster funds. People saw they could do something; they could make a difference themselves.

You’ve asked about the influences on my leadership style. One possibility might be my upbringing! I was born and raised here in the southern part of Denmark, and my parents gave me a lot of trust early on. For instance, I was never told when to be home at night. It wasn’t like it didn’t matter or they didn’t care. They cared a lot. But if it was fun and it was safe where I was, then why should I be home at 10pm? It was my decision. And when I got my driver’s license, aged 18, my mother immediately allowed me to borrow her car and drive through Europe. It was something that I tried to carry on with my kids because I think, if you are shown trust, you respond by acting responsibly. The converse is also true.

When I joined the LEGO Group, people were used to having a lot of feedback sessions very often. If you hadn’t had positive feedback for four days, then maybe you got nervous about your job. My mindset was different. If you’ve had positive feedback and no negative since then, things are good.

**Loren:** Niels said, “Listen, no news is good news from me.” For me, that was liberating.

## **A machine for doing good**

*The philosophy of the LEGO Group is to be brave, curious and focused. When we asked how the executive leadership team upholds these values, and what achievements bring pride to the team, Niels and Loren described the LEGO Group’s importance to children, and the ways in which the company’s commercial performance enables it to help improve the world.*

*“A strong financial result allows us to be good for the world in many ways, particularly for children, and to keep us fresh and attract investment.”*

Niels B. Christiansen, CEO, the LEGO Group

**Niels:** What we're most proud of today is not necessarily our financial results. It's the fact that we have a brand that stands so strong, and a purpose that we really feel we deliver on.

A strong financial result allows us to be good for the world in many ways, particularly for children, and to keep us fresh and attract investment. Everything this organization is capable of doing sits on a commercial machine that really works.

We think about what is relevant to children in the long run. I would call out digitalization. Children are playing games and going to concerts on digital platforms. They're not watching television commercials anymore. They're not necessarily on the street walking into a store. How do we stay relevant for kids, and how do we make a difference for kids in a world like this? That is super-important.

**Loren:** Yet, as e-commerce was starting to explode a couple of years ago and brick and mortar was starting to stagnate, we made a bold strategic choice to invest heavily in brick-and-mortar retail. We saw the opportunity for the LEGO brand to provide a unique and engaging shopper experience, and to create a great omni-channel experience.

That was counterintuitive at the time. We even had debates in the board meeting, as you could imagine, with some board members asking, “Are you sure now's the right time to invest in brick-and-mortar retail?”

Sustainability is another area which the executive team is brave and curious about. And we've made some aspirational commitments to ensure that our products are as sustainable as possible by 2030.

If you look at how we reward executives in the organization, about half of that is commercial results and EBIT results. The rest of it is related to the different promises we have. They're sustainability-related, or related to employee motivation and satisfaction. I can't think of any other executive team I've been asking around since I've joined where non-traditional financial and commercial metrics are such a significant proportion of your variable pay. That defines how we focus.

For a commercial enterprise to thrive, you need to find a way for sustainable growth and profitability. Then you can invest in a lot of different areas to improve the world. A



fantastic organization and brand like the LEGO Group is abundant in many ways, not just from a profitability perspective, but for giving back, whether that's employees or to the broader world in which we operate.

To describe Niels, I've used the term steadfast. It's been a very volatile world the last few years, but he's just stayed focused, keeping our key stakeholders, the owner family, and the Board aligned, so we have a glide path.

*By the time we left, the sunny afternoon had turned to grey and drizzling – but we didn't mind at all. Niels and Loren's frankness and clarity had charged us up. In our visit to the global headquarters, we had found a leadership philosophy that promotes sustained innovation with deceptively simple elements. And, as their results keep showing, the leaders of the LEGO Group are building it to last.*

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