

★ STATE OF AI IN PRODUCT 2026

AI is everywhere. Stronger ways of working are *not*.

We asked 309 product leaders how AI is really landing inside their organizations. The gap isn't the tools. It's the product skill, judgment and operating model to turn them into outcomes.

This report shows where the gap is, and what the organizations pulling ahead do differently.

Originally published June 2026 and updated October 2026

88%

use AI coding assistants



but only

36%

say AI is strengthening how their
organization works

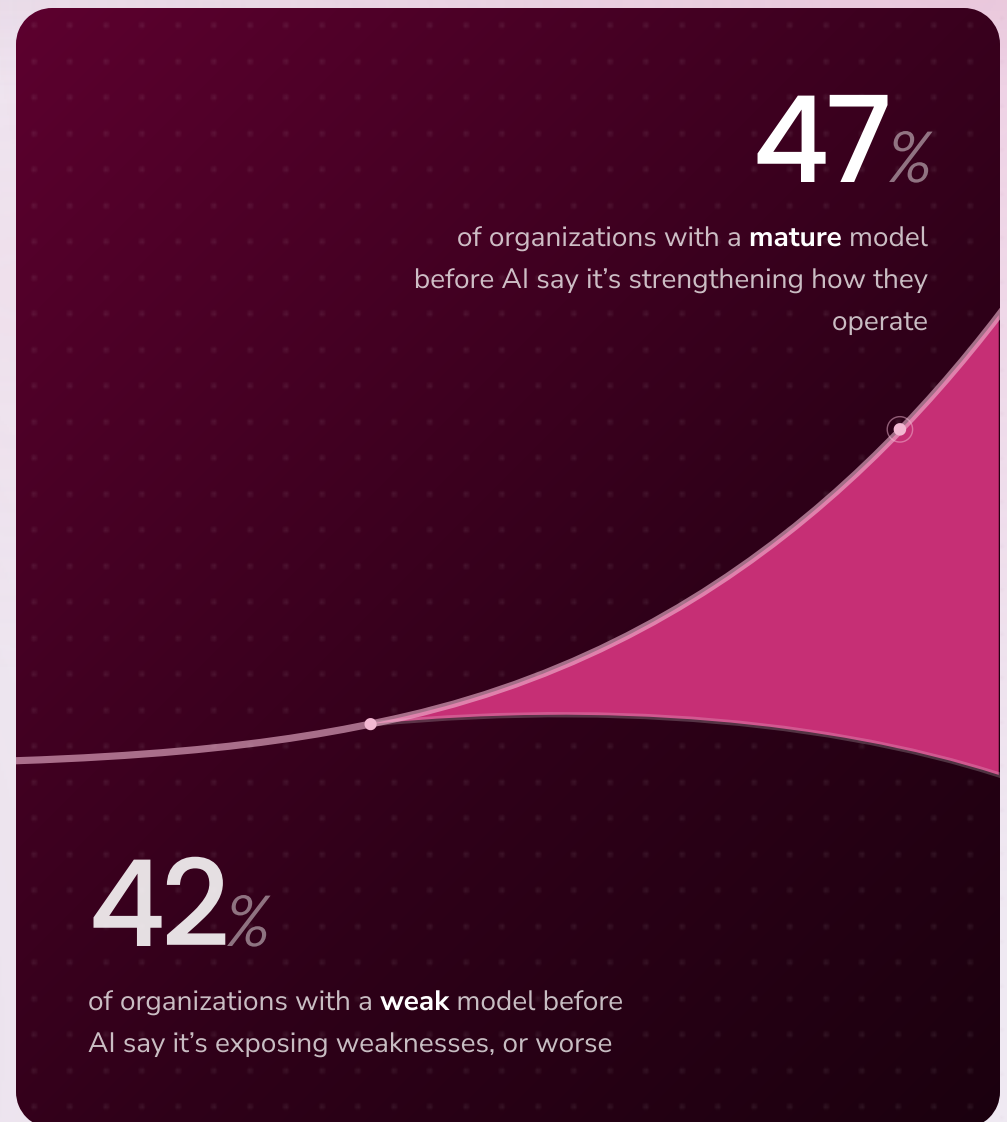


✦ FINDING 01

AI is widening the *gap*

Organizations that operate well are using AI to compound the value they deliver. Organizations that aren't are producing more noise, faster. And the distance between them is growing.

The organizations that lead have strong product operating models, and are using AI to widen their lead.



✦ FINDING 02

The tools changed. The work didn't.

Almost every product organization now uses AI, but only 36% say it's strengthening how their organization works. 23% say it's exposing weaknesses that were already there, and 6% say it's making things worse.

What hasn't caught up is everything around the tools: how decisions get made, how reviews happen, and how customer signal travels.

"The AI transformation will not fix our existing problems. We fall regularly into the build trap."

Design Leader · Product & engineering team of 151–500 · Regulated industry

SHARE OF PRODUCT LEADERS



✦ FINDING 03

Delivery got faster. Judgment is the new bottleneck.

AI sped up the work that was already easy to automate (code, design, docs) but barely touched what comes before the build: customer feedback, strategy, and deciding what to build. That's the build trap, and AI has made it bigger.

"The delivery of designs and code just got very fast, but delivery of good decisions is what became the bottleneck in our product development process."

Product Manager · Product & engineering team of 151–500 · SaaS

WE ASKED

Where in the product development lifecycle is AI having the most positive impact?

Share of respondents who rated each area "high impact"



✦ FINDING 04

Strategy exists at the top. It isn't reaching the people who execute.

This is the biggest gap in the entire dataset. It's probably not that executives lack an AI strategy. It's that the strategy hasn't been translated into the rules a PM needs on a Monday morning: priorities, decision rights, review rituals, what AI is for and who reviews the output.

"Instead of everyone rushing to experiment on our own, take one step back, think about where to focus, and move forward."

C-level · Product & engineering team of 11–50 · SaaS

Product Managers

the people executing

cite "no clear strategy"

62%

C-suite

the people setting it

cite "no clear strategy"

19%

★ REPORT ONLY

Deeper in *the data*

Six more findings from the full dataset, beyond the four on our website.

- 05 Scale is its own problem
- 06 The ROI problem is a measurement problem
- 07 AI training alone doesn't pay off. Training plus redesign does.
- 08 AI only reaches the judgment layer in strong operating models
- 09 The biggest risk leaders see is being late
- 10 Regulated industries are further behind

✦ FINDING 05

Scale is its own problem

The largest teams invest the most in AI and see the least benefit.

It isn't explained by maturity: teams of 500+ are more likely to describe their operating model as mature, and the pattern holds at every maturity level. At scale, the constraint is coordination: operating rhythms, governance, and the product operations that connect teams.

"Start with a small functional area and deliver impact and then use it to scale and iterate."

Director of Product · Product & engineering team of 500+ · SaaS

PRODUCT & ENGINEERING TEAM	FORMAL AI TRAINING	HIRED FOR AI	SAY AI IS STRENGTHENING HOW THEY WORK	
1–50 people	27%	23%	48%	<div><div></div></div>
51–500 people	40%	40%	32%	<div><div></div></div>
500+ people	63%	54%	20%	<div><div></div></div>

★ FINDING 06

The ROI problem is a measurement problem

Measuring ROI is the most-cited challenge in adopting AI, yet most organizations aren't measuring anything that could show a return. Those without real metrics are more likely to name ROI as a top challenge (56% vs 43%).

"A bigger focus on outcome measures vs. velocity of outputs."

Director of Product · Product & engineering team of 51–150 · SaaS

50%

name measuring ROI as a top challenge, the most-cited of all

53%

have no real metrics for AI. 34% don't track it at all.

9%

track decision quality. The most common measure is productivity (50%).

✦ FINDING 07

AI training alone doesn't pay off. Training plus redesign does.

Training pays off most when it's part of changing how teams work, not a standalone program. Organizations that paired formal AI training with redesigned roles saw far stronger results than those that ran training on its own.

Redesign needs a foundation too: redesigning roles lifts results in mature (63% vs 33%) and functional (65% vs 29%) organizations, not weak ones.

"I'd love a comprehensive boot camp / training that we could all go through together (product, design, eng) to get to a shared baseline before reshaping how the work happens."

VP Product • Product & engineering team of 11–50 • E-commerce

ORGANIZATIONS THAT RAN FORMAL AI TRAINING

How many say AI is strengthening how they work

**3x**

Nearly three times as likely to say AI is strengthening how they work when training comes with redesigned roles.

★ FINDING 08

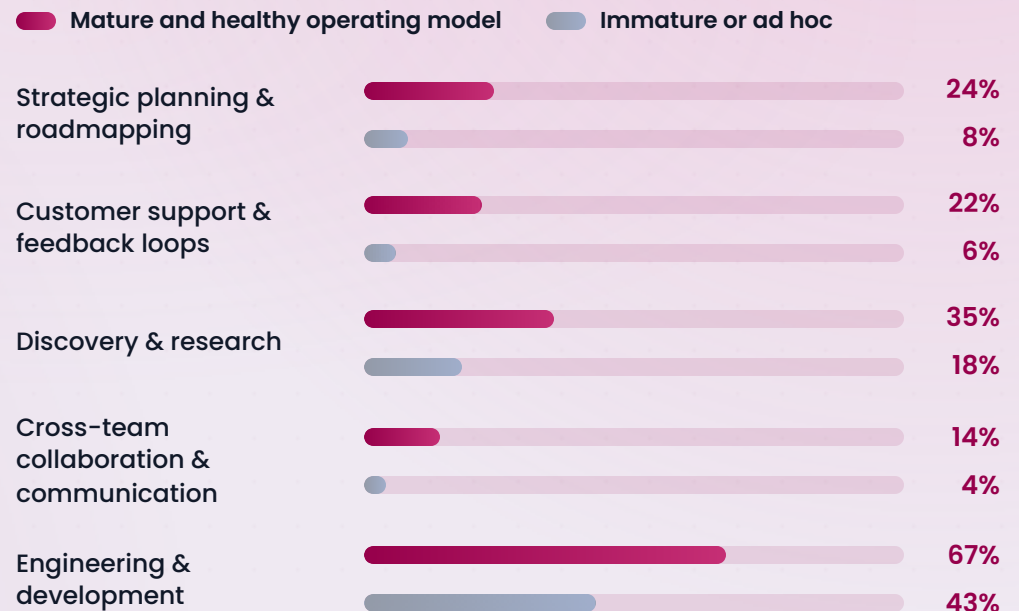
AI only reaches the judgment layer in strong operating models

In weak operating models, AI stays in the build layer. In strong ones, it reaches the work before the build: strategy, customer signal and collaboration.

“Different organizations are at different maturity. Instilling fundamentals before running. Seeing the value of product discovery, prioritizing value over the ‘sounds cool’ stuff.”

Director of Product · Product & engineering team of 500+ · Regulated

SHARE RATING AI “HIGH IMPACT” IN EACH AREA



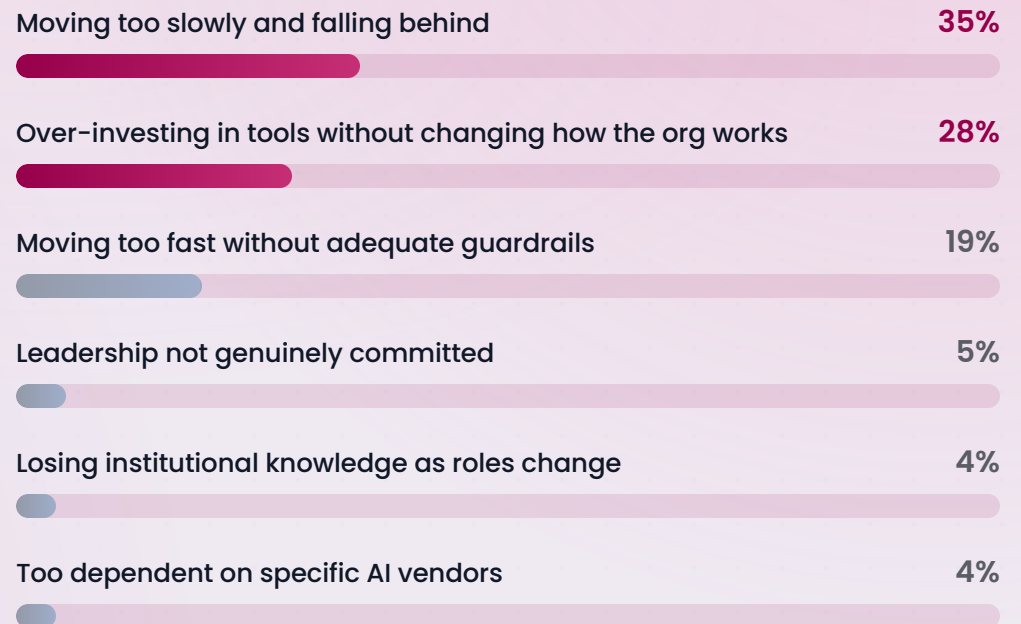
✦ FINDING 09

The biggest risk leaders see is being late

Asked for the single biggest risk in their current approach to AI, product leaders chose moving too slowly nearly two to one over moving too fast.

The warning is in the second answer. Over a quarter see the risk of spending on tools without changing how the organization works, and the fear of being slow is already shaping the next round of tool purchases.

THE SINGLE BIGGEST RISK IN THEIR APPROACH TO AI



✦ FINDING 10

Regulated industries are further behind

In regulated industries (fintech, healthcare, legal, insurance), fewer say AI is strengthening how they work, and fewer describe their operating model as mature before AI.

"A framework to support learning and failing fast, validating expectations in a highly regulated market."

Director of Product · Product & engineering team of 11–50 · Regulated

SAY AI IS STRENGTHENING HOW THEY WORK



DESCRIBED THEIR OPERATING MODEL AS MATURE BEFORE AI



✦ WHAT TO DO ABOUT IT

The next AI investment isn't another tool. **It's a workflow redesign.**

Four moves for product leaders:

01

Redesign workflows before buying tools.

Point AI at the work before the build: discovery, prioritization and review.

02

Turn strategy into rules PMs can use.

Priorities, decision rights, and what AI is and isn't for.

03

Measure outcomes, not adoption. Cycle time, decision quality and customer insight.

04

Train product, design and engineering together on the new way of working. Not separate tool training for each function.



"Adoption is the input, not the goal."

Melissa Perri · Product Thinking Podcast, Ep. 271

HOW WE CAN HELP

Build a product operating model AI can amplify.

The teams pulling ahead aren't building more. They're operating differently. They have a stronger [product operating model](#), and AI acts as a multiplier. We help you build the foundation AI multiplies.

STEP 1



Diagnose

The Product Operating Model Diagnostic shows where your model is working, where it's losing value, and which constraint to remove first.

STEP 2



Plan

In the Product Leadership Accelerator, your leadership team co-designs your new operating model from your own results, as a now, next and later roadmap.

STEP 3



Train

The gaps in your operating model decide the programs. Training is adapted to your plan, your teams, and your context.

STEP 4



Systemize

Our senior practitioners work alongside your teams to make the new way of working a habit, until it all runs on its own.

Find out where your operating model stands.

Start with the Diagnostic >

About this report. 309 product professionals in 40 countries, surveyed April–May 2026. 52% are Director-level or above. Respondents self-selected through the Product Institute and Product Circle communities, so read this as a directional snapshot of organizations already working with AI, not a representative sample. Questions added mid-survey were answered by 269 people, and the extended questions by about 270. Team size is the product and engineering team. Differences between groups are associations, not proof of cause. Co-published with Product Circle. © 2026 Product Institute.