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Product Innovation Capability Framework

How to think about product innovation capability in the context of an organisation

Product innovation capability in organisations

In this program, we are teaching a step-by-step process for developing and validating a novel product concept. At the outset though, it is important to understand that **the capability to develop and deliver novel products is influenced by more than process**.

The innovation world is plagued with a lack of understanding when it comes to organisations as systems. Design-thinking, human-centred design, double diamond design model... all our frameworks address parts of the process but ignore organisational design, strategy, culture, leadership and more.

What is the Alto Product Innovation Framework

In this document **you will go through our product innovation framework.**

This is a tool to help you understand how the organisation as a system influences your ability to develop and deliver new products to market.

This framework is for professionals in organisations

If your desire is to develop and deliver novel products to market in the context of an existing organisation, then understanding the factors that influence that capability is very useful for internal discussions and improvements.

As **an entrepreneur, especially if you're early stage, you don't need to worry about the innovation system yet**, but it is a useful context to have!

Phases of building breakthrough products

There are **5 phases** you should ideally go through in order **to successfully develop and deliver a product to market**. The process document in this chapter breaks these down into the step-by-step process you will learn.

| Opportunity Identification | Opportunity Selection | Solution Generation | Solution Selection | Product Delivery |

Opportunity Identification
You must be able to identify market opportunities that are worth solving.

Opportunity Selection
You must be able to validate and select which opportunities are worth pursuing based on your business goals.

Solution Generation
You must be able to develop high-quality solution(s) to address a chosen market opportunity.

Solution Selection
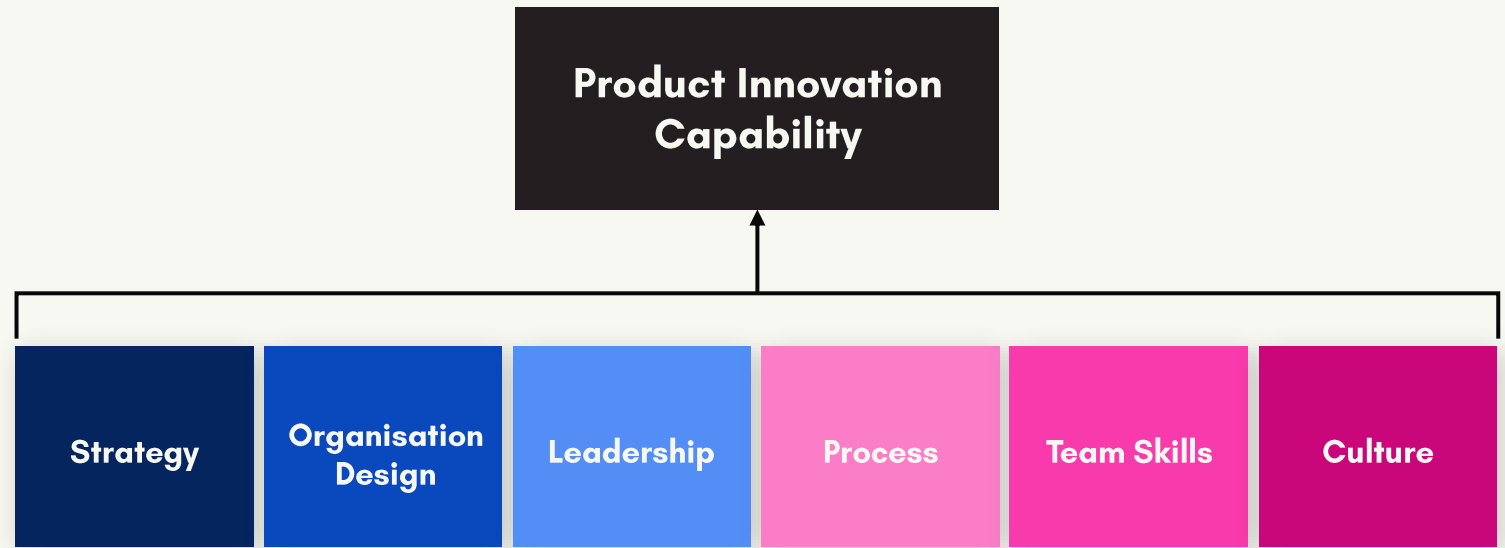You must be able to validate and select which solutions are worth pursuing.

Product Delivery
You must be able to build and deliver a solution to market, ideally in the most efficient manner possible.

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Product Innovation Capability

Strategy	Organisation Design	Leadership	Process	Team Skills	Culture

Framework overview
There are 6 organisational capabilities you should think about that influence your ability to develop & deliver new products.

Strategy
Strategy is the plan of what business outcomes will be delivered by when, and how they will be achieved.

Organisation design
Organisation design is about how teams are structured and located.

Leadership
Leadership is the quality of the individuals' leading innovation capability development and execution.

Process
Process is the step-by-step actions employees take to develop and deliver new products to market.

Team skills
Team skills are your peoples' ability to use innovation tools and techniques to develop and deliver new products to market.

Culture
Culture is the behavioural norms of your employees, exhibited by what they do.

Note: There are other factors such as tools & facilities not covered here, but these tend to be value-add rather than a must-have for most industries.

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Analogy for building product innovation capability

'Imagine building your innovation capability like flying a rocket to the moon.
Every part of the mission needs to work together'.

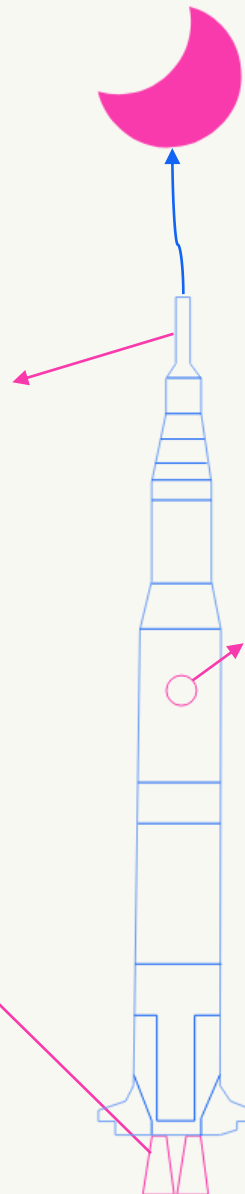## Destination + route is like the strategy

The destination is your goal, what you seek to achieve. The route is your plan of how to get there, the key activities you propose to achieve your goal.

You need a route which minimises obstacles (risks) and the resources required to reach your destination.

Nose cone is like your organisation design

The shape of the nose cone impacts how much drag you experience on the rocket (innovation speed).

If you've got the wrong shape here (org structure) then the rocket won't get out of the atmosphere (innovative ideas stay as ideas).

Pilots are like your leadership

The pilots steer your rocket in the right direction to reach the destination.

Even with the right rocket, destination and route, mission success comes down to the quality of those leading it.

Left & right engines are like your process and skills

You need both engines to be firing to get the right amount of thrust and efficiency to reach your destination.

Process on its own is ineffective if employees aren't skilled in using it. There must be unison between good process and skills to use that process to hit your goals.

The crew are like your culture

The crew impact every part of your mission, from your rocket design to choosing your route.

Culture dictates how people do their work, and like the crew, it impacts every part of reaching your destination.

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How strategy influences product innovation capability

The strategy creates clarity and focus for employees as to what key activities must be undertaken by when which improves execution and employee engagement.

How organisation design influences product innovation capability

The organisation structure influences the speed with which teams can make decisions which influences the rate of learning, adaptation and execution of new products.

How leadership influences product innovation capability

The individual(s) leading capability development and product execution influence the quality of all the other capabilities in the framework as well as team morale.

How process influences product innovation capability

The process creates structure and clarity on how to develop new products which drives greater efficiency and consistency in delivering new products to market.

How team skills influences product innovation capability

The skills of employees influence their ability to use innovation techniques to develop high-quality products and importantly their ability to use internal processes.

How culture influences product innovation capability

The behavioural norms of the team influences how all work is done, whether applying a process or not, which impacts every stage of the product innovation journey.
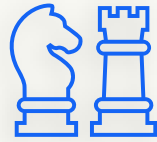
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There are best practices for each component

Use the following definitions as a benchmark for what great looks like to help identify improvements you could be making to your product innovation capability.

What does great strategy looks like?

Every employee understands what success looks like, how it will be measured, what they need to do by when and why each task matters.
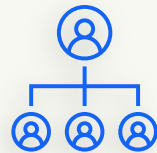
What does great organisation design look like?

Co-located multi-disciplinary teams that work on new products full-time with no dependencies on other teams so that they can move fast.

What does great leadership look like?

Passionate individuals who role-model the right behaviours and are skilled in innovation capability development, stakeholder management and product development and delivery.

What does great process look like?

A continuously improving step-by-step set of actions tailored to your industry and company that guides how to develop and deliver products.

What do great team skills look like?

Employees trained on how to use the internal innovation process and that practise and teach others how to use innovation tools.

What does great culture look like?

The following behavioural norms are exhibited: customer-centricity; collaboration; continuous improvement; candour; and courage.

amazon

Amazon Case Study

Amazon are amazing innovators, creating breakthrough products such as Kindle and Amazon Web Services. They have mastered the six capabilities that drive product innovation capability. Below is a snippet of how they have built their capability.

Strategy

Amazon use objectives and key results as a framework to maintain high-quality, customer focused goals. This maintains focus on delivering big ideas and experiences customers love, with emphasis on long-term business growth, not 12 month targets.

Organisation design

Amazon pioneered single-threaded teams where every leader works on a single project and their team is similarly focused on that one project. This has increased the speed and quality with which teams execute by removing dependencies.

Leadership

Amazon pioneered a hiring process, the Bar Raiser, which ensures they hire passionate leaders that role-model the right behaviours with the right skills.

Process

Amazon pioneered their own product development process called Working Backwards Method which has helped them develop not only breakthrough products, but a lot of internal operational innovation and processes. An example product: Kindle.

Team skills

Amazon employees receive lots of training continuously (8 hours a week for some AWS people), including in internal processes such as the Working Backwards Method.

Culture

Amazon has a set of 14 leadership principles, behavioural norms, which are highly conducive to innovation. They use three mechanisms to maintain adherence to these principles: strategy; incentives; and process.