



Leading vs Lagging Indicators in AI Value

The AI Operating Model Playbook

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Opening context

As organisations attempt to measure AI value more effectively, a familiar frustration emerges at executive and board level. Reports are produced. Metrics are tracked. Yet confidence remains uneven.

Some indicators appear promising but feel disconnected from outcomes. Others arrive too late to influence decisions.

This confusion often stems from a failure to distinguish between leading and lagging indicators in AI value creation.

Why this fails in most organisations

Most enterprises default to lagging indicators because they feel concrete and defensible. Financial impact, cost reduction, and productivity gains are tracked once systems are operating.

When lagging indicators dominate too early, AI initiatives appear underwhelming. Value is discounted before it has time to emerge.

Leading indicators, such as adoption, integration, data quality, or decision influence, are often treated as soft signals rather than predictors of future value.

The result is a measurement gap. Leaders lack timely insight into whether AI is on a credible path to impact.

The operating model insight

AI value becomes visible when leading and lagging indicators are used deliberately and in sequence.

Leading indicators reveal whether conditions for value creation are forming. Lagging indicators confirm whether value has been realised.

Confusing these roles distorts behaviour. Expecting lagging indicators too early suppresses learning. Ignoring them too long undermines accountability.

What this looks like in practice

Organisations that struggle with AI measurement judge initiatives prematurely. Funding decisions are made without understanding whether execution conditions are improving.

By contrast, organisations that balance indicators use leading signals to guide investment decisions early. As systems mature, attention shifts deliberately to lagging indicators.

This transition is explicit. Leaders know which indicators matter now and which will matter later.

Measuring AI Value: Leading vs Lagging Indicators

What to measure when — sequencing matters

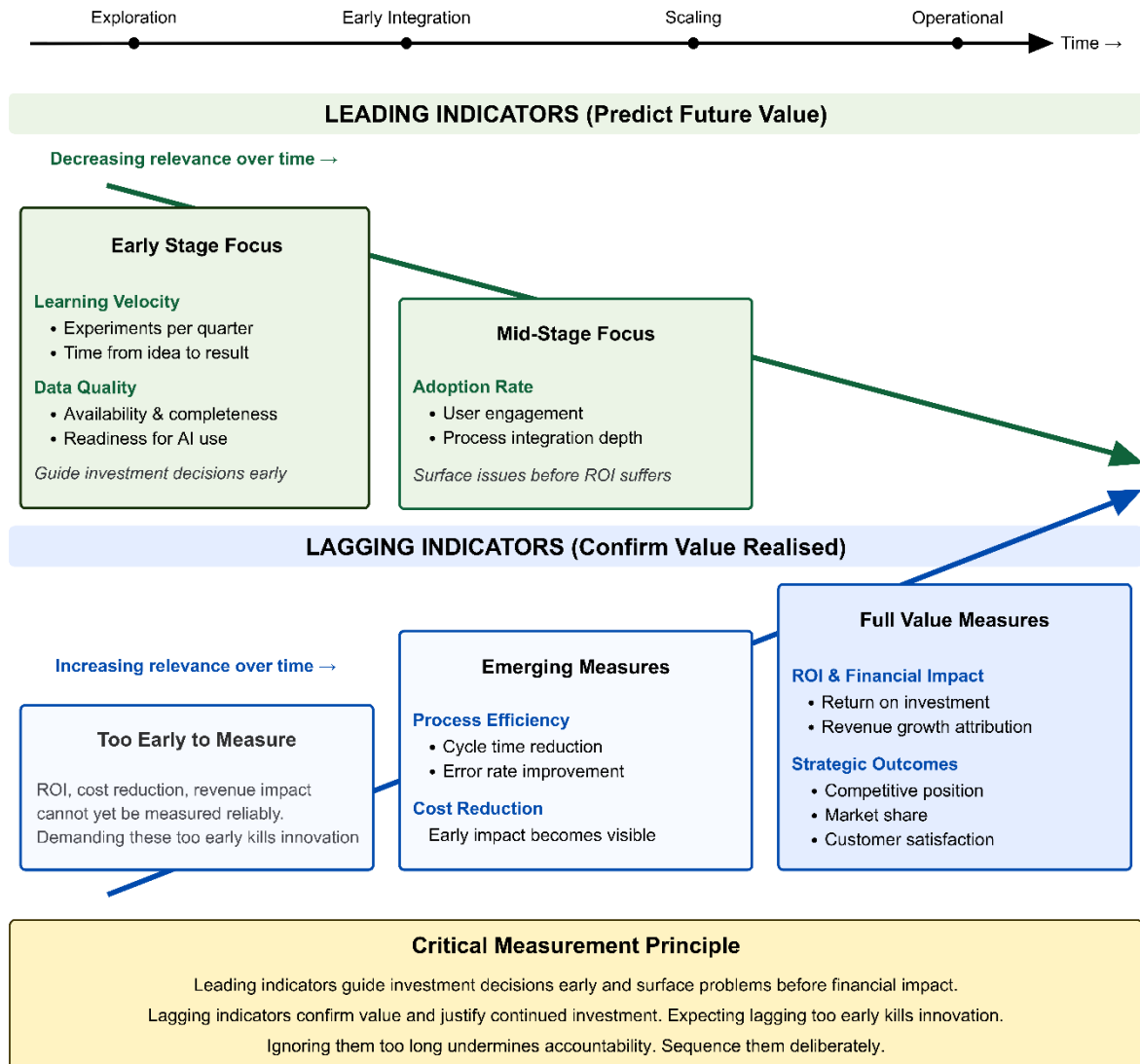


Figure 1: Measuring AI Value: Leading vs Lagging Indicators

Common mistakes to avoid

Treating leading indicators as secondary.

Delaying lagging indicators indefinitely.

Overloading dashboards without interpretation.

Applying uniform indicators across initiatives with different maturity.

What leaders must do differently

Leaders must become fluent in reading AI signals. They should ask which indicators matter now, not demand the same evidence at every stage.

They must communicate clearly with boards about how value will become visible over time.

Conclusion

AI value cannot be assessed through a single lens.

Leading indicators predict whether value can emerge. Lagging indicators confirm whether it has. Organisations that sequence them correctly gain earlier insight and make better decisions.



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