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Digital-Outcome-Driven Metrics for Manufacturing

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4 August 2021

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Published 4 August 2021 - ID G00754518 - 2 min read

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Initiatives: Manufacturing IT Optimization and Modernization; Executive Leadership: Digital Business; Executive Leadership: Executive Transitions; Executive Leadership: Strategic Cost Optimization; IT Cost Optimization, Finance, Risk and Value

> Establishing a framework of outcome-driven metrics is essential to reach a quantifiable business value for technology investments. In this presentation, we provide manufacturing executives with business and technology metrics for increasing the value of IT investments and creating KPIs.

Additional Perspectives

- Summary Translation: Digital-Outcome-Driven Metrics for Manufacturing (12 October 2021)

More on This Topic
This is part of an in-depth collection of research. See the collection:

- Research Roundup for Digital-Outcome-Driven Metricsfor Industries

Manufacturing Digital-Outcome-Driven Metrics Overview

Manufacturing executives can use the outcome-driven-metric examples in this presentation to increase operating margins.

Many executives struggle to measure and articulate the quantifiable value aspects of their technology investments. In order to establish a clear "line of sight" between technology and institutional ("business") outcomes, executives need to build a structured metrics library. In this presentation, we suggest a simple three-layered approach:
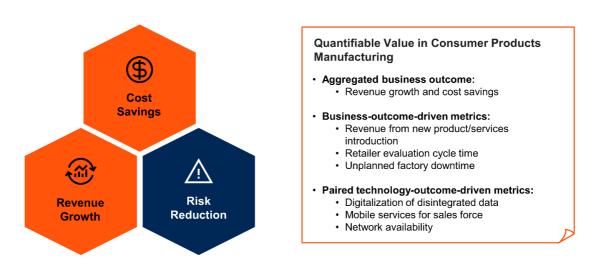
- Aggregated Business Outcomes

- Business-Outcome-Driven Metrics (BODM)

- Technology-Outcome-Driven Metrics (TODM)

This downloadable presentation has five sections:

- Section 1 contains a quantifiable value model that outlines the three primary categories of quantifiable value.

- Section 2 contains a line-of-sight slide with three basic example BODMs and TODMs pairs for consumer goods manufacturers. Six slides explain each of the metrics in a little more detail.

- Section 3 contains a line-of-sight slide with three basic example BODMs and TODMs pairs for industrial manufacturers. Six slides explain each of the metrics in a little more detail.

- Section 4 contains the templates to the slides used in this presentation. These can be used to start building a company-specific metrics library.

- Section 5 contains recommendations and next steps.

Figures 1 and 2 provide overviews of the examples that you will find in the downloadable presentation. This presentation is part of a collected effort by all Gartner industry coverage areas (see Research Roundup for Digital-Outcome-Driven Metrics for Industries). We recommend looking at other industry decks for cross-industry inspiration for metrics.
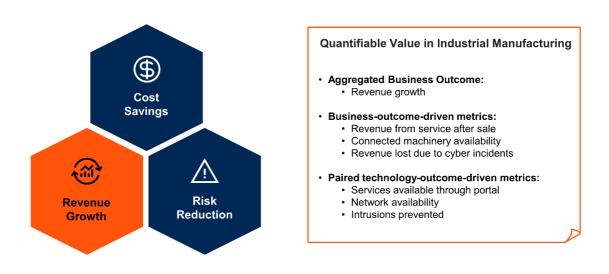
Figure 1: Quantifiable Value in CPG Manufacturing

Quantifiable Value in Consumer Products Manufacturing

- **Aggregated business outcome:**
  - Revenue growth and cost savings

- **Business-outcome-driven metrics:**
  - Revenue from new product/services introduction
  - Retailer evaluation cycle time
  - Unplanned factory downtime

- **Paired technology-outcome-driven metrics:**
  - Digitalization of disintegrated data
  - Mobile services for sales force
  - Network availability

Note: Metrics are examples and not an exhaustive list.

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Source: Gartner

Figure 2: Quantifiable Value in Industrial Manufacturing

Quantifiable Value in Industrial Manufacturing

- **Aggregated Business Outcome:**
  - Revenue growth

- **Business-outcome-driven metrics:**
  - Revenue from service after sale
  - Connected machinery availability
  - Revenue lost due to cyber incidents

- **Paired technology-outcome-driven metrics:**
  - Services available through portal
  - Network availability
  - Intrusions prevented

Note: Metrics are examples and not an exhaustive list.

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Source: Gartner

Often CIOs measure and communicate IT performance in terms that don't resonate with executive stakeholders, such as when IT and business objectives don't align. This leaves them without a seat at the strategic decision-making table, resulting in IT budgets being challenged or driven downward and blocking the organization from achieving its technology-enabled objectives. But CIOs can change that dynamic by using metrics that create an explicit line of sight between IT performance and the business outcomes for which their executive stakeholders are accountable.

The downloadable presentation slides will be useful if you are struggling with a framework for linking business and technology outcomes to which your business partners and you can be held accountable. This is an essential aspect of governance as you and your business partners realign to execute on your digital strategy.

This presentation is not an exhaustive list of quantifiable manufacturing technology metrics. Valuable outcome-driven metrics are situational and company-specific. They take time to develop. The framework and examples are a good starting point, recognizing that as you develop your metrics:

1. They will be situational to your business strategy.

2. They will align to your business and IT operating model.

3. The process will be iterative.

4. You will test their efficacy over time.

5. You will revise them regularly as priorities change.

Recommended by the Authors

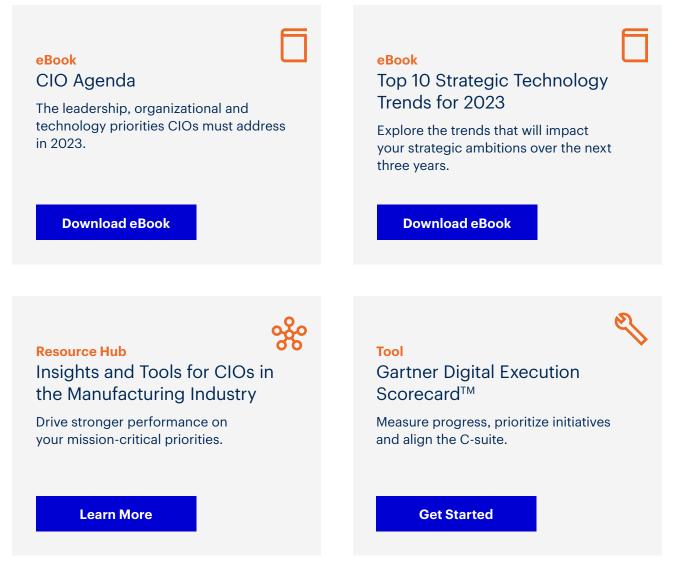Research Roundup for Digital-Outcome-Driven Metrics for Industries

Use Digital-Outcome-Driven Metrics to Quantify the Business Value of Technology Investments

Evidence

Gartner interacts regularly with global manufacturers and solution providers. Their observations, challenges and successes form the primary source data for this research. Additional evidence was obtained from vendors in this space, industry inquiries, previous Gartner research, public sources and direct experience.

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