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# Successful Innovation Labs Have These Four Things in Common

WORDS BY DEB DE VRIES

*10 minute read*

**Today's leaders face immense pressure to optimize their core offers and cultivate new ideas. But in large organizations, new ideas are too often smothered by middle management. We don't have to look too far back to Kodak, Blockbuster, and Yahoo for reminders of behemoths that became so attached to a core product and revenue stream that they overlooked riskier—but highly promising—opportunities.**

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products and services for the parent organization.

Unfortunately, many labs have gotten a bad rap for being nothing more than cost centers or design palaces with modular furniture, generating radical ideas that are not aligned with the core business.

But not all labs are fads. They take time to find their stride and show value—sometimes several years to see a new product or service through from ideation to market. That kind of timeline requires leaders with strong enough stomachs to ignore short-term failures, knowing it's the only way to ensure long-term sustainability.

When setting up a lab, you might take a few cues from the organizational wisdom of ant colonies.

Every six months, a small group of explorer ants finds a new space, and excavates tunnels to enable the entire colony to relocate. The explorer ants start small, then scale, marking the route for the rest of the ants to follow.

Some would hypothesize that this process is a preventative strategy—keeping predators on the move. More importantly, savvy explorer ants avoid uprooting the entire colony until they've tested the new space and defined a clear path to get there.

Labs can do the same thing: keep the competition guessing and mitigate the risk of scaling a new product or service before it's market ready.

a breadth of expertise; and work spaces where the lab can develop and sustain its own unique culture.

Below we map the pathways to success in each of these areas, which any lab can use to mobilize, pioneer, and scale new ideas.



IMAGE BY JEANNIE PHAN

## 1. Define the lab's reason for being

Defining the organization's purpose and reason for existing beyond making money is harder than it sounds. It requires some organizational



put aside. IDEO's creative business research studio has found that teams that foster a clear, consistent, and inspiring purpose have 12% more successful launches than teams that do not. Customers may also gain a new understanding of what you stand for and relate to you in a new way. And in a lab, a newly defined purpose can reignite the parent organization's entrepreneurial spirit, creating a shared identity and reason to continually reinvent itself.

In 2016, the Chairman of Ford Smart Mobility, Jim Hackett, set out to define the purpose of the mobility ecosystem for Ford Smart Mobility. To do so, he established Greenfield Labs, a human-centered lab based in Palo Alto.

The sole purpose of Greenfield Labs, Hackett said, was to "bring humanity to mobility." That clarity of focus helped to define a portfolio of work that oriented toward those who don't drive cars, and the highly integrated ecosystem required to move goods and people freely through cities, countries, and the world.

Imagine that: America's oldest car company setting out to improve things for those who don't drive. With Jim's appointment to CEO in 2017, Ford Motor Company articulated a new purpose: to be the most trusted mobility company, designing smart vehicles for a smart world.

For an organization whose sole objective for the past 115 years has been to mass produce vehicles, it's a hard mental shift to make. But envisioning the impossible is a part of the company's legacy.

establishes new locations in strategic geographies will be to partner with businesses and cities to bring customer needs to the forefront of the design of its products and services.



IMAGE BY JEANNIE PHAN

## 2. Test your strategy through beacon projects

Like the explorer ants, an innovation lab seeks out new opportunities that are complementary to—and sometimes in competition with—the parent organization’s core capabilities. Ideally, the innovation leaders and the parent organization work together to identify and solve high-priority



product, service, or venture into the market; and they build new capabilities along the way. These edge cases, which have a high degree of uncertainty and longer time horizons, may compose up to 20% of the company's strategic portfolio. If they work, they can be game-changers.

In 2013, Carlos Rodríguez-Pastor, Chairman of Intercorp, one of the fast-growing companies in South America, enlisted IDEO to help build an affordable public school system that would address the needs of emerging middle class Peruvians. After six months of research, design, and testing in a wide array of areas including brand, architectural design, curriculum design, business economics, teacher requirements, and school uniforms, Intercorp launched Innova Schools. What began as an initial prototype has now grown to 54 schools in Peru and one in Mexico. Innova is profitable and has graduated countless students who lacked an affordable schooling option. Innova is now planning to expand globally to bring affordable education to the world.

Intercorp's second project focused on redesigning Interbank's lobbies and in-person service experience to reduce customer queues and wait times. These observations revealed that customers would often have to wait in three different lines to request, pay, and pick up their items. The project illustrated the importance not only of improving the customer experience, but of redesigning the employee experience so they were empowered to deliver a more personalized customer experience.

Twelve months after the rollout, Interbank showed a 10% increase in new customers and an 80% increase in sales, with gains in all categories. Their



centered design mindsets and methods in an in-house innovation hub, which he called La Victoria Lab. Its mandate: To transform Intercorp.

Established in 2014, the lab started small with a ragtag team of design mercenaries and a new Chief Innovation Officer, Hernan Carranza. With unique specialities in business design, anthropology, and graphic design, they called themselves an “expeditionary force for the future.” They provoked Intercorp businesses to define products and services their customers would love, utilizing human-centered ways of working.

One of the first projects sponsored by the lab set out to define the needs of Peruvian families. These family archetypes created a common ground from which all 35 different companies from Intercorp could build, with the lab as the center of gravity uniting future businesses.

Today, La Victoria Lab has grown to over 30 people, accelerating 50 beacon projects and hundreds of new ideas across Intercorp’s companies.

And while many of the 35 companies are now capable of running their own beacon projects, La Victoria Lab continues to sponsor cross-business initiatives, such as digital transformation.

With hundreds of new ideas infiltrating the organization, La Victoria Lab has already inspired new ways of thinking about Intercorp’s 35 companies—as strategic platforms in education, healthcare, financial services, retail and emerging businesses. The lab will also continue to



IMAGE BY JEANNIE PHAN

### 3. Build creative teams

Just as an ant colony needs both explorer and worker ants to survive and thrive; a lab needs and a mix of strategists, designers, and makers.

Finding people who balance breadth of interests and capabilities with depth of expertise enables the lab to quickly pivot in both project and purpose if needed. Those workers are often called T-shaped, because they can go both wide across subject areas and deep on craft. It's been shown that cross-functional, collaborative team make more rigorous, data-





Here are a few of the qualities to look for in your lab's explorers:

**Expertise:** Look for capabilities like interaction design, user/design research, software design, industrial design, communication design (visual and verbal), business design, product design and organizational design.

**Mindset:** Hire those who are curious, empathetic, optimistic, open to experimentation, collaborative, and comfortable with ambiguity. The *no asshole rule* is also critical to building collaborative teams. We've seen many labs fail because they held on too long to talent that was toxic to the experimental culture.

**Method:** Mastery of design thinking methods, including user observation and interviewing, synthesis, brainstorming, prototyping, and storytelling (to name a few) are a must. These are core capabilities to building to learn, not necessarily scaling to implement.



IMAGE BY JEANNIE PHAN

## 4. Create space and rituals for creativity

Culture is probably the biggest differentiator between the lab and the parent organization. Labs must produce radically new ideas, and a creative culture that can produce such ideas looks very different from a culture built to optimize. It's okay to have subcultures, as they serve a different purpose and have different outcomes, but they have to work together.

At Ford's original Greenfield Labs, many elements merge to set the stage for innovation, and developing even a few of these can lead you in the right direction.

execution. And importantly, they work best in locations with a diverse range of creative talent. Follow the designers.

**Team time:** Start with fewer meetings. Makers or designers need long, uninterrupted time to think and create. Maker teams protect this time by negotiating their own hours. Most teams collaborate from 10 a.m. to 4 p.m., with early and late hours reserved for administrative tasks. Status update meetings in the middle of the day are going to wear on your productivity time.

**Field trips:** Work hard, play hard. Making time and supplying budget to visit people in the field is paramount to lab work. If teams aren't inspired, the work suffers. Not all inspiration visits are literal. They can be as simple as visiting a museum or competitor's space together. Shared learning is the key.

**Language:** Instead of words like “policy” and “process,” Ford's Greenfield Labs uses words like “guidelines” or “drumbeats.” They don't get attached to job titles or hierarchies. No one “reports to” anyone. Instead of “leaders,” they use the term “stewards.” This is not a small point—words matter in defining expectations on a daily basis. It sets the tone for how we expect people to behave.

**Values:** After the first year, Greenfield Labs rewrote their values, one of which is “quirky.” That's not something you'd identify with Ford, and it helped to formalize the goal of having a dynamic, diverse culture.



celebrate the small wins that occur more frequently. Greenfield Labs has a weekly ritual they call “putting socks on a chicken.” Inspired by a team member’s remark that some problems are harder than putting socks on a chicken, each week, the lab assembles to present one notable problem solver with a pair of wild or weird socks as a kind of high five. The tradition has become so beloved that new hires and visitors to the lab are also indoctrinated with their own customized socks (some actually have chickens on them). And notably, there is now a budget line-item for socks.

**Learning from failure:** Another way Greenfield Labs codifies lessons learned is to create digitally documented retrospectives and give out an annual “Phoenix Award” to honor failed projects and ceremoniously bid them farewell. If you are allowed to fail and celebrate what you have learned, people will be more likely to take the necessary risks to drive innovation.

**Storytelling:** It’s important to reinforce the lab’s reason for existing and to build a shared narrative with the parent organization, which can in turn be shared externally. Video is a great medium for storytelling, whether creating short and scrappy vignettes or more polished productions with B-roll and music. It gets the point across without a deck. In fact, skip decks altogether if you can.

**Space:** Expressing the spirit and aspirations of the lab through physical design is about more than post-its and foam core boards. The value of considering space lies in differentiating the lab from its corporate parent and infusing it with human dimension and creativity. This can be

real people who use the new services or products. These are the ingredients for a hub of activity and creative expression, and they're important visual signals that enable the work to be scrappy as it moves through different levels of fidelity.

## Is a lab for you?

Labs are not for the faint of heart. If organizational change were easy, no company would falter. But with a clear purpose and portfolio of beacon projects, a lab can focus on new explorations while the parent company delivers its core offers. It's a partnership.

In an era of fast-paced change and technological disruption, we'd do well to learn from the long-proven survival tactics found in nature. Ants know how to establish a link between the original colony and an exploratory space. Then slowly, ant by ant, they complete the monumental task of upending the entire colony to ensure their perseverance.

*Unless otherwise specified, all statistics come from IDEO's Creative Difference, a digital tool to assess, guide, and track the development of creative and innovative teams.*

*Visuals by Jeannie Phan.*



## Deb De Vries

SENIOR PORTFOLIO DIRECTOR, IDEO SAN FRANCISCO

*With 15 years of combined corporate and consulting experience in organizational design, talent management, and learning, Deb truly knows what it takes to design, implement, and scale sustainable cultures of innovation to align with a company's business strategy.*

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