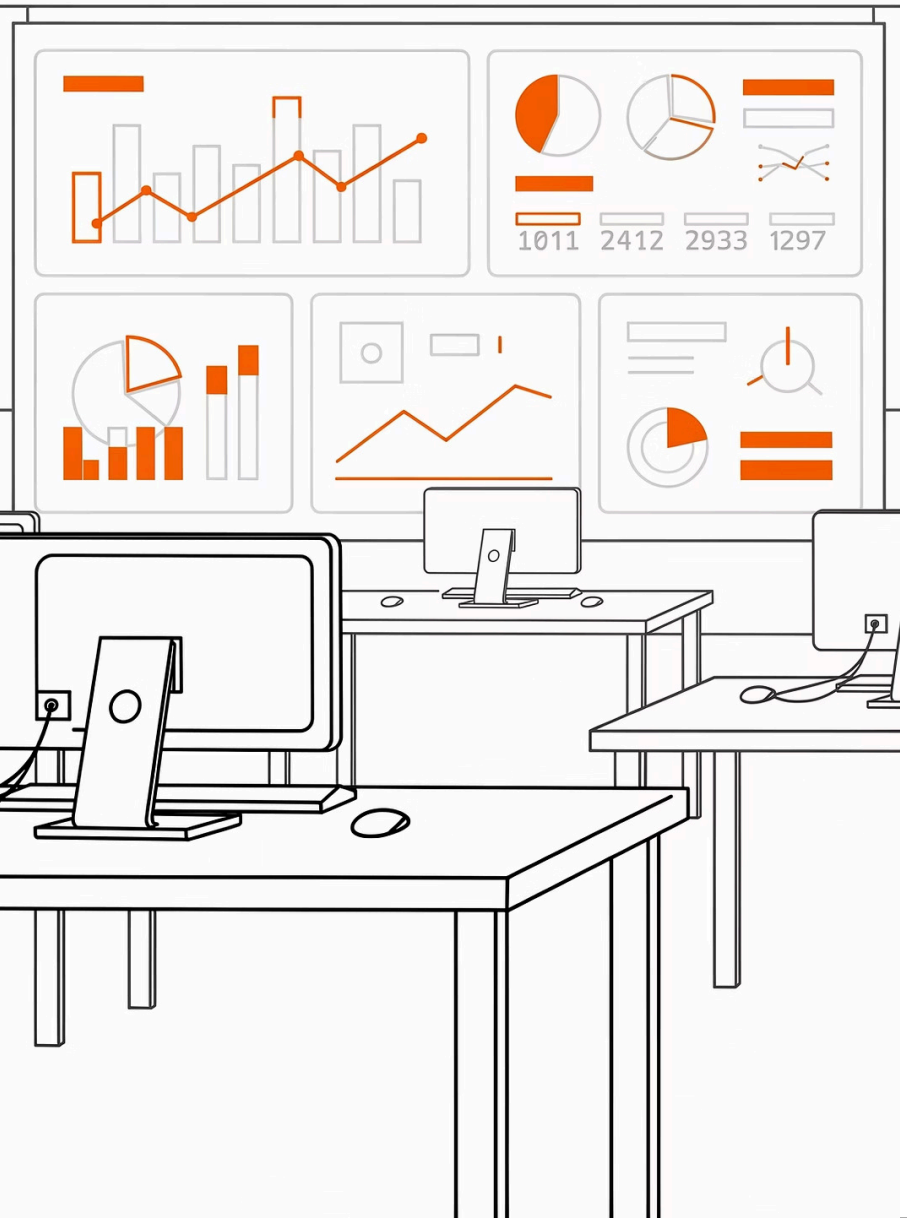


IT Balanced Scorecard: KPI Specification & Implementation Guide

A structured framework for defining, measuring, and governing IT performance across four BSC perspectives — from strategic alignment to future capability building.

KPI Specification Template

For each KPI, explicitly define the following attributes to ensure clarity and prevent scorecard degradation into definitional debates:

Identity

- Name
- BSC Perspective
- Definition / Scope
- Formula (LaTeX)

Measurement

- Unit of measure
- Data source
- Frequency (daily / weekly / monthly / quarterly)

Governance

- Owner (accountable role)
- Target & RAG thresholds
- Segmentation (BU, system, geography)

This documentation is crucial so your scorecard doesn't degrade into debates about definitions instead of performance.

CHAPTER 1

Corporate Contribution

This perspective measures how effectively IT supports and enables corporate strategy and investment decisions.

Objective 1

Improve strategic **Business–IT Alignment**

Objective 2

Manage IT investment **cost-effectively**

KPI 1: IT Portfolio Strategic Linkage

Definition

Share of active IT projects with a documented link to at least one corporate strategic objective, approved by a business sponsor.

Formula

$$\text{Alignment} = \frac{\text{Projects with documented strategic link}}{\text{Total active IT projects}} \times 100\%$$

Specification

- **Target:** ≥ 90% by year-end
- **Data source:** PMO portfolio register, updated monthly
- **Perspective:** Corporate Contribution
- **Frequency:** Monthly

KPI 2 & 3: Benefits Realised & IT Spend Variance

IT-Enabled Benefits Realised vs. Planned

Percentage of planned financial benefits (cost savings, revenue uplift) actually realised after go-live. Links directly to the **financial perspective** of the traditional BSC.

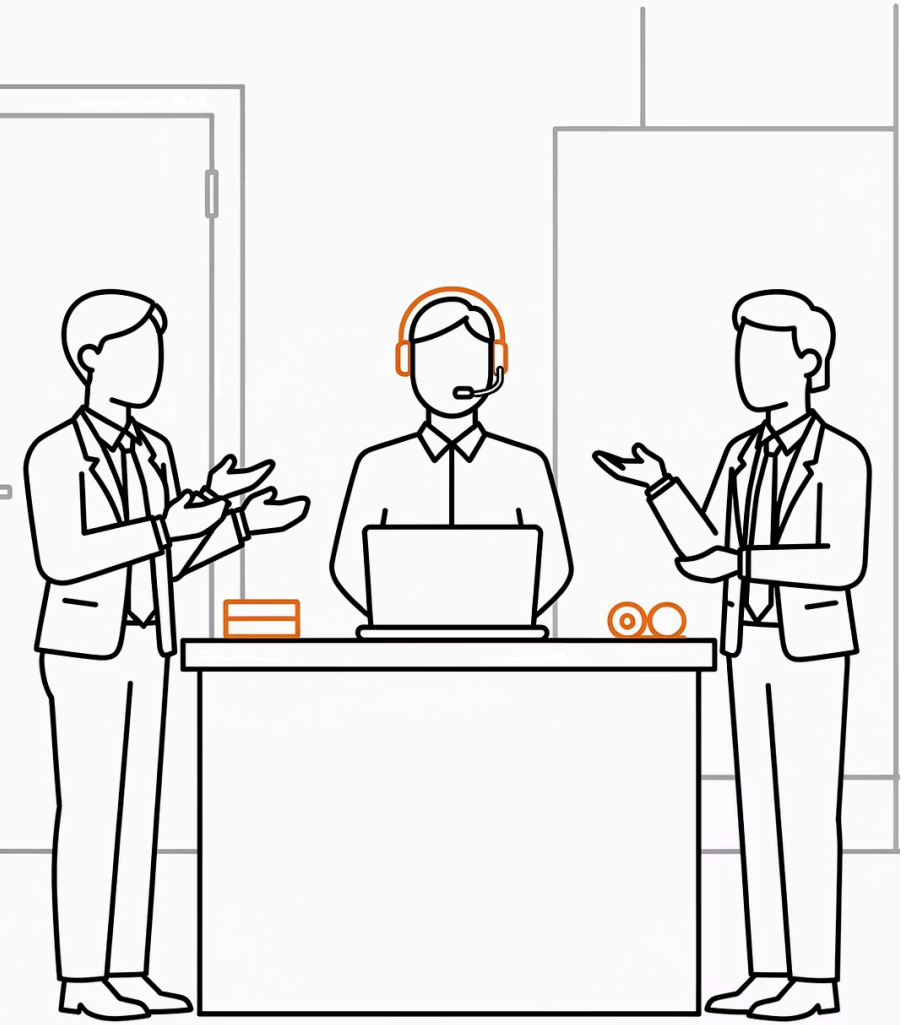
$$\text{Benefit Realisation} = \frac{\text{Realised benefits } (£)}{\text{Planned benefits } (£)} \times 100\%$$

Actual vs. Budgeted IT Spend

Measures cost discipline while avoiding both overruns and under-investment. Mirrors standard IT BSC and project measurement literature.

$$\text{Variance} = \frac{\text{Actual spend} - \text{Budget}}{\text{Budget}} \times 100\%$$

Target: Between -5% and +5%



CHAPTER 2

User Orientation

Objective: Provide service levels in line with business requirements. This perspective captures how IT is perceived and experienced by its end users.

KPI 1: Percentage of Services Meeting SLA

Definition

Proportion of IT services where SLA targets (availability, response time) are met for the reporting period.

$$\text{SLA Compliance} = \frac{\text{Services meeting SLA targets}}{\text{Total services with SLAs}} \times 100\%$$

Specification

- **Data source:** ITSM / monitoring tools
- **SLAs:** Defined jointly with business
- **Perspective:** User Orientation
- **Frequency:** Monthly

KPI 2: User Satisfaction Index

Based on end-user surveys — a standard recommendation for BSC-style IT measurement. Measures average satisfaction across key dimensions: responsiveness, quality, and communication.

$$\text{USI} = \frac{\sum_{i=1}^{n} \text{Score}_i}{n}$$

Scored on a **1–5 scale**. Literature emphasises user satisfaction as a core IT customer/user perspective KPI.

Target

≥ 4.2 / 5

Frequency

Quarterly survey

CHAPTER 3

Operational Excellence

Two objectives drive this perspective: ensuring reliable IT operations and delivering projects successfully.

Objective 1: Reliable Operations

Ensure availability and rapid incident resolution across all IT services.

Objective 2: Project Delivery

Deliver IT projects on time, on budget, and with high quality.

KPI 1 & 2: System Availability & MTTR

System Availability

Standard IT BSC and IT governance indicator for business-critical systems.

$$\text{Availability} = \frac{\text{Agreed service time} - \text{Downtime}}{\text{Agreed service time}} \times 100\%$$

Target: ≥ 99.5% for business-critical systems

Mean Time to Resolve (MTTR)

Fits within "Quality of service" and "IT service capability" measures.

$$\text{MTTR} = \frac{\sum \text{Resolution times}}{\text{Number of incidents resolved}}$$

Target: ≤ 4 hours for high-priority incidents

KPI 3 & 4: Project Success & Defect Density

Projects On Time & On Budget

Directly supported in IT BSC research as a "project success" metric.

$$\text{KPI} = \frac{\text{Projects on time AND on budget}}{\text{Total completed projects}} \times 100\%$$

Defect Density in Delivered Systems

Links to internal process quality; common in IT project performance measurement.

$$\text{Defect Density} = \frac{\text{Number of defects}}{\text{Size (e.g. function points or KLOC)}}$$

CHAPTER 4

Future Orientation

This perspective focuses on building the capabilities and cost transparency needed to sustain IT value over time.

Future Orientation KPIs: Cost Traceability & People

IT Investment Cost Traceability

Percentage of IT spend traceable to services, projects, or business capabilities (rather than "unallocated overhead"). A qualitative/quantitative hybrid from IT-BSC case work.

Training Days per IT Employee

$$\text{KPI} = \frac{\text{Total training days}}{\text{Average It headcount}}$$

Typical "learning and growth" indicator adapted to IT.

IT Staff Turnover Rate

$$\text{Turnover} = \frac{\text{Leavers in period}}{\text{Average IT headcount}} \times 100\%$$

Monitors retention of critical IT competencies.

Setting Targets & RAG Thresholds

Once KPIs are defined, targets must be grounded in evidence. Recommended sources:

External Benchmarks

Industry peers and analyst data — e.g. IT budget as % of revenue, typical MTTR values.

SLAs Agreed with Business

Service level agreements negotiated jointly with business stakeholders.

User Expectations

Collected via surveys and interviews to anchor satisfaction targets.

Historical Performance

Baseline current levels before setting stretch targets to ensure credibility.

Define Green / Amber / Red thresholds for all dashboard KPIs — a pattern recommended across IT governance literature.

Designing Dashboards & Cascading KPIs

The BSC is ultimately communicated through concise dashboards. Key design actions:

01

Build Sub-Dashboards by Area

Investment, Project Delivery, Infrastructure/Operations, Customer Satisfaction, People Development.

02

Single-Page Executive Scorecard

Pick the top 2–3 KPIs per area for a summary scorecard of **10–20 KPIs total**.

03

Cascade from Business to IT Units

Ensure the IT scorecard cascades from the business scorecard down into IT units (service desk, infrastructure, applications).

04

Provide Drill-Down

From each top-level KPI to underlying detailed metrics and trends for root-cause analysis.

Integrating KPIs into Governance & Decisions

A KPI set only has value if it changes behaviour. Research emphasises embedding KPIs into real management processes.

Use KPI Results In:

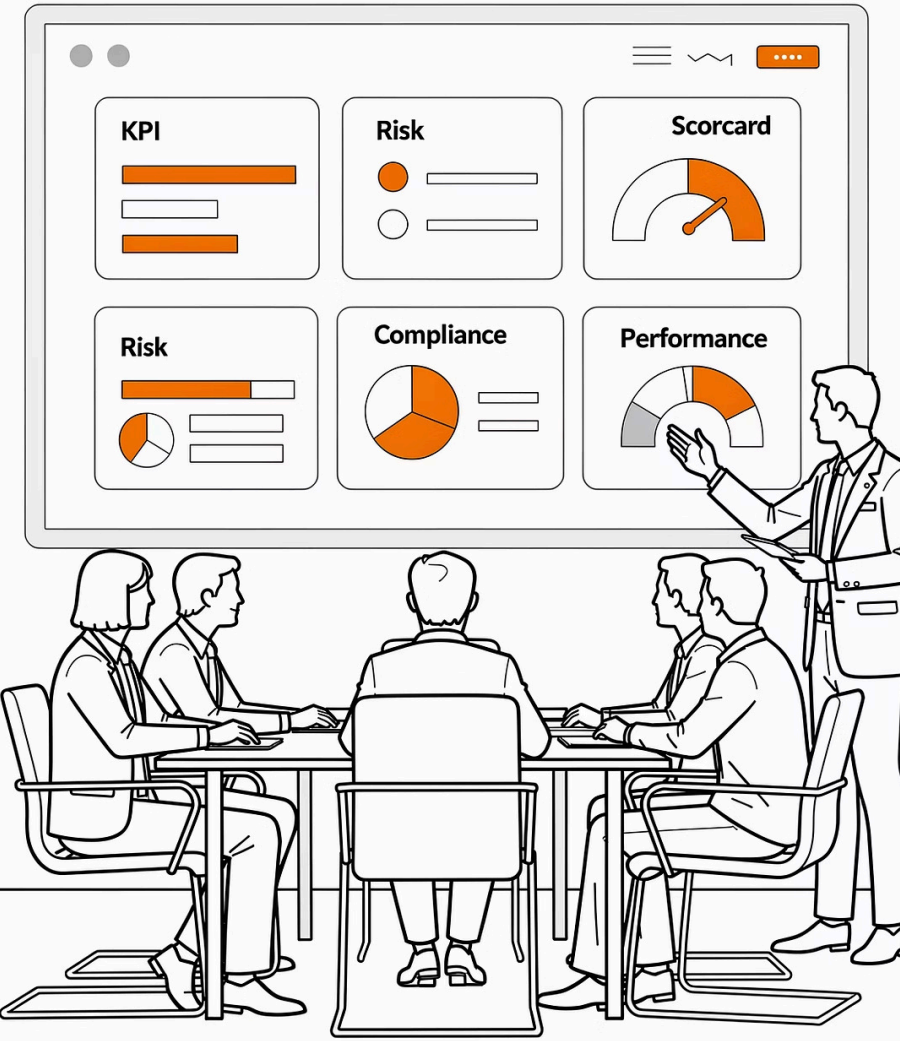
- Investment decisions (start / stop / scale projects)
- Budget cycles and planning
- Continuous improvement programmes

Link KPIs To:

- Management performance reviews and bonuses
- Team / individual recognition (e.g. improved availability or customer satisfaction)

Review & Refine:

- Reassess KPI relevance semi-annually
- Balance stability with adaptation — avoid losing trend data



Building a Scorecard That Drives Performance

A well-specified IT BSC — with clear KPI definitions, evidence-based targets, cascaded dashboards, and governance integration — transforms measurement from a reporting exercise into a genuine engine for strategic IT performance.

Define Rigorously

Use the full KPI template for every metric.

Target Credibly

Ground targets in benchmarks, SLAs, and baselines.

Cascade Clearly

From executive scorecard to operational teams.

Govern Actively

Link KPIs to decisions, reviews, and rewards.