

THE SIX KINDS OF INNOVATION LABS

What are the various “flavors” of innovation lab a company can set up? We’ve written about or visited dozens of labs run by Global 1000 companies. This list lays out the six primary types we’ve seen — though there are “hybrids” which combine aspects of these — as well as the pros and cons of each. For more resources like this, visit innovationleader.com/resources.

CONCEPT DEVELOPMENT LAB

Intended to create new products or services, or test new business ideas. Often involves a core group of “intrapreneurs” with marketing, tech, and product development experience. Many of these labs also bring in customers, business partners, or startups to “co-create” or otherwise participate in the process.

PROS

The most common approach we see to labs, this model requires a delicate balance when it comes to the right staffing, appropriate funding to build prototypes, and distance from the core business. They can in some cases be well-connected to business units for agenda-setting, input, and eventual roll-out, while having enough freedom to explore ideas.

CONS

These labs rarely pursue truly disruptive innovations, and are better structured to pursue incremental and adjacent concepts. Politics often haunt these labs, as leadership and business units vie for access, and control, or withhold funding. Requires politically-savvy leadership, not just technical or operational chops.

EXAMPLES

Fidelity Labs, Visa One Market Innovation Lab, MasterCard Labs, Delta Innovation Lab, CVS Digital Innovation Lab

SKUNKWORKS

Usually located away from corporate headquarters, given lots of freedom to experiment, and charged with focusing on long-term initiatives. Often staffed with talent that hasn’t worked in your industry before.



PROS

Great way to pursue “Horizon 3” or disruptive technologies and business models. Remaining completely separate and insulated from the business units makes this easier.

CONS

The “pros” of this approach are also the “cons”: skunkworks are so separate and remote from the core business that they are seen as unchecked, strategically divergent, and (sometimes) expendable.

EXAMPLES

Lowe’s Innovation Labs, Shell TechWorks, the Lockheed Martin Skunk Works

MAKERSPACE

A space set up with prototyping technologies, from 3D printers to drill presses to sewing machines, to be used by employees working on projects related to the business — or simply learning an array of new tools and techniques.

PROS

Great way to provide innovative employees with the latest technical tools to pursue their passions — and potentially valuable business objectives. Can become more valuable when entrepreneurs are invited to use the makerspace, and the company is benefitting from their input, or the “brand” benefits of being a more significant contributor to the local ecosystem.

CONS

Often perceived as a nice-to-have employee perk but not sufficiently strategic.



EXAMPLES

Northrop Grumman FabLab, Google Garage, Autodesk Pier 9, GE/Haier FirstBuild

VENTURE/ ECOSYSTEM LAB

Intended primarily to source and oversee venture capital investments, or create new connections with the startup ecosystem.



PROS

Can help shift companies away from an “everything must be invented here” mentality towards more openness and permeability to outside sources of innovation. Can also show that a company is serious about making investments in, or collaborating with, startups and entrepreneurs.

CONS

Connectivity with the “mothership” can be a challenge. Takes a long time to really develop roots in a city. When strategy or the company’s financial situation shifts, these are often the first to go. (As was the case with Target’s lab in 2017.)

EXAMPLES

Johnson & Johnson Innovation Centers, Target’s Food + Future coLab, Cambia Grove, Barclay’s Rise

SHOWCASE/ MEETING SPACE

A nicely-designed showcase for “cool new stuff” the company has been prototyping or testing, or a place to hold brainstorming meetings or training sessions where “out of the box” thinking is desired and encouraged.



PROS

If your goal is to better communicate your capabilities to customers, prospects, and business partners, these showcase spaces can be a nice approach.

CONS

These showcases can be expensive to design, build, staff, and keep up-to-date, and are sometimes met internally with eye-rolling and cynicism. Besides a few tinkerers, there usually isn’t much hard-core development taking place.

EXAMPLES

Verizon Innovation Lab, Disney iD8, past iterations of Humana’s innovation lab

LINO (LAB IN NAME ONLY)

Take a typical marketing, software development, or R&D group ... give them a foosball table, standing desks, and a few Yogibo beanbags ... and call it a “lab.”



PROS

Can sometimes aid with recruiting and retention, and boost internal morale.

CONS

Same people, processes, and bureaucracy in a new environment. Can also foment jealousy among other groups and functions — “why don’t we get a lab?”

EXAMPLES

None listed to protect the innocent ;-)