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Item 6 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 (PCOR), pursuant to decision IDB.38/Dec.4. The document updates the information previously presented in documents IDB.39/9, IDB.39/CRP.5 and GC.14/CRP.5.

## **I. Background**

1. The Programme for Change and Organizational Renewal (PCOR) was launched in 2010 as an organization-wide initiative to reinforce the UNIDO role as a partner for prosperity. PCOR makes 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 and knowledge management. As reported previously, the Programme is expected to enable UNIDO to better deliver to recipients' needs, better meet donors' and Member States' expectations, and promote an efficient and pro-active working environment. This is being achieved through, inter alia, the re-engineering of UNIDO business processes, the implementation of an enterprise resource planning (ERP) system (SAP), staff development and improvements in the working culture.

## **II. Main developments**

2. The Secretariat continues to undertake considerable efforts to implement PCOR. The section below summarizes previous developments as reported in GC.14/CRP.5 and provides an update on each area. Through its systematic, highly

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participatory and transparent approach, PCOR continues to be able to achieve all major milestones so far. As foreseen, the modules supporting the new processes for the UNIDO core business, i.e. technical cooperation (TC) activities, human resource management, performance management, including 360 degree performance appraisal and payroll, have been operational since January 2012. With the expected go-live of the modules for finance, procurement and logistics in early 2013, the fully integrated SAP system will be in place, enabling the Organization to start realizing the PCOR benefits.

## **A. ERP/SAP implementation**

### **Release 1: Core business/technical cooperation activities**

3. The module for UNIDO core business/TC activities, called SAP portfolio and project management (PPM), enables the Organization to manage its entire project cycle from identification of a request, through project design, approval, implementation, monitoring, assessment, reporting and sharing of lessons learned within a globally accessible single system. UNIDO and its stakeholders will gain a number of advantages from this, such as greater decentralization, institutionalization of results-based management, systematic risk management, increased transparency, as well as better communication and knowledge sharing between all stakeholders, thus fostering teamwork and enabling the Organization to achieve Growth with Quality and Deliver as One UNIDO.

4. After the blueprint phase in early 2011, the PPM system was developed and tested with the involvement of a large number of knowledgeable and experienced staff from all parts of the Organization. Once the system had become operational, a major effort was made to migrate all ongoing projects into the new system in order to enable project managers and their teams to start managing their portfolios and projects in SAP as of January 2012. A major exercise has been started to ensure that all migrated projects follow the RBM-based logframe structure in PPM, which requires that outcomes, outputs, and activities along with key performance indicators, as well as indicators and risks are clearly spelled out. Once this exercise is completed, the PPM system will not only facilitate systematic results-based management, but also enable reporting on results in the future. Full reporting on results will be possible as of 2013, once all modules of the SAP system are in place. At the same time, to allow for effective monitoring at various levels, UNIDO is in the process of defining monitoring and reporting requirements together with internal and external stakeholders.

### **Release 2: Human capital management, payroll and travel management**

5. Since January 2012, different human resource management-related activities, such as e-recruitment, payroll, performance management, including 360 degree performance appraisal, and other related activities, are being carried out in the single, globally accessible SAP system. Staff and consultants are now able to submit requests and claims through online self-service, which can be approved by managers in the system, as well as update their personal information, such as curricula vitae, career profiles, addresses, and banking details. Furthermore, candidates can now

apply for positions online on the UNIDO web page and their applications are directly processed in the SAP system.

6. After a four-month parallel run of the old mainframe and the new SAP system and following extensive testing in 2011, the new payroll system became fully operational in January 2012. The introduction of this new payroll process/system has brought a number of benefits and efficiency gains for UNIDO, such as full integration with the human capital management (HCM) system, online web access to personal information, and paperless salary slips. In addition, UNIDO will be able to cease using mainframe services, which will result in annual savings of around €550,000, an amount that will be used to cover the maintenance cost of the entire SAP system in the future.

7. The new online staff performance management system in SAP, which includes a 360 degree performance appraisal, was rolled out to all staff in March 2012. The first part of the appraisal cycle was completed during May 2012. The new system, which is complemented by a new performance management framework, supports and reinforces results-based performance management with meaningful and relevant consequences as it enables the holistic assessment of staff members' performance. The new system is considered a major tool for fostering and facilitating cultural change.

8. To ensure that staff are prepared for the many new changes, have the possibility to learn, attend training and ultimately adopt the new way of working, it was decided to reschedule the roll-out of the new process for consultants/experts, management as well as travel management. These rearrangements will however have no implication for the overall implementation timeframe of PCOR. The new process for the recruitment of consultants/experts is being gradually rolled out as of April 2012. Under the new process in SAP, a manager can select consultants/experts from a resource pool and the request for recruitment is issued electronically. Once the supervisor has approved the request in SAP (four-eyes principle), the contract is issued by the system without requiring any additional approvals. This streamlined electronic workflow is expected to reduce administrative efforts and speed up the recruitment process for consultants/experts considerably. In addition, as the SAP system is globally accessible, project managers in the field will now also be able to recruit consultants/experts through SAP, which will greatly contribute to decentralization and empowerment of field staff. Furthermore, the new travel management module will be gradually launched during mid-2012.

### **Release 3: Finance, procurement and logistics**

9. Following the development of a mini-blueprint for finance in early 2011, the detailed blueprints for finance and logistics were developed from October 2011 to early April 2012. In parallel, taking into account the requirements from the new portfolio and project management system as well as human capital management and financial management, the blueprints for procurement were further fine-tuned. The realization phase of release 3, finance, procurement and logistics, will start in May 2012.

10. With the go-live of release 3 in early 2013, all business processes will be supported by a single integrated system. Once the new processes have been running

for a while and UNIDO has fully adopted the new way of working, the Organization will be able to realize PCOR benefits.

#### **Release 4: Knowledge management and collaboration**

11. Knowledge management at UNIDO is being introduced in conjunction with the aforementioned three releases. As such, the portfolio and project management system includes dedicated collaboration rooms for each project as well as other topics. These online rooms will also contain the respective documents and are accessible to all staff, both at Headquarters and in the field. Furthermore, the PPM system contains a powerful search engine that enables targeted system-wide searches. For HCM-related documents, a mapping exercise was carried out to ensure the effective storage of confidential documents.

12. The global accessibility of the system and its contents will contribute to organization-wide knowledge sharing and better collaboration among various organizational units as well as between Headquarters and the field. It will allow for a more effective involvement of field staff in TC activities at all stages of the project cycle — from project identification, design, implementation to assessment and monitoring.

13. To ensure a strategic approach to the topic of knowledge management, an analysis of the current situation of UNIDO was carried out involving staff from all parts of the Organization. The analysis took into account previous work that had been carried out; for instance an intellectual capital report for UNIDO. Based on that, a knowledge management strategy, including a number of recommendations, was developed. It was agreed that the primary focus during 2012 would be on completing quality logframe information in the PPM system to enable effective results-based management as well as qualitative reporting on results during the next years. During this exercise, staff will start using the knowledge management functionalities of the system; for instance the collaboration rooms. Furthermore, during the second half of 2012, initial communities of practice shall be piloted and systematic debriefings of staff and long-term consultants shall be introduced to ensure that knowledge is effectively captured.

#### **Independent reviews of the SAP implementation**

14. To ensure that the SAP implementation follows best practice and that objectives are achieved efficiently, two assessments by independent teams from SAP Germany were carried out. The overall outcome of the first assessment that took place in August 2011 was positive and no high risks relating to the implementation were identified. The high level of commitment and engagement from UNIDO staff as well as the background activities supporting the implementation were found to be highly professional. The implementation at UNIDO was considered to be in a good state as compared to implementation projects undertaken in a similar environment and with comparable complexity.

15. The second review was conducted in late March 2012. As with the first one, the review found that the project remained in good status and on schedule. In particular, excellent stakeholder management, good overall team spirit and the Programme's systematic and well-structured approach were highlighted. No major risks relating to the implementation were identified.

## **B. Training for Headquarters and field staff**

16. To ensure that all actors have the required skills and knowledge to work with the new system, extensive and timely training is seen as key to a successful implementation of PCOR. From January to October 2011, 166 staff members supporting the implementation as functional leads, change agents and subject matter experts received SAP specialist training. Following the development of a comprehensive training plan for Headquarters and field staff to allow for systematic knowledge transfer, training for staff at large was rolled out as of October 2011. Between October 2011 and the end of March 2012, already more than 2,100 staff members and key consultants had attended classroom training on project management, portfolio management and monitoring, project creation, budgeting, staffing, employee and manager self-service, e-recruitment, performance management, among others. In addition, UNIDO-specific e-learning material on the above subjects has been developed by UNIDO staff members, which is accessible to all staff at Headquarters and in the field. To ensure effective training in the field, in December 2011, several staff members from 14 field offices were brought to Headquarters for one week of intensive training on the new processes. In addition, UNIDO has rolled out interactive training webinars<sup>1</sup> for field staff on all new processes carried out in the SAP system, which have so far been very successful. To ensure the strengthening of in-house knowledge, UNIDO is holding regular “train the trainers” seminars, in which key staff receive special training in order to be able to hold the webinars in the future. Overall, the training methodologies applied include focused classroom trainings, guided sessions, help desks, the UNIDO-specific help function in the system, webinars as well as UNIDO-specific e-learning material. Furthermore, to ensure that the SAP system is globally accessible and that the field is able to take full advantage of all functionalities, UNIDO is systematically upgrading its IT infrastructure in the field.

## **C. Results-based management and reporting**

17. One major objective of PCOR is to support systematic results-based management of UNIDO activities and allow for more consistent reporting on results to all stakeholders. During the business process re-engineering exercise in 2010, the new process for core business/TC activities was redesigned in a manner that enables effective results-based project management. Accordingly, the PPM module, which was rolled out to all project managers in January 2012, was designed to support results-based management of UNIDO projects and portfolios. The PPM module systematically ensures the definition of outcomes and outputs for each project including indicators on how these are being achieved. This will allow monitoring of progress and achievement of results, the effective management of project risks as well as strategic and holistic reporting on results to stakeholders. As an example, it will be possible to report on, inter alia, expected outcomes, results achieved, resources utilized and time spent. Such reporting will be possible for UNIDO portfolios by region, country, thematic area, donor and other categories. Therefore, UNIDO will be in a position to report on qualitative information in addition to

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<sup>1</sup> Webinar is a web-based system that enables seminars, presentations and workshops to be conducted online.

quantitative data. The full integration of the SAP system and the single source of data will allow for consistent reporting and will significantly foster transparency. It will be possible for UNIDO stakeholders to access such comprehensive information directly in the online system. Such reporting will be possible as of 2013, once all modules of the SAP system are in place.

18. To achieve all this, UNIDO is currently in the process of ensuring that the information of all new and ongoing projects, in particular logframe information (outcomes, outputs, indicators and key performance indicators) follow results-based management principles and are captured in the new PPM system. This major exercise is the prerequisite for qualitative reporting through SAP in the future. At the same time, UNIDO is in the process of defining reporting requirements together with Member States and donors.

#### **D. Risk management**

19. Risk management is an integral part of PCOR. Taking into account the risks and opportunities identified in late 2009, a number of workshops at the strategic, operational and project level were held with UNIDO senior management and staff from all parts of the Organization during 2010 and 2011. These workshops provide the basis for the formulation of an organization-wide risk management policy. Furthermore, the SAP PPM module already allows for the systematic capturing, assessment and management of project risks. Risk management requirements will continue to be included in the other releases to ensure organization-wide risk management at all levels.

#### **E. Cultural change**

20. A number of cultural changes have been taking place since the launch of PCOR. Staff at various levels from all parts of the Organization have made joint efforts to ensure the timely achievement of a number of milestones. This cross-organizational collaboration resulted in a number of positive cultural changes such as better teamwork, communication and knowledge sharing. In addition, the go-live of the new performance management system in SAP is also expected to considerably facilitate staff development. Furthermore, the global accessibility of the system, in particular online collaboration rooms for all staff, both at Headquarters and in the field, allows for more efficient cross-organizational knowledge and information sharing.

21. Considering the work already carried out and the results of the cultural diagnostic survey of 2010, a number of meetings were conducted by the Culture Operational Group (COG), established in March 2011 to identify measures to improve the UNIDO working culture. A special workshop on cultural change, facilitated by an external expert in October 2011, defined the desired culture of UNIDO and validated a culture change framework.

22. Following this work, it was decided that during the first half of 2012, efforts to improve the working culture shall focus on the key areas of “exemplary standards of behaviour” as well as “model teamwork practices”. Regarding the first area, a new staff competence framework was issued in late 2011, which forms the basis for the

new performance management system and was rolled out in March 2012. Regarding model teamwork practices, senior management nominated exemplary teams and provided reasoning on why they consider these teams to be exemplary. Based on these nominations as well as on best practices, key success factors for effective teamwork were defined and communicated to staff at large.

23. In addition, UNIDO is currently planning the introduction of a cross-application time sheet (CATS) solution in SAP. CATS is a solution for recording time and effort against tasks and activities. As it will be part of the SAP system, it will be accessible worldwide and thus be used by Headquarters and field staff as well as consultants/experts. This innovation is expected to bring about further positive changes to the UNIDO working culture as it will enhance accountability, transparency, as well as collaboration, in particular between Headquarters and field.

## **F. Efficiency gains**

24. As reported in GC.14/CRP.5, all UNIDO operations will be managed and carried out using the SAP system as of 2013. The fully integrated and globally accessible system will bring a number of benefits, such as one single source of information, decentralization, improved knowledge and information sharing, as well as efficient communication flows. 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 the field, the reduction of administrative work to allow staff to focus on more upstream tasks as well as the introduction of one global platform providing a central depository of information that will reduce the duplication of efforts and facilitate knowledge sharing and teamwork. Personal digital signatures or electronic approvals will replace paper-based signatures. This will not only enable fast decision-making but also contribute to the Organization going paperless. The system will empower field staff as they will have full access to all processes, including portfolio and project management, and hence be better involved in the identification, design, implementation and monitoring of projects. The major efficiency gains are expected to be achieved in the areas of portfolio and project management/technical cooperation activities, consultant/expert management, travel management, financial management, procurement and time management.

## **G. Stakeholder communication**

25. Extensive communication to all internal and external stakeholders on all developments taking place under PCOR has continued through various channels. Internally, staff at large have been regularly kept informed about the progress of PCOR through briefings, meetings, trainings and workshops. The active involvement of numerous staff members from all parts of the Organization allows the Programme to benefit from in-house knowledge and experience and ensures transparency and commitment from internal stakeholders. In parallel to this, communication to staff takes place in the form of regular e-mail updates, including a PCOR newsletter, dedicated targeted intranet pages, as well as an e-mail service

for staff where inputs and questions received are individually answered (change@unido.org).

26. Many interactive meetings have already taken place with the liaison group of Member States that was established in May 2011. The sessions provided participants with detailed updates on, inter alia, each release of the SAP implementation, knowledge management, culture change, and future reporting to Member States. Furthermore, detailed demonstrations of the system and its functionalities were provided. Many fruitful discussions took place during these sessions which have greatly contributed to transparency and the effective exchange of views and information. Such meetings are planned to continue throughout the implementation process. Furthermore, meetings on PCOR were held with the Geneva Group of Member States and the European Union; similar meetings with each regional group to be held before the twenty-eighth session of the Programme and Budget Committee are being planned in cooperation with the liaison group of Member States.

27. Detailed information on the main developments under PCOR has been provided to Member States in the form of two conference room papers (IDB.39/CRP.5 and GC.14/CRP.5) to update document IDB.39/9, which was issued on 18 March 2011. In addition, various documents, presentations as well as the PCOR newsletter are regularly uploaded through the dedicated PCOR section on the extranet for Permanent Missions. A briefing for all Member States was also held in November 2011.

28. In 2011, a dedicated PCOR website was created to ensure transparency and easy access to information for all stakeholders. This website provides comprehensive information on the Programme, its background, main activities, as well as all official documents on PCOR, and can be found at [www.unido.org/changemanagement](http://www.unido.org/changemanagement). Regular articles on PCOR are also found in the quarterly UNIDO publication UNIDO Times, including the most recent article for the first quarter of 2012.

29. UNIDO will ensure that inputs from internal and external stakeholders continue to be sought throughout the implementation process. With this in mind, the Organization is determined to continue its transparent and participatory approach.

## H. Financial status

30. The financial status of the special account for PCOR as of 31 March 2012 is as follows (in millions of euros):

<i>Cost elements</i>	<i>Total budget 2010-2013</i>	<i>Expenditure 2010-March 2012</i>	<i>Firm commitments 2012-2013</i>	<i>Funds reserved for other activities foreseen in the PCOR implementation workplan</i>
Implementation partner (SAP)	6.40	3.35	3.05	-
Training and roll-out	1.00	0.22	0.26	0.52
Software (SAP)	3.10	2.74	0.36	-
Hardware/infrastructure	0.60	0.26	0.16	0.18
Other costs	1.90	0.63	0.87	0.40
<b>Total costs</b>	<b>13.00</b>	<b>7.20</b>	<b>4.70</b>	<b>1.10</b>



31. The detailed explanation of the cost elements included in “expenditure” and “firm commitments” are the following:

- Implementation Partner (SAP): Covers consultancy services of the selected implementation partner (SAP Austria). The implementation partner is responsible for the delivery of consultancy services for the entire implementation and integration of SAP, including release 1: core business/technical cooperation activities, release 2: human capital management and payroll, release 3: finance, procurement and logistics and release 4: knowledge management and collaboration over the period of 2010 to 2013.
- Training and roll-out: Comprises the SAP training of the PCOR project team, functional leads, change agents, subject matter experts and the roll-out of the four releases to staff and consultants, both at Headquarters and in the field, in order to ensure that they are able to take full advantage of the new system, processes and procedures.
- Software (SAP): Covers the procurement of the application licenses of all four SAP releases, database and operating systems. This also includes the maintenance costs required for the upkeep of the SAP system until 2013. Future maintenance will be covered by the regular budget.
- Hardware/infrastructure: Shows costs for purchasing servers in order to operate the SAP software and system for the four releases.
- Other costs: Covers costs of technical experts/consultants with specialized competencies to support the PCOR implementation. This includes experts/consultants to advise and support the Organization on integration, quality assurance, technical issues, cultural changes, risk management, monitoring and reporting to both internal and external stakeholders on the four SAP releases.

### **III. Action required of the Committee**

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

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