

The logo for Tech-Clarity, featuring the word "Tech-Clarity" in a bold, sans-serif font. "Tech-" is in white and "Clarity" is in yellow, both set against a dark blue rounded rectangular background.

**Tech-Clarity**

## **Top 5 Ways to Measure Product Innovation**

***Choosing Metrics  
to Drive Innovation  
Performance***



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**\*This summary is an abbreviated version of the report and does not contain the full content. A link to download the full report is available above.**

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## Why Measure Innovation?

Companies know they'll be rewarded for innovation. They've seen that product developers who set the agenda in their market and force their competitors to react have a distinct advantage. But how do they know if they're being innovative before they get invited to accept their industry's "top innovator" award?

One of the most common questions we're asked is "how should we measure innovation?" It's a relatively simple question, but one that doesn't come with a simple answer. There's no "silver bullet" way to measure it. First of all, innovation means different things by industry and by company. It depends on your business strategy and how you choose to compete. For example, measures would be different for a goal of true market disruption versus more incremental innovation.

Innovation also has different levels of granularity. It may apply to a product line, a product, or a feature – each with different impacts and potentially different ways to measure success. This is without even considering organizations who call process improvements, safety initiatives, and lean measures "innovation," which can further complicate things. With all of the potential variability, let's step back and talk about why it's important to measure innovation in the first place.

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***Companies want to ensure they innovate and improve their ability to innovate.***

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Metrics help drive desired outcomes. We find that companies want to:

- Make innovation as systematic as possible
- Have a repeatable innovation capability
- Drive the right organizational behavior
- Achieve more reliable and predictable outcomes
- Improve innovation performance over time

The bottom line is that companies want to ensure they innovate and improve their *ability* to innovate. But as our [Creating the Environment to Innovate](#) research shares, "*Although innovation is important and gets a lot of attention, too few companies have a realistic plan in place to improve innovation performance.*" Measuring it is the first step. What should companies measure, and how? Let's take a look.

## Conclusion

Innovation is clearly important to company success, and what gets measured gets improved. This makes measuring innovation an important goal. It's also a challenging one. There are a number of ways that companies can measure innovation performance by

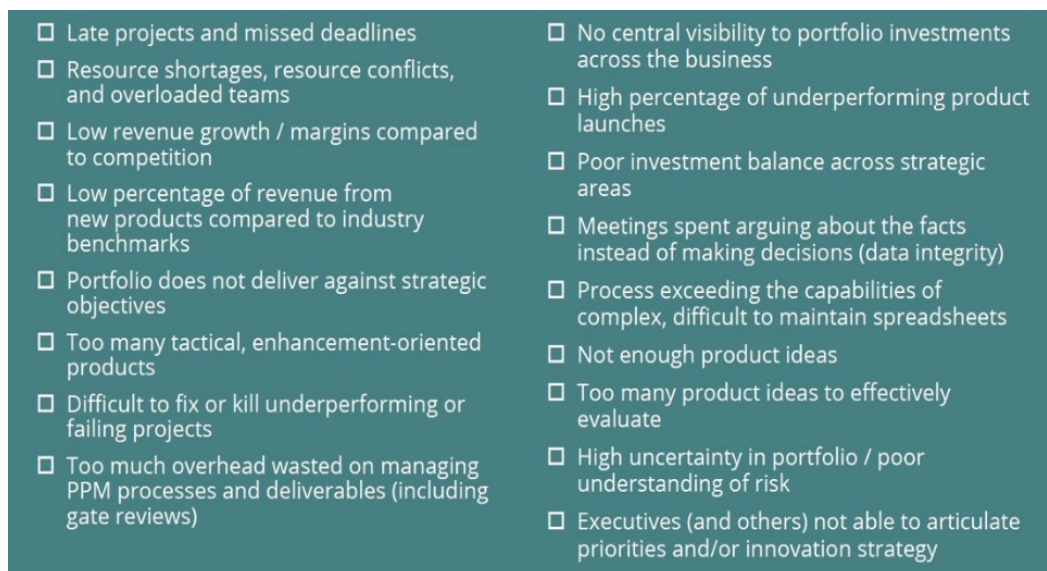


outcomes, such as the percentage of revenue from new products, but this information typically comes too late to make in-course adjustments and improvements.

Another approach is to introduce measures that ensure the environment is conducive to innovation. Companies can put in place measurements that help ensure the organization is contributing to innovation and product portfolios contain enough innovation of the right variety. Organizations can survey whether employees feel they have the ability to take calculated risks and whether they have the time and space required to innovate. Metrics can also ensure that their processes and tools allow them to profit from innovation through effective NPDI.

For any of these metrics to be effective, companies need to have the right process and data management infrastructure in place, including:

- The right data and a mechanism to gather it efficiently
- Accurate, visual reporting tools and dashboards that they can drill down from
- Honest information and the ability to capture knowledge – especially failures – to drive future innovation



**Figure 4: Signs It's Time to Start Your PPM Journey**

None of these can be done effectively with the patchwork of documents and spreadsheets available to most companies. Without the right tools, companies suffer from some relatively common challenges, as seen in Figure 4 from [An Action Plan to Improve Your Portfolio](#). Effective innovation software provides the right infrastructure to enable and measure innovation. This ultimately helps improve the innovation capability and leads to

better innovation performance. As [Top 5 Misconceptions about Innovation Management Software](#) concludes, “*Implementing enterprise-class innovation tools helps companies grow revenue by selecting higher value products, reduce cost by improving efficiency, and mitigate risk.*”

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***Effective innovation software provides the right infrastructure to enable and measure innovation.***

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## **About the Author**

Jim Brown is the President of Tech-Clarity, an independent research and consulting firm that specializes in analyzing the business value of software technology and services. Jim has over 20 years of experience in software for the manufacturing industries. He has a broad background including roles in industry, management consulting, the software industry, and research.

Jim’s experience spans enterprise applications including PLM, ERP, PPM, quality management, service lifecycle management, manufacturing, supply chain management, and more. He is actively focused on researching new digital enterprise initiatives and technologies including cloud computing, digitalization, smart manufacturing, AR, VR, and the IoT. Jim is passionate about improving product innovation, product development, and engineering performance through the use of software technology.

Jim is an experienced researcher, author, and public speaker and enjoys the opportunity to speak at conferences or anywhere he can engage with people with a passion to improve business performance through software technology.

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