Quick Answer: Why Do Sandbox Innovation Labs Fail?

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Many organizations create innovation labs and fill them with emerging technologies, hoping to spawn innovative ideas, but most fail. This is because technology innovation leaders usually fail to follow five critical success factors to realize the value from an innovation lab.

Additional Perspectives

- Summary Translation: Quick Answer: Why Do Sandbox Innovation Labs Fail? (27 March 2023)

Quick Answer

Why do sandbox innovation labs fail?

- Creating an innovation lab and filling it with emerging technologies in the hopes that experimentation will spawn innovation ideas simply doesn't work.
- Sandbox labs can provide a safe space for testing out innovations, isolated from customer or regulatory impact.
- However, any successful innovation lab requires most, if not all, of the following five success factors: A strong innovation process, the right mix of people and skills, effective partnerships, clear business outcomes, and executive sponsorship.
- Most sandbox innovation labs fail to focus on the first four success factors and usually do not follow them, turning the labs into expensive showcases that contribute little business value.

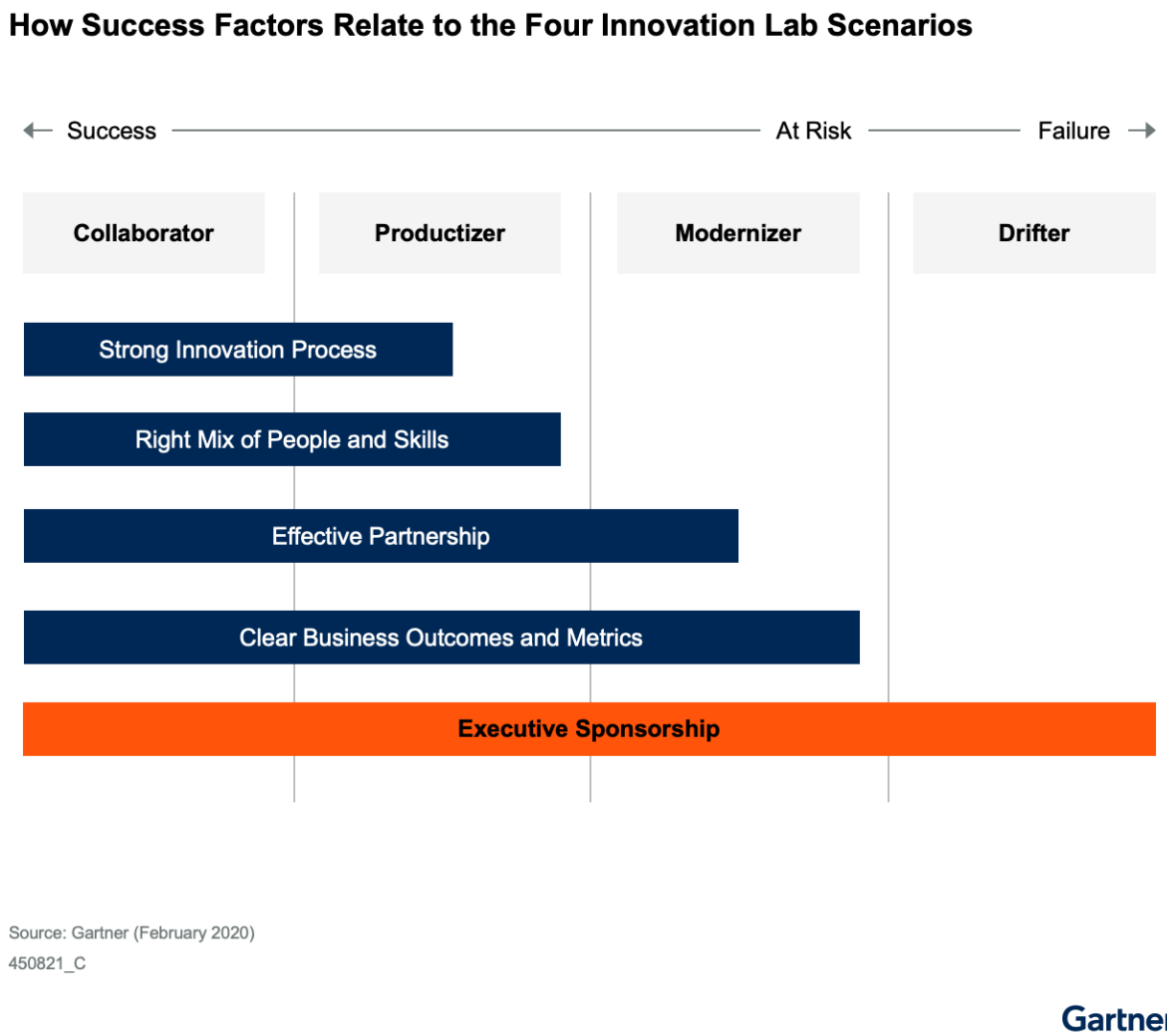
More Detail

CTOs and technology innovation leaders start innovation labs for different reasons, with mixed levels of success. Gartner research has found that organizations with successful labs demonstrated most or all of the following five success factors:

- Strong innovation process
- Right mix of people and skills
- Effective partnership
- Clear business outcomes and metrics
- Executive sponsorship

Gartner categorizes innovation labs into four scenarios: Collaborator, Productizer, Modernizer and Drifter. (See How to Build an Impactful Innovation Lab.) The Drifter scenario specifically describes the sandbox innovation labs that have no clear direction, dysfunctional partner relationships and no identified outcomes or metrics, despite often having some level of executive support. See Figure 1.

Figure 1: How Success Factors Relate to the Four Innovation Lab Scenarios



Source: Gartner (February 2020)
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Drifter innovation sandbox labs are most prone to failure. However, there is one situation in which they may still deliver business value: as a means to showcase the latest technologies to boost the company brand and generate excitement from their customers. This situation may be acceptable, as long as senior management agrees that this is the main objective of the lab, and measures its success by increased brand prestige.

Most organizations expect that technology innovations will contribute to growth and/or profitability, and have little patience for unfocused experimentation to produce results. Drifter innovation labs typically have some ideas to improve the business. However, they are rarely able to translate those ideas into tangible business outcomes that can enable effective, external partner relationships with technology providers, startups, universities and other similar organizations. Furthermore, Drifter innovation labs often lack the right combination of technical, business and innovation skills to succeed. This inability to generate effective partner relationships is particularly problematic, because Drifters are highly dependent on external partnerships. Without knowing what precise problems the innovation lab should solve, it's hard for these partnerships to succeed in helping the lab deliver new products or solutions.

Before setting up an innovation lab, identify what business opportunities or problems it should address and what business outcomes it could impact (e.g., increased revenue, improved product/service quality, better customer and/or employee experience). It's important to have a clear understanding of the implications of the enterprise business strategy, so that the opportunities or problems you focus on are ones that really matter. Then, verify whether an innovation lab is really the right innovation technique to explore that opportunity or problem (see Infographic: Use Case Prism to Learn Go-To Techniques From the Innovation Heavyweights).

One benefit of starting an innovation lab is its creation of a special environment away from the usual business pressures, in which a culture of innovation should flourish. Be aware that if you partner with other parts of the business, or external organizations, they are likely to have different ingrained behaviors and cultures that might clash with your lab's innovation culture. Call out these differences, then plan to identify and develop shared behaviors that will help enable innovation, like out-of-the-box thinking and challenging the status quo.

How can leaders determine whether their lab is at risk of slipping into the Drifter scenario? Drifters follow a loose innovation process, if any at all. The team is often filled with people who are deemed to be creative, but often lack the critical skills required to take an idea through proof of concept and scale up in implementation. Often, the innovations they pursue are not viable to scale because the technologies are not mature, and they haven't identified valid use cases that solve a business problem or leverage a new opportunity. This is especially perplexing because most of the obstacles to success can be evaluated before any significant money is spent (see Assessing Emerging Technology Adoption Readiness).

CTOs and technology innovation leaders can prevent their innovation lab from becoming a Drifter by:

- Securing executive level sponsorship for the lab.
- Leveraging this sponsorship to identify the business opportunities and/or challenges the lab should tackle, and aligning innovation output to strategic business outcomes.
- Designing innovation metrics to track progress and performance metrics that demonstrate the business value of prototypes generated by the lab.
- Performing a skills gap analysis once the initial innovation projects are planned. This can be used to validate which skills reside in the lab and which need to be sourced elsewhere (e.g., internal talent ecosystems, fusion teams, external partners).
- Developing and customizing their own innovation process, using Build Your Innovation Roadmaps Using a Customizable Framework.

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