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INNOVATIVE APPROACHES IN ORGANIZATIONAL PERFORMANCE MANAGEMENT AND THEIR CONTRIBUTION TO THE SDGs

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ABSTRACT

This paper's aim is to explore innovative approaches to organizational performance management, and its contribution to the achievement of the UN Sustainable Development Goals (SDGs), with a focus on the economy in North Macedonia. The study employs a mixed-methods research design. The literature review provides the conceptual foundation, while empirical evidence is collected through surveys with structured questionnaires distributed to managers and executives, complemented by semi-structured in-depth interviews. Findings indicate that while awareness of sustainability is growing, organizations in Republic of North Macedonia often use performance measurement frameworks mainly for compliance purposes. Research results confirm that application of advanced performance management models leads to cost reduction, efficiency gains, improved reputation, and enhanced organizational resilience. The study concludes that embedding sustainability into performance management systems contributes not only to organizational success, but also to broader societal and environmental goals. Future research should focus on sector-specific implementation strategies and longitudinal studies.

Keywords: organizational performance management, sustainability management, SDGs, performance measurement systems, organizational success

Introduction

Ensuring long-term organizational success increasingly depends on integrating innovative performance management approaches with sustainability principles and the Sustainable Development Goals (SDGs). In transition economies such as North Macedonia, organizations face intensified competitive pressures, resource constraints, and stakeholder expectations, which amplify the need for performance systems that go beyond traditional financial indicators to capture economic, social, and environmental outcomes. At the same time, global frameworks like the 2030 Agenda and concepts such as the triple bottom line and sustainable performance measurement systems (SPMS) have created both opportunities and practical challenges for aligning organizational strategies with broader societal goals.

Despite the growing recognition of sustainability, many organizations still apply performance measurement frameworks primarily for compliance, reporting, or narrow

financial control, rather than as strategic tools for innovation and sustainable value creation. This gap is particularly evident in emerging economies, where advanced models such as the Balanced Scorecard, SPMS, and multi-criteria decision-making methods are only partially adopted and rarely linked systematically to the SDGs. The central problem addressed in this paper is the limited and often fragmented use of innovative performance management models to drive organizational success while simultaneously contributing to the achievement of the SDGs in the context of North Macedonia. The main objective of the study is to explore how innovative approaches to measuring and managing organizational performance—especially those that integrate sustainability dimensions—relate to and enhance organizational success in North Macedonia. More specifically, the research examines the extent of application of advanced performance management models, investigates their connection with key outcomes such as cost reduction, efficiency, resilience, and reputation, and analyzes how these models support or hinder contribution to selected SDGs. The study tests the hypothesis that the application of advanced and sustainability-oriented concepts and models of performance measurement and management is significantly associated with improved organizational performance and success. This research is significant for several reasons. First, it provides empirical evidence from a developing, EU-aspiring economy, offering insights into how organizations operationalize sustainability and SDG-related goals through their performance systems. Second, it contributes to the literature by linking organizational performance management, sustainability indicators, and SDG-focused frameworks in a single conceptual and empirical model. Third, the findings can support managers and policymakers in designing more effective, sustainability-oriented performance management practices that strengthen organizational competitiveness while advancing economic, social, and environmental priorities in line with the 2030 Agenda.

LITERATURE REVIEW

Relationship between organizational success, critical success factors, and organizational performance

The modern terms that describe the concepts of organizational success, critical success factors (CSFs) and organizational performance, have intertwined earthly relationships and are all in a certain way mutually related and each with an impact on a different aspect, and all together on the overall success of organizations. Persons who have responsibility in an organization, whether they are owners, top managers, directors, presidents and other management positions, it is good to have an understanding of the existence of these relationships, because in summary, they encourage and assist the process of long-term strategic goals and maintaining competitive advantage. Organizational success encompasses different elements and dimensions, but still interconnected, including financial performance, market share, customer satisfaction and employee engagement. Organizations that are successful have a common characteristic, which is to have the ability to adapt to changing environments, while incorporating and applying innovations and having long-term sustainability¹, along with strategic consensus in decision-making, also ensures that all parties are aligned and equally committed to the organization's goals. Such a climate of teamwork enables collaboration, innovation, and a sense of belonging, which are essential for success.² Organizational success also involves the application of strategic and structural considerations

¹<https://study.com/academy/lesson/organizational-success-factors-definition-quiz.html> Accessed on: 08.04.2024

²Rahman, Farhat naz & Kanasro, Dr. Hakim. (2015). TEAM WORK: A KEY TO ORGANIZATIONAL SUCCESS. Canadian Journal of Political Science. Edition Vol 3. 87-95.

in everyday operations. Flexibility and the ability to innovate are key to maintaining success in an unpredictable environment, because changes that occur, and over which organizations have no control, must be taken into account in future organizational decisions. Strategies designed according to the nature of the activities provide a roadmap and a clear picture for achieving organizational success. The application of strategies adapted to the specific characteristics helps organizations cope with challenges and seize opportunities.³ The multidimensional nature of organizational success, critical factors and organizational performance play a key role in the functioning of organizations in various industries and therefore organizations pay attention to their detailing. Critical success factors (CSFs) represent areas towards which organizations must focus their activities, but they are in a direction so that there can be a basis for maintaining long-term success. The relationship between organizational success and these factors is inevitable. If we define these critical factors, they translate into the most significant segments towards which the organization needs to be focused in order to meet strategic goals.⁴ Due to the different nature of the activities of organizations, critical success factors are different, but they have in common that they have a scope that relates to effective leadership and management, effective communication, a highly qualified workforce, processes and customer satisfaction. Critical success factors play a role in achieving organizational success, as they have a significant function in managing projects of various natures. Clear objectives, effective planning, risk management and stakeholder engagement are key to the success of projects.⁵ Furthermore, in terms of importance for business operations, the factors act in a positive direction on productivity growth and overall organizational performance.⁶ In relation to competitive advantage, in order to effectively identify critical success factors, adaptation according to the organization's activity is important. In addition, the size of the organization has its influence, the level of years of operation, etc. A properly set strategy for identifying and relating these factors to the organizational context is crucial. All phases in the implementation of activities are the result of a certain phase of the management functions. Starting from the planning phase, critical success factors related to organizational, human, project management, quality and technical factors can contribute to organizational success. Also, factors related to processes, i.e. the importance of planning processes, directly affect success. With a proper understanding of critical success factors, Organizations can improve their performance by meeting strategic goals and also by gaining competitive advantage.⁷ Organizational success is defined and expressed differently in organizations in the for-profit, non-profit, and public sectors. Organizations in the for-profit sector, striving to ensure profit in the organization, need to demonstrate adaptation skills in order to be able to cope with all the changes and influences that affect their daily operations. The organization as an entity also changes its meaning over time, so according to recent trends, a modern organization is conditioned as a "team of teams", which is focused at the core on the relationships and connections with which that for-

³ Ali, Tajwar & Malik, Muhammad & Tirmizi, Syed Muhammad & Shaikh, Rashid. (2007). Assessment of the Organizational Success in Private Sector of Telecom Industry (Rawalpindi/Islamabad) (Mobilink, Telenor and Warid). 10.13140/2.1.1963.4248.

⁴ Parmenter, D. (2019). Finding Your Organization's Critical Success Factors. 10.1002/9781119620785.ch7

⁵ Orouji, Maryam. (2016). Critical success factors in project management. Journal of Project Management. 1. 35-40. 10.5267/j.jpm.2017.1.001.

Lamprou, Athanasios & Vagiona, Dimitra. (2018). Success criteria and critical success factors in project success: a literature review. 10.26262/reland.v1i0.6483.

⁶ Abidin, Rahimi & Osman, Nor & Hashim, Rushanim. (2021). Critical Success Factors in Business Operation and Its Impact on Productivity Growth. 10.2991/aebmr.k.210727.007.

⁷ Ubaid, A. (2023). The critical success factors of the highly competitive organizations; a systematic literature review. The TQM Journal. 36. 10.1108/TQM-11-2022-0333.

profit organization interacts. A successful for-profit organization balances between the internal and external environment, and coordinates activities through organizational culture. The characteristics of a successful for-profit organization in the 21st century are an intertwined paradigm between organizational culture, strategy and structure, effective management and leadership, the level of communication, implementation of actions and their monitoring. Organizations in this sector face a high degree of uncertainty and constant changes. It is these changes that should cause organizations in the for-profit sector to constantly monitor changes and create opportunities for their business from them. Identifying areas for improvement and creating value for all stakeholders is the basis for sustainability in today's organizations. Another characteristic of successful profit organizations is that organizations that strive for sustainability must incorporate digitalization, artificial intelligence, and generally take advantage of the benefits of modern technology in their processes and operations. Effective ⁸communication in profit organizations is also an important factor in building synergy and unity between internal units of the organization, enabling different sectors to function together and employees to understand organizational goals. Factors that affect successful communication are performance, both internal and external communication, i.e. between employees, managers, and between buyers and suppliers.⁹ Modern profit organizations no longer measure success by annual economic results based solely on profit. A successful organization is one that fulfills its legal obligations within the specified deadlines, is financially profitable, successfully deals with stakeholders, and manages the actions of its managed people efficiently and effectively. In conditions of global competition, a changing environment, and the creation of new markets, the creation of management practices that will lead to success is necessary. Talent management, in conditions of a shortage of qualified labor, is the main focus of most profit organizations.¹⁰

Consumer mentality is changing and organizational performance is becoming a major support in the process of making the right decisions that support the changes that have occurred on a global level. The concept of resilience is becoming a current topic for organizations in the profit sector. The term has been associated in the past with the ability of a phenomenon to return to a previous state after a certain decline, to rise again. The term originates from the field of ecology, denoting ecosystems that have the ability to absorb changes and survive. Organizational resilience refers to organizations that can cope with the uncertainties of the environment.¹¹

Success in public sector organizations is a multifaceted concept, due to the nature of its activity to provide quality services, to be effective and to have good administrative capacities, and on the other hand, multidimensionality also arises from its political inherence. The hierarchical structure, the more rigid way of decision-making, the increased time for quick reaction when necessary, etc. are aggravating factors when it comes to public sector organizations. One of the factors for the success of this type of organizations is the organizational capacity that is associated with organizational capabilities. Organizational capacities are associated with the existence of teamwork, commitment and personal

⁸Dimitrova, Yanica. (2018). Characteristics of Successful Company in the Modern Business Environment. 27. 86-91.

⁹Valiyeva, Aynura & Thomas. PhD. Sfhea. Fcimec, Basil. (2022). Successful Organizational Business Communication and its Impact on Business Performance: An Intra- and Inter-Organizational Perspective. Journal of Accounting, Business and Finance Research. 15. 83-91. 10.55217/102.v15i2.586.

¹⁰Tsolaki, C. (2022). Successful organizations and effective "Talented" management. International Journal of Research in Human Resource Management. 4. 25-30. 10.33545/26633213.2022.v4.i2a.110.

¹¹Tennakoon, N. & Janadari, N. (2021). Organizational Resilience: What it is and what it isn't? A Conceptual Review. Wayamba Journal of Management. 12. 171. 10.4038/wjm.v12i1.7520.

development, management of employee performance and employees being a kind of representative of the population where they operate geographically. The strategy in this sector gives priority to improving the conditions for the quality of life of citizens, effective management between priorities and relations with local-central government, building partnerships with organizations from the business and non-profit sector to improve services, etc. Public management implies constant improvement of transparency and clear roles of functions, as well as control over resources and budgeting, factors that contribute to success, and mutually affect organizational capabilities.¹² Due to the peculiarities of the public sector, sometimes attempts to improve performance in the public sector have mixed and sometimes even undesirable results. The search for sustainable and high levels of organizational performance is constant. In addition to the factors that act, specific areas for improvement in the public sector are also identified, which are associated with profiling the so-called public manager and his desired characteristics, such as integrity, high ethics, etc. Customer commitment is in the spotlight and a general improvement in the performance management of the organization allows for a proportional increase in the quality of the workforce. The commitment of governments to these topics has created high-performance government organizations that add significant value to society.¹³ Measuring and evaluating organizational performance is one of the prerequisites for success in public sector organizations. Controlled by the government, created to provide services budgeted by taxpayers, they have a series of legal regulations that they need to comply with. The so-called public control allows for a comparison of public organizations in similar fields. The focus should be on outcomes that are important to the community they serve. Measurement, evaluation and management of organizational performance is carried out in areas such as customer satisfaction, quality of service and access to services.¹⁴

Organizational success in the nonprofit sector prioritizes the delivery of their programs and services over the communities or causes to which they are committed. Measuring mission accomplishment can be subjective. In order to be successful, organizations of this type need to be able to define and measure the effectiveness and efficiency of their work. In general, effectiveness is presented as the relationship between the goals set by the organization and the outcomes that result from its actions, while efficiency is the ratio between organizational inputs and outputs. However, organizational effectiveness is a multidimensional concept that is reduced to more than one measure, namely the level of management effectiveness and program effectiveness, organizational capacity and organizational results. Also, the result of this effectiveness is associated with the body that evaluates it. In addition, the difficulty in quantifying the effectiveness of nonprofit organizations is associated with technical problems that are not so easy to measure, due to their basic concept. The assessment of effects, such as whether a neighborhood is a better place to live, etc. Evaluations of various programs also face this challenge¹⁵.

Non-profit organizations are challenged to satisfy multiple stakeholders and therefore have a range of expectations to meet. However, in addition to meeting stakeholders' expectations,

¹²Andrews, Rhys & Beynon, Malcolm & McDermott, Aoife. (2015). Organizational Capability in the Public Sector: A Configurational Approach. *Journal of Public Administration Research and Theory*. 10.1093/jopart/muv005.

¹³Waal, André. (2010). Achieving High Performance in the Public Sector. *Public Performance & Management Review*. 34. 81-103. 10.2307/20779223.

¹⁴Olariu, Ana Alexandra & Popa, Stefan & Breazu, Andreea & Popa, Cătălina. (2023). ORGANIZATIONAL PERFORMANCE IN THE PUBLIC AND PRIVATE SECTORS IN ROMANIA: THE BALANCED SCORECARD PERSPECTIVE.

¹⁵Verschuere, B. & Suykens, B. (2020). Effectiveness and Efficiency of Nonprofit Organizations. 10.1007/978-3-319-99675-2_116-1.

internal organizational requirements also need to be met, as well as providing conditions where the use of learning and development outcomes can be maximized. Also, the satisfaction of service users always welcomes innovations, which in turn lead to attracting additional and better use of available resources in order to achieve organizational goals.¹⁶

Organizational success in nonprofit organizations is difficult to measure, as the generally qualitative nature of social impact, etc., is not easy to analyze. Stakeholder perspectives on what constitutes “success” can vary significantly, making evaluation efforts even more difficult.

Sustainable performance measurement systems [SPMS]

Regarding the concept of sustainability, several historical features influence its development. The first feature goes back to the 18th century, when Carl von Carlowitz introduced the term sustainability in the context of forest management. Economically, the same term is associated with the survival of interests in the use of capital and the emphasis on long-term impacts of current decision-making. The second feature of this concept emphasizes environmental protection and socio-economic development. The Brundtland Commission defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The third feature is related to the concept of sustainability, which incorporates the three perspectives: ecological, economic and the social dimension. It is precisely the responsibility of sustainability management that is linked to long-term management and the creation of value that integrates these three dimensions.¹⁷ Almost three decades ago, it was presented the famous so-called triple bottom line (TPL), as a concept that promotes awareness of the importance, the connection and mutual influence between economic, social and environmental factors. Simply put, it promotes the interconnectedness of the terms: profit, people and planet. According to the renowned magazine, *The Economist*, TPL is already part of the business lexicon, described as a way of measuring the financial, social and environmental performance of organizations over a certain period of time. The quest for value creation is constant, and the renewal of functioning is associated not only with economies, but also with societies and the biosphere.¹⁸

Evidence from organizational performance measurement systems that promote sustainability provides mixed signals. Case study documentation across the integration spectrum suggests that the degree of integration is low in more informal structures and higher in formal control systems. Management decisions also depend on the personal views and beliefs of senior management. Customer demands result in pressure on organizations to implement and measure the organization's sustainability decisions.¹⁹

According to Searcy Corporate sustainability measurement is a system of indicators that provide the organization with information that will help with short-term and long-term

¹⁶ Bernal-Torres, César & Montes Guerra, Maricela & Turriago-Hoyos, Álvaro & Castro-Silva, Hugo. (2021). Organizational and social innovation in Non-Profit Organizations performance in the context of an emergent economy. *Intangible Capital*. 17. 73. 10.3926/ic.1731.

¹⁷ Beckmann, Markus & Schaltegger, Stefan & Landrum, Nancy. (2019). Sustainability management from a responsible management perspective. 10.4337/9781788971966.00016.

¹⁸ Elkington, J. (2018). Sustainability 25 Years Ago I Coined the Phrase "Triple Bottom Line." HBR <https://hbr.org/2018/06/25-years-ago-i-coined-the-phrase-triple-bottom-line-heres-why-im-giving-up-on-it>.

¹⁹ Pencle, N. (2023). 'The Interactive Effect of Cognitive Frame and Performance Measurement System Scope on Managers' Choice of Sustainable Suppliers', *Journal of Management Accounting Research*, 35(3), pp. 153–171. doi:10.2308/JMAR-2022-041.

management, control, planning, and economic performance, environmental performance, and social activities undertaken by the organization²⁰.

Having the right mechanisms in organizations is necessary to be able to adequately answer the question of whether they are sustainable, or more specifically, which of their products, processes, and services are truly sustainable. An approach is needed to measure economic and non-economic factors because they have an impact on the ultimate organizational performance.²¹

The methods that are applicable to measuring sustainability in organizations are numerous. Among the most widely used are the following databases, with their sub-indicators: The Kinder Lydenberg and Domini [KLD] Database, the Fortune Index, the Canadian Social Investment Database [CSID], and others. Also, another method for measuring sustainability is single indicators (e.g., pollution control performance, etc.), as well as an analysis of organizations' publications on this topic. However, they should be applied carefully, and when drawing conclusions, it should be borne in mind that single indicators provide an overview of only one dimension, and the analysis of publications may not be that reliable (organizations themselves tend to present themselves in a more positive light than they really are).²²

One of the more modern methods for assessing sustainability is the decision-making process, based on multiple criteria (sustainability performance is to use multi-criteria decision making (MCDM), i.e. analytical hierarchy process (AHP); data envelopment analysis (DEA); principal component analysis (PCA) and others.²³ SPMS is a construct that enables the translation of the sustainable strategy into real measurements of organizational performance. This so-called construct is three-dimensional and consists of: a financially oriented dimension, a growth-oriented dimension and a dimension with an orientation towards socio-environmental protection. It is pointed out that if any of the dimensions is not analyzed, then the conceptualization is disrupted.²⁴

SUSTAINABILITY INDICATORS

The modern way of life, the availability of options for a better and higher quality of life is reflected in the limited resources, climate change, energy-related problems and other factors that directly and/or indirectly affect changes in everyday lifestyles. They lead to an indispensable need to create conditions for sustainable development. As a concept, the term sustainable development originates from the United Nations (UN) back in 1972, in order to achieve a balance between economic growth with social well-being and environmental protection. Three important concepts that do not always complement each other in a straight line and the development of one concept may not have such a favorable impact on the development of the other, that is, economic growth may have a negative effect on the

²⁰Searcy, C. (2012) Corporate sustainability performance measurement systems: a review and research agenda. *Journal of Business Ethics*, 107(3), pp. 239-253. <http://dx.doi.org/10.1007/s10551-011-1038-z>.

²¹Petros Sebhatu, S. (2009) Sustainability Performance Measurement for sustainable organizations: beyond compliance and reporting.

²²Makalesi, A., Sofyalioglu, C., Surucu, E. (2018) Corporate sustainability performance measurement: An application on home appliance firm. *Cilt: 20, Sayı: 3, Yıl: 2018, Sayfa: pp. 461-484*.

²³Beiragh, R. & Alizadeh, Reza & Shafiei Kaleibari, Saeed & Cavallaro, Fausto & Zolfani, Sarfaraz & Bausys, Romualdas & Mardani, Abbas. (2020). An integrated Multi-Criteria Decision Making Model for Sustainability Performance Assessment for Insurance Companies. *Sustainability*. 12. 10.3390/su12030789.

²⁴Muhamad, Nurisyal & Auzair, Sofiah Md & Amir, Amizawati. (2016). Measuring Sustainability Performance Measurement System. *Economica*, Vol 12, No 3 *ECONOMICA* [http://journals.univ-danubius.ro/index.php/oeconomica/article/view/3361/3316#:~:text=As%20defined%20by%20Searcy%20\(2012,activities%20undertaken%20by%20the%20corporation\)](http://journals.univ-danubius.ro/index.php/oeconomica/article/view/3361/3316#:~:text=As%20defined%20by%20Searcy%20(2012,activities%20undertaken%20by%20the%20corporation)).

environment, but a positive effect on social well-being. In 2030. The Sustainable Development Goals Agenda launched further defines the activities that should be covered in terms of sustainability, through the three interconnected entities, representatives of the previously mentioned concepts: people, economy and environment. In summary, sustainable development focuses on a state that meets the needs of the present, in whole or in part, without compromising the ability of future generations to meet their own needs. When using sustainability indicators, the concept of a circular economy is inevitable, as one of the most important solutions for sustainable development.²⁵ The 2030 Agenda for Sustainable Development is the result of negotiations by international experts who ultimately present and set the sets of goals and indicators. The complexity of this agenda encounters obstacles in implementation, with particular emphasis on localization. The connection between the global and the local in real examples results in the fact that globally set goals can face challenges when localized, which, again violate the initial intention. Indicators that are previously set at a global level sometimes cannot be localized. Indicators for sustainable development goals (SDGs) are around 232 in number, so-called SDG indicators, defined by the Inter-Agency and Expert Group on Sustainable Development. As expected, the focus is on achieving environmental sustainability, technology to provide sustainable solutions, developing countries to motivate themselves and policy makers to contribute to increasing awareness of these goals. These indicators are investigated in a study, which can be an example for developing countries (localization in the Pacific) to investigate whether the indicators are relevant and how this type of countries adapt to the application of the necessary indicators set at a global level. On the other hand, this study also names the factors of well-being (in the Pacific Islands). These factors are related to several dimensions, namely: sustainability management, access to infrastructure, civic services and financial resources, health, access to natural and cultural resources, education, environment, knowledge, skills, values and connection with people and locations. Measurement challenges are classified into several categories, related to indicators:²⁶

- Focus /bias - this category is generated as a result of the indicator as a concept is specific and aims to focus on a specific phenomenon, on a single concept, i.e. on a single value system as opposed to local value systems. Local values and beliefs are not always aligned with global guidelines. The additional dose of bias is a real situation, namely bias towards a particular strategy or agenda which, on the other hand, implies the exclusion of others. Also, the lack of management in public activities leaves room for nonlinear implementation.
- Feasibility – indicators set at the global level and their relevance there, may not be equally relevant and feasible at the local level, for various reasons and resource constraints, both financial and human, but also shortcomings associated with a lack of commitment, but also shortcomings in data collection. Social norms do not always reflect accurate answers.
- Linkage with the target – indicator, there is also a possibility that it may not be adequate and sufficient to be successfully linked to the progress of the defined goals.

²⁵Ngan, Sue Lin & Shen, How & Teng, Sin Yong & Promentilla, Michael Angelo & Yatim, Puan & Er, Ah Choy & Lam, Hon. (2019). Prioritization of sustainability indicators for promoting the circular economy: The case of developing countries. *Renewable and Sustainable Energy Reviews*. 111. 314-331. 10.1016/j.rser.2019.05.001.

²⁶Sterling, Eleanor & Pascua, Pua'ala & Sigouin, Amanda & Gazit, Nadav & Mandle, Lisa & Betley, Erin & Aini, John & Albert, Simon & Caillon, Sophie & Caselle, Jennifer & Cheng, Samantha & Claudet, Joachim & Dacks, Rachel & Darling, Emily & Filardi, Chris & Jupiter, Stacy & Mawyer, Alexander & Mejia, Manuel & Morishige, Kanoe & McCarter, Joe. (2020). Creating a space for place and multidimensional well-being: lessons learned from localizing the SDGs. *Sustainability Science*. 15. 10.1007/s11625-020-00822-w.

- Scale - the indicator is a unit of measurement that is initially set to be significant at the national/global level, but local progress is not always aligned or in the same direction as the global/national one.
- Disaggregation - separation into multiple components - The indicator may be appropriate at the local level, but there is a possibility that it may not adequately convey important local characteristics and specificities.
- Social damages – An indicator set at a global level, although set as a result of a previous in-depth analysis, may be inappropriate for the local level and therefore measuring the indicator may cause the opposite effect from the desired one, i.e. social or cultural damage.
- Environmental damage - quite the opposite of the purpose for which these types of indicators are created, unfortunately, the indicators set may not capture negative environmental externalities and decision-making that relies solely on these types of indicators has the potential to cause unintentional damage to the environment.

The overlaps and inconsistencies that arise with this type of global indicators impose the need for constant adjustment and analysis. This phenomenon of global indicators being implemented locally may have a different outcome than desired. The awareness of managers for this type of Potential differences that need to be adjusted at the local level should be a guide when implementing indicators of this type.

Several questions related to sustainability are raised about what should be protected, what are the boundaries and time frames, and also how to improve the situation, etc. With the help of sustainability indicators, an objective answer should be given as to whether things are getting better or worse. Numerous methodologies are used for various purposes and should provide support in the decision-making process.

The Planetary Boundary (PB) methodology is related to the stabilization of the Earth system, in which way it would be possible to function today, but with a dose of intention to create a basis for a sustainable future, not only for today, but also for our future generations. Several steps are defined and for each of them there are several indicators. This is a newer concept and the indicators are still in the testing phase. The methodology called Life Cycle Assessment (LCA) quantifies relevant emissions and consumed resources that cause changes in environmental and health impacts, as well as resource depletion problems associated with any products or services. This methodology is in compliance with the ISO standard (ISO 14040/14044) in order to check emissions from all life stages of a product or service. This type of methodology does not provide a solution whether a certain alternative is absolutely sustainable, but still provides information whether it has a positive impact on the environment.²⁷

The specificity of sustainability indicators comes from the nexus between the developers of these indicators and those who need to apply them. According to one study, there are five categories of reasons for their use:²⁸

- Instrumental: indicators that inform decisions that have an impact;
- Conceptual: catalyze learning and understanding;
- Tactical: substitution for action and change of criticism;
- Symbolic: ritualistic promise;
- Political: support a certain position.

²⁷ Dong, Yan & Hauschild, Michael. (2017). Indicators for Environmental Sustainability. *Procedia CIRP*. 61. 697-702. 10.1016/j.procir.2016.11.173.

²⁸ Bell, Simon & Morse, Stephen. (2018). *Sustainability Indicators Past and Present: What Next? Sustainability*. 10. 1688. 10.3390/su10051688.

Of course, according to their description, the most influential categories are the instrumental and conceptual, while the rest, i.e. tactical, symbolic and political, can cause distraction from the real problem and do not bring benefits to society. Of course, the boundaries between the above-mentioned categories are not distinctive and often one category passes into another.

Innovation-Driven Performance Management Aligns with Multiple SDGs in Organizational Sustainability

Sustainability-oriented organizational performance management, when driven by innovation, directly supports several Sustainable Development Goals (SDGs), notably SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), SDG 4 (Quality Education), SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action). Research shows that integrating innovative practices into performance management enhances not only economic outcomes but also social and environmental sustainability.

Innovation, Performance Management, and SDGs

Economic Growth & Decent Work (SDG 8): Innovation in business processes and technology adoption is positively associated with improved productivity, competitive advantage, and economic growth, especially when supported by management commitment and human resource practices. However, the direct impact of innovation on organizational performance can be limited if not paired with broader sustainability strategies.²⁹

Industry, Innovation, and Infrastructure (SDG 9): Adoption of digital transformation, smart technologies, and eco-innovation is crucial for building resilient infrastructure and sustainable industrialization. These approaches are essential for achieving sustainable supply chain performance and contributing to SDGs³⁰

Quality Education (SDG 4): Continuous professional development and innovative learning communities foster lifelong learning and skill enhancement, supporting a culture of innovation and aligning with SDG 4.³¹

Responsible Consumption and Production (SDG 12) & Climate Action (SDG 13): Green innovation, circular economy practices, and responsible innovation directly improve environmental performance, resource efficiency, and reduce emissions, supporting SDGs 12 and 13.³²

²⁹El-Kassar, A., & Singh, S. (2019). Green innovation and organizational performance: The influence of big data and the moderating role of management commitment and HR practices. *Technological Forecasting and Social Change*. <https://doi.org/10.1016/j.techfore.2017.12.016>.

³⁰Khan, S., Ahmad, Z., Sheikh, A., & Yu, Z. (2022). Digital transformation, smart technologies, and eco-innovation are paving the way toward sustainable supply chain performance. *Science Progress*, 105. <https://doi.org/10.1177/00368504221145648>.

³¹Krabonja, M., Kustec, S., Skrbinjek, V., Aberšek, B., & Flogie, A. (2024). Innovative Professional Learning Communities and Sustainable Education Practices through Digital Transformation. *Sustainability*. <https://doi.org/10.3390/su16146250>.

³²Ooi, S., & Memon, K. (2025). Responsible Innovation, Circular Economy and Organisational Resilience: Investigating Multiple Pathways Towards Sustainability Performance. *Business Strategy and the Environment*. <https://doi.org/10.1002/bse.70057>.

Social Sustainability (SDGs 5 & 10): Performance management systems that integrate social equity, gender equality, and fair labor practices contribute to reduced inequalities and promote inclusive workplaces.³³

RESEARCH METHODOLOGY

Research Objectives

The main objective of the research is to determine the advanced concepts and models that lead the measurement and management of organizational performance of organizations from different industries and contribute to achieving organizational success in them.

To identify the opportunities arising from the concept of sustainability related to improved organizational success.

In the theoretical part, the methods of analysis and synthesis were applied, supplemented with data from international literature, as well as with the views and insights of theorists and authors who researched the issues addressed in this paper. When conducting the applied research on the sample, the methods that arise from the specificity of the research problem, and relate to the qualitative and quantitative nature, were applied. The research investigates the interdependencies between the application of advanced concepts and models of measuring and managing organizational performance and organizational success and the concept of sustainability related to improved organizational success. The questionnaire was filled out by the management/managers/persons familiar with the decision-making process in the organizations where it was followed. The data in the research were collected based on the survey method with a structured questionnaire implemented on 154 respondents (organizations) from profit, not profit and public organizations in Republic of North Macedonia. 10 semi structured in-depth interviews were conducted in parallel. The respondents were from the profile of general director of foreign investments in the Republic of North Macedonia, human resources director, finance manager, heads of public enterprises and presidents of non-profit sector organizations. Some of the participants also answered the questions from the survey questionnaire.

Testing and results of the main hypothesis

The testing in the table examines the relationship between two categorical variables: Null hypothesis (H0): There is no significant relationship between the application of advanced models and concepts for measuring and managing organizational performance and organizational success

Alternative hypothesis (Ha): There is a significant relationship between. the application of advanced models and concepts for measuring and managing organizational performance and organizational success.

Table no. 34: Testing the basic hypothesis using the chi-square test

χ^2 value	Degrees of freedom (df)	p-value
33,217>26,296	16	p=0,007<0,05

Since the p-value of the χ^2 test is 0.007, which is less than the significance level $\alpha=0.05$, we reject the null hypothesis and conclude that there is a statistically significant relationship between the variables, i.e., there is a relationship between the application of advanced models and concepts for measuring and managing organizational performance and

³³Zihan, W., & Makhbul, Z. (2024). Green Human Resource Management as a Catalyst for Sustainable Performance: Unveiling the Role of Green Innovations. Sustainability. <https://doi.org/10.3390/su16041453>.

organizational success. This is also confirmed by comparing the χ^2 value with the critical value of χ^2 for 16 degrees of freedom.

Special hypothesis

The application of the concept of sustainability in organizations is associated with new opportunities for improved organizational performance.

According to the respondents, there is a positive trend regarding the connection of the concept of sustainability with new opportunities for increasing organizational success. The respondent organizations are familiar with the concept of sustainability, are aware of its benefits and have stated that they use sustainability indicators. Sometimes the application is applied due to regulatory nature, i.e. fulfillment of legal, and thus mandatory requirements. On the other hand, the need to apply it comes due to the demands that the client has on the organization. Additionally, according to the feedback from the respondents, the application of the concept of sustainability is positively related to improving the reputation of the organization that applies it. Undoubtedly, this approach requires flexibility, adaptation and the application of innovative solutions to be implemented. Innovative approaches in the organization on a large scale are reflected in the organizational processes, products and services they offer. Indirectly, the implementation of sustainability leads to increased engagement, but also provides opportunities for the retention of talented employees, because it initiates the creation of a sense of belonging to an organization that fosters sustainability, but also social responsibility, in a broader context. The existence of a relationship between these two categories, the concept of sustainability and improved organizational performance, is also evidenced by the fact that the majority of respondents answer affirmatively about the connection and express a strong position on the mutual positive effect.

FINDINGS

- The application of advanced concepts for measuring and managing organizational performance are conducted once a year, most often with the mandatory financial status; most common non-financial indicator is related to the concept of sustainability.
- Under the term methods and models for assessing and managing organizational performance, respondents understand and include only indicators, analyses, and most often associate them with employee performance.
- The connection between the application of advanced methods and models and organizational success is realized through: reducing operating costs, improving financial performance and improving the sustainability of the organization, cost savings and improved efficiency.
- The most commonly used non-financial indicators are KPIs, self-evaluations, proprietary software, customer satisfaction, changes in public good policies, website traffic and Lean philosophy market research, sustainability-related indicators, number of active members, etc. Non-financial indicators are adjusted according to the sector from which the organizations come.
- Of the options offered, the most frequently used is the Strategic Measurement and Reporting Technique (SMART) Performance Pyramid, The Balanced Scorecard (BSC) and Sustainable performance measurement systems (SPMS). Other options include: Triple your growth potential - a program developed and implemented by Best Solutions LCC, Lean performance metrics and proprietary software.
- The listed factors that hinder the introduction and application of advanced and comprehensive models of measurement, assessment and management of organizational performance in organizations are the following: insufficient capacity and lack of

resources as a disabling factor, further insufficient organizational readiness and resistance to change.

- It can be concluded that respondents generally hold the view that the introduction and application of innovative and more complex models of measurement and management of organizational performance leads to more benefits. Sustainability of the organization, better organizational climate and data-based decision-making that leads to organizational success.
- Regarding the challenges that would be faced when introducing and implementing more complex and innovative models for assessing and managing organizational performance, the majority responded that resistance would be one of the biggest challenges (resistance from employees, management, general resistance to reforms and innovations); workforce, human factor, technical capabilities and training of staff, employment of young and professional staff, inflexibility of staff and education of employees as well as knowledge and lack of human capital to apply them; lack of resources, namely: costs, finances and the number of employees, sustainability, financial costs and the need for additional employment; challenges that are related in content to the application of models for measuring and managing organizational performance.

RECOMMENDATIONS

- **Capacity of organizations to implement the sustainability system:** to investigate the actual ability of organizations to introduce sustainable practices, with a focus on cultural, structural and financial aspects.
- **Long-term impact of sustainability:** to conduct long-term research that will measure the relationship between the implementation of sustainable practices and the achievement of organizational success over a longer period of time.

In conclusion, this academic paper has explored the vital role of the Sustainable Development Goals (SDGs) as a blueprint for global progress in the twenty-first century, highlighting their function in uniting diverse stakeholders around shared sustainability objectives. Through an examination of multidimensional frameworks such as the Sustainable Performance Measurement Systems (SPMS), and the triple bottom line, the paper underscores how holistic measurement approaches enable organizations and governments to evaluate both progress and gaps towards the 2030 agenda. The integration of critical success factors, key performance indicators, and advanced multi-criteria decision-making methodologies further demonstrates the necessity of evidence-based policies and dynamic managerial tools in sustainable development practice. The findings reflect that while significant advances have been made in sustainability awareness, the translation of SDG principles into actionable strategies requires continued innovation in data management, institutional capacity, and collaborative governance. The research reveals persistent challenges including indicator alignment, coherence across policy sectors, and the localization of metrics for different contexts, but also highlights best practices from both public and private organizations striving for measurable impact. Ultimately, this study asserts that effective SDG implementation depends on adaptive performance measurement systems and robust partnerships that promote accountability, transparency, and learning across all levels of society. In summary, achieving the SDGs by 2030 will require ongoing commitment to innovative measurement, interdisciplinary research, and strategic cross-sector engagement, ensuring that sustainability targets are not only aspirational, but also realistically attainable through informed leadership and continuous evaluation.

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