

**THE BALANCED SCORECARD (BSC) APPROACH TO  
PERFORMANCE OF A NONPROFIT IN THE TRANSITION  
ENVIRONMENT: THE CASE OF THE  
COMMERCIAL TRADE UNION OF CROATIA (CTU)**

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**Abstract**

*The paper is based on the Balance Scorecard (BSC) concept, which has enjoyed wide popularity in the profit sector, both as a performance measurement and improvement framework. After analyzing the BSC from the theoretical point of view and positioning it within the framework of the strategic management/marketing process, authors examine the opportunities for the utilization of BSC in nonprofits. The complex approach to determining/improving organizational performance, advocated by the BSC, is linked to the relevant theories, with special attention being paid to the "social" performance of a nonprofit organization. The presented framework is applied to the analysis of a representative nonprofit organization in the transition environment – the Commercial Trade Union of Croatia. This part of the study concentrates both to the issues of implementing the strategy of a nonprofit organization through the BSC framework, as well as managing all aspects of its performance in the specific context of transition.*

## 1. MANAGING STRATEGIC PERFORMANCE OF NONPROFITS

### 1.1. Theoretical Foundations and Specific Issues for the Nonprofit Sector

It is difficult to define what is the essence of strategy – identifying the core purpose/intent/objectives of an organization, defining how to proceed doing business in the future, achieving competitive advantage, choosing a favorable position to defend the future success, building a “fit” with the characteristics of the environment, etc. (cf. Macmillan & Tampoe, 2000, pp. 21-24). However, the idea of *achieving and sustaining exceptional performance* underpins both the ideas of competitive advantage (Alfirević, Pavičić & Vlašić, 2004) and strategy in general, as suggested by the title of a celebrated volume (Porter, 1985).

Therefore, one of the most significant issues in the field of strategy is to **define what (strategic) performance is**, i.e. how it can be defined and measured, in order to obtain a clear indicator of the strategists’ efficiency. The straightforward manner of determining the long-term success of an organization is, unquestionably, related to the *financial outcome* of its activities, providing benefits to the shareholders/owners of capital invested into the organization. Although many fundamental textbooks prescribe the *maximization of wealth (shareholder value)* as the “raison d’être” of a business organization (see, e.g. Salvatore, 1994), the same could be, proverbially, also stated for *maximization/optimization of (annual/3-year/5-year...) profits*. These can be defined either in terms of accounting standards (revenues – costs), or by measuring the “true” *economic profit (Economic Value Added – EVA, as defined by the Stern Stewart Co.)*, obtained by taking into account the cost of capital used by the organization (Grant, 2002, pp 43-44).

Nevertheless, financial considerations do not necessarily reflect the entirety of activities performed by an organization and their success. They are, also, not general enough to fit into the “**generic**” **definition of performance**, being the *capability of the organization to meet the targets/standards, which are established as outputs of the strategic management process* (cf. Johnson & Scholes, 2002, pp. 436-437). There are many perspectives, aside from the financial one, which provide critical information on the long-term (business) performance. These may include, e.g. (1) customer satisfaction and/or brand value, (2) product quality, (3) the product innovation rate, (4) human resource capabilities, etc. (cf. Aaker, 2001, p. 25). Different activities and/or resources possessed by an organization could be tracked as critical to reach the strategic objectives.

Be it based upon customer satisfaction, employee skills, or any other relevant success factor, the model of *measuring strategic performance* is considered to be too simplistic if it does not provide a mutually balanced set of indicators related to (Rejc, 2003, p. 58): (1) past and current performance; (2) performance aspects applicable to shareholders/owners and other stakeholders (such as employees, customers, creditors, wider society, etc.) and (3) financial, as well as non-financial perspectives of (business) success.

The complexity of designing the appropriate performance measurement system is amplified by its role in the strategic process. Namely, with the *variations from the predefined performance standards* serving as a fundamental tool of strategic control (Buble, 1997, pp. 385-386), the inadequate performance measurement could eliminate the feedback provided by the comparison of planned and current strategic outcomes (see Figure 1).

The linkages between the existence of **nonprofit organizations** and the concept of *social responsibility*, i.e. achieving prosperity/quality of life in the community as their primary purpose (Pavičić, 2003, pp. 15-16; 19) "set the stage" for the analysis of their performance. Namely, the notion of the (inevitable) competitiveness within the nonprofit sector (Pavičić, Alfiredić & Renko, 2001), with the motives for such a behavior being related to the fulfillment of social needs (instead of maximizing/sustaining profitability), entail some specific issues in measuring the "nonprofit performance". It is evident that the responsibility toward donors requires a specific form of *financial performance management*, ensuring the efficient allocation of resources to organization's projects and programs, cost control within each of those and, ultimately, financial sustainability of the organization.

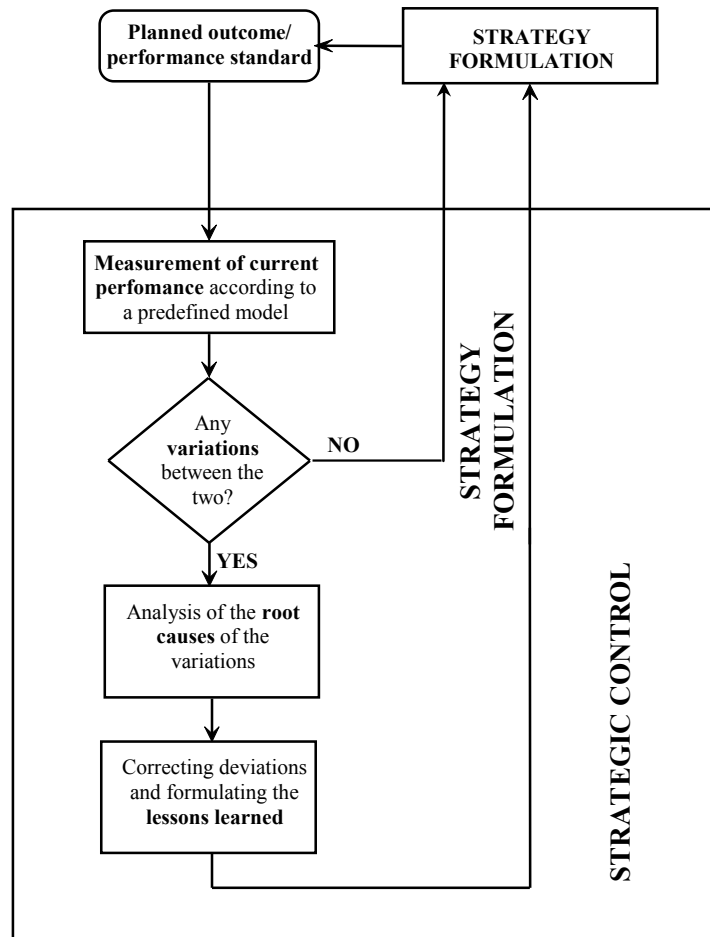


Figure 1. Performance measurement as a feedback link to the strategy formulation (Adapted from: Wheelen & Hunger, 1990, p. 281)

However, the *financial perspective* is, in the case of a nonprofit organization, *not related to its fundamental purpose* - the solving of social problems (which are not being addressed by either market, or state), i.e. enacting the social responsibility in practice. This calls for extensive use of other viewpoints in measuring its strategic success (or failure), as it should be assessed whether the nonprofit *fulfills its mission/purpose*, in terms of *contributing to the society by satisfying the socially relevant needs of its users/customers*. In addition, the increasing requirements toward achieving higher levels of "professionalism" in the nonprofit sector (Pavičić, 2004, pp. 470), including the introduction and development of the marketing and strategic management practices (Andreasen & Kotler, 2003, pp. 499-515), necessitate the *implementation of contemporary performance management methods/tools*, most of which

have been developed in the profit sector (and should, therefore, be adapted to the specific needs of the nonprofits).

## 1.2. The Balanced Scorecard (BSC) Approach to Measuring Strategic Performance of Nonprofit Organizations

There are numerous varieties of performance evaluation methods in nonprofit organizations - ranging from the simple financial project evaluations in grassroots organizations to complex and precise strategy evaluation methods in international NGOs and governmental agencies. Among many, as one of the most promising concepts for performance evaluation of nonprofits, the **Balanced Scorecard (BSC)** could be singled out. It had been developed in early 1990s, in order to solve the problem of performance measurement – primarily in the profit sector (cf. Kaplan & Norton, 1992).

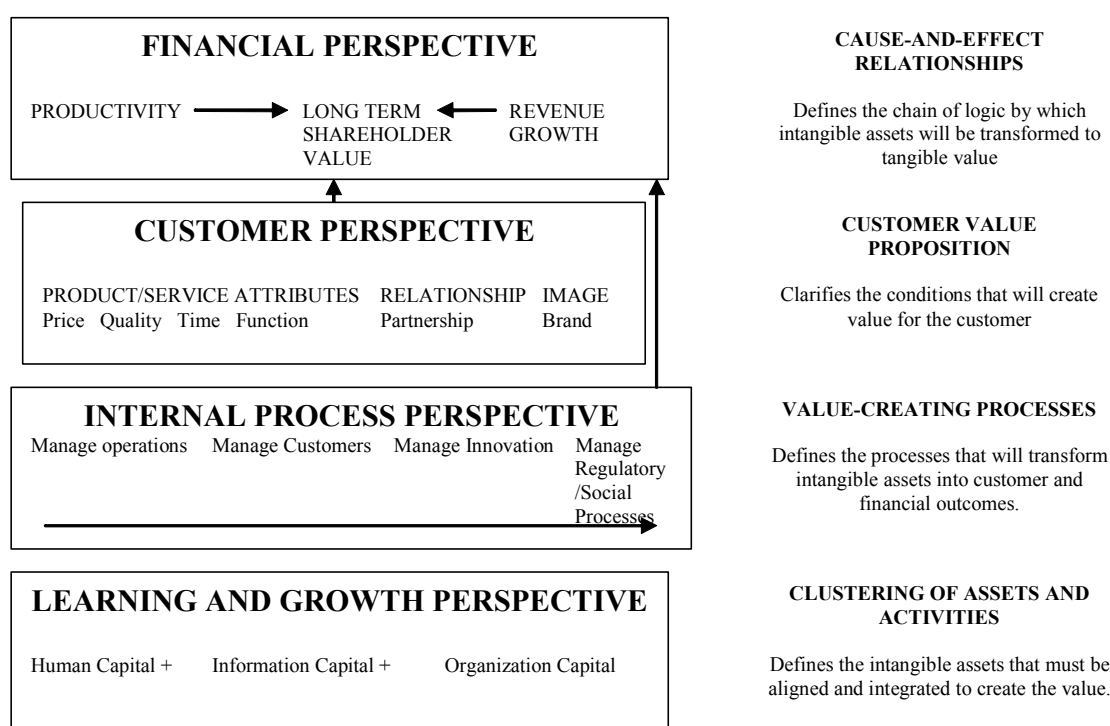


Figure 2. The Balanced Scorecard Framework (Adapted from: Kaplan & Norton, 2004, p. 31)

BSC addresses the already explicated challenges of balancing qualitative vs. quantitative measures of performance, as well as those related to stockholders vs. stakeholders (Johnson & Scholes, 2002, p. 437), by recognizing four distinct perspectives of (business) success (Kaplan & Norton, 1992): (1) *financial success*, related to the potential of the chosen strategy and the capability of the organization to *generate the long-term shareholder value* (measured by different accounting/financial indicators); (2) *customer satisfaction*, indicating how well does the organization meet the customer requirements and expectations; (3) “*quality*” of the *internal organization*, assessed in terms of the business processes, which should adequately serve customers’ requirements; (4) *(organizational) learning and growth (of organizational capabilities and the overall capital – including the human and intellectual one)*, which is associated to the development of human resources, as well as the strategic capability of the organization to innovate and adapt to the changing environment.

The successful implementation of BSC includes the definition of: (1) *objectives within each of the perspectives* (i.e. explication of the chosen mission/strategy in the context of the four perspectives), (2) *performance targets/standards for each of them* and (3) *adequate indicators*, enabling both managers and the non-managerial staff to measure the relevant aspects of strategic performance and track the success of strategy (cf. Staničić, 2002, pp. 37-39).

By the late 1990s, "migration" of the BSC to the nonprofit/government sector was not only exceptional. However, it was widely accepted/adopted in many knowledge-based nonprofit organizations all over the world (Kaplan & Norton, 2001). The abovementioned "migration" is considered to be "*one of the most gratifying extensions of the original concept*" (Kaplan & Norton, 2004, pp. 429).

One of the crucial differences between the profit and nonprofit sectors is the performance evaluation principle used for all derived performance measurement techniques/methods. In addition to financial measures, primarily used in profit sector, the management of NGOs/governmental agencies has to cope with non-standardized problems of comprehensive non-financial measurement/evaluation of activities addressed to all target groups. Some of the modern performance management methods, originating from the profit sector, could be easily, and with few modifications, used in various non-profit organizations as well. But, the original BSC concept was and still is not one of them. The "priority" of financial perspective was very confusing for managers in nonprofit sector, so the whole concept needed to be rearranged.

According to the perceived problems with the implementation in the nonprofit sector, Kaplan and Norton, suggested some adaptations, with the most important "innovation" being the placement of the long-term objectives/mission to the top of the scorecard (see Figure 3).

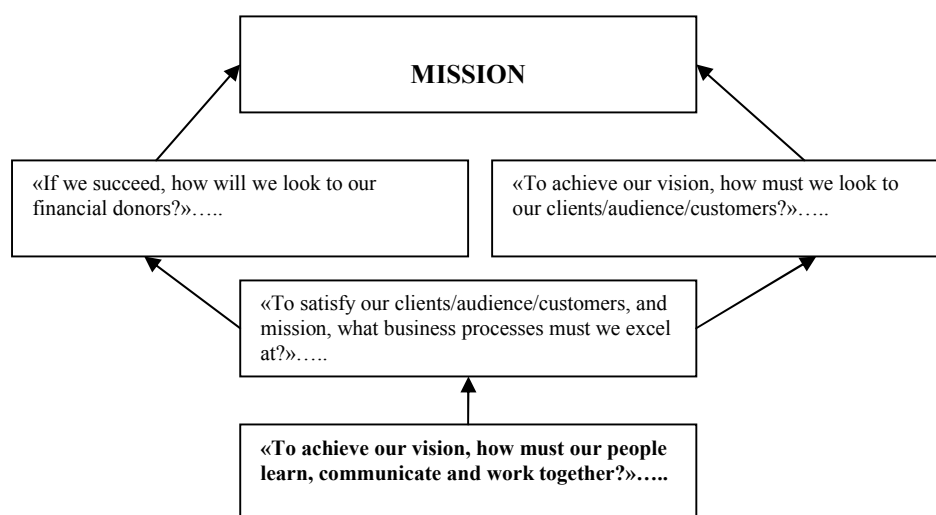


Figure 3. Adapting the Balanced Scorecard Framework to Nonprofit Organizations (Source: Kaplan & Norton, 2001, p. 135)

Concerning the fact that the transition processes in former socialist/communist countries have started in the late 1980s, differences between nonprofit organizations in developed countries (with a long tradition of the "third sector" - both in theory and practice) and transitional countries are reduced to several areas relevant for the implementation of the BSC concept within the context of this paper. The most relevant of those are (adapted from: Tkalac & Pavičić, 2003, pp. 494-496):

- Sometimes the status of nonprofit organizations is abused to achieve some latent political, religious or economic benefits – quite different from the formally declared purpose of the organization;
- In some countries and regions, international nonprofit organizations with abundant resources could generate misunderstanding and distorted perceptions regarding the concept of the “nonprofit” sector. Namely, such organizations could be treated as “cash-cows” offering generous salaries for local people and attract professional - false “do-gooders” wishing to enjoy material benefits;
- Large international nonprofit organizations from developed countries sometimes develop standards based on “Western” traditions and expect these standards to be universally applicable;
- Due to the political/cultural limitations of the context, the effects of the activities performed by the nonprofits could be counterproductive (or perceived as such), which makes the measurement of the *social performance* (i.e. the fulfillment of the organizational mission/purpose) doubtful, if not completely useless.

The abovementioned limitations, which could be considered as one or more of the “*rotten apples in the barrel*”, certainly make the process of BSC implementation in the nonprofits in transition a complex and challenging task. However, the case evidence from the *Commercial Union of Croatia (CTU)* demonstrates the usefulness of BSC – both in developing the strategy, as well as in managing the everyday operations of a nonprofit organization, functioning in the environment/context of transition.

## **2. CASE EVIDENCE OF BSC-BASED PERFORMANCE MANAGEMENT FROM THE TRANSITIONAL ENVIRONMENT: THE COMMERCIAL TRADE UNION OF CROATIA**

### **2.1. Commercial Trade Union of Croatia “ID card”**

*The Commercial Trade Union of Croatia (CTU)* was founded in 1990 as a non-profit and non-governmental organization of workers employed in the trade industry. The Commercial Trade Union of Croatia is a founder and member of the largest Croatian union confederation – the *Alliance of Independent Unions of Croatia (Savez Samostalnih Sindikata Hrvatske – SSSH)*, consisting of 22 member organizations. CTU is also a member of the *International Union's Federation of Trade Unions - UNI NETWORK*.

In November 2004, the Commercial Trade Union of Croatia had approximately 25,500 members employed by:

- Croatian employers engaged in wholesale and retail sale,
- multinational trade chains,
- employers selling and servicing motor vehicles,
- employers with registered crafts (kiosks, little shops, boutiques) and
- other employers in the trade industry.

In order to promote the rights of workers in the sector, CTU participates in the process of defining regulation relevant to the material and social rights of workers, negotiates collective contracts, provides legal counseling and representation, organizes actions/campaigns, in order to draw attention of the public to social problems in the society, or in specific companies, etc. Although the users of basic CTU services participate in financing the organization by paying a membership fee (1% of gross salary), CTU is, sometimes, supported by other organizations

and institutions (e.g. the Croatian Association for Customer Protection) - mostly by receiving legal and economic advice.

The beginning of the transition period has put great challenges before the union. Its environment has entered the relentless process of changes, as the transition demanded the transformation of the socialist economy. The union was enticed to change according to this environment in an active and positive way. However, the effects of the changed environment have not always been positive. E.g., privatization had been the cause of failure for many companies in the trade sector, thus causing the CTU to lose a significant number of union members. The adverse political and economic climate, globalization and the anti-union mood of employers have made it difficult for the CTU to achieve its goals. In addition, the global challenges, such as the increased capital mobility and agendas of multilateral economic institutions (International Monetary Fund, World Trade Organization, etc.) have decreased the influence of governments to their national economies, with declining chances for workers to put pressure on the government as an actor guaranteeing social and economic equality (Clements, 2004, p. 15).

## 2.2. Strategic and Organizational Foundations for the Performance Management

The CTU had realized its responsibility to proactively respond to the pressures and threats from the environment, as well as to better manage its potentials as an efficient, democratic, dynamic and social organization. As a non-profit organization, the organizational structure and processes of the union and the purpose of its strategic planning process - are, to a great extent, different from those in the profit sector. This requires that a considerable attention is paid to the strategic management process, as it directly affects its future and survival in the society. In addition, all the "operative" activities of CTU are derived from its strategy, which makes it easier to accomplish its goals, define the desired image toward the users and partners and determine the "competitive" position toward other unions.

The strategic plan enables the union to manage and efficiently use its resources and strategic capabilities, as well as to ensure the better "fit" between the characteristics of the organization with the challenges from the environment. There are additional benefits of the strategic process, which, for the case of a union, translate to (Clemens, 2004, p. 34):

- the need to better respond to the needs of their members,
- determining what its future activities/programs will be,
- overcoming the decision-making crises,
- determining priorities and handling critical issues,
- helping decision-makers deal with specific problems and
- ensuring that the programs meet the budget.

The **strategic perspectives of managing performance** at CTU are based on the **vision** of its role in the Croatian society (*"The Commercial Trade Union of Croatia will remain the strongest trade union in the country and provide the highest standards of economic, social and political justice for our members and their families"*) and the **mission/core purpose** (*"The union's mission is to construct an active, independent and strong organizational network through comprehensive initiatives for promotion of trade workers' rights, economic and social justice"*). Therefore, the "bottom line" of all the activities performed by the CTU employees refers to the **values** arising from the strategic understanding of the organization's role in the Croatian society. Those include: *fairness, dignity, equality and solidarity*.

The performance levels, defined by the *strategic objectives* of the organization, depend on a range of factors, related both to the resources/capabilities of the CTU and the challenges from its environment. Those are best captured by the “traditional” analysis of CTU Strengths/Weaknesses/Opportunities/Threats (SWOT), presented by Figures 4 and 5.

The strategic objectives, set during the past two years, are covering a wide range of areas significant for the future CTU’s success, including:

- Developing a system for measuring the efficiency of union representatives’ and members’ satisfaction;
- Developing the Commercial Trade Union of Croatia education system;
- Attracting younger workers to the Commercial Trade Union of Croatia;
- Supporting the “no work on Sunday” law in Croatian trade sector (“Free Sunday campaign”);
- Negotiating adequate collective contracts;
- Redesigning own Web pages.

	STRENGTH		Neutral	WEAKNESS		IMPORTANCE		
	++	+		-	--	Large	Medium	Small
Marketing								
1. Organizational reputation	✓					✓		
2. Market share		✓				✓		
3. Service quality	✓					✓		
4. Affordability of the membership fee			✓			✓		
5. Presence “on the field”	✓					✓		
6. Promotion efficiency		✓				✓		
7. Efficiency of acquiring new members			✓			✓		
8. Innovation efficiency		✓					✓	
9. Coverage of companies in trade sector	✓					✓		
10. Campaign "Free Sunday"	✓					✓		
11. Campaign "New workers - new CTU members"	✓					✓		
Finance								
12. Assets					✓		✓	
13. Cost management			✓			✓		
14. Financial stability			✓			✓		
15. Amount of donations in revenues		✓					✓	
CTU services to its users								
16. Quality of required CTU assets	✓						✓	
17. Capabilities of CTU employees	✓					✓		
18. Meeting deadlines	✓					✓		
19. Technical capability/equipment		✓					✓	
20. Collective agreements		✓				✓		
Organization								
21. Users’ age structure				✓		✓		
22. Management vision	✓					✓		
23. Employee motivation	✓					✓		
24. Adaptability/Adequacy	✓					✓		
25. Strategic planning		✓				✓		
26. Volunteer education				✓			✓	
27. Employee education	✓					✓		

Figure 4. Strategic analysis of CTU’s strengths and weaknesses (Source: CTU)



The objectives are to be reached by implementing the following actions:

- Creating a questionnaire, selecting methods and the sample for monitoring the level of union representatives' success and the users' satisfaction with the services provided. The union's service quality has to be improved on the basis of the data obtained.
- The knowledge of workers' rights should be improved, both at the level of union representatives, as well as members, by creating adequate promotional material and by carrying out an educational program.
- Fundraising to cover the costs of the educational program's development and implementation.
- Developing the union's group of experts for the implementation of the educational program.
- Creating a more efficient new member acquisition process by leveraging the resources of the union confederation (SSSH) to which the CTU belongs.
- Building alliances for the "Free Sunday" campaign.
- Establishing teams of union's experts for collective bargaining.
- Fundraising to cover the costs of redesigning the Web pages.

	OPPORTUNITY		Neutral	Threat		Importance		
	++	+		-	--	Large	Medium	Small
1. Legal system efficiency					☑	☑		
2. Strategic partners' competence for cooperation	☑					☑		
3. Effects of union services	☑					☑		
4. International cooperation	☑					☑		
5. Significant amount of non-membership in individual companies	☑					☑		
6. Competition increase				☑			☑	
7. Change of regulation	☑				☑	☑		
8. Globalization				☑		☑		
9. Lock-outs					☑	☑		
10. Unemployment				☑		☑		
11. Employment in "gray economy"					☑		☑	
12. Employers' evasion of law regulation					☑	☑		
13. "Anti-union" mood of employers					☑	☑		
14. Recession				☑			☑	
15. Internet and mobile technology development	☑						☑	

Figure 5. Strategic analysis of threats and opportunities in the CTU environment (Source: CTU)

By the end of 2005, the member database, located in the central office should be made accessible to regional offices over the Internet, in order to provide efficient records, reduce the time needed for a user's identification check and make it easier to provide legal and other expert support on the regional level.

As mentioned in the previous section of this paper, the measurement of strategic performance depends on many factors. According to the non-profitable character of the CTU, the financial success – although important – is not the focal point of its performance management process, which takes into consideration the indicators relevant to: (1) "intangible" factors of business

success and (2) social aspects or organization's activity. According to the BSC-based performance measurement methodology, CTU continuously monitors the four perspectives of its success: (1) the efficiency of its organizational processes, (2) satisfaction of its users, (3) financial sustainability of the organization and (4) development of its perspectives and intellectual capital.

### **2.3. The Internal Processes Efficiency Perspective**

The CTU motto is related to *continuous growth*, without affecting the responsiveness to the user needs and the service quality. Therefore, the *employee knowledge and decentralized organizational structure* could be singled out as the fundamental "levers" of meeting users' demands and requirements.

The CTU is organized at three levels: (1) at the level of the union's representative in individual companies (union chapters) employing the CTU members; (2) at the level of regional offices (located in Split, Osijek, Rijeka and Zagreb); (3) at the level of the central office in Zagreb. In addition, CTU uses the services, office space and informal networks of its parent union confederation SSSH, which helps to provide fast and high quality service to the end users.

Each *union representative* is responsible for continuous monitoring of the implementation of collective agreements, the Labor law and other regulation for all members of the Commercial Trade Union of Croatia in his/her company. The representative also takes care of implementing adequate workplace protection measures. The union representative daily communicates with the union members about the problems they encounter on the workplace, as well as reports and/or takes actions to ensure workers' rights protection. He or she also recruits new members, participates in collective negotiation and regularly reports all the agreed performance data to the CTU regional office or to the central office in Zagreb. It is important to mention that the union representatives in local chapters are not employed by CTU – they are both "ordinary" members/users of the union services, as well as volunteers representing the union and carrying out the activities/processes related to the union work. This makes the measurement and management of organizational performance at the operative level an especially challenging task for CTU.

Executive secretaries of *regional offices* are accountable for providing legal advice and other help to members, as well as for monitoring and coordinating the work of the union's representatives in individual companies. Regional offices acquire all needed data about members, companies and necessary activities from the member database at the central office (delivered by postal service and/or e-mail). The data is also corrected and updated on the basis of the current information "from the field". These offices also conduct collective negotiations with the most influential regional companies in the trade sector, serving as benchmarks to other employers.

Workers at the *central office* quarterly administer a questionnaire, asking representatives in each company/union chapter about user fluctuation, collective agreement implementation and measures for protection at work. Besides determining general trends, this measure points out local/regional problems which have not been identified at the appropriate (lower) levels of the CTU organizational structure. These issues may include a negative trend in member fluctuation, unfavorable union member/non-member ratio, fee evasion, formal mistakes of union volunteers and professionals, methodical violations of work and union rights by the

employer, discrimination of the union members, etc. The central office staff also organizes and coordinates activities of the regional offices, executive secretaries and other parts of the CTU structure, formulates the strategic plan and manages resources and costs. Velocity and efficiency of the central office administrative activities depend on the efficiency of the CTU's business process. Therefore, information must be transparent and available to all employees of the entire organization, while the unnecessary activities (and even jobs) are simplified and/or eliminated.

#### **2.4. The Users' Satisfaction Perspective**

The CTU central office maintains a centralized membership database, which provides a fast access to all relevant member data (basic data, record of a member's contact with the CTU, special notes regarding help provided to the member, etc.). The records of former members are also kept, because experience has shown that many former members re-join CTU. The reasons for which members decide to cancel their membership are also analyzed. If the subjective oversight of the CTU (such as the negligence of the union's representatives) is deemed to be the problem for the lost member, the problems/misunderstandings are resolved as quickly as possible.

The users' satisfaction goals are measured by the adequate efficiency indicators of what the CTU has accomplished, usually being constructed in terms of the ratio of the amount invested vs. the benefits achieved. Such performance measures provide an adequate basis for the appraisal of projects and programs conducted by the organization (e.g. the costs of additional member recruitment are usually compared to the increase of the new members' fees). Such "small" performance evaluation activities steer the everyday activities of the CTU toward the results needed by its users, such as the better education and training, better working conditions, etc. In addition, the formal quarterly evaluations are being held. Those include administering the users' satisfaction questionnaires, direct telephone interviews with union representatives and analysis of the users' calls to the free phone of the SSSH union confederation. The union policy is that the *service mishaps affecting the satisfaction of union users are resolved, at latest, within 24 hours*.

The standardized reports of the union's representatives concentrate on the analysis of relationships among the performance measures relevant to this perspective of the organization's success, including: (1) the number of new members vs. reasons for leaving the union, (2) the number of overall members vs. the amount of fees being paid, etc. CTU also monitors the compliance with the collective agreements at all levels, which especially applies to the correct accounting of the number of working hours (including Sundays, overtime, holidays, second shifts and work in other specific time, which has to be additionally compensated, according to the collective agreements). In case that a company does not fully compensate its employees, the CTU determines the unpaid part of the salaries and provides legal assistance and representation at the court of law, as well as cooperates with the relevant state institutions.

On each reporting occasion, the employees and volunteers are asked to provide feedback about the users' needs and recommendations for further activities. Such information is used to establish whether the current strategy is working well for the end users and, if necessary, to improve the current activities/campaigns and reestablish the priorities. All the changes to current plans and activities address the following questions: (1): what is the cause of the change, (2) what are the changes to the previous plan and how should they be introduced, (3)

who is responsible for such an action, (4) what is the new schedule of current activities, and (5) should the evaluation metrics/procedures remain the same (and why).

The main reasons for membership cancellations are the bankruptcies of companies in the trade sector, retirement, transfer to companies in other sectors and dismissals from the workplace<sup>1</sup>. In addition, more than 80% of all new jobs in the sector in 2004 had been time-limited, which additionally increases fluctuation on the labor market in Croatian trade. Dissatisfaction with the service provided by the CTU is ranked only as the fifth reason for the users canceling their union membership, which could be considered as a satisfactory performance level. In addition, in 2004 the number of newly recruited members became larger than those leaving membership, in spite of the “booming” workforce fluctuation in the sector.

Within each program/campaign organized by the CTU, the members are also being contacted on regular basis (by phone, SMS messages and/or e-mail). In this manner, more specific information on workers’ problems and the union representatives’ work is collected. If such an analysis shows that the users/members of the CTU are unsatisfied with their union representative, the union initiates a meeting of the union members, providing the members an opportunity to appoint a new union representative. Otherwise, the “regular” changes of the representatives and/or union committee at the local level take place every four years by a majority of members’ votes. The individual members can also accept and/or reject the financial report, the financial plan for the following year and the report of activities conducted in the local union chapter.

## 2.5. The Financial Sustainability Perspective

Taking into account the *social purpose* of a non-profit organization, the financial performance management is, primarily, directed toward ensuring the *long-term sustainability* of the organization. The individual members’ union fees are the main source of the CTU revenue. Since revenue is proportional to the number of users, the CTU's financial stability is directly related to its performance in achieving users’ satisfaction. The central office analyzes the payments/non-payments of membership fees on a monthly basis, with the single members, local union chapters and regional offices being checked for accurate fee collection. There is also a formal late fee collection process. In addition, CTU also formally budgets the revenue for the next period(s) by analyzing the current trends in fee collection and consulting the Croatian Statistical Institute data/forecasts on average salaries in the trade sector.

The other significant source of revenue is the direct donations to CTU. Nevertheless, in 2001-2004 period, donations have participated in annual revenues by, in average, only 5%. Their main source were the unions of the developed EU countries – mostly coming from the funds for financing common activities/programs of unions from EU and countries from Central and Eastern Europe. For instance, the donations can be used to recruit union members in multinational trade companies, finance the “Free Sunday” campaign (together with the EU-based unions running such campaigns in their countries), carrying out educational programs for the union representatives and its members, etc.

However, *fundraising* is being conducted by CTU on daily basis. It is based on international cooperation, including the cooperation within the World confederation of unions in trade sector (*UNI-Commerce*). Donors' contributions and associated project costs are monitored

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<sup>1</sup> CTU strives to maintain membership of the unemployed members and provides additional services to them (education, reduced membership fee payment, etc.).

separately, in order to facilitate the necessary reporting processes. In 2005, one of the CTU strategic goals is to develop partnerships in two new educational projects with trading unions of the developed EU countries.

The costs are controlled by means of "traditional" budgeting, providing information on the deviations between the planned and actual expenses. Fundamental budget checks of current operations are conducted regularly twice a week. As a "rule of the thumb", the expenses are kept on the level of 90% of the planned current revenues, in order to ensure the positive cash flow. The long-term financial control is performed on the level of the CTU management board, being in charge of assessing both the overall strategic plan and the financial/accounting reports for the previous year. The Board also reviews and accepts the strategic and financial plans for the following year(s). The financial accounting practice of the organization, serving as a basis for semi-annual financial reporting (by means of a balance sheet and a P&L report), is prescribed by the Croatian regulation on accounting in nonprofits.

## **2.6. Learning and Growth Perspective**

The only CTU professional staff includes employees in regional offices (executive secretaries/lawyers) and five staff members in the central office. As already mentioned, the majority of the "front line" staff – the union representatives – are, simultaneously, unpaid volunteers and end customers/users of the union services. Only a minor part of the union's representatives are employed in its local chapters (mostly in the largest Croatian trade company *Konzum*). Additionally, the CTU professional staff cannot influence the election of representatives in local chapters, as those are elected by the local union members.

However, both employees and volunteers are expected to continuously follow the novelties in work-related legislation, actively participate in educational programs, develop their communication and negotiation skills and maintain a flexible approach in providing services to their users. This is facilitated by the optional (but highly recommended) education program for union representatives, organized by the Centre for Industrial Democracy of the SSSH union confederation and paid for by the local union chapter. All the union representatives are also offered the opportunities to participate in specialized further education programs, related to the specific relevant issues (e.g. workplace safety, workers' participation in decision-making, collective negotiation, etc.).

The performance appraisal system is not fully implemented on all levels of CTU, which can be attributed to the small size of the organization. It is deemed that multiple feedback and other forms of informal appraisal are adequate for this purpose. The CTU motivates its employees/volunteers by encouraging the excellence with continuous education and improving the work environment, while the direct financial awards (compensations) are not considered to be of special importance. CTU rather financially supports acquisition of new skills; e.g. in the fields of improving foreign languages, computer and administrative classes, communication and negotiation training, etc. Such a policy is, once again, reflected in the quality of negotiated collective agreements, being directly linked to the end users' satisfaction perspective. The operative data measurement shows a correlation among employees' and volunteers' knowledge, CTU growth and user satisfaction level, which enables the organization to adjust its strategic plan to the requirements of the dynamic environment.

## 2.7. Instead of a Conclusion: Some Benefits of BSC-based Performance Management in a Nonprofit Environment

The adequate multi-dimensional performance management framework, closely aligned to the strategic management process, maintains the balance between competence and the environment, as well as ensures adequate asset allocation. The interaction of these two elements keeps CTU “on track” toward achieving the core purpose of the organization, i.e. what CTU wishes to become. In order to maintain and improve the achieved level of excellence, in its performance management program, CTU addresses the questions important for its members, especially in the fields of influencing political process(es) and providing advocacy services related to the improvement of social rights. The most important *benefits of implementing strategy by means of a BSC-based performance management system* could be, therefore, identified as *increased transparency, less sensitivity to crises and successful focusing on the fundamental drivers of the “social” success and long-term sustainability* (in “competitive” and financial terms).

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