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PERFORMANCE MEASUREMENTS IN A CHINESE LABOR UNION

– UNIQUENESS & RELATIONS TO THEORIES –

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ABSTRACT

Title: Performance measurements in a Chinese labor union – Uniqueness and relations to theories

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Key words: Performance measurement system, BSC, Agent/Principal theory, Institutional theory, Labor union

Purpose: The purpose of our thesis is to explore and analyze the performance measurements adopted in a selected labor union in China. Through the general comparison with Swedish labor union system, a better picture of Chinese labor union organization system will be obtained. We will focus on analyzing the selected labor union's performance measurements in accordance to the models and theories applied from the BSC, agent/principal theory and institutional theory. A discussion is conducted about why these measurements are chosen by the interviewed organization to fulfill their goals as well as if the indicators manage to realize the objectives.

Methodology: In order to realize the purpose of our study, we have used a qualitative /deductive /case study approach. The conducted interviews were semi-structured.

Theoretical Perspectives: The literatures and resources with regard to performance measurement system, agent/principal theory and institutional theory are employed.

Empirical Foundations: In the empirical findings, we collect materials from the public available information (web pages, regulations) and interview with representatives from the Chinese labor union.

Conclusions: Our findings indicate that the use of performance measurement system in the case is at the incipient stage, and factors of labor union's nature, special role, and specific situations influence the choice of measurements.

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Thank you!

Maximilian Treschow

Du Juan

DISPOSITION

CHAPTER 1 – INTRODUCTION

Here we provide an introduction of our study and the problem we have chosen to discuss and what our intention is for this thesis.

CHAPTER 2 – METHODOLOGY

We explain the strategy and how we are entering the research and how we have found our data for the thesis.

CHAPTER 3 – THEORY OVERVIEW

Here we explain which different theories and models we are using to prove our results and how we will receive a finding of our study.

CHAPTER 4 – STRUCTURE & USE OF LABOR UNION

We show and explain the use and main roles of labor unions within China and Sweden. We compare the findings in the end of this chapter.

CHAPTER 5 – EMPIRICAL FINDINGS

We present our empirical findings of the interviews from the company and the labor union in China.

CHAPTER 6 – ANALYSIS

We analyze our empirical findings combined with the theories and methods.

CHAPTER 7 – SUMMARY OF FINDINGS & DISCUSSION OF RESULTS

We discuss our findings related to our problem and questions, to give the reader a complete understanding of our work, and to put all the information into one piece.

CHAPTER 1 – INTRODUCTION

1.1 Background

Performance measurement system, especially the Balanced Score Card (BSC) is gaining increasing popularity among various kinds of organizations, especially these years more and more non-profit organizations such as: schools, hospitals, labor unions, etc., are putting emphasis on the implementation of performance measure system to improve their practice. It was demonstrated that a great amount of actions that were made in non-profit organizations were improved after adopting multidimensional BSC.

There have been a number of conducted researches and published theoretical developments that are related to performance measurements in non-profit organizations. However there are not many researchers that have been interested in the use of performance measurement such as BSC for labor unions. The distinctiveness of the labor unions is, unlike other non-profit organizations, due to their special positions between workers and owners of companies.

Employees are one of the most important stakeholders groups for a company, especially for the manufacturing companies, while their performances are directly related to the company's performance. According to the agent/principal theory there are goal conflicts between employees and employers, so the labor union is of high importance as its role is to protect labors' benefits, negotiate with investors for wages and compensations, improve working environment, working rules, etc. It makes a great contribution to keep a 'balance' between employee and employer, which will benefit both sides if it is structured in a proper way. Therefore, the performance of the labor union is of high importance for the employees' benefits and the company's performance. The performance measurements that labor union conduct are not only influential to their own strategies and behaviors but also it will affect both the employees' and the company's benefit.

1.2 Problem Discussion

Although many researches have been conducted on performance measurement system and BSC in non-profit organizations, few studies have touched the topic of performance measurement systems within labor unions. Our thesis indicate a case study of a Chinese local labor union and with expectations to find out what kind of performance measurements they have chosen, if these measurements can be related to any theories or models like BSC, why they have chosen these, and how these measurements are implemented in the organization. We also intend to find if the selected labor union establishes links between its strategic goals and its use of performance measurements.

The reason we base our case study on the Chinese local labor union is that the Swedish labor union system is relatively well known, and most of the information is available for secondary resources. We find it interesting that the Chinese labor unions have not been mentioned much in literatures or other resources. Another interesting reflection is that the systems of the Chinese labor union differentiate from its counterpart in Sweden. We hope our study of performance measurements in Chinese labor union could be able to provide other perspectives in future researches.

In order to analyze and provide a deeper understanding of the case, despite the Chinese case, we will present a general description of the organizational system of the Swedish labor union, and formulate a comparison of these two systems. Besides, we will explain the labor union's position in the organizational system, so the complete understanding of the Chinese labor union will be achieved.

The research question for our thesis is focused on the use of performance measurements in the Chinese case of the labor union, and discussing the connections between the union's tasks, objectives and adopted measurements. We will also analyze the factors that influence the use of performance measurements.

1.3 Purpose

The purpose of our thesis is to explore and analyze the performance measurements adopted in a selected labor union in China. Through the general comparison with Swedish labor union system, a better picture of Chinese labor union organizational system will be obtained. We will focus on analyzing the selected labor union's performance measurements in accordance to the models and theories applied from the BSC, agent/principal theory and institutional theory. A discussion is conducted about why these measurements are chosen by the interviewed organization to fulfill their goals as well as if the indicators manage to realize the objectives.

1.4 Target Group

We expect that our study could make a contribution to the knowledge about the use of performance measurements in mainly labor unions, but also non-profit organizations. Our thesis is intended for an academic audience with some certain knowledge about management control and performance measurements, and practitioners of the labor union. We hope this thesis will be of interest for relevant researchers within this subject, to create a greater understanding, and being helpful for labor unions to improve their performance measurement system.

CHAPTER 2 – METHODOLOGY

2.1 Background

Our study concentrates on the management control and performance measurements of the labor union in China with a comparison of the structure of the labor union in Sweden. Our choice of countries is reliant to the author's nationality. Our interest and in-depth studies of management control and performance measurements makes the choice of study and compare this subject to an interesting focus. Our knowledge of the current differentiations in the two countries makes the comparison of the labor union an interesting study. The labor union focus on China and Sweden is not a very proven area, which makes our study an innovative research.

2.2 Quantitative & Qualitative Methods

The quantitative and qualitative approaches are the two main approaches of data collection. The quantitative approach indicates that the collected data is measurable, standardized and simply presented in short term (Sayre, 2001). Quantitative researches are for example based on questionnaires, which provide an easier way to reach many respondents but the responses may be in a fixed given answer. Qualitative researches are more of a subjective approach focused on full and in-depth detailed data. The character of a qualitative research is investigative and open-ended (Holme & Solvang, 1997). An investigative research is, according to Zikmund (2000), intended to provide a deeper understanding of the aspects of the problem and analyze the situation.

Our thesis is both of a quantitative and a qualitative approach, but mainly focus on qualitative approach. We have focused our data of interviews on few and well-specified chosen interviewees at our Chinese case company. Our interviews are of open-ended character with expectation of gaining a deeper understanding and more focus on relative knowledge on the use of management control and performance measurements. The quantitative approach concerns the Swedish labor union where we are giving a general approach of how these are structured and their management is used. The data for the Swedish labor union is collected mainly from the information given generally from themselves through preliminary researches and information sources.

2.3 Our Research Method as a Case Study

The definition of a case study according to Merriam (1994) is a research of a specific presence. To determine whether the case study is appropriate as a research method we must question like: the grade of control and if the end result may be relevant for the study, if they are thought through before implementation of the case selection. The end product of the case study shall also be mainly descriptive, interpreting and evaluating. (Merriam, 1994)

The best form of understanding a subject within its real form is through a study case, according to Yin (1994). Yin (1994) segregates the case studies in two different design categories: single case and multiple cases. The single case design focuses only on one single unit, and the opposite is for the multiple cases design. The sweeping statement of the results, Yin (1994) argues, is determined to theories and not to populations, equally for both the different case designs. However the multiple cases design is proven the results in the amount of cases while the single case design may justify its purposes in three different ways:

- The case should be critical in the relation to existing theories and models.
- The case should be unique or extreme in is matter
- The case should be investigative of an innovative experience

We have chosen a reality single case design of the labor union in China, as this is not a verified area, as for research method. We are focusing on the management control and performance measurement within the organization. The case we have chosen is unique in that matter that we have not found any comparable studies of the Swedish and Chinese labor unions, combined with the structure and use of measurements of the Chinese union. Performance measurement and management control within non-profitable organizations are of critical relation to proven theories when mainly these are focusing on profitable organizations. The uniqueness of this case is the treatment of the employees and employers within the unions and the differences between the two countries national cultures.

There could also be some negative consequences when using case studies as research methods. According to Merriam (1994) the case study of a high qualitative structure could bee seen as to protract for stakeholders or decision makers to read. The study may also be too generalized and overstated which can result the fact that readers draws inaccurate conclusions because the belief of a more complex reality for the case study. (Merriam, 1994)

2.4 Our Selection of Labor Union & Company

Our interest of the selected countries, China and Sweden, is because these are the countries of origins of writers. Our interest of comparing the two countries reflects from our previous studies regarding the globalization, national differences and cultures we have made during our master year. China is dominating the production and we are interesting in regarding the structure and relation between company, employee and labor union.

We have chosen to select one specific company in China and the relation between the union, employee and company. The choice of case company in China depends on our great contact relation within the labor union, and the union is a dependent part of a specific company in China.

The comparison of the labor union in Sweden is of high interest because of the different structure and use of the union compared to China. We found it very interesting to analyze and study the different relationships.

The company in which the selected labor union operates has 10500 workers, among whom 80% are women.

2.5 Research Approach & Strategy

A thesis may be conducted with either an inductive or a deductive approach. An inductive approach indicates an analysis of collected data and bases on the conducted approach to develop the theory; the theory is a result of the research (Bryman & Bell, 2005). The theory develops during the study and bases on the data, as a “bottom-up” approach. A deductive, on the other hand, indicates an approach with fixed theories, which is tested from previous studies, a “top-down” approach, the theories control the research (Saunders et al, 2003). Our study is not a very proven area and we will compare the different areas with collected new data and a large amount of recognized models and theories, therefore our study will be based on a partly deductive approach.

2.6 Data Collection

For the data collection process we are using two different types of data: preliminary studies and interviews. The data has been used as primary and secondary data.

Secondary Data

Secondary data contains the data that we have used to get a deeper knowledge of our subject, the preliminary research. We have studied the use and structure of the labor union within the different countries to get a wider and deeper knowledge of the purpose and structure of the labor union. The secondary data analysis deals with either quantitative or qualitative data (Bryman & Bell, 2005), for our study we have chosen to deal with quantitative data for the preliminary research. We have studied theoretical issues and methods to be able to gain understanding of the usage of management control and performance measurement within the labor unions.

Primary Data

Primary data contains our in-dept, semi structured and open-ended interviews with specifically selected persons within the labor union in China. We have chosen these kinds of interviews to get a deeper insight and explanations of the use of performance measurements in the labor union. The semi constructed and open-ended interview questions give the interviewees openness to explain and elaborate on the question, which we believe, gives us a better understanding and deeper insight of the issue concerned. The persons we chose to interview and had the opportunity to contact was the Chairman of the labor union, who is in charge of the labor union and is of high interest for us to interview, since we get a deep knowledge about the strategy and structure of the labor union. We interview a member in charge of entertainment and sport, since an important issue for the labor union in China is to organize events for its members. A member in charge of welfare is also interviewed, since the labor union is a non-profit organization. We also interview a member in charge of women's issues, since 80% of the 10500 employees in the company of the labor union are women.

2.7 Validity & Reliability

The trustworthiness and quality of the study will be showed in its validity and reliability. The validity indicates if our study actually shows the best view of the problem that we studied. According to Seliger & Shohamy (1989) both external and internal factors could affect the research. Internal factors could affect the study if the collected data would not be clearly supportable or if the authors are affected by other factors considering their problem. Arbnor & Bjerke (1994) refer the internal validity through the relevance of measurements within the research. External factors of the validity refer to the validity of universal assumption in studies, which are usually based on results of likewise studies. Arbnor & Bjerke (1994) refers the external validity to the amount of findings that will be generalized.

A reliability study indicates that the study and subject are reliably, that similar studies in the same area would come to the similar results if they are using the similar methods, according to McKinnon (1988). The reliability is referred to the concept that the research will be repeated with the same result, the result will be the same for every research (Merriam, 1994). Holme & Solvang (1997) argue that the reliability is of more relevance in quantitative than qualitative researches, because the qualitative research is more focused on understanding the relation of a specific and certain occurrence.

We have been using different questions depending on the persons' position within the organization, in order not to mix up the usage of performance measurement. Our interviews are specifically chosen for the purpose of this thesis and not for general knowledge. Despite the information regarding the Swedish labor union is of a general context it will be possible to fit other researches regarding structures of the Swedish labor union.

2.8 Research Limitations

We are mainly focusing on the management control and performance measurement of Chinese labor unions. Our connections are well established in China and we have chosen specific contacts we find of highest interest for our research to interview. We are comparing it theoretically to the Swedish labor union. Our comparison will show the differences and similarities of labor unions' roles between China and Sweden.

CHAPTER 3 – THEORY OVERVIEW

3.1 Management Control System (MCS)

3.1.1 General description

A system that is used by management to control activities within an organization is called a management control system. The general description of the management control system is that it is the process of how managers influence employees of the organization to implement the strategy of the organization (Anthony & Govindarajan, 2007).

According to Anthony & Govindarajan (2007) there are some activities involving in the management control, these are:

- Planning
- Coordinating
- Communicating
- Evaluating
- Deciding
- Influencing

Thus it is not necessary for these actions to correspond to a determined plan, as a budget. The use of MCS is to plan and control the organization and its performances. The elements of MCS include strategies and planning, performance measurements, resource allocation, budgeting, evaluation and rewards. Two other elements that are of importance are responsibility center allocation and transfer pricing. (Anthony & Govindarajan, 2007)

3.1.2 National Culture

The understanding of differences and similarities within national culture is of high importance today because people are moving cross-boarders to work and live in different countries with different culture. To function efficiently within these countries, people need to understand the differences in the management practice (Hopper et al., 2007).

Hofstede (2001) in Hopper et al. (2007) explains five different culture dimensions;

- *Power Distance* – The extent to which people accept that power in institutions and organizations is distributed unequally.
- *Individualism vs. Collectivism – Individualisms:* Individuals who view themselves as independent of collectives, motivated by own preferences and needs. *Collectivism:* Individuals who see themselves as part of one or more collectives, motivated by norms and duties. (Triandis, 1995).
- *Uncertainty Avoidance* – How people react to the uncertainty of the future.
- *Masculinity vs. Femininity* – Extent to which analogues of the stereotypical family roles of gender are found in societies. Masculinity: Societies value assertiveness, competitiveness, achievements, and success. Feminine: Societies value personal relationships, supportiveness, non-material quality of life and modesty in achievements.
- *Long-Term Orientation* – High scores indicate more prepared to defer need gratification, more prepared to save and invest for the future and more oriented to perseverance. China scores high.

<u>*China vs. Sweden*</u>

China is what called, a "high-context culture", which means that Chinese people are more about to establish personal relations before decision-making processes. While Sweden is a "low-context culture", where people negotiate as efficient as possible and focus on getting down to business (Anthony & Govindarajan, 2007). The differences and similarities between China and Sweden within these different dimensions are that China has relatively high PD while Sweden gets relatively low, China has high collectivism and Sweden gets high individualism, both China and Sweden have low UA, Sweden has extremely low masculinity, and China has high LTO while Sweden has relatively low on that. (Hopper et al, 2007)

3.1.3 Management Control in Non-Profit Organizations

"A non-profit organization, as defined by law, is an organization that cannot distribute assets or income to, or benefit of, its members, officers, or directors."

(Anthony & Govindarajan, 2007)

Non-profit organizations are in a way quite different from profit organizations. These organizations contain a number of important public roles. All governmental organizations are non-profit organizations, such as museums, hospitals and labor unions. Non-profit organizations have also a lot of common things with profit organizations. Some similarities are that they provide services; they compete with other organizations on the same market. The managers in larger organizations delegate authority and the employees are responsible for their performances. (Merchant et al., 2007)

Differences between non-profit and profit organizations are that the MC system challenges and alternatives in non-profit organizations are quite different from profit organizations, and the understanding of these differences and affects of the MCS are important (Merchant et al. 2007). In the following, some similarities and differences between these organizations are presented.

<u>*Similarities*</u>

Similarities to MCS in both non-profit and profit organizations are that the need of control are the same for both of them. Another similarity is that the managers have the same tools at their disposal to control, such as actions, results and cultural control. Non-profit managers have not been historically well trained for management methods for a modern time. The MCS are not that well developed in non-profit organizations as they are in profit organizations. But this is about to change as the managers in non-profit organizations implement control features that are used by profit organizations. For example, mid-managers are held accountable for budget targets. (Merchant et al. 2007)

Differences

The command-and-control style in non-profit organizations is not as effective for managers in the same way as it is for managers in profit organizations. The managers must go through elaborated designed processes of open discussing to build consensus. Along this way the decision often gets caught up in a long-lasting approval process with involvement of overseers and regulators. Managers in non-profit organization can't easily give financial incentives for result measures. This is because the goals are not always clear defined and the results are hard to measure. There are no stock options to offer as incentives, laws and regulations often prohibit bonuses. (Merchant et al., 2007)

3.1.4 Our Study Focus at Non-Profit Organizations

Our case study of the Chinese labor union is a non-profit organization structured with a non-profit management. We will try to explain and discuss the structure of management within the union in the following chapter.

3.2 Performance Measurement System

3.2.1 General Description

The main purpose of performance measurement (PM) is to implement strategy. The managers of an organization will be able to decide what kind of measurements that will represent the company's strategy and the strategy defines the critical part of successful issues. If these issues are measured and rewarded, the employees will have incentives to achieve them. (Anthony & Govindarajan, 2007)

Performance measurement systems present a mechanism that in a way links an organization's strategy with its actions. The system states that only financial measurements are not adequate to manage an organization. The system indicates that sophisticated non-financial measurements must be developed to measure an organization's performance (Anthony & Govindarajan, 2007). Neely et al. (1995)

argues that the performance measurement is the process to quantify actions, *"where measurements are the process of quantification and action leads to performance"*. The marketing perspective explains that the organization achieves its goals to be measured to please the customer with more efficiency and effectiveness than competitors. Effectiveness refers to measurement of customer requirements and efficiency refers to measure the organization's economical level. This shows that there are both internal and external reasons for pursuing certain choices of action. (Neely et al., 1995)

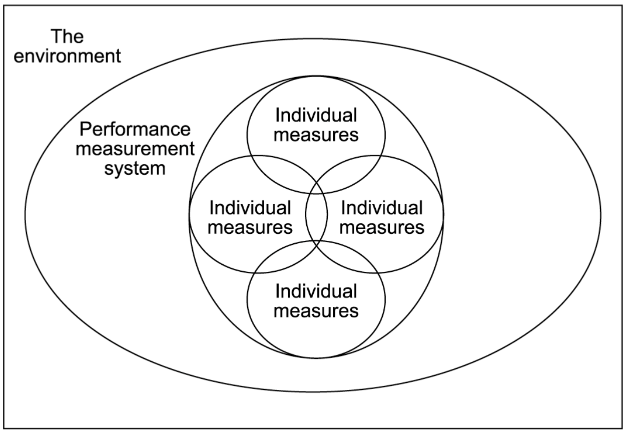

Figure 1*: Internal & External Reasons of Performance Measurement*

Source: Neely et al., 1995.

Neely et al. (1994) explains in his article the differences and definitions of performance measurement:

Performance Measurement – The process of quantifying the efficiency and effectiveness of action

A Performance Measure – A metric used to quantify the efficiency and/or effectiveness of an action

A Performance Measurement System – The set of metrics to quantify both the efficiency and effectiveness of actions

A definition of the PM could be of more guidance to the practitioner is stated by Moullin (2007), he defines it as the PM measures the efficiency and effectiveness of how well an organization is managed and how it values the deliverances of satisfaction to its customers and other stakeholders.

Franceschini et al. (2007) defines the efficiency, effectiveness and customer care as:
Efficiency – Are we doing the right things?
Effectiveness – Are we doing the things right?
Customer care – The degree of the customers appreciate the performances

The performance measurement system is of high importance for the company to understand and manage to improve the processes. The effective measurement will give the manager an understanding and insight of how the organization is managed. Franceschini et al. (2007) states that through these metrics the manager will be able to see:

- If the organization is performing in the way it supposes to
- If the organization meet their goals
- The satisfaction of customers
- If the processes are in control of management
- Whether improvements in the process will be necessary

Franceschini et al. (2007) describes the reasons of adopting the performance measurement system. Reasons for adopting the system will be to simplify the structure of an approach to focus on the goals, performance and strategic plan for the organization. So the managers are able to focus on the achievements as well as fast response and feedback on the progresses. The functions of PM also include simplifying the communication of the results and ongoing processes to the employees and external stakeholders, and supporting the decision making process.

There will also be a limitation of performance measurements, for example influences of internal and external factors will make it difficult to show the cause and effect of the outcome and determine results. The results do not always show correct performances, bad results do not necessarily need to indicate bad execution, the performance measurements are just an indication and approximation of the system. Performance measurements do not guarantee the agreement of regulations and law systems. (Franceschini et al, 2007)

3.2.2 Performance Measurement System in Non-Profit Organizations

Performance measurement is a central part of the management system, both for profit and non-profit organizations. The differences of these two types of organizations are mainly that one clearly defined privileged interest group with owner's interest and a common frequency for measurement and delegation structures profit organizations, while the complete differences are prevailing in non-profit organisations. A non-profit organization has not a single interest group and is instead built in the order of its missions. This structure makes it hard to measure as it serves a larger amount of constituencies whose needs and goals could be relatively varied. (Speckbacher, 2003)

3.2.3 Our Study Focus at Non-Profit Organizations

We focus our study at the Chinese labor union case and we will show the performance measurement system within the organization and how it manages to produce its goals.

3.3 Balanced Score Card (BSC)

3.3.1 General Description

What you measure is what you get. The BSC is a heuristic management model and it was introduced in 1992 by Kaplan & Norton (Hopper et al. 2007). Before the implementation of the BSC the industry era had used financial performance measurements and traditional financial accounting to measure the performance of the organization. These measurements worked well for that kind of organizations, but for the organizations of today the managers will need more operational measurements to allocate their skills and competencies. With this in mind Kaplan and Norton constructed the BSC to complement the financial measurements, which shows the results of activities already taken, with the operational measurements, which are the drivers of future financial performances (Kaplan & Norton 1992).

3.3.2 Structure

The BSC allows the managers to get a complex information overview of the organization at a glance. The BSC is a module of the organizations' strategic management systems. The structure of the BSC is based on a quadruple categorization of performance measures that includes *Financial, Customer, Internal business,* and *Innovation & Learning* (Hoppe et al. 2007). By concentrating the information on four different perspectives the BSC minimizes the information overload for the managers.

The measures from the BSC are designed in the way to form the employees to act toward the organizations' overall visions. This model helps the senior managers to show incitements to the employees to achieve results and goals for the best interest of each organization. Previous financial measurements present control as the center of their models, while the BSC presents strategy and vision at the center. (Kaplan & Norton, 1992)

3.3.3 The Quadruple Perspectives

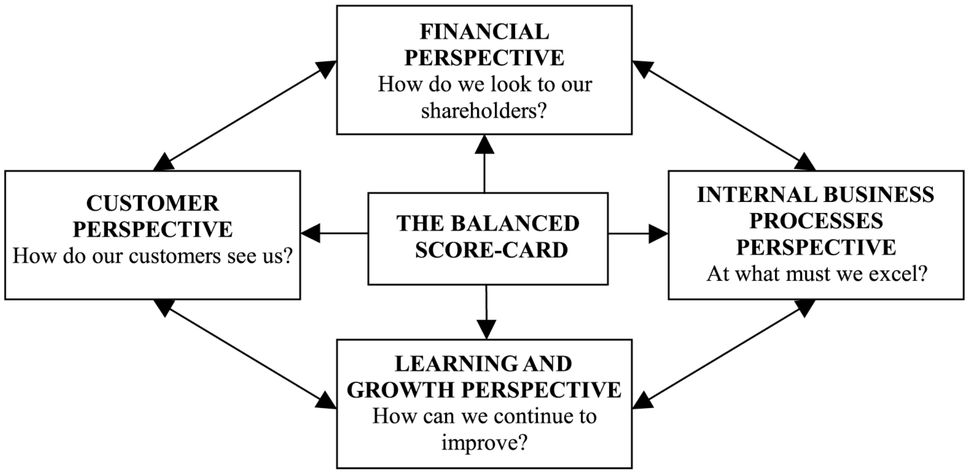

***Figure 2**: The Quadruple Perspectives*

Source: Kaplan & Norton, 1992

Financial Perspective – How do we look to shareholders?

Typical goals for financial measurements of the organization are profitability and growth, which increase the shareholders' values. These performance measurements show if the strategy, execution and implementation of the organization contribute to bottom-line improvement.

Customer Perspective – How do our customers see us?

How the company is performing from the view of the customers has been an important issue for the companies today. The customers' concerns are categorized in four perspectives: time, quality, performance & service and cost. These perspectives are of course changeable depending on the organization and the aim of its performance measurement. (Kaplan & Norton, 1992)

Internal Business Perspective – What must we excel at?

Internal measurements will be concentrated on the processes that have greatest impact on the customer satisfaction. Here the companies will identify the core competent of the organizations and how to manage to ensure market leadership. The organizations must decide what competences and processes they have to excel at to ensure the position of the organizations and decide measures for each of these. Mainly this perspective considers that the organizations should identify the parameters they consider most important for remaining competitive success. (Kaplan & Norton, 1992)

Innovation & Learning Perspective – How can we continue to improve and create value?
The globalization process implies new changes and competition on the ongoing market, which causes the companies to make important improvements to keep up-to-date. This process considers the organizations' abilities to innovate and improve ties directly with the company. The ability of creating more customer value and launching new products will make the company be able to penetrate new markets and increase margins that leads to increase in shareholder value. (Kaplan & Norton, 1992)

Merchant et al. (2007) discusses the BSC and these perspectives. According to them the financial perspective is a short term oriented while the others are nonfinancial indicators for future financial performances.

3.3.4 The BSC

According to Niven (2002) the BSC can be seen as three different ways: a measurement system, a strategic management system and a communication tool. The BSC is to help employees to understand the corporate strategy and get knowledge of how the organization is structured. This will give the employees and line managers incitements to achieve results for the common interest of the organizations' wealth. The BSC also implements stakeholder performances into measurements (Hopper et al., 2007).

The selection of measures for BSC represents a tool for the managers to communicate with employees and external stakeholders (Niven, 2002,). According to Anthony & Govindarajan (2007), the managers should choose a mix of measurements when they are creating a BSC. The mix will reflect and show:

- The critical factors that will determine the success of company's strategy
- How non-financial measurements will affect long-term financial results
- A broad view of the company's current position.

Every aspect of measurement within the BSC connects to the company's strategy and vision. The main purpose of this system is to create goal congruence for the employees to act in the best way of interest for the company (Anthony & Govindarajan, 2007).

3.3.5 The BSC in Non-Profit Organizations

The BSC was created for the profit organizations in 1992. Kaplan & Norton (2001) argue that the BSC is well fitted in non-profit organizations as well as in private organizations, but it need to be modified for this purpose. Jegers (2002) also confirms that financial controlling measurements have been of lower importance in non-profit organizations. The focus on the financial performances has been less stressed when the BSC is used in non-profit organizations.

Non-profit organizations derive from a heterogeneous sector, which indicates that adaptors of the BSC in non-profit organizations are likely to structure the BSC in different ways depending on the organizations' activities (Bean & Jarnagin, 2002).

According to Sawhill & Williamson (2001) the non-profit organizations that are implementing the BSC shall focus on measuring three areas:

- The efficiency of mobilizing resources
- The efficiency of employees
- The achievement of the vision

The last point of these is the most critical area. To be able to facilitate measures, the organization must define the vision as narrow as possible.

3.3.6 Our Study Focus at Non-Profit Organizations

Our case study of the labor union in China is a non-profit organization. As we have discussed in the paragraphs above it is relevant for the union to clarify its vision. The vision of the union in China is to act as an intermediary for both employers and employees.

Bean & Jarnagin (2002) explain that the BSC is structured in different ways according to the heterogeneous sectors within the organization; the BSC in our study will change character from the original structure. As you will find in Chapter 6, the *Customer perspective* in the BSC is separated in two different perspectives: *Employee perspective* and *Employer perspective*. This, according to Kaplan & Norton (2001), will adjust the BSC to fit the organization.

3.4 Agent/Principal Theory

"The relationship between agent and principal is one of the oldest and most common models of social interaction. Agent-principal relationship occurs between two (or more) parties when one, viewed as the agent, acts for, on behalf of, or as representative for the other, viewed as the principal, in a particular domain of decision problems". (Ross, 1973)

And the agent/principal problem arises because the agent is hired by the principal to achieve the goals of the latter, while it turns out, in most of the situations, the agent will choose the activities to conduct on behalf of their own benefits. (Ross, 1973)

The key factor of agent/principal problem is that when the principal pays the agent to exercise certain behaviors which can increase the principal's interests, it is hard for the principal to observe or supervise the performance of the agent due to the information asymmetry, uncertainty and risk. In another words, it means the principal could not observe if the contracts between them have been satisfied. (Alchian &

Demsetz, 1972)

It has been argued both by Alchian & Demsetz (1972) and Jensen & Meckling (1976) that the company is regarded as a set of contracts among factors of production. As a matter of fact, all the participants of the company, no matter the owners (principals) or employees (agents), will be motivated to act in accordance with their self-interest, which leads to the goals of conflicts between different parties given the truth of their different interests. For instance, according to the moral hazard of effort avoidance, the employees prefer to obtain the most income with least efforts, while the employers' goal is to achieve the profit maximization. (Fama, 1980)

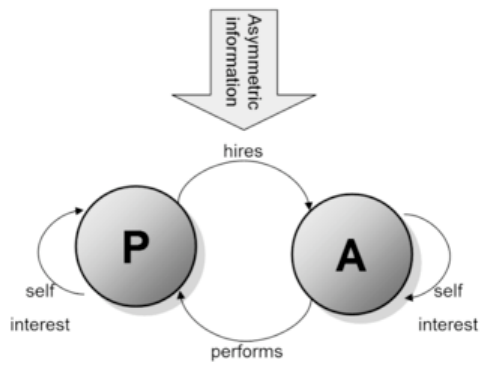

Figure 3: *Illustration of the Agent/Principal Relationship*

Source: Answers.com

How to increase the degree of the contract satisfaction, or in another way, align the interests of agents with principals? According to Kathleen (1989) the focus is on determining the optimal contract that governs the relationship between a principal and an agent, which means the tradeoff has to be made between the behavior-based contract and the outcome-based contract. Kathleen (1989) concluded nine propositions with regard to the contractual problem between agents and principals.

Proposition 1: When the contract between the principal and agent is outcome based, the agent is more likely to behave in the interests of the principal.

Outcome-based contracts can prevent agent opportunism more efficiently. When the agents' performances are measured by the outcomes they have produced, their interests are connected with principals', therefore, goal conflicts of agents and principals are decreased.

Proposition 2: When the principal has information to verify agent behavior, the agent is more likely to behave in the interests of the principal.

The agent opportunism can be reduced by effective information system as well. When the principals master strong information system, they can observe the agent's behaviors more effectively, which will remind the agents to act on behalf of the principals' benefits.

Proposition 3: Information systems are positively related to behavior-based contracts and are negatively related to outcome-based contracts.

In order to observe and monitor the agents' activities better, one option of the principals is to invest in information system to get a better knowledge of the agents' performances. So the agents' performances can be judged more by their behaviors.

Proposition 4: Outcome uncertainty is positively related to behavior-based contracts and negatively related to outcome-based contracts.

Outcome is not always just the result of the agents' behaviors; sometimes they are influenced by other external factors, such as technical achievements, change of policies and competitors' action, etc. The higher the outcome uncertainty is, the harder it is to measure the agents' performances by outcome.

Proposition 5: The risk aversion of the agent is positively related to behavior-based contracts and negatively related to outcome-based contracts.

If the agents are less risk-averse, they would like to take the outcome-based contracts to increase their own benefits as much as possible. In the other way around, more risk-averse agents don't want to take the risk since they can't diversify the risk as the principals do, so they will take securer behavior-based contracts to obtain their interests

Proposition 6: The risk aversion of the principal is negatively related to behavior-based contracts and positively related to outcome-based contracts.

Similar to the former proposition, the more risk-averse the principal is, the more they want to shift the risk to the agents, and the more they will prefer outcome-based contracts to reduce their own risks.

Proposition 7: The goal conflict between principal and agent is negatively related to behavior-based contracts and positively related to outcome-based contracts.

If there is no goal conflict, the agents will behave exactly in accordance with principals' expectation; as a result, there is no need to monitor their activities. Since the goal conflicts do exist, the most effective way for the principals to achieve their interests is to choose the outcome-based contracts. Otherwise, the agents will conduct behaviors to pursue self-interest.

Proposition 8: Task programmability is positively related to behavior-based contracts and negatively related to outcome-based contracts.

Programmability is defined as the degree to which appropriate behavior by the agent can be specified in advance. For instance, the behaviors of the workers in the shoes-producing company are more programmed than that of lawyers. The more programmed the activity is, the easier it is to be observed and monitored.

Proposition 9: Outcome measurability is negatively related to behavior-based contracts and positively related to outcome-based contracts.

When it is easier to measure the outcome than the behaviors, the outcome-based contracts are preferred.

These nine propositions describe the relationship between agents and principals in different situations and how to solve the problem. In our study, we will employ proposition 1 & 8 to analyze the case.

3.5 Institutional Theory

The institutional theory, which has been used in the studies of many different academic fields, is based on the assumption of that organizations are influenced by pressure from its institutional environment and adopt the structures or procedures that are considered legitimate and viewed as proper organizational choices. Dimaggio & Powell (1983) have described three institutional mechanisms that can explain pressures from different sources. *Coercive*, *mimetic* and *normative* are the three mechanisms of institutional theory. These have different functions, so they can present a full explanation about how the decision-making processes are affected by institutions.

"The coercive mechanism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function"

(Dimaggio & Powell, 1983).

The pressure may be exerted by force, persuasion or invitation. Therefore it can be argued that coercive mechanism is mainly focusing on the explanation of the dependence of resources (Collin et al., 2008). The local organizations cannot obtain the resources they want with the ignorance of the pressure from the organizations upon which they are dependent.

The mimetic mechanism explains the situations that when pressures do not derive from coercive authority but from uncertainty, like the ambiguous goals, environmental changes, technology developments, the organizations tend to imitate the other organizations' behaviors which belong to the same industry with them to reduce the risk (Dimaggio & Powell, 1983). Besides, they will be viewed as legitimate since they act in accordance with other organizations' expectations. (Collin et al., 2008)

"The normative mechanism stems primarily from professionalization"

*(*Dimaggio & Powell, 1983*).*

It means the professional groups will exert pressure on the organizations forcing them to conduct certain behaviors with the aim of promoting their competence and skills. As Dimaggio and Powell (1983) have discussed, the normative pressure can be caused through education, selection and membership in the networks and organizations. Agents tend to internalize the standpoints, making them evident, for instance the take-for-granted norms (Collin et al., 2008). It is implied that institutions can influence the establishment of human preferences (Granovetter, 1985).

CHAPTER 4 – STRUCTURE & USE OF LABOR UNION

4.1 General Description of Labor Unions in China

The Chinese labor unions are under the authority of central government and CPC (Communist Party of China), representing the government to communicate with the labors, workers and the whole organizations in which the labors are working. The Chinese labor unions are functioning independently according to the *Constitution of PRC* and *Labor Union law of PRC.*

4.1.1 The Main Functions of the Labor Union in China

There are four main functions for the Chinese labor union:

The first is safeguarding function. *Labor Union law of PRC* stipulates clearly: it is the basic function of labor unions to protect and maintain the labors' rights and benefits. This is the most important task of the labor unions and the basis of their existence. In the relationship between employers and employees, the employees are in a weaker position and need protection. Under the guidance of *Labor Law of PRC*, related regulations and rules, the labor unions should help the labors to safeguard their legal rights (Labor Law of PRC, 2008). They should assure labor security, monitor the fairness of the contracts and provide financial aids and legal supports to the labors who are suffering in the difficult situations, like diseases, accidents, etc. (Labor Union law of PRC, 1992)

The second is participation function. This means the labor unions should participate in the processes of the formulating various rules, regulations and making decisions, which are regarded for the labors. The governments and the departments concerned are not establishing economic plans and strategies or constructing policies about wages, social welfare, education, etc., without the presence and opinions from the labor unions. With the participation of decision-making processes, the labors' rights and benefits could be maintained better since they are assured this. (Labor Union law of PRC, 1992)

The third is development function. It is the function that organizes and motivates labors to contribute to the development and production of the organization in which they are working. To fulfill this task, the labor unions should cooperate with various levels of governments and organizations concerned to organize activities that can encourage the workers to participate actively into the development of the company. (Labor Union law of PRC, 1992)

The fourth is education function. According to the different educational levels, interests and demands of the workers, labor unions create and provide opportunities for workers to getting education on various aspects. For instance science, technology, professional skills, study of relevant rules, and regulations should be provided. The workers' awareness of their rights will be improved by education, and through that the labor unions will be able to declare the labors' benefit more effectively and efficiently. The labor unions are also responsible for organizing recreational and sport activities for employees to satisfy their spiritual needs. (Labor Union law of PRC, 1992)

4.1.2 Description of the Chinese Labor Union

Organization

Grassroots labor union, local labor general union and national labor union constitute the organizational system of the Chinese labor unions.

The grassroots labor unions are the organizations that are exercising activities to accomplish the tasks of maintaining labors' benefits and prompting the development of the corporations. They exist in all the local grassroots organizations, for instance, companies, schools, hospitals, etc. In China, all the employees that are working in the organizations are considered to be members of the labor union. *Labor Union law* *of PRC, Act 10* stipulates: all the organizations with more than twenty-five members should establish committee of labor union; the organizations with less than twenty-five members could establish committee of labor union separately or coordinate with other organizations to establish a joint committee. An examination board of fund-using should be established as well to supervise the financial situation of the labor union. Besides, the *Labor Union law of PRC, Act 9* stipulates: the union members should elect all the members of the committee of the labor union. The number of the staff who is working in the labor union should be at least 3‰ of the number of the total workers.

The local general labor unions are established in accordance with Chinese administrative divisions, including three hierarchies of provincial general labor unions, municipal general labor unions, and general labor unions at the country-level. All the grassroots labor unions are under the jurisdiction of the local general labor unions. And the local general labor unions are subject to the superior general labor unions.

The National General Labor Union is the supreme organization of Chinese labor unions. All the Chinese labor unions are ultimately under the direction of the National General Labor Union. They are responsible for helping and managing the work of all the local labor unions, representing Chinese labors to participate events of International labor unions.

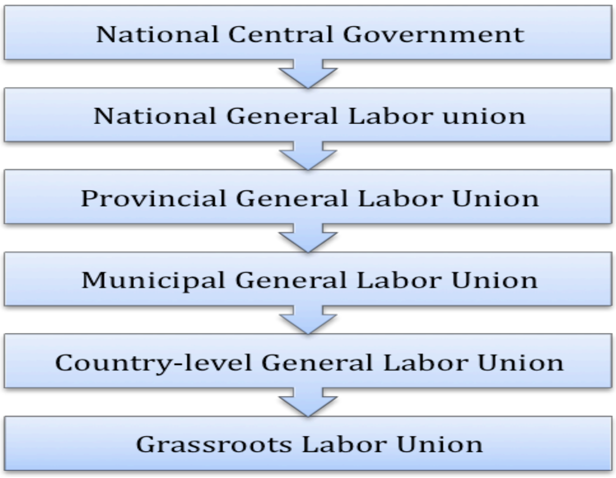

Figure 4*: The Hierarchical Levels of the Union. (Own creation)*

<u>*Finance*</u>

The property of the labor unions in the company can be divided into different parts, there are four major parts: the first part is the official facilities provided by the company that are not owned by the labor union. It includes the housing equipments, all utilities and office supplies that are necessary for the daily work, and the company has to take the cost of maintenance. The second part is the provisions for labor union fund made by the company. According to the *Labor Union law of PRC,* the company should appropriate 2% of the total salaries of the workers for the labor union. It will be recorded as operational expenses and can be pre-tax deducted in the financial statements. This fund is the major financial source of the labor union. The third part is membership fees paid by the workers. The *Labor Union law of PRC* stipulates*:* workers should pay *5‰* of their salary to the labor union as the membership fee. The fourth part is from governmental grants, the government will provide fund to the labor unions in the certain situation. (Labor Union law of PRC, 1992)

The last three parts of the properties are owned by the labor union. According to the regulations of *Labor Union law of PRC,* the company-level of labor union should keep at least 60% of the fund provided by the company, and the proportion that is handed in to the higher-level labor union should not exceed 40%. Among that, the municipal and provincial general labor union should keep no more than 35% and the other 5% is allocated to the National General Labor Union. (Labor Union law of PRC, 1992)

Authority

Based on the *Working Regulations of Company labor union* enacted by the National General Labor Union in 2006, the *labor union member congress* is the authority of the company's labor union. The congress should be conducted once or twice every year with at least one third of the members' proposition, and the members elect the representatives of the congress democratically. The congress has the power of examining and approving the labor union committee's reports, financial statements and checking the work of examination board of fund-using. They are also authorized to elect the members of labor union committee and members of examination board of fund-using. (Working Regulations, 2006)

Management

Working Regulations of Company labor union prescribes that the labor union with more than 200 members should be equipped with a full-time chairman and a vice-chairman. The chairman could either be nominated by the members with the approval of the higher general labor union or appointed by the higher general labor union. The duties of labor union chairman in the company consist of: generally managing the daily work of the labor union; communicating and negotiating with the company for the fair contract as the chief representative of the workers; participating the meetings of the company which are closely related to workers' benefits and the company's production and operation; settling the dispute between the employers and employees; reporting important information to the superior labor union; running the property and fund of the labor union. (Working Regulations, 2006)

Strikes

In China, the strike is not common since there are no explicit regulations about whether the strike is legal or not, so the labor unions are not supportive for strikes.

Even though the workers want to strike, they have to organize themselves without the help or guide from the labor union. The strikes in China mostly happen within the individual company. In the case of strikes, labor unions will negotiate with both employers and employees and try to reach a mutually accepted agreement between them. (Strike in China)

4.1.3 The Labor Union in Relation to Agent/Principal & Institutional Theory

The grassroots labor unions are the fundamental part of the Chinese labor union system. They are exercising activities in accordance to the four main functions of the Chinese labor union, with the aim of safeguarding workers' benefit and promoting the development of the organization. Among all the grassroots labor unions, the ones which are located in the profit-oriented organizations are in a harder position to balance both employer' and employees' interests. So in the following, we will focus on the discussion of the positions of company-labor union by implementing agent/principal theory and institutional theory.

<u>Agent/Principal Theory</u>

One way of looking at the labor union's position is that they are the middle party between the employee/employer relationships. An agent/principal relationship occurs when the other party that is considered as principal, pursue the interests of the latter, pays one party, viewed as the agent. An agent/principal problem arises when two parties do not have the same interests under the same conditions of an information asymmetry. This agent/principal problem could be found in most of the employer-employee relationships.

Depending on the nature of the organizations, the degree of obvious goal conflicts between the employers and employees is not the same. Compared to non-profit organizations the goal conflicts in these organizations are more intense. This is because the employers' main target is of profit-maximization while the employees will try to increase their own interests as much as possible. At this matter of fact, the both parties are facing the problem of information inefficiency. For the employers, it is difficult to get adequate information effectively and efficiently to monitor the employees' performance. For example, in the case of shoe-making manufacturing company we will discuss in the following section, and many other labor-intensive corporations, the workers' salary are in relation to the quantity of working hours they have done per month, as of the proposition 8*,* which we discussed in the previous chapter. While what the employers really care about is the quantity and quality of the products that refers to the profits. The employers can administer the working hours of the employees but it is harder to monitor the efficiency. Some employees also claim more payment than they deserve from employers with the threatening of strike or dismissal. The more employees there are, the harder it is for the employer to control and monitor them.

The employees are in the position with information asymmetry as well. In contrast to the employees, the employers are in the control of the power, finance, and even education advantages. Therefore, in some cases, they are able to manipulate the loopholes in the related regulations or distort them to establish unfair contracts, which are not favorable for the employees. Given the low education, the employees will accept these kinds of contracts without the knowledge and awareness of its imparities. In some cases the employees are forced by the employers to work extra long without getting paid since the employers want to increase their own benefits at the cost of the employees.

The goal conflicts in the employer-employee relationship are considerably serious in the company, especially in the labor-intensive company. How to balance the interests of the two parties? To be specific, how to make sure the employees' rights and benefits are maintained and the company are developing and growing healthily at the same time? It is at this point where the labor union comes into hand. Based on the nature of the Chinese labor union, they are the representatives of the government in the company to protect both employers' and employees' interests. Three of the four functions of the labor unions manifest that they will help the employees to compensate for the information asymmetry. They will do this by measures of: educating employees with necessary knowledge of their rights and obligations; providing legal support; consulting and negotiating with employers for fair contracts; supervising employers' behaviors; making sure they are in compliance with related acts of Labor laws; participating into the processes of making laws which are relevant to employees and getting involved into the company's managerial activities connected with employees' interests and production.

"In china, one of the most important targets of the country is to promote the economic development." (Wen Jiabao, National Present)

The economic achievement of the companies will make a great contribution to the country's economic benefit. Therefore, as the governmental representative, the labor unions have the responsibility of prompting companies' growth and development by increasing the production, advancing technology, etc. The third function of the labor union is for achieving this goal. The labor union should encourage and motivate employees to contribute to the product-increase, defective products-decrease, and professional skills improvement. They should also help the employers to supervise employees' behaviors, reducing slacks and unreasonable demands from employees due to the inadequate information of the employee' behaviors that the employers have.

Labor union as the agents of both employers and employees

From another point of view, the relationship between labor unions, employees and employers could also be explained as both employees and employers are the principals of the labor union. It means the labor union is viewed as the agent for the both parties at the same time. The goal conflicts exist between labor union and employees due to the fact that the company pays the staff of the labor union, so their behaviors tend to align with the owners for the purpose of increasing income and not for the employees' interest. While in the other aspect, there are also goal conflicts between labor union and owners. The employees have the authority to appoint and recall members of the labor union committee, so the labor union has to represent the interests of the workers in order to survive.

The contract between labor union and workers, and the contract between labor union and owners are outcome-based. Workers care about whether they can get fair treatment while owners care about whether the company gains more profit. According to the proposition 1, which we discussed in previous chapter, this indicates that the labor union, as the agent, is likely to behave in the interests of its two principals. How to behave in the interests of two opposing parties at the same time leads to the question of balancing two parties' benefits that has been discussed in our first point of view.

To sum up, based on the frame of agent/principal theory, the position of labor union is two-sided which seems to be conflicted with each other. The first is to safeguard employees, and the other is to assure the employers' interest. How to achieve the perfect point, which can benefit both of them, is the biggest challenge for the labor union (Ruan, 2009). But on the other hand, labor union, employers and employees are interrelated and interdependent on each other. Due to the social nature and the nature of labor union in China, the labor unions are not opposed to company; on the contrast, they two should mutually support and respect (Zhang, 2006). The major financial source of labor union is from 2% of the sum of employees' salary and main usage of the money is to safeguard employees' benefits and improve their professional and technological skills. Therefore the more efficient and productive the employees are, the more money employers can gain, then the more rise of salary employees can get with the help of labor union. As a result it increases the labor union's fund from the company, which indicates more can be served for employees' best interests. The interdependence and interrelation is illustrated in Figure 5.

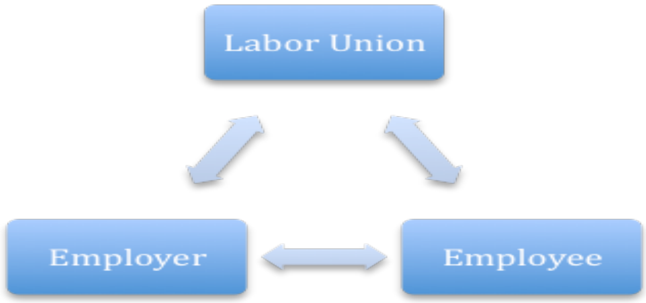

Figure 5: *Agent & Principal Relation. (Own Creation)*

Institutional Theory

The other perspective of the labor unions' position in the company could also be explained by the institutional theory, especially by the coercive pressure they are facing. Dimaggio & Powell (1983) discuss that organizations will tend to adopt the procedures that are considered appropriate in their institutional environment, and coercive pressure derives from the other organizations upon which they depend. In Chinese labor union's organizational system, the local labor unions are subject to their superior, which means that the higher authorities can exert their will and directions on the local labor unions through force. There is usually more than one company in one city, and the local general labor union is managing many grassroots labor unions that exist in various companies. Given this fact, the general labor union could not consider all the local unions at the same time, so it issues orders and directions that are good to most of the unions. While, different labor unions' work may vary according to the features of the company they work with. Sometimes, the orders from the superior don't comply with their situation. For example, when the local general labor union orders that every local union should organize at least one sport game per month for workers, which is generally good for the workers. But it is hard for some starters or some companies in a busy season to follow this order. So how should the labor union behave? Is it following the lead of the superior because of coercive pressure? Especially when other unions proceed on the orders, should they mimetic the others' behaviors to reduce the risk? The dilemma is how to balance the institutional pressure and mimetic pressure with the real situation.

4.2 General Description of Labor Unions in Sweden

The labor unions in Sweden are politically independent and their positions base on fundamental democratic values (TCO, about). The membership of the unions is of free will of the employees and the smaller and local unions are organized in various major trade unions. These major unions are often focused on different niches. There are four different Swedish major labor unions we will study in this section:

- *LO* is a cooperative body of 14 different labor unions, they have 1.6 million members that are representing almost every workplace in the country, both private and public organizations. (LO, Presentation)
- *Unionen* has almost 500 thousand members from 65 thousand private corporations and organizations. There are many managers among the members and this union is represented members from large international corporations to small family businesses. (Unionen, The union)
- *TCO* is the union for the officials within both the private and the public section. This union is a cooperative body of 16 different unions and they have 1.2 million members. (TCO, About)
- *Saco* is a cooperative body of 23 different independent unions and professional associations. This union is focused on academics and they have 600 thousand academic members. (Saco, About)

4.2.1 The Main Functions of the Labor Union in Sweden

The main focus of the labor unions is to organize the union and political interaction, pursue social policy issues and work with youth and school activities at local and regional level. (LO, About LO)

When LO was founded they had the vision and main focus on democracy, universal and equal suffrage for the employees in Sweden. Today LO have five main questions they strive for:

- *Work to all, a right and a responsibility* – Focus of this question is unemployment and the target is full employment.
- *Increased and equitable salaries* – Wage differentials are still prevailing today. The target is equal salary, fighting against discrimination and implementing real wage increases.
- *Equality and gender distribution* – Wage differentials must refer to employee's perceptions. Equal and gender salaries are the targets.
- *General welfare and solidarity* – Welfare differences are occurring today. The target is equal development conditions, and focusing on school and higher compensation for unemployed people.
- *Good and development work* – The workplace must be in a healthy condition and possibilities to affect the employees own work. The requirements are access to a quality-assured occupational and stronger employment security. (LO, This is LO)

TCO also has the main focus on organizing and recruiting professional and well-educated people in work life and representing the affiliates of the international union work. (TCO, About)

Common target of all the unions in Sweden is to strive for the right of the members and fight against injustice in the relationship between the employees and the employers. The unions' work for the rights and advantages of the employee are from working hours, working conditions, to salary and legal aspects.

4.2.2 Description of the Swedish Labor Union

Organization

The structures of the labor unions within Sweden are mainly the same. Every union is centralized with a central body that decides the ultimate relevant decisions. The members of the unions vote in a democratic way for the person or persons who will stand up for their voice to the higher ranks within the hierarchical organizational structure. (Unionen/LO/TCO/Saco, Organization)

There are hierarchical levels in the labor union and the levels of the labor union are divided in locals, regional and a central division. (LO, Ung)

As for LO, which is a cooperative body of 14 labor unions, it is structured in different levels. (LO, Ung)

- At the first level there are optional members who choose a labor union that represent their professions.
- The union members can either be represented in a club or a section:
    - Union Club – It occurs when several members are representing the same workplace. For example all nurses at a hospital belong to the same union.
    - Union Section – It contains members from several different workplaces but belong to the same labor union. For example all the mechanics of the same town can belong to the same union.
- The local level is where the LO-unions members of both the clubs and the sections are represented. These unions are narrowed to the municipality borders and control all unions within the geographic area and there are about 150 local unions in the municipalities.
- The local LO-unions are cooperating within different districts. There are 13 different districts in Sweden that control all unions within its region.
- The LO-union has a central-level registry, which controls the questions and rules concerned to all the members of the LO-union. This level of the LO-union is seated in Stockholm and hundreds of workers organize the cooperation, investigative work and advocacy.

For Unionen, which is divided into 19 different districts, the members are allowed to raise motions whenever they need and to any level within the hiearcy. If they leve a suggestion to the region management they are supposed to get a response within three months. (Unionen, Organization)

Saco, which is a cooperative body of 23 different independent unions, where each of the uion has their own registry but all of them are consolidated under one central registry. (Saco, Organization)

Finance

The finance of the labor union is paid by the members. It is often an annually payment but can also be chosen as a monthly payment. This member fee allows the member all the rights to the democracy and privileges that the union offers. State funding will occur for different kinds of activities, such as certain types of education for the members. (Union Education)

LO gives financial assistance to the Social Democrats of an amount of 6 million SEK per year. This annually premium represents some more than 3 SEK per member every year. (LO, Politic)

The members of Unionen pay the membership fees in relation to their previous annual income. The member also pays an external fee to the unemployment funds that are not included in the membership fee. (Unionen, Membership)

The member unions within the cooperative body of different unions pay annual membership fees to the composite union; the amount of the fees depends on the number of members within the member union. (LO, Statutes. §4)

Authority

As we have explained earlier in this chapter the labor unions in Sweden are politically independent and their positions are based on fundamental democratic values. LO is a democratic feministic organization and the members of the union select the managers and Board. The supreme body of LO is the congress that decides what questions the union will work for. There are three managers who are appointed by the congress. (LO, About LO)

Politics

The management commitment of LO in both unions and politics gives them authority to change directives and push through proposals. Politic is of high importance for the living conditions of members and employees. LO interacts with the Social Democrats because they are sharing the same basic values, but the members of LO can decide through their elective representatives if they will continue to interact with the Social Democrats. (LO, Politic)

Members

The authority of the members is associated with the numbers of members and their commitments in the union. Many members will together have the authority to engage in questions and get through joint decisions that concerns the employees. It is the labor union, through its members, that sign the collective agreements with the employers. (LO, Member)

As for Unionen the members are the important forces toward a democratic agreement. The members also have the power and authority to affect the global environment in which the businesses operate and the roles of the unions. In collaboration with European and Global Union Federation, and through cross-border negotiations with the European Works Council, the union participates and influences the developments in both Europe and the world. (Unionen, Authority)

Management

The highest level of management in the union is either the congress or the registry, depending on the organizational structure of the union. The congress is the supreme authority in LO, Saco and TCO, while the registry is the supreme authority in Unionen.

The congress of Unionen meets with all the other outlets every four years, the union board is leading the activities between congresses. There are 13 members in the board who are chosen by the congress. The Board has a federal office with experts that help them. (Unionen, Organization)

Saco also assembles the congress every four years with all the delegates. The congress chooses the nine members in the board that lead the organization between the congresses. As a complement to the Board there are regular selected President Conferences every year which support and affect the board to make important decisions. (Saco, Organization)

The Board is the decision-making body between congresses for TCO. The Board shall represent and safeguard the external union interests. The Board consists of one President, two Vice Presidents and eight members. The Board is responsible for the strategy and prioritization of business objectives and directions. It prepares the matters to be dealt with in Congress and implements earlier decisions. The Board also decides matters that are not needed to be taken up in Congress and decide the treatment settings of the President's employment. The Board also has the responsibility of the financial statements of the union. (TCO, Management)

There are three managers of LO, which are nominated by the Congress: (LO, Management)

- *President* – The President of LO has a role in the Socialist Party through the engagement in the Executive Committee and the party executive. The President knows that the members are the principals (LO, President). The President of LO is also the President for EU labor union, which gives the union power to influence the decisions, but this takes time and requires a big effort.

- *Vice President* – The role of Vice President is to reduce class distinctions in the society. Important issues of this context are the working environment, rehabilitation and discrimination issues. This makes the relations with health insurance and politics of high importance. (LO, Vice President)

- *Vice President & Agreement Secretary* – The role of Agreement Secretary and the second Vice President is to coordinate the LO unions' collective bargaining with affiliates including Agreements Secretary. (LO, Agreement Secretary)

4.2.3 Statutes

<u>*Requirements for Members*</u>

The members of the labor union in Sweden have responsibilities to the union and have to follow the principles. These responsibilities are explained and written in the statutes of the union. These responsibilities mean that the members should work for the union and the cohesion development, act on the statutes and statutory decisions. The members also have to pay the fees to the union, or the club, and provide the correct information about themselves. (Unionen, Statutes. §2.3)

To exit the union, the members must send in a written note to the union about the will of exit. If the members do not satisfy the conditions of the statutes, they don't have the right to remain membership of the union. If the members violate the union values or statues the membership, their membership will be canceled. (§2.4)

<u>*Strike, Lockout & Blockade*</u>

If the union can't negotiate with the employer at either local or central level about a legal dispute, the members are allowed to go on strike against the employer. When members of the union strike, the union is in position to perform a blockade. During a blockade the employers are not allowed to replace the strikers with ''willing workers", (peoples who are willing to work instead of the strikers), and are not allowed to transfer and sell finished goods and services. If the union wants to start a strike for the members at a workplace, the union is obligated to announce this in advance. If there is a prevailing strike by a professional group at a company, the employer is allowed to shut out all employees from the workplace, which is called a lockout. When agreements have been reached none of the parties is allowed to make industrial actions such as strike, lockout or blockade. (Kollega, 2010)

4.2.4 The Labor Union in Relation to Agent/Principal & Institutional Theory

Agent/Principal Theory

As we have explained earlier in our study the relation between the employers and employees refers to the agent/principal theory. The labor union in Sweden has the same sort of relation between the member and the union. As the employees act in the preference of the managers, the union acts in the preference of the members. This means the relation between the member and the union, the union is the agent and the member is the principal.

The goal of the union in Sweden is to assemble as many members as possible, build a huge democratic influence and have the power to act in the best of interests of the members. The goal of the members is to utilize all the benefits and rights the employees are entitled. The principal and agent work for the same goal in this specific relation between the member and union. There are of course rules and limitations, both for the member and the union in the relationship that are of high importance. The self-interest of the union is to collect as many members as possible, and in that matter they could develop political influence. The members are able to affect and participate in discussions concerning their own benefits and rights, as an employee in a larger collective group.

We have in the earlier chapter explained that the key factor of the agent/principal problem is for the principals to observe if the agents act in the way of interest of them. The members' position to select the representatives for the union is the principals' ability to observe the agents' actions. This puts the agents in a pressure to deliver desirable results to the principal; otherwise the agent representative will be exchanged.

According to the relation between the member and the union refers to the proposition 1 we have discussed in chapter 3.4, the contract is outcome based and the result of the union attracts more members, which can increase their influence.

Critical affects of the agent/principal relation in this type of relation are that the single member has little to speak up for themselves in larger labor unions. As a collective group the decisions are taken at a collective agreement. The member has two alternatives in this case: voice or exit. The member could assemble more members with the same ideas to raise a proposal, or the member could exit the union and solicit membership in another labor union.

Institutional Theory

The Institutional Theory assumes that the labor unions are influenced by the surrounding institutional environment and they adopt structures that are legitimate of likewise organizations. The labor union is interested in recruiting members from likewise organizations. Employees of organizations often join the labor union their co-workers belong to. In this matter the mimetic mechanism in the Institutional Theory is the prevailing factor, the employees imitate other employees in the organization or the branch.

Some organizations use the coercive mechanism that includes membership in the labor union. There are some organizations that do not allow their employees to belong to the labor union. In the last case it will be a legal course of action to permit the employee to be a member of the labor union because of the liberal rights.

The membership of the labor unions is of free will for the members. The normative mechanism is involved in the Swedish labor union, which means that through education and selection, unions offer a membership to the employee. The membership offers a network with likewise members, provides the ability and opportunity to influence their workplace benefits. (Union Education)

4.3 Comparison of Labor Union System in China & Sweden

4.3.1 Organization

The most important organizational comparison is that the Chinese labor unions are organized by district: Each organization has their own labor union. Beyond that there is a general labor union in every city that is in charge of all the grassroots labor unions within the territorial jurisdiction. All the members in the same organization belong to the same labor union. While in Swedish the labor unions are organized by industry, which includes that members in the same organization might belong to different labor unions or non labor union at all. Members with the same profession may belong to the same labor union.

Generally, the Chinese labor unions have two main functions: First, protecting the workers' legitimate rights and benefits; second, assuring the development and growth of the companies and other organizations. The Swedish labor unions' main responsibility is to strive for the employees' best interests, rights and benefits.

4.3.2 Relationship between the Union & the Organization

In China the labor union is a part of the company and also a part of the employees. The mission of the union in China is to ensure that the company treats the employees properly while the union is structured through the company and the managers within the union is elected by the other employees. The union's obligation to the company is to assure that the employees manage their chores and work in favor of the organization. This requires that the union in China has a good relationship with both the employees and the company.

The unions in Sweden are mainly focusing on the conditions of the employees and are objectively related to the specific company of the employees. The relationship between the unions and the employers in Sweden is more equivocal than the relationship of the union and employer in China. If the employers do not allow the employees to join the union in Sweden, there will be negative consequences, such as strike, while the organizations in China are responsible for building up labor unions for the employees.

4.3.3 Finance & Membership

The membership of the union in China is complied with the employment at the company. The employee is a member of the union through the employment and the membership fee to the union is deducted directly from the employees' salaries. In contrast to this, the union membership is of free will in Sweden. The employee decides if he or she wants to join a union or not, this could lead to pressure from either other employees or the employer to force the employee to join the union or not. The member of a Swedish union must follow some requirements and statutes to have the allowance of membership, and if the requirements are not fulfilled the member will be excluded from the union and looses all the rights to participate in the collective agreements of the union.

In China, for the grassroots labor unions, 2% of the total employees' salaries are their major financial sources. Therefore, all the employees in the organizations become the members of the labor union automatically since 2% of their salaries go to the labor union. In Sweden, the membership fees are as well the major financial sources of the labor unions. But the members have rights to choose the labor union, which they think will represent their best interests. If the member of the Swedish labor union does not pay the fee, the member will be excluded from the union.

The amount of the fee is a percentage of the salary in China, while in Sweden the members pay a fee that is in relation to their previous annual income (this for some unions). The Swedish unions within a cooperative body of unions pay membership fees to the cooperative union, as the Chinese unions pay a certain percentage to the higher-level general unions.

4.3.4 Management

The Chinese labor union is not an independent organization. All the labor unions, including the national general labor union, are subjected to the directions of the government. While the labor unions in Sweden are politically independent and their positions base on fundamental democratic values.

4.3.5 Strikes

The statutes also differ from the labor union in China and the labor union in Sweden. The labor union in Sweden, for example, motivates their members to go on strike if they are not being treated fairly. In China, the labor union instead supports the employer to quiet down the employees if they want to go to strike. The reason could be, as we explained earlier, that the Swedish labor union is professional-based and independent from the companies. A strike in China affects only one specific company, while in Sweden the whole profession affects.

4.3.6 Cultural Differences

We have discussed the different cultural behaviors in previous chapters. A suggestion to the differences between China and Sweden may be of the cultural situation. We have showed that China is of a more personal relation business reform, while Sweden tries to be more efficient to the task. This may be showed in the way the labor union is structured. The Chinese unions are a part of the organization and the Swedish unions are independent self-member selected organizations.

The differences of membership regulations can be explained through the national culture of *individualism* and *collectivism*. China has a high ranking of collectivism that assembles the employees as a part of a collective union, which is motivated by norms and rules. Sweden, in contrast, has high individualism which indicates that people are motivated by their own needs and preferences, for example to choose for themselves if they would like a membership in the collective union or not.

The authority difference could be explained in the national culture where we explain that China has got a high ranking of *power distance,* while Sweden has a relatively low ranking. This indicates the acceptance of power is distributed unequally within an organization. The government in China has the main authority while the union in Sweden is a politically independent democracy.

4.3.7 Conclusion

A similarity between the two countries is that the labor unions in both countries are for the employees' benefits and rights. The main purpose of the labor unions in both countries is to educate and develop the employees toward their rights and welfare. The similarity of the finance aspect of the unions is that the members pay fees to the union; the fee gives them the possibility to be a part of the democratic union and gain advantages. The labor union is also structured in a similar hierarchy, from a local level of organizational labor union up to a central and general level for the entire nation.

Based on the above description there are considerable differences between Chinese and Swedish labor union. A major difference of the union within the two different countries is the organizational system and the financial sources. The government authorizes Chinese unions while the Swedish unions are politically independent, but influenced by it. Another major difference is that the Chinese labor unions are district-based organized, while the Swedish unions are professional-based. Every company in China ought to have a union for theirs employees while in Sweden the union members are organized within similar professions. Another difference is the choice of membership, as for the Chinese employee is bound to membership through the employment of the organization because the union is a part of the separate organization, while in Sweden the membership is mainly of free will as the union is an independent organization.

The explanations of the differences are of course more complex than these cultural suggestions that we have made. Politics, regulations, cultures and history are only few of all the matrixes that interfere with the differences and similarities of the organizational structure and use of the labor union.

CHAPTER 5 – EMPIRICAL FINDINGS

5.1 Interview Analysis Data

In this section, the empirical findings, based on primary and secondary data, have been divided into two parts. First, to give the reader a background of the organization of the case study, the empirical findings section starts with a brief presentation of the company and the labor union. Second, the labor union's mission and measurement system are presented. This presentation is mainly qualitative in nature basing on the semi structured interviews and website messages.

The selected company is a shoe-making, Korea-invested company in the city of Qingdao in China. It was founded in August 1995. At this moment there are 10500 workers, of which more than 80% are women, 12 production lines with annual production of more than 700 million pair of shoes. Since most of the workers are recruited from other provinces, the company provides accommodation for the workers, which indicates that more than 90% of the workers are living inside the company.

The labor union of this company was established in October 1995, right after the foundation of the company. This labor union is built in accordance with relevant rules and regulations of the country, which includes the examination board of fund-using and a committee of the labor union. There are 50 people within the labor union, and the major function part is the committee that is composed of 11 members, including one chairman, two vice chairmen and other subordinates who are in charge of various kinds of working issues. *Figure 6* illustrates the organizational system of this labor union.

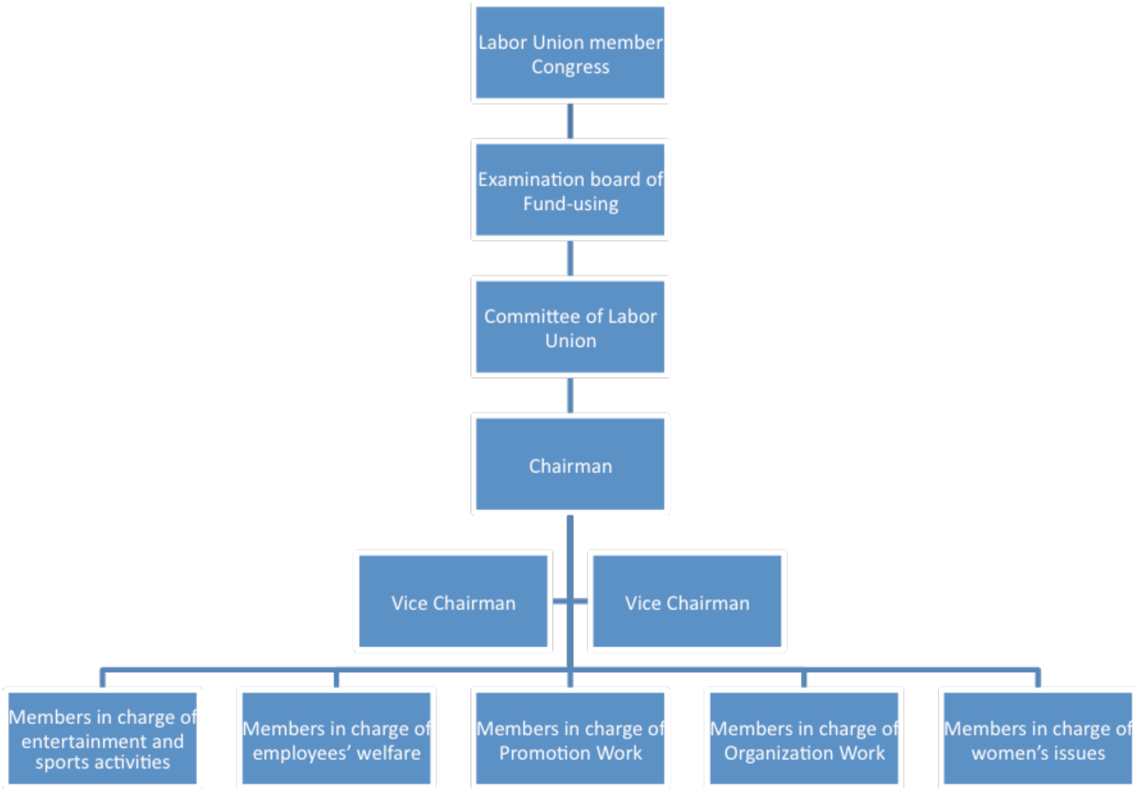

***Figure 6**: The Organizational System of Our Case Union. (Own creation)*

To receive a more in-depth analysis of the performance measures in the labor union, we have conducted several interviews with the staff, including the Chairman, a member in charge of entertainment and sports, a member in charge of welfare, a member in charge of women's issues.

As we have mentioned in the methodology section, we have conducted semi-structured interviews using open-ended questions. The objective of the interviews is to gain insights and explanations with focus on the labor union's position in usage of performance measures. We have adopted open-ended questions and conduct qualitative interviews. By using a semi-structured approach, we are allowed to get answers and feedback of the questions that we are intended to discuss in the interviews. By giving the interviewees some freedom to explain and elaborate on the subjects, we will get a better understanding of the issues concerned which is relevant but not in our list of questions.

Interview settings

The interviews were conducted over the phone given the fact that all the interviewees were in China. The first interview was with the Chairman and took place at April 20, 2010. The Chairman has been working for this labor union since it was established and has a profound knowledge of the way the labor union functions. The interviews with the subordinates in the labor union took place at April 21, 2010. They are responsible for specific positions in different areas with focus on the workers' needs, how the organization should be operated to satisfy workers and the detailed function of the labor union.

5.2 Performance Measurements Used By the Labor Union

According to the Chairman, the mission of this labor union is "*protecting the legitimate rights and interests of workers and promoting the development of the company*", and all the work has been focused to accomplish this mission. The labor union receives the fund (2% of the workers total salaries) from the company quarterly, and then they pay 40% of this amount to the higher general labor union. The remaining fund is divided into several parts, which includes: organizing sports and entertainment activities regularly for the workers, for example holding basketball tournaments, volleyball tournaments, and ping pong tournaments in turn and buying prize awards for the winners; organizing birthday parties monthly for workers whose birthdays are in the current month and buying birthday gifts; providing education, training program and opportunities for workers, such as night classes of language learning, programs to improve their professional skills, lectures about labor laws and other relevant regulations, etc; promoting the functions of the labor union by putting posters, issuing magazines， lecturing to make the workers aware of their relationship with the company and the labor union's effect in order to better understand the workers' needs and make them understand they should come to the labor union when they are in trouble. As quoted form the Chairman: "*all these activities and events are ultimately the measures of protecting employees, satisfying their needs which can lead to the improvement in the production.*" All the interviewees confirm that the most important and difficult job of the labor union is to protect the workers' legitimate rights and interests by negotiating with owners and monitoring their behaviors of compliance with the rules. To be specific, they are consisting of helping and guiding the workers to sign the contracts with the company on the issues of safety, salary, working time, extra-hours, holidays, insurance and welfare; monitoring company to fulfill the contracts by making the payment on time and accurately, safeguarding the labor safety, etc; assisting the company to work with the employees' welfare issues by participating in the process of making company rules and regulations. Since over 80% of the workers are females, the work of protecting women's special interests is also significant, like the issues of maternity leaves.

Another job for this labor union is to promote the company's growth and development. To achieve this goal, the labor union needs to negotiate and communicate with the workers to increase their incentives of hardworking and reducing the unreasonable needs. In the interview, we were told that there was a strike four years ago, which lasted almost a month, because the owners didn't admit to workers' demands of unreasonable raise of salary. Eventually, by negotiating with both parties, the labor union convinced the workers to accept a compromise.

To accomplish the main functions, the chairman told us, they have monthly meetings with the company to discuss the issues about workers on the working rules and conditions, payment, overtime pay, raise of welfare with the aim of satisfying both parties. The negotiation does not always succeed; the rate of success is around 50%. They also conduct regular survey among workers to get a more complete knowledge of their needs and the degree of their satisfaction with labor union's work through questionnaires. The union also arranges "direct talk" between workers and employers every month to create better communication between them.

Our interviewees stated that there is not a formal performance measurement system in the labor union. What the union has right now are mainly related to targets and objectives that contribute to the achievement of their mission. Here, in the following, is the list of the measurements they are using right now:

- The company's compliance with the related laws and regulations
- Frequency meeting with employers
- Successful rate of negotiation with employers
- Degree of workers' satisfaction
- Workers' new needs
- The population of served workers
- Number of activities
- Participation rate
- Productivity per person
- Rate of absence
- Rate of stealing
- Amounts of unreasonable complaints and demands
- Number of improvements on technical and professional skills.
- Supervisions from examination board of fund-using
- Service quality
- Process management control
- Mutual comments
- Coordination and cooperation between staff
- Reduction of task time
- Results –improvement of the same or similar tasks
- Reduction of response time
- Resource utilization
- Cost of each activity
- Average income/expense rate
- Balance of accounts each period

5.3 Labor Unions Regarding Financial & Non-financial Dimensions

We asked our interviewees questions of whether financial or non-financial dimensions are more emphasized in the processes of performance measures in this labor union. If all of them contended that non-financial dimensions are more significant to them, especially the dimensions with focus on company's compliance with related regulations. "*Monitoring if the company are implementing the rules properly to give workers fair salaries, other welfares, buy them necessary insurances and make workers work within prescribed working hours and extra-shift is of our most concern.*

It is our most important job to negotiate with the owners for workers' best interests and legitimate rights if the owners violate the rules for their own benefits." the Chairman told us. This is the most direct and important link to workers' benefit. The other dimensions including the financial dimension are for the same purpose of serving the employees better, fulfilling their needs and solving their problems so that they can be motivated to work harder.

It can be concluded that the financial dimension is not the emphasis of the labor union and is less significant than the non-financial dimension. But compared to the financial dimension, sometimes the non-financial dimensions are very subjective and difficult to measure. For example, the workers' satisfaction with labor unions' work is hard to measure because there are various perspectives that employees take to evaluate labor unions' work, and different people have different opinions. However, the labor union is trying their best to conquer these difficulties and objectify the measurements as much as possible. Moreover, the labor union also engages in increasing the objectivity and quality of the measurements by communicating more with employees and employers, revising measures regularly, learning from other advanced labor unions and obtaining guidance and instructions from the general labor union.

5.4 Decision Making & Communication

As the description of the organizational system of Chinese labor union, it can be concluded that the interviewed labor union is a decentralized organization that are responsible for the employees and employers of the individual companies or organizations. There are two steps in the process of establishing objectives and targets in the labor union. First, the committee of the labor union establishes the overall targets by summarizing previous performances and the results of target achievement, combining with directions from the higher general labor union. Second, the objectives are introduced to all the staff of the labor union and broken down into more specific and concrete targets for each area of the work. By having limited number of staff and a decentralized structure, this labor union manages to communicate with all people within the organization. Everyone is involved in revising the visions in time, based on the feedback they get from workers and owners. As a result, it can be seen that the information is transferring in both processes: top-down and bottom-up.

5.5 Rewards & Incentives

Almost all of the goals and targets that the labor union has made are subjective, quality-related, and abstract in a way that makes them hard to be objectified and quantified. During the interviews, the interviewees said that their incentives are from the self-achievements of the job, fulfillments of their commitments and the compliments as well as satisfactions of the workers and employers. "*This job takes serious commitments and willingness when we conduct our behaviors. And the approvals from employees and employers would be the best motivation.*" Our interviewees told us.

5.6 The Labor Union's Position between Employer/Employee

A meeting between workers and owners is held by the labor union every month. The purpose is to create an opportunity for the three parties to communicate directly and solve the problems more effectively and efficiently. Every month, there will be 15 representatives of the employees which are decided by the workers themselves sitting together with the managers of the company and labor union staff to discuss their problems, demands and things need to be improved. Having this meeting makes the behaviors and activities of labor union more transparent and clears the direction for their further work.

CHAPTER 6 – ANALYSIS

6.1 Introduction

The performance measurements system used by the studied labor union are subject to a series of factors such as 'agent' position, the extensive power and responsibility, coercive pressure, their missions and visions, goals, the organizational system and the specific situation they are facing. The empirical findings reveal that they don't have a formal system of performance measurements, but all the measures they are using have a certain pattern. So in the following session we will discuss their performance measurements by implementing the model of BSC, analyze why they choose these measures and focus on if the use of the measures connects with goal achievement of the analyzed labor union.

6.2 The PM of the Labor Union in a BSC

In this section, the model of BSC is employed to organize and analyze the performance measurements of this labor union. By taking into account of their own situations, the *customer perspective* is replaced with *employee perspective* and *employer perspective.*

<u>*Financial Perspective*</u>

Given the fact that labor union is a non-profit organization, its primary goal is not profit maximization but providing services for both employees and employers. Therefore the financial focus is on how the fund is spent, if it is used correctly and effectively, if the accounts are supervised, controlled and predicted and whether income and outcome are balanced. Unlike hospitals and some other non-profit organizations which can generate money themselves, this labor union gets limited fund from the company quarterly, therefore it is important to maintain financial steady by strengthening cost management and increasing the efficiency of resource utilization. Based on the interviews, most of the fund is spent on the various activities and lectures for the workers, so the main performance measures on financial perspective are on the reasonable resource utilization, cost of each activity, average income/expense rate, balance of accounts for each period, prediction of future expenses, and the supervisions from examination board of fund-using.

Employee Perspective

One of the major tasks of labor union is to protect and maintain workers' legitimate rights and interests. The emphasis on this perspective is on whether the workers' are treated fairly and reasonably; if they get what they ought to have from the company; and whether they are satisfied with the activities conducted by the labor union. The main performance measures on this perspective are the company's compliance with the related laws and regulations on working conditions, working time, salary, welfare and holidays, etc. Frequency meeting with employers, successful rate of negotiation with employers, degree of workers' satisfaction with labor union's work, workers' new needs, the population of workers who get counsel and direction from labor union, number of activities organized for workers and the participation rate of these activities are also considered.

Employer Perspective

The other job of labor union is to promote the growth and development of the company. The point of this perspective is whether workers are devoted to make a contribution to the company. According to the goal conflicts with the owners, workers tend to increase their own interest at the expense of owners'. Therefore the performance measures in this perspective are focusing on the productivity per person, rate of absence, rate of stealing (the company is a shoe-making company), amounts of unreasonable complaints and demands, number of improvements on technical and professional skills.

Internal Process Perspective

"*The more efficient the internal process is, the quicker we can get feedback information, so the less response time will be needed*", the Chairman said during the interview. The importance of this perspective is the efficiency and effectiveness of the staff that are working in the labor union. So the performance measures on this perspective are mainly consisting of service quality, process management control, mutual comments among the staff (they conduct a staff meeting per week), and coordination and cooperation between staff.

Learning & Growth Perspective

All the interviewees agreed that learning and enriching experience is essential in doing labor union work. They need to deal with issues of both workers and owners and face various and changing situations which require a great amount of patience, communication skills and knowledge of the laws. Therefore, the labor union provides the opportunities of further training courses for them every year. The performance measures on this perspective include reduction of task time, results improvement of the same or similar tasks and reduction of response time.

Labor union’s BSC	
Dimensions	Measurements
Employee Perspective	The company’s compliance with the related laws and regulations
	Frequency meeting with employers
	Successful rate of negotiation with employers
	Degree of workers’ satisfaction
	Workers’ new needs
	The population of served workers
	Number of activities
	Participation rate
Employer Perspective	Productivity per person
	Rate of absence
	Rate of stealing
	Amounts of unreasonable complaints and demands
	Number of improvements on technical and professional skills.
Internal Process Perspective	Service quality
	Process management control
	Mutual comments
	Coordination and cooperation between staff
Learning & Growth Perspective	Reduction of task time
	Results –improvement of the same or similar tasks
	Reduction of response time
Financial Perspective	Resource utilization
	Cost of each activity
	Average income/expense rate
	Balance of accounts each period
	Supervisions from examination board of fund-using

***Figure 8**: BSC for Our Case Union. (Own creation)*

6.3 The PM in Our Studied Labor Union

The findings indicate that the labor union chooses multi-dimensional performance measurements that are combinations of financial and non-financial performance measurements with aim of improving non-financial results. The focus is on the non-financial performance measurements and the financial dimensions are serving for the financial dimensions. Based on our findings, we conclude that the studied labor union translates their visions and missions into smaller and specific financial and non-financial targets. And the internal and learning processes also play significant roles in the performance measurement system.

Comparing the results with the BSC implementation in non-profit organization described by Sawhill & Williamson (2001), we can observe that the studied labor union manages to measure all the areas. First, the efficiency of mobilizing resources is measured by resource utilization, etc., that are concluded in the financial perspective. Second, the efficiency of staff is measured in the internal and process perspective. Third, the achievement of the vision is also measured in both employee and employer perspective.

But the limitations of performance measurements argued by Franceschini et al. (2007) are also presented in the case. The links between different aspects are lacked. For example, they monitor the resource utilization, but don't link it with improvement of services provided. Since the goals of this labor union are subjective and dependent on employers and employees' judgment, some of the performance measurements tend to be subjective and hard to evaluate. And because of the limitations of their knowledge, they don't have a formal matured tool of measuring these indicators. For instance, they don't build an efficient employee satisfaction index to evaluate the degree of employees' satisfaction.

The incentive system in the selected labor union is in compliance with theoretical research made by Merchant et al (2007), of which the argument is that it's not easy to give financial incentives for result measures because the goals is not always clear defined and the results are hard to measure. Most of the goals and targets that the labor union has made are subjective, quality-related and abstract in a way that makes them hard to be objectified and quantified. Therefore, it is difficult to link the incentives or rewards to the performance. As a matter of fact, this labor union does not have an official incentive system that can encourage the staff to work to their best because they are elected and monitored by the workers but paid by the company. The company won't reward them because of their good performance for employees' sake, while the employees could not be able to offer them any kind of material reward individually. Therefore the current major incentive of the labor union is the fulfillment of commitment and the satisfaction from employees and employers.

We can conclude that the performance measurement system in the studied Chinese labor union is in the incipient stage of development. Some of the measurements that are conducted adapt to the particular situations and requirements. But it lacks some qualities that are essential for a developed performance measurement system.

6.4 Factors that Influence the PMs

Based on the comparison with Swedish labor union system in the previous chapter, the Chinese labor unions have great differences from their counterparts which are the main drivers of their using of performance measurements. The performance measurement system used in the studied labor union is subject to factors like: agent of two principals, extensive power and responsibility, coercive pressure, and the specific situations.

Unlike the Swedish labor unions that are just the agents of the members, Chinese labor unions serve two principals: employees and employers. Therefore protecting both employers' and employees' interests are their tasks. Given the fact that employees and employers are two goal-conflicted parties and they have opposite requirements from the labor unions, the management of a balance between two parties is one of the major jobs of labor union. In this context, the selected labor union uses a multi-dimensioned performance measurement system that combines employee and employer perspective. This is also the driver of conducting meetings between employees and employers to prompt better communication.

The choices of performance measurements could also be explained by the extensive power and responsibility the labor union is taking. Since their major fund derives from 2% of employees' total salaries, the labor unions are representing all the employees within the organization and they have more influence on employees' work and life. Comparing with Swedish labor unions' functions, Chinese labor unions have more functions regarding participating rule-making processes in companies, educating employees with necessary knowledge of relevant laws and assuring companies' development and growth. To fulfill these tasks, the interviewed labor union adopts measurements like rate of participation of activities and satisfaction to evaluate their performance.

As discussed in previous chapter, Franceschini et al. (2007) argues that the influences of internal and external factors should also be considered when it comes to the design of performance measurements. Being different from the fact that Swedish labor unions are independent organizations, Chinese labor unions are under the control of government. This means the operation of the labor union is under coercive pressure from higher authority. Therefore, their performance measurements also include evaluating the enforcement of directions from higher general labor union.

The results of empirical findings reveal that the nature and specific circumstances the labor union faced are taken into account of designing performance measurements. In the company in which the selected labor union operates, most of the workers are from other provinces and they live in the company. So the labor union has to organize various entertainment activities, games and lectures regularly for the workers to enrich their life. As a result, the measurements on evaluating the quality and acceptance of these events are very important for the labor union to improve the performance in the future.

CHAPTER 7 –

SUMMARY OF FINDINGS & DISCUSSION OF RESULTS

7.1 Summary of Findings

Our research of the labor unions within China and Sweden has given us a broader understanding and deeper knowledge of the use and roles of the labor union. Through our researches we have seen that there are many similarities, but at the same time, also many differences of the use and roles of the labor union.

Our findings have showed us the differences as well as the similarities. The main purpose of the labor unions in China and Sweden is to educate the employees toward their rights and welfare, the union work for the employees' benefits and rights. Our finding has also showed us that the unions have mainly the same structure in a similar hierarchy, from the local union to the central and general level. Also the financial similarities as the members pay an obligated fee to be part of the union, to have the democratic choices, and to gain advantages of the collective agreements.

The most important difference of the union within the two countries is that the Chinese labor union is district-based organized, while the Swedish labor union is professional-based. Another major difference is that the government in China authorizes the labor union, while the Swedish labor union is politically independent. Another interesting difference that we have found through our researches is that every company in China ought to have a union for its employees, while the Swedish labor union is organized through similar professions. In China the labor union is a part of the separate organization, while in Sweden the labor union is an independent organization. This leads to the difference of union selection; the Chinese employee becomes a member of the labor union through the employment, while the Swedish employee has a free will of selecting a membership in a labor union. The Chinese labor union members, or employees, pay a percentage of their salaries' to the labor union as a membership fee. The Swedish member pays a member fee, which is set by the labor union.

Regarding the use of performance measurements, our findings indicate that the interviewed labor union emphasizes these measurements with the aim of improving long-term, non-financial performance. Therefore, they pay more attention on the non-financial performance measurements with regard to workers' legitimate rights and benefits as well as owners' interest.

Our analysis on the case reveals that because of the specific situations, complications and positions they are facing, the labor union has extensive power and responsibility towards its two 'principals', which are the reasons they choose these performance measurements to evaluate and monitor their work.

The findings of our analysis indicate that the labor union in the case is in the use of multi-framed performance measurements both on financial and non-financial perspective, which can be organized in accordance of BSC. The financial performance measurements are the tools for improving non-financial performance. Employee and employer regarded measurements are the main focus and are linked with the labor union's visions and objectives. And the internal and learning processes could also be helpful in improving the organization's performance.

Due to the limited resources and complicated circumstances, the performance measurements used by our studied labor union are not very mature and developed, for instance, different dimensions are not linked together.

7.2 Discussion

This study indicates that our selected labor union is in the incipient stage of developing its own performance measurement system with influence from complicated situations they are confronting and pressures they are undertaken. As stated in the above chapters, Chinese labor unions have different functions both regarding to employees' and employers' interest. As a result the missions of the selected labor union are two-sided as well. Therefore, the performance measurements, which are adopted by them, adapt to their visions, visions and specific situations and environment.

It is revealed that this labor union chooses multi-dimensioned performance measurements both on financial and non-financial aspect, but with focus on non-financial measurements. We can also conclude from the case that some unique and specific factors and situations can influence the choice of performance measurements. For example, with most of employees living in the company, this labor union has to pay more attention on employees' life outside the work; therefore there are more performance measurements concerned with employees' satisfaction and activities organized for them. And since more than 80% of the workers are female, the work is more focused on female issues.

Given the fact that the goals of this labor union are very subjective and hard to be objectified, the performance measurements that are taken tend to be declarative and difficult to evaluate. That is why they need to be revised and changed in time, in order to adjust to the current situations.

The main influences on the management control system derive from the fact that the labor union is serving two 'principals': employers and employees. How to balance the two goal-conflicted parties' interest and protect both of them are the major concerns. However there is not a formal performance measurement system available to fulfill the task, the labor union is exploring on it to accomplish their vision.

The case we choose is typical among the big, labor-intense factories such as clothes-making factories, shoe-making factories and toy-making factories. We are aware of the characteristics of this type of companies. These are large, low-technological oriented companies with more than one thousand employees who are provided with accommodation. Labor unions in this type of companies have similar responsibilities and tasks. Our selected labor union is representative among these labor unions, which are located in these kinds of companies. For other types of companies and organizations, the tasks of labor union depend on the factors such as features of the industry, etc.

7.3 Suggestions

Given the special role the labor union is playing, it is recommended that they build a mature and developed performance measurement system in accordance with theoretical and empirical resources. Since they have already performed measurements in multi-dimensions, they should focus on establishing links between different dimensions and connect the measurements with the visions more closely. Beside, since the employers and employees' needs change all the time, they should revise their measurements in pace with the change of needs.

Appendix 1

List of Interview Questions

1. What is your mission?
2. Do you have formal or informal policies about performance measurement? Please give an example if you do
3. How do you evaluate your performance? What kind of indicators do you use?
4. What are the most important areas in your performance measurement system?
5. Are the measurements linked with certain targets?
    - If yes, how often are the targets revised and also who sets them (are they imposed hierarchically or the employees /middle management are involved in the setting process)?
    - What are the major challenges you face when you measure and interpret non-financial information about labor union's performance?
    - How are the measurements established: imposed from superiors or flexible, how often are they revised (annually, once at a certain number of years), under which circumstances are the indicators changed?
6. How often does the company pay you? – Every month, three months, six months or year?
7. Do you have regular meetings with company? If you do, how often do you have that?
8. What kind of company's managing meeting do you participate in? How often do you participate?
9. How often do you organize entertainment and sports activities for workers? And what kind to be specific?
10. How often do you conduct workers training? Usually on what areas?
11. Why do you conduct the promotion work and how?
12. How often do you have meetings and communications with workers?
13. How do you measure workers' satisfaction?
14. Have you observed positive relation between performance and improvement in communication with employees and employers?
15. How often do you conduct training for staff who is working in the labor union?
16. How do you evaluate whether the staff is motivated to work for the labor?

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