United Nations Industrial Development Organization

Industrial Development Board
Forty-first session
Vienna, 24-27 June 2013
Item 4 (g) of the provisional agenda
Strengthening UNIDO programmes through unutilized balances of appropriations

Programme and Budget Committee
Twenty-ninth session
Vienna, 22-24 May 2013
Item 9 of the provisional agenda
Strengthening UNIDO programmes through unutilized balances of appropriations

Programme for Change and Organizational Renewal

Report by the Director General

> The present report provides an update on recent developments in relation to the Programme for Change and Organizational Renewal, pursuant to decision IDB.38/Dec.4. The document updates the information previously presented in documents IDB.40/5 and IDB.40/CRP.4.

I. Background

1. The Programme for Change and Organizational Renewal (PCOR) is an organization-wide initiative to reinforce UNIDO's role as a partner for prosperity. Launched in 2010, PCOR is making fundamental adjustments to the way the Organization operates in order to further increase its efficiency and effectiveness as well as to institutionalize results-based management (RBM), risk management and knowledge-sharing. These objectives are being achieved through, inter alia, business process reengineering (BPR), the implementation of an enterprise resource planning (ERP) system, as well as through focused staff development and improvements to the working culture of the Organization.

2. Since its launch, the Programme has met all major milestones on time and within approved resources; this has also been confirmed by both the External Auditor, and various independent assessments by SAP Germany. This result could only be achieved through the development of a clear vision and strategy, the holistic

management of all changes under one umbrella (Office for Change and Organizational Renewal) as recommended by the leading change and organizational renewal (LCOR) model, the continuous involvement of all stakeholders, the dedication shown and the hard work put in by staff as well as the visible support and engagement from the Director General, senior management and Member States.

II. Main developments and way forward

3.   The Programme is on track and is expected to be completed by June 2013 within the approved funds and time frame. This is an impressive achievement taking into consideration the holistic management of all UNIDO operations within a single integrated system. It shall also be seen in light of the Joint Inspection Unit's review of ERP systems in the United Nations system, a report which is to be published soon and where the inspectors found that 67 per cent of ERP systems were implemented over schedule and 33 per cent over budget. The major milestones achieved under PCOR include the roll-out of several releases of the ERP system since January 2012: the portfolio and project management (PPM) module to support UNIDO's technical cooperation activities; a number of human capital management (HCM) modules; and several knowledge management and collaboration functionalities for technical cooperation activities. Furthermore, another major milestone was achieved in January 2013 when various functionalities of finance, procurement and logistics were rolled out. In order to support business processes in the ERP system in the most efficient and effective manner, endeavours were made to significantly reduce process steps and administrative efforts, both at Headquarters and the field, introduce electronic approval workflows following the four eye principle, improved delegation of authority, as well as to foster transparency, knowledge-sharing and positive culture change. In addition, throughout the ERP implementation, continuous efforts were made to apply the operational improvements and implement quick wins to improve UNIDO's processes and procedures, keeping the change momentum alive and thus helping instil a culture of change. PCOR is also contributing to a number of strengths and addressing the weaknesses identified in the analysis of strengths, weaknesses, opportunities and threats (SWOT) by the informal working group on the future, including programmes and resources, of UNIDO.

4.   The remaining challenges shall be addressed during the first half of 2013. By June 2013, all major milestones foreseen under PCOR are expected to be achieved and the Programme shall come to a conclusion, as planned. With this, certain activities will need to be continued and/or followed up by the respective services, e.g. staff development and cultural changes by UNIDO's human resource management services, and continued institutionalization of RBM, risk management and knowledge management by the respective organizational units. In addition, in order to ensure continuous alignment of the implemented ERP system with future business requirements/needs, a new management structure will be introduced, details of which are elaborated in the present document (paragraphs 25-29). These upcoming measures will enable the Organization to continue to realize the PCOR benefits.

ERP (SAP) implementation

5.   After an international competitive bidding exercise conducted in 2010, UNIDO selected an ERP system and implementation service based on SAP, a world

leading provider of ERP solutions. The ERP is being implemented in UNIDO over four releases. Any roll-out of an ERP system of this magnitude brings about a number of challenges, such as those relating to data migration, stabilization and integration. Therefore, following the roll-out of each ERP module since the beginning of 2012, extensive efforts have been continuing to stabilize the system, fine-tune the new processes and ensure integration between the respective modules.

Release 1: Core business/technical cooperation (TC) activities

6.   The portfolio and project management (PPM) module, which was rolled out in January 2012, supports all stages of UNIDO's core business/TC activities (i.e. from identifying a request to designing, implementing, assessing and reporting). This new systematic and holistic approach to portfolio and project management at UNIDO contributes to measuring development impact based on RBM principles, systematic management of project risks, increased geographical coverage and organizational effectiveness. The approach also allows for better management and monitoring of UNIDO's activities as well as quality reporting on results and outcomes to Member States and external stakeholders. The PPM module furthermore contributes to improved transparency, knowledge-sharing and collaboration by making project information and related documents available to all staff, both at Headquarters and in the field.

7.   A major quality improvement exercise was started in 2012 with a view to ensuring that information on all new and ongoing projects is adequately captured in the PPM module and follows results-based budgeting principles. This exercise is expected to be concluded in the coming months, thereby ensuring its integration with releases 2 and 3.

Release 2: Human capital management, payroll and travel management

8.   The human capital management (HCM) modules, supporting the processes of payroll for staff and consultants/experts, e-recruitment, employee- and manager-self-service, organization management, staff administration, 360 degree performance appraisal, and recruitment and management of international and national consultants/experts as well as the new travel management module, were gradually rolled out during 2012. These processes have been streamlined following the four eye principle and can now be carried out in the online system by both Headquarters and field staff. As an example, managers are now able to access an online resource pool of international and national consultants/experts and recruit a consultant/expert through a two-step online approval process. These major changes enable better reporting to internal and external stakeholders, decentralization, empowerment of staff, proactive knowledge-sharing, and the reduction of administrative work.

9.   Currently, efforts are ongoing to ensure the integration between the HCM modules, which have already been introduced and the modules being implemented under release 3.

Release 3: Finance, procurement and logistics

10.   After extensive work during 2012, which included preparing business blueprints, developing and testing the system, migrating data from the legacy

systems, training, release 3 modules/functionalities have gradually been rolled-out since January 2013. For UNIDO's financial services, this brings about new approaches to financial management, funds management, controlling, grants management, treasury, assets and inventory management. For procurement, a number of modules/functionalities such as global e-procurement, supplier relationship management, material management, long-term agreements, a global vendor database, increases in procurement thresholds as well as structural adjustments, are being introduced. All these modules/functionalities are being integrated with the already launched modules. Throughout the implementation, it is being ensured that best practices are followed and that financial processes remain compliant with International Public Sector Accounting Standards (IPSAS). The new streamlined processes will also follow the four eyes principle and will significantly contribute to, among others, the empowerment of staff, greater accountability and transparency, proactive knowledge management and increased organizational effectiveness.

11.   During the first half of 2013, intensive efforts will be deployed to continue implementing the remaining modules/functionalities, ensuring their integration and stabilizing the system.

Release 4: Knowledge management and collaboration

12.   The knowledge management and collaboration (KMC) modules/functionalities are being implemented in conjunction with the above three releases. The global online accessibility of the ERP system and its contents contribute to organization-wide knowledge-sharing and better collaboration between various organizational units, at Headquarters and in the field, leading to increased organizational effectiveness as well as better reporting to internal and external stakeholders.

13.   Following a number of workshops between UNIDO cross-organizational teams and SAP KMC experts held during the second half of 2012 to assess UNIDO's KMC requirements, it was decided that an improved integrated KMC landscape shall be implemented by June 2013. This solution will support various types of collaboration forums and fulfil UNIDO's requirements for the years to come.

Other activities

Training for Headquarters and field staff and updating of manuals/guidelines

14.   Intensive and targeted training was held throughout 2012 to ensure that staff are well equipped to make best use of the new processes and systems. Since 2012, over 2,700 participants from Headquarters and the field received training. The variety of training methodologies applied include classroom trainings, guided sessions, support centres, the help function in the system, UNIDO-specific e-learning material, as well as online webinars for field staff. Selected field staff have also been systematically trained at Headquarters in order to become key users and support their colleagues in the field.

15.   Training of newcomers as well as current staff will continue in 2013 with the aim of refreshing and improving their knowledge of the ERP system and new processes. In addition, all concerned instructions, guidelines and manuals will be updated regularly in order to reflect the new modus operandi of the Organization.

Dedicated sessions for Permanent Missions on how to use the new reporting functionalities of the ERP system are planned during the second quarter of 2013.

Dashboard monitoring and reporting

16. As stated in document IDB.40/5, consistent reporting on results to all stakeholders is one of PCOR's major objectives. The first set of new user-friendly dashboard reporting tools have been developed and are already in place internally, providing project information by thematic area, region and country, organizational unit and project manager, and the achievement of results based on key performance indicators, as well as information on risks.

17. Dashboard reporting tools dealing with technical cooperation as well as selected human resource management activities are scheduled to be extended to Member States during the second quarter of 2013.

Risk management

18. Risk management is an integral part of portfolio and project management at UNIDO and has therefore been fully embedded into the PPM module. As such, the PPM module allows for the systematic identification of project risks through targeted questionnaires, their assessment, as well as continuous management and monitoring at each stage of the project cycle. In addition, the above-mentioned dashboard reporting tools allow for monitoring of and reporting on TC-related risks.

19. Efforts are currently under way to also implement such risk management, reporting and monitoring functionalities in the ERP system for human capital management as well as for finance, procurement and logistics.

Cultural change

20. As reported earlier, a number of cultural changes have been taking place since the launch of PCOR, such as a cultural diagnostic survey and the development of a strategy and plan of action. Managers, staff members and consultants from all parts of the Organization have been working jointly to ensure the timely achievement of all milestones. The high level of cross-organizational teamwork, knowledge-sharing, effective communication and commitment to achieve excellent results, which has been demonstrated by staff, serves as a positive example of UNIDO's desired working culture. The global accessibility of the system for both Headquarters and field staff also encourages internal benchmarking and knowledge-sharing. Furthermore, the first performance appraisal cycle (comprising start-of-cycle, midterm and end-of-cycle reviews) in the new 360 degree performance management system will be completed during the first quarter of 2013. This shall also contribute to more effective human resource and talent management.

21. While considerable progress has been achieved, efforts shall continue to ensure that UNIDO staff "work in a proactive culture within an efficient system", as spelled out in the PCOR benefits. The culture change framework, which was defined in late 2011 and spells out six pillars of UNIDO's desired culture, shall serve as guiding principle.

Efficiency gains

22. Efficiency gains to be achieved under PCOR are aimed among others at increasing productivity and improving the quality of UNIDO services at the same time. As stated in document IDB.40/5, efficiency gains are being achieved through the introduction of electronic processes with fewer approval steps following the four eyes principle, the empowerment of staff at Headquarters and in the field, the introduction of dashboard tools that allow for monitoring and reporting based on key performance indicators and the reduction of administrative work in order to allow staff to focus on more upstream tasks. Personal digital signatures and electronic approvals replaced paper-based signatures. By June 2013, all major UNIDO operations will be managed and carried out using the ERP system. The major efficiency gains are expected to be achieved, i.e. once a stabilized and fully integrated system is in place, in the areas of technical cooperation activities, consultant/expert management, travel management, financial management, procurement and time management.
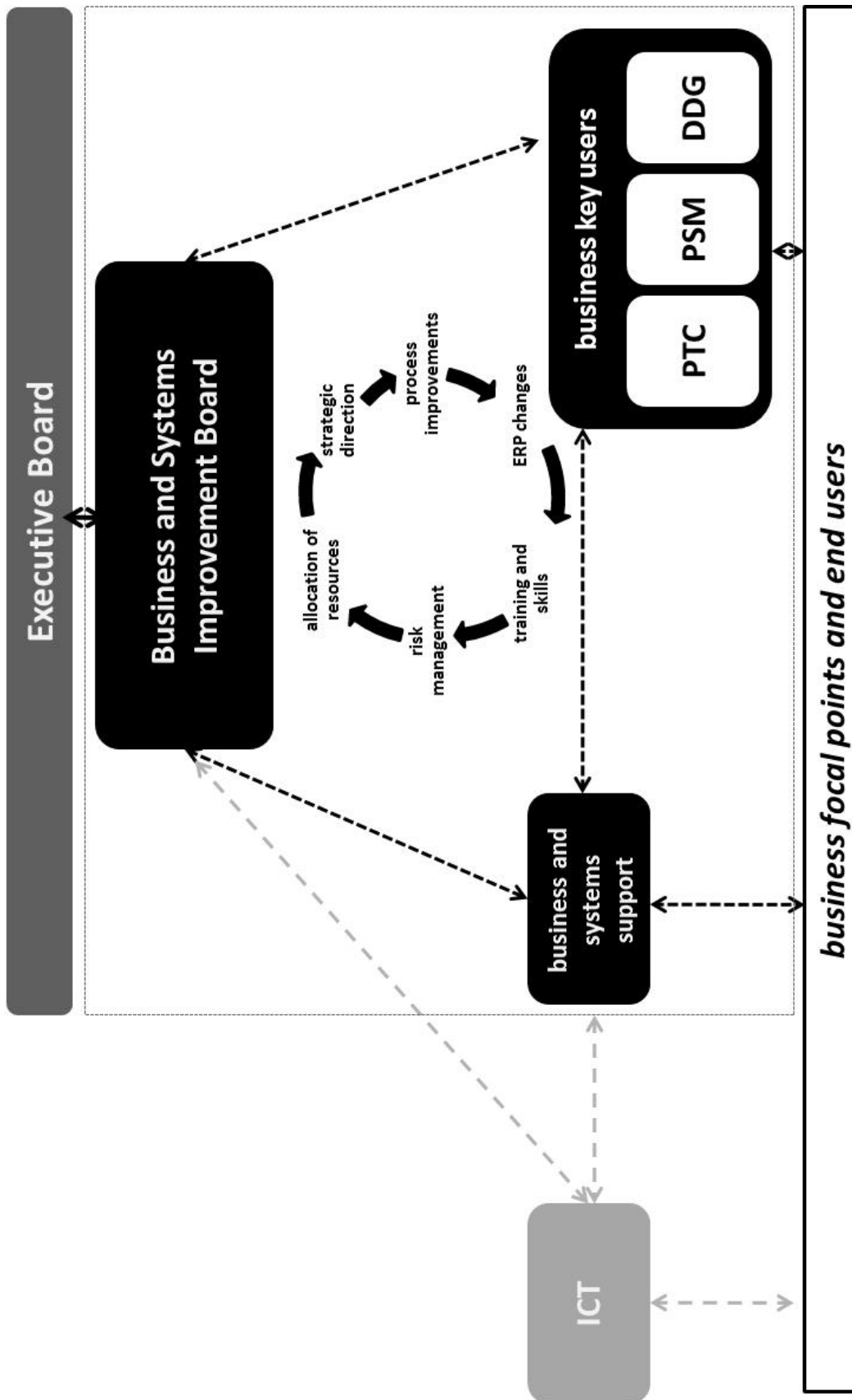
Stakeholder communication

23. Updates on all PCOR developments have been provided on a continuous basis to all internal and external stakeholders through various channels.

24. Since its establishment in May 2011, numerous interactive meetings have been held with the liaison group of Member States. In addition to the briefing at the fortieth session of the Board in November 2012, a comprehensive PCOR briefing to Permanent Missions was provided in early December 2012, which also described how PCOR can contribute to the strengths and address the weaknesses identified in the SWOT analysis undertaken by the informal working group. After the briefing, positive comments were received by representatives from Permanent Missions, who noted with satisfaction the achievements made and highly appreciated PCOR's transparent approach of keeping Member States informed on all developments. In addition, Member States continued to be kept informed through the dedicated PCOR page on the extranet for Permanent Missions, where various documents, presentations as well as the PCOR newsletter are regularly uploaded.

III. Future management structure for business and systems improvement

25. A major reason for the successful implementation of PCOR has been the high involvement and commitment of management and staff at large, who recognize that the new ERP system and business processes will make UNIDO "fit for the future" and enable the Organization to meet upcoming challenges in an efficient and effective manner. Therefore, in order to ensure that the business and ERP system improvements are effectively managed in the short-, medium- and long-term, a new management structure, which will provide for the strong involvement of business operations, will be put in place during the coming months. The implementation of this new management structure will have no additional budgetary implications. The following diagram provides a high-level view of the new structure.

Figure
Management structure for business and systems improvement

Executive Board

Business and Systems Improvement Board

strategic direction

process improvements

allocation of resources

ERP changes

risk management

training and skills

business key users

PTC

PSM

DDG

business and systems support

business focal points and end users

ICT

26. The Business and Systems Improvement Board will be the highest cross-organizational operational body responsible for providing strategic direction; approving resources and system improvements and their prioritization; overseeing ERP system operations; ensuring continued involvement of business in decision-making; managing risks; and ensuring continuous improvement of UNIDO's business operations.

27. The business key users will be a cross-organizational team consisting of business processes owners. They will interact with the ERP users and members of the Business and Systems Improvement Board to ensure that the ERP system supports their business needs.

28. The Business and Systems Support will, among others, manage ERP-related changes to ensure that a functioning, stable and integrated solution is available for efficient and effective business operations. The users' requirements will be addressed and prioritized in close coordination with the Business and Systems Improvement Board and business key users, thus ensuring a continuous alignment between the business and IT operations.

29. The information and communications technology (ICT) will, among others, support and monitor the IT infrastructure, ensure the availability of state-of-the-art tools, and provide the technical infrastructure of the ERP solution as well as IT connectivity at Headquarters and all field locations.

IV. Financial status

30. The financial status of the special account for PCOR (in millions of euros) as of February 2013 can be found in the below table. The remaining funds ("Funds reserved for other activities foreseen in the PCOR work plan") of €2.13 million are planned to be prudently used for the completion of the KMC, risk management and reporting solutions and the implementation of enhancements and improvements needed to ensure that the PCOR benefits and efficiency gains are fully realized.

Cost elements*	Total budget 2010-2013	Expenditure 2010-February 2013	Firm commitments-February 2013	Funds reserved for other activities foreseen in the PCOR workplan
Implementation partner (SAP)	6.40	5.10	0.92	0.38
Training and roll-out	1.00	0.33	-	0.67
Software (SAP)	3.10	2.74	0.34	0.02
Hardware/infrastructure	0.60	0.37	-	0.23
Other costs	1.90	0.96	0.11	0.83
Total costs	**13.00**	**9.50**	**1.37**	**2.13**

    * Details on the cost elements included in "expenditure" and "firm commitments" are provided in document IDB.40/5, paragraph 31.

V. Action required of the Committee

31. The Committee may wish to take note of the information provided in the present document.