

# WHAT IS AN INNOVATION LAB?



How can companies provide their customers the services for which they are known—without losing business to smaller, more nimble companies that aim to disrupt the status quo? Many are turning to innovation labs to think outside the box and drive new concepts to maintain their relevance and competitive edge.

Innovation happens when you generate value from ideas. Innovation labs, then, are a framework for creatively exploring new ideas to achieve different outcomes—a necessary skill in today's era of [digital transformation](#).

In this article, we'll look at innovation labs, including models, benefits, and best practices for establishing yours.

*(This article is part of our [Innovation in The Enterprise](#) series. Use the right-hand menu to navigate.)*

## Who uses an innovation lab?

Corporate innovation is critical for established companies looking to stay relevant in the face of disruption. Innovation labs have become so vital to business today that they are embedded in industry verticals from telecom and finance to health and insurance. These small creative teams can focus on anything from establishing new business models, creating new services or products, and improving internal processes or visions.

Almost every large company has an innovation lab these days, but it's not only large companies who

benefit from a focus on innovation and a safe place for creativity. Innovation labs are useful for any company because they can provide training, networks, and insights to help intrapreneurs succeed regardless where they work in the company. This can help alter the business-as-usual DNA of a company, creating pockets of innovation across an organization. Such labs also promote skills and concepts that everyone can learn, allowing them to contribute to the innovation process.

## Paths to successful innovation

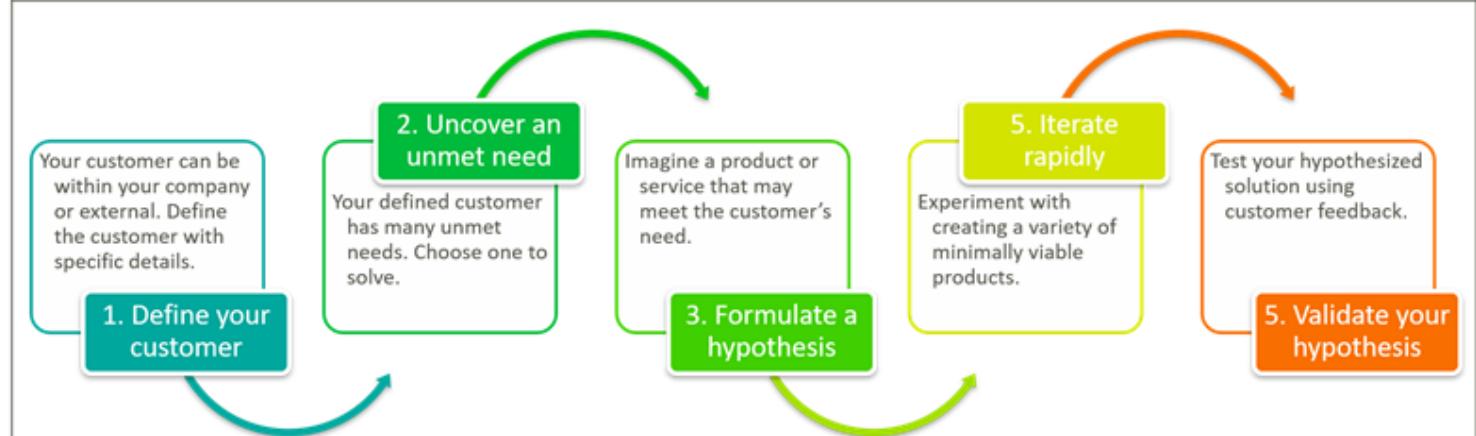
It seems like a tough ask for companies: how to balance business as usual while allowing the freedom to innovate. Importantly, for innovation to work, companies must recognize that innovation is as much a cultural attitude as it is a business process.

As you encourage and promote innovation across your company culture, you can take a generic approach to innovation. This approach may begin by defining the [customer](#) and uncovering their unmet need, formulating a hypothesis on what product or service the company can offer to meet that need, and validating the hypothesis by using customer feedback to rapidly experiment and iterate.



### How to innovate successfully

A generic approach to innovation



More specific innovation models do exist, but these are the three common paths to innovation:

## Creating internal stakeholder-led labs

Many businesses look internally for well-aligned stakeholders to lead and strategize these labs. This is a popular strategy because it doesn't require as much work to get started. But, this approach can be tricky. In-house groups might rely too heavily on existing business models and services, which might stymy creativity or introduce fear into the process.

Instead, these teams need enough separation from the business to develop their own culture and produce the necessary creativity to redefine the challenges they are charged with overcoming. A best practice for using this model is to establish the team leaders, source ideas from the entire company, and then narrow down to the top concepts for ideation and prototyping.

## Acquiring innovative businesses

Another option is to acquire a smaller business with proven innovation abilities without squashing their unique expertise as they are integrated into the vision of the larger company. With a lot of work, resources, and money, this approach can work. But, all too often, this effort goes awry if core members of those innovative teams leave due to the deterioration or discouragement of their original culture.

## Partnering with external innovators

Partnerships between internal and external innovation teams can be developed into mutually beneficial alliances. In these alliances, the smaller creative team brings new energy and ideas while the larger business team provides increased access to new markets. It's in these partnerships and alliances where autonomy for both businesses can be sustained while taking advantage of each other's own resources.

## Creating a successful innovation lab

No matter the innovation model you choose, top innovation labs have specific characteristics and needs that make them successful. Capable innovation teams do a lot more than just think up cool new ideas. They actually manage the activities important to the initial concept phases as well as the many tasks, activities, and cost management necessary to develop the idea from its initial phases through implementation to launch. The best innovation labs:

- Learn, create, and change
- Consist of small, motivated teams able to create something new
- Have the trust and support of senior management
- Embrace customer centricity
- Work towards a clear, business-relevant goal
- Experiment relentlessly, with the desire to learn from failures
- Accelerate the build/measure/learn cycles
- Utilize an [agile, iterative approach](#) that encompasses [Lean methodologies](#) and [the customer development method](#)
- Leverage new technologies and business models
- Maintain their own diverse culture

Effective innovation teams, whether inside or outside of a lab, are purpose-driven and diverse.

Your purpose must be clear: perhaps you are focused on developing new business models or generating the next great product ideas. Or, your team can focus on business strategies like improving internal business systems, entering new markets, and improving company culture, employee performance, and client focus.

The composition of your team members is vital, too. Innovation team members should be diverse, with different backgrounds and experiences, work functions, and even cognitive styles. You might consider adding external personnel who bring an expanded skillset and expertise to your team. When paired with internal personal who have both a deep understanding of the company and a passion for innovation, this diversity and real-world experience can spark creativity.

# Functions of an innovation lab

Once you've establishing the goal and team for your innovation lab, you'll need to determine the activities and tasks the team will perform. Here are four activities essential to innovating:

## Scanning for trends

Innovation labs should take on time- and resource-saving activities like [trendspotting](#). This helps prevent your organization from merely chasing temporary hype and short-term fads.

## Generating value from ideas

Innovation team members are tasked with generating value from ideas. Investing in an innovation accelerator or incubator can speed up the process of value creation. As you explore implementation processes, measure the value of these ideas to provide proof for additional funding if necessary.

## Communicating with the organization

Communicate your progress to stakeholders and the organization at large. This helps prepare employees for cultural and procedural changes. Tell stories about ideas that have moved forward. Listen to stakeholders to understand areas where innovation is most needed or welcome.

## Liaising with third-party partners

Engage with additional outside partners such as universities, trade groups, governments, and startups. These partnerships can offer vital experience and resources for accelerating ideas and innovations.

## BMC Innovation Labs

BMC believes that if you anticipate market changes, then you can act on those changes. [BMC Innovation Labs](#) bring together customers, partners, and employees to accelerate the development of new and relevant solutions. It is truly a place to explore all ideas—from those that may fall outside the traditional enterprise IT box to the radical changes that support the future of work. BMC Innovation Labs work on tomorrow's innovations today by:

- **Creating a “fail fast” organizational culture** by allowing our employees to experiment on ideas and to let them know it is OK to fail at first. Employees should take these initial failings and use them as learning opportunities, pushing the envelope towards the desired positive future state.
- **Harnessing new ideas** by creating experimentation spaces and advancing disrupting technologies
- **Enabling entrepreneurship** with expert counsel and support for fast development and prototyping
- **Co-innovating with customers and partners** to solve industry-specific challenges and shape the next generation of business technology

BMC has a history of delivering products to the market which help companies run their businesses more efficiently. By focusing on innovation that services customers better, we reimagine and

reinvent how we use technology to unlock hidden potential. BMC Innovation Labs provide a place to create, nurture, and test ideas to find out if a promising concept could turn into a product or feature. It's a safe place to fail fast and keep iterating, as we explore more of what's possible.