

## Chapter 7

# Applying Balanced Scorecard in Non-Government Organizations

**Marek Ćwiklicki**

*Cracow University of Economics, Poland*

### ABSTRACT

*The purpose of this chapter is to present the application of Balanced Scorecard among non-governmental organizations. The limitation to this type of non-profit organizations is justified by their specificity in respect of such institutions as governmental agencies. Notwithstanding the fact that the main narration is subordinated to NGOs the text also contains references to other organizations. The premise of placing these threads is the fact that the literature on this subject, in relation to the use of BSC in non-profit organizations, includes them together. The chapter ends with discussion of basic benefits concerning the application of BSC in non-governmental organizations.*

### INTRODUCTION

The purpose of this chapter is to present the application of Balanced Scorecard (BSC) among non-governmental organizations (NGO). NGOs create the third sector which consists of “organizations whose primary objectives are social rather than economic” (Hudson 2009, p.15) such as: charities, religious organizations, arts organizations, community organizations, campaigning organizations, trade unions etc. The BSC can be shortly defined as “a tool used to quantify, measure, and evaluate on organization’s input, activities, outputs, and outcomes” (Anheier, 2005, p.200) or “management framework that translates an organization’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system” (Kaplan & Norton, 1996; Radnor & Lovell, 2003). The limitation to this type of non-profit organizations is justified by their specificity in respect of such institutions as governmental agencies. Research question refers to adapting BSC to NGO’s specific and provide examples of such adjustment. Notwithstanding the fact that the main narration is subordinated to NGOs the text also contains references to other organizations. The premise of placing these threads is the fact that the literature on this subject, in relation to the use of BSC in non-profit organizations, includes them together. Differences are shown at the level of detailed presentation of case studies.

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This part of the monograph is composed of the following sections. In the first place it presents the special character of strategic management in NGOs. This fragment introduces and justifies the use of long-term planning and implementation of strategic goals. The next point presents methodological grounds of strategic management in reference to NGOs along with discussed issue of performance management. Taking into account the main topic of the chapter, the latter thread is the key for effective management of non-governmental organizations. Recently this issue has gained support as a result of several methodological solutions which were prepared and which try to meet increasing social requirements in respect of NGOs. BSC was broadly characterized along with an auxiliary method being the strategy map. The point ends with discussion of measures concerning performance measurement. The further part of the study presents proposals concerning BSC modification for the purposes of NGOs management taking into account the justification for methodical changes for other non-profit organizations. The latter part of chapter is an example of BSC application for the selected NGOs. The chapter ends with discussion of basic benefits concerning the application of BSC in non-governmental organizations.

## **SPECIFICITY OF STRATEGIC MANAGEMENT IN NON-GOVERNMENTAL ORGANIZATIONS**

Since the 1990s, the strategic management started to appear in the sector of non-governmental organizations. In Great Britain it was estimated that as much as 84% of charity organizations applied or intended to apply methods of strategic planning (Lynas & Ritchie, 1995, p. 274). Changes which took place since those times, including mainly the limitation of time horizon of plans to three years caused concentration on defining priorities and general action plans (Hudson, 2009). In consequence, solutions in the field of strategic management dedicated to the third sector were shaped. Performance measurement was also associated with the strategy which “emphasizes the customer perspective, measures performance against goals and targets, and incorporates measurement systems in other management processes in meaningful ways” (Poister, 2003, p. 9).

For this reason the identification of the specific nature of non-governmental organizations operation gained specific meaning and it determined generation of the solution in the field of strategic management. The key conditions include the environment in which these organizations operate (especially the internal environment) and performance measurement.

The importance of the environment emphasizes the possibility to cause fundamental changes in the organization (Ross & Segal, 2002). It is connected mainly with stakeholders, being the most important elements of the internal environment for NGOs. The stakeholders, and thus groups which are interested in functioning of a given organization include: donators, donors, government, volunteers, other competitive non-governmental organizations and taxpayers. The pressure of the environment may result in change of the organization policy implementation and in consequence the modification of strategic goals.

The most difficult element in formulating the strategic goals is the estimation of benefits, costs and the risk of implementation of specific activities. Performance measurement is also problematic owing to accepted evaluation criteria, including unfunded ones. In addition diverse business profile of a non-governmental organization may lead to the conflict between performed strategic goals. Variable environment may force the application of activities which are not considered in the strategy. As a result appears the fragmentation of activities and the risk of their lower impact on the success of the organization. The basis which should bind these activities is the strategic management.

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