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UNIDO Business Partnerships for Industrial Development



Partnership **Guide**



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
economy environment employment

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Purpose and structure

UNIDO's mission is to promote sustainable industrial development in the developing countries and countries in transition. Stimulating development throughout an industrial value chain, with a long-term positive impact on the economy and society as a whole, is a complex issue. Partnerships can be an effective industrial development tool in that case, especially for small and medium-scale enterprise (SME) development. They can be defined as structures for joint action in which complementary resources (know-how, skills, funding, equipment) can be tapped and different interests be balanced while the parties involved retain full independence.

Sustainable industrial development integrates economic, social and environmental factors. This means that, while UNIDO business relations are the main subject of this guide, a UNIDO business partnership will always be a multi-sector partnership including all relevant parties in the development process.

The purpose of this guide is to serve as a guide for actors in the public and private sector who may become involved in a UNIDO business partnership for industrial development. The key elements in such partnerships are:

- The different types of partner, their roles and expectations;
- Partnership principles;
- The types of partnership;
- Stages in the partnership process.

All UNIDO business partnerships have and will have a different character, and flexibility must be a fundamental characteristic of partnerships created to deal with complex development issues in a dynamic global economy. Therefore, this guide does not intend to provide more than a framework for partner choice and partnership building; it does not contain detailed guidelines and rules. Those who want more detailed information on different aspects of partnership building will find some references in annex 2.

For the United Nations in general - and also in the case of UNIDO - entering into concrete operational partnerships with private business, is a fairly new development. It is a new challenge requiring innovative approaches, openness to new ways of working and certainly time to evolve and mature. It is not business as usual. Actors on both sides are still learning how to understand each other and how to ensure that different working cultures can meet to serve the ultimate goal of sustainable development. Accordingly, a lot of time and effort is still being spent on creating awareness, ensuring commitment and identifying tools and mechanisms for building partnerships. In other words, on defining a proper and effective process of working together. However, at the end of the day, what counts is the impact achieved: poverty reduced, employment increased, skills enhanced, competitiveness strengthened and/or markets accessed. While in many partnership projects, it is too early to see such impact, this is the ultimate yardstick by which we have to be guided.

Partners – their basic roles, contributions and objectives

2.1. The three main partner categories

The actual combination of partners in a UNIDO–business partnership will depend on the character and objectives of the partnership. The main partner categories and their basic roles are:

Private enterprise

- Production of goods and services for profit;
- Creation of wealth and job opportunities.

The public sector

- Creation of a framework for economic, political and social development;
- Formulation and enforcement of laws and regulations, including international agreements.

Civil society

- Common interest issues (social cohesion, environmental protection, human rights etc.);

Who are the main actors in these categories, what can they contribute and what are their main reasons for joining a partnership?

2.2. Private enterprise

A private manufacturing firm will primarily enter a partnership for the business opportunities it offers. Apart from a strong sense of business, specific technical skills and technologies, the key non-material assets, which it can contribute, are management skills and an acute awareness of the need for cost-effectiveness.

Transnational corporations (TNCs), in addition, have an international outlook, access to international markets and large resources in terms of expertise, technologies and financial capital. They will be looking for new suppliers and/or market opportunities. Moreover, the commitment to corporate social responsibility of an increasing number of TNCs is important from the point of view of sustainable development.

Medium-sized firms from developed countries tend to be more dependent on the local business environment than TNCs. This means (a) when making investments abroad they may prefer the more advanced developing countries or countries in transition; (b) they may build up closer links with the local economy.

Domestic firms can contribute inside knowledge of local conditions in their business sector and well-developed capabilities for adapting products to the domestic market. A partnership can provide them with access to new skills, technologies and markets.

The latter is particularly important for the domestic SME sector. Private enterprise in developing countries and countries in transition is dominated by SMEs, but the SME sector is often characterized by a "missing middle": there are few firms whose size, technological capacity and capital endowment allows them to compete in a dynamic, globalizing economy. UNIDO has therefore made SME development the main objective of the Partnership Programme.

TNCs excepted, private firms generally do not have staff with the right skills for international business partner-

ships, and in many developing countries and countries in transition, private enterprise has little experience with participatory activities. This capacity may therefore have to be built up first.

2.3. Governments

Business partnerships can be an important instrument for the realization of national development strategies. National governments can help to ensure the success of partnerships by:

- Creating a good business environment (laws, education, basic infrastructure, incentives, etc.);
- Ensuring the credibility of the partners.

The perspective of governments and business on development issues can be radically different. One of the challenges of a partnership is to find a common ground for cooperation.

In many countries, especially countries in transition, part of the responsibility for creating a good business environment has in recent years been delegated to regional and local governments. Their interest in attracting foreign investment, and linking up TNCs with local business, is therefore strong. They are close and often very responsive to development problems, but tend to lack the capacity to participate effectively in international partnerships. Upgrading such capacities is a long-term process and may not be cost-effective at the lowest administrative levels. Therefore national authorities may have to be partners in partnerships with a local or regional character.

2.4. Multilateral organizations

Multilateral organizations, such as UNIDO and other specialized agencies of the United Nations system, the World Bank, etc., with a development mandate have a logical interest in business partnerships. With a global presence of many decades, they can contribute to the creation of partnerships in many ways:

- Identifying partnership opportunities across the globe;
- Acting as a neutral broker and catalyst, using contacts with senior government officials, key development institutions and firm managers;

- Persuading governments to remove regulatory obstacles;
- Mobilizing worldwide expertise in areas not usually covered by business (training, standards, etc.);
- Providing access to their global information networks;
- Contributing to funding a business partnership.

Historically, multilateral development organizations have done most of their work at central government level. They are less familiar with the needs and views of non-government actors and local government. The United Nations system needs a closer rapport with these stakeholders if the development impact of international partnerships is to be maximized.

The specific role of UNIDO in business partnerships is described in detail in the brochure *What UNIDO Does in this folder*.

2.5. Support institutions

This category straddles the public and private sectors. There are many types: universities and research institutes, business advisory centres, financial institutions, regional development agencies, etc. Their role in the partnership depends on their specific character.

Business associations and chambers of commerce, for example, are the locus of various forms of cooperation within the private sector that can be used in a public-private partnership, and have extensive inside knowledge of domestic business conditions. Usually, they have wide experience in cooperating with the public sector and other economic actors. International business associations can also play a useful role, through their global perspective on development and their wide range of contacts.

For universities and research centres there is often an opportunity to commercialize scientific knowledge. Business advisory centres, regional agencies and financial institutions of the development bank type are "natural" partners: contributing expertise and funds to the development process is their *raison d'être*.

Whether a support institution is the right partner for a business partnership depends on the character of the partnership and the type and capacity of the institution. In

many countries, the business support sector is notoriously weak. Upgrading a specific segment of the sector can be an activity in the context of a partnership.

2.6. Civil society organizations

Environmental and social problems cannot be solved from the top down. They require the involvement of civil society. From the UNIDO perspective, the most relevant types of civil society organizations (CSOs) are business organizations for responsible development, non-governmental development organizations, trade unions and environmental groups.

Business organizations for responsible development have gained prominence in recent years, with the recognition of the need to reconcile shareholder value with social values and environmental sustainability. Therefore, they have a basic interest in partnership projects that promise to contribute to equitable and sustainable development. Their

businesslike outlook and contacts in the business community can be of great value.

Non-governmental development organizations are active in many countries. Social and environmental issues are often key elements in their development philosophy, and therefore they have a similar motivation for joining partnerships as the organizations for responsible business. Their contribution will often take the form of training, advocacy and awareness building.

It is partly due to the pressure of trade unions and environmental groups that environmental sustainability and corporate social responsibility have become prominent issues, and they represent large groups of stakeholders who otherwise have little influence on the development process. Trade unions and environmental groups with strong expertise in their field and a good working relationship with the business sector can help to ensure the full inclusion of social and environmental aspects in a partnership as well as its wide acceptance.

The basics of UNIDO Business Partnerships

3.1. Guiding principles

UNIDO Business Partnerships are based on the following principles:

- Focus on activities (a) that benefit the private sector; (b) where UNIDO's expertise and status provide value added;
- Advancing the UNIDO goal of promoting economically, socially and environmentally sustainable industrial development;
- Acceptance of the principles of the United Nations Global Compact initiative by the business partners (see annex 1 for details);
- Consistency with the partnership guidelines issued by the Secretary-General of the United Nations*;
- Maintaining integrity and independence;
- Fair relations and sharing of benefits between parties;
- Clear delineation of responsibilities and roles;
- Transparency;
- Non-exclusivity (an agreement must not exclude UNIDO from entering into similar arrangements with other partners);
- Non-endorsement of commercial products.

3.2. Factors in successful partnerships

The following factors are essential for a successful partnership:

Initiating a partnership

- Shared values;
- Trust: credibility of the partners and acceptance of different organizational and national cultures;
- A common goal that makes cooperation between the private and public sector desirable;
- Selection of capable and accountable partners;
- Involvement of top management;
- Involvement of all relevant other actors;
- A jointly developed strategic vision;
- Capable leaders of the partnership process;
- Agreement on initial contributions and commitment from target beneficiaries.

Managing a partnership and realizing its goals

- Good project management;
- Trust, as a result of good personal relations, and transparent decision making and information flows;
- Flexibility in tackling unexpected challenges;
- Realistic funding and time frames;
- A fair share of benefits and risks for all partners;
- Long-term commitment and continuity.

* See United Nations General Assembly, "Cooperation between the United Nations and all relevant partners, in particular the private sector", *Report of the Secretary General, A/56/323*, 28 August 2001, <http://www.un.org/documents/ga/docs/56/a56323.pdf>

3.3. Avoiding and solving conflicts

There is no progress without differences of opinion. But the different interests, priorities and expectations of partners may lead to conflicts. Avoiding or coping with conflicts requires a clear picture of the different perspectives, especially in United Nations-business relations.

From the business perspective, it is important that UNIDO:

- Limits itself to creating the conditions in which an TNC-SME partnership can succeed;
- Clearly states its objectives for initiating or joining a partnership;
- Communicates and executes agreed tasks quickly and efficiently;
- Uses simple, transparent partnership guidelines and progress monitoring systems.

From the UNIDO perspective, enterprises should understand that:

- UNIDO must stick to the United Nations developmental values and mandates. A partnership with business

will be based on human rights, equity and sustainability principles;

- The long-term development perspective of a United Nations agency may clash with a firm's profit motive.

In a project involving private enterprises, partners can be rivals. This can partly be avoided by thinking ahead, creating non-competing roles in the partnership. If a competitor of a participating firm wants to join the partnership at a later point, and cannot be given a role in the partnership without creating tensions, one solution may be to suggest a similar project elsewhere (the guiding principles described in chapter 3.1 specifically leave this option open).

A systematic, step-by-step approach to partnership building, which sets realistic objectives, clearly defines the role and benefits of each partner, and ensures transparency and good communication throughout, will avoid major problems. On this basis, it should be possible to solve problems by open discussion. Complex partnership rules can stand in the way of doing so - mutual trust is more important for a partnership than strict controls. Of course there must be rules and structures for handling conflicts and ending a partnership. These are briefly discussed in chapter 5.2.

Types of partnership

The rationale for partnerships varies, and with it the type of partnership. At one end of the spectrum there are those with a strategic objective, focusing on long-term development effects, on the other end those with a very specific short-term objective. Given UNIDO's mandate and priorities, it will concentrate on partnerships with a long-term effect on industrial development. Specific short-term objectives may of course be elements or building blocks in a long-term strategic relationship.

How to find the right partnership approach for the right job? Broad determinants of the character of a partnership include two main dimensions:

Industry Sector Life-Cycle Stage

- Type of industrial activity (e.g. car, textile or telecommunication industry);
- Place in the industrial life cycle (innovation, maturity, decline - this will have a major impact on the stability or dynamism of the business environment in which the partnership operates).*

Time Frame

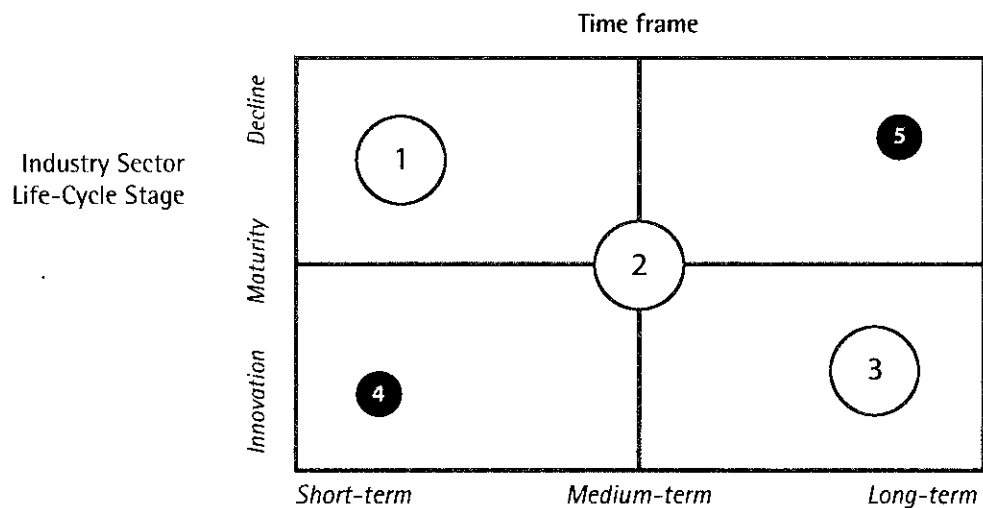
- Time perspective of the main business partners for achieving the envisaged objectives;

- Complexity of the envisaged activities (for example: joint product development versus simple process improvements);
- The range of actors needed to make the partnership work (in complex partnerships, it may be necessary to distinguish between an "inner circle" of key partners and partners who cooperate on an ad-hoc basis);
- The character and objectives of the actors - in UNIDO's case, for example, it will make a difference whether the objective is to reinforce the impact of existing UNIDO services, or to gather experience in new fields of industrial development.

The various factors can be combined in a matrix showing "typical" partnerships in different contexts - see figure 4.1. It should be stressed that the actual characteristics of a partnership will always depend on the specific project. The matrix, however, does underline the usefulness of complex, longer-term partnership structure to sustainable upgrade SME capacities. In other words, the more complex the potential developmental task of a partnership is, the more long-term oriented the chosen partnership approach should be. However, a more long-term oriented, complex partnership approach requires significant resources of time, funds and persistence of all partners so as to reach the joint objectives.

* "Industry" must primarily be seen in the context of the partnership, not the sector as such. The partnership may deal with, for example, a highly innovative segment of a declining industry such as textiles, and innovativeness will differ by firm within that segment.

Figure 4.1. Partnership approaches in different industry sectors



Source: Adapted from Klein Woolthuis, R., *Winnen Kan Ook Samen - Handleiding Voor Samenwerking*, Netherlands Ministry of Economic Affairs, The Hague, n.d.

Table 4.1. Partnership approaches suitable to support SMEs

Approach No.	Industry sector characteristics	Most suitable type of partnership	Important determinates of partnership
1	High degree of maturity or even decline with a certain well defined structure	Operational, short-term partnership	<ul style="list-style-type: none"> • Usage of standardized technologies and business procedures within an established industry sector • Partnership actors are easily interchangeable
2	Significant growth rates, heading toward maturity with a well developed and complex structure	Medium-term partnership	<ul style="list-style-type: none"> • Partners are not replaceable at short notice • The industry is based on established technologies within a known business environment • Trust building among partners
3	High degree of innovation and early growth in a highly complex, yet uncertain business environment	Long-term partnership	<ul style="list-style-type: none"> • Partnership follows a work-in-progress approach, within not established industry structures • Flexibility and long-term trust building • Drawback: Unique players could exploit each other's know-how

Partnership as a process

The growth of a partnership is a cumulative process: there has to be agreement about basics before more ambitious goals can be realized. It should start with modest but concrete tasks requiring joint action – jointly defining the content of a partnership project is such a task. In this way, the partners become familiar with each other and begin to create a working relationship.

All individual activities have a number of elements in common which play a role throughout:

Conceptual:

- Sustainability.

Organizational:

- Leadership and management;
- Communication.

Operational:

- Balancing short-term and long-term achievements;
- Instruments for partnership building.

The actual successful realization of the partnership's objectives is determined by the quality of the partnership process, which can be broken down in three main phases:

- Exploration;
- Formalizing a partnership;
- Operations.

A successful partnership is a learning process. It can be visualized as an upward spiral consisting of discrete activ-

ities held together by a common vision, well-developed tools and management capacities, transparent communication and trust.

5.1. Common elements

Sustainable development

The sustainable development definition used by UNIDO comprises three elements:

- Competitive economy
- Sound environment
- Productive employment

The principles of sustainability will have to be translated into a working definition – what does sustainability mean in practical terms, in the context of this particular partnership and its concrete activities?

Different partners will have different perspectives on competitiveness, equity and environmental protection, and on what they want to achieve in each of the areas. As a result, the balance between the economic, social and environmental aspects of development will vary in each partnership. In a UNIDO partnership, the economic benefits should not be restricted to the participating firms: there should also be a positive long-term impact on the sector or the economy as a whole.

Agreeing on long-term economic gains may already be difficult, but the issue of social and environmental sus-

tainability may be so unfamiliar to some partners that they will be tempted to drop it altogether. However, it is possible to formulate a minimum definition accepted by all which reflects the principles of eco-efficiency and social equity: supplying goods and services in a way that maximizes their contribution to economic development and human welfare while minimizing negative impacts on the natural environment, the workforce and society.

Concrete environmental and social action can take many forms, such as:

- *Eco-efficiency*: Exploring opportunities for closing production loops, replacing end-of-pipe treatment by waste avoidance, introducing a cradle-to-grave approach for products, developing and diffusing environmentally friendly technologies.
- *Corporate social responsibility*: Improving working conditions, motivating individual employees to be innovative, encouraging positive attitudes to and facilitate learning in the firm, becoming involved in the local community, improving external communication.

Box 5.1. Not just a cosmetic operation

PT Martina Berto is a leading Indonesian herbal cosmetics enterprise. Its vision is to become a world-class, innovative cosmetics enterprise while respecting human and labour rights, and protecting the environment. To achieve its goals, the firm has entered into partnerships with the Indonesian Government and rural communities in the areas where its raw materials are grown. The firm supports local farmers with soft loans and technical training to achieve good (organic) product standards. In 1996, the company acquired the ISO 9001 environmental certificate. The main obstacle that had to be overcome was a general lack of environmental awareness; the main success factor then was "a perception and recognition that all stakeholders have equal rights and obligations in environmental management and should work together".

Source: "Partnerships in Environmental Management in Indonesia", in Cases on Partnerships for Sustainability - Input for Small Group Sessions, document for the Sixth International Network of Green Planners Meeting, Vienna, 16-20 October 2001.

Organizational issues

Leadership and management

The key figures in a partnership - at the level of the partnership project as such and in each of the participating organizations - are the people who get the partnership process going and coordinate the activities. They must be dynamic (leadership is not about status but about action) and excellent communicators whose professionalism, authority, neutrality and integrity are clear to all. Their mandate and accountability must be established by agreement.

There are three basic roles, which may be combined or filled successively as the partnership develops:

- Project champion: catalyst of the partnership;
- Broker: coordinates negotiations and stimulates cooperative behaviour;
- Focal point: manages activities.

External consultants may be used in the role of champion, broker and/or focal point for the partnership as a whole. This may be an option if a neutral person capable of filling the role cannot be found within the participating organizations, or if the partnership threatens to become over dependent on specific personalities. In the case of UNIDO Business Partnerships, this is a typical role for a UNIDO staff member, as the organization is neutral, has experience in dealing with multi-party negotiations and knows the industrial sector. He or she will be supported by a multi-disciplinary project team on which all key players are represented. This ensures that the strengths of each partner are used to develop effective, sustainable and balanced solutions.

The size, complexity and ambitions of a partnership are limited by the management capacity of the individual participants and the effectiveness of central management. The leaders and coordinators must have adequate staff and material resources at their disposal (in terms of quantity and quality). Staff may need training for their role. Time is another essential resource. The building of partnerships is a time-consuming process: "patience is not just a virtue, it is a necessity",* especially in a business partnership where

* UNIDO, *Public-private partnerships for economic development and competitiveness, with special reference to the African experience*, Vienna, April 2000.

widely divergent national and business cultures are likely to be confronted with each other.

Communication, culture and trust

Communication can be a challenge in international partnerships, as people must cooperate across linguistic and cultural boundaries and regular face-to-face contacts will be limited. Good communication must be established early in the exploratory phase, to create a basis of mutual understanding on which the next phases in the partnership process can build. From the start, the focus should be on mutual interests and benefits rather than on the positions of the individual parties. Addressing the easier issues first may help parties to get used to each other and find common ground quickly.

The communication methods used (face-to-face contacts, e-conferences, written reports, press conferences, etc.) should balance cost considerations and effectiveness in a particular context. Communication should also:

- Pay attention to content and style (be to the point, avoid jargon);
- Be inclusive (provide all partners with all information relevant for them);
- Use efficient, transparent structures (be prompt, create one central contact point per partner, plus one at partnership management level);
- Go two ways (invite feedback and use it where possible).

Local, national and professional media should be used to spread useful experience and increase support for the partnership's work. The information provided to them should not only highlight the results of the partnership, but also the processes. Again, a format allowing feedback – such as round tables with participants not included in the partnership but having a specific interest in the issues – may help to strengthen the impact of the partnership.

As a multicultural organization, UNIDO is well equipped to deal with the cultural aspects of international partnerships, such as:

- Working in a foreign language (which implies working in a foreign culture);

- The differences in business and administrative cultures across the globe;
- The business/administrative cultures and social structures within a country; in particular in hierarchical social structures which can be an obstacle to equitable partnerships.

Mutual trust is a *conditio sine qua non* for any partnership, but with widely divergent and geographically separated parties special efforts may be needed to achieve it. While selecting partners with a solid reputation will provide the basis, building up trust will heavily depend on (a) openness and good communication, and (b) executing tasks as agreed. With regard to the latter: a partnership strategy based on a step-by-step approach will allow a gradual build-up of trust through interaction leading to tangible results. Informal contacts can play an important role in trust building, though care should be taken to avoid the formation of cliques, which may interfere with business.

Operational issues

Short and long-term achievements

Each UNIDO partnership aims at sustainable long-term benefits. These are achieved through a series of "building blocks": the concrete results of activities undertaken in successive operational phases. "Learning by doing" plays an important role, accumulated experience helping to reinforce the expertise and cooperative skills needed to tackle new and more complex tasks. The partnership strategy should therefore incorporate a step-by-step approach.

There is a trade-off between short-term and long-term results. Short-term results are essential to keep people motivated but cannot guarantee long-term development by themselves. There is a danger that good short-term results cause partners lose sight of the efforts that go into achieving long-term objectives. The partnership as such – the growing interaction between the partners and the presence of a mechanism that ensures continuity – is essential to transform the results of individual activities into a sustainable process: when the project ends, it should be possible to continue the development process.

Box 5.2. "A long journey starts with one step"

A first impact assessment in 1999 of UNIDO's Partnership Programme for the Automotive Components Industry in India concluded that it had resulted in substantial technical improvements and better marketing in most of the SMEs in the programme. A second assessment in 2001 showed that firms had adopted comprehensive production strategies, improved product quality and production management, and increased the skill levels of staff.

These improvements took place in spite of a downturn in the Indian economy, which affected most of the industry. The concrete plant-level results, achieved in a step-by-step fashion, together with the long-term support provided by the partnership's formal and informal networks (see also box 5.5), laid the basis for a culture of continuous improvement which is now clearly emerging in the companies.

Source: UNIDO-PTC/SME.

FIT is intended for decisions of a strategic and operational nature. It is based on annual financial balance sheet data. The time span for FIT application is usually three or more years. The software is functionally similar to auditing software packages.

BEST is a decision support package that allows the transformation of a company's strategic objectives into a coherent set of performance measures, meeting the needs of the manager in a market economy. The PHAROS software package is similar to BEST but simpler.

Source: <http://www.unido.org/doc/250443.htmls> and <http://www.unido.org/doc/stdoc.cfm?did=50205>

Instruments and expertise

Which instruments and types of expertise a partnership needs depends on the context: partnership phase, activity, people involved, etc. The following brief remarks will give an idea of the range.

Instruments: Communication tools have already been mentioned. The most important formal partnership instruments are the business plan, the partnership agreement, the monitoring and evaluation system and the partnership management system - which may or may not be a separate entity. An increasing variety of specialized UNIDO software, for example for plant analysis, is available to support specific partnership activities.

Box 5.3. Would COMFAR fit you best?

COMFAR III Expert simulates the short- and long-term financial and economic situation of investment projects. The software permits the analysis of industrial as well as non-industrial projects, whether new investments, rehabilitations, expansions, joint venture or privatization projects.

Expertise: The main categories of expertise needed will be in the fields of management, team building and technical know-how. Temporarily, a partnership may rely on external expertise, but in all fields that are essential for sustainable development, staff capacities must be improved. Training should be "learning with your head, your heart and your hands"* - theoretical knowledge has its place, but direct experience is indispensable. Where possible, training methods should be used that encourage teamwork.

5.2. Phases**Phase I. Assessing the needs***Exploration*

In the exploratory phase, those who initiate the partnership define what they want to achieve with a partnership, and how it should be handled. This requires that they:

- Identify an objective that can be achieved best by a partnership;
- Make a general assessment of the benefits and risks of the partnership;
- Identify a suitable type of partnership and the type(s) of partner needed;
- Appoint (a) coordinator(s) of the process.

* Prince of Wales Business Leaders Forum, *Managing Partnerships: Tools for Mobilizing the Public Sector, Business and Civil Society as Partners in Development*, London 1998, p. 46.

Internal assessment of needs and capacities

The latter will then lead a structured process in which the initiators:

- Design a strategy for approaching and working with partners;
- Inform staff and define in-house responsibilities;
- Assess the organizational resources needed: staff, funds, equipment and – last but not least: time.

Coordination and leadership can take various forms and its character changes in the course of the partnership. This important issue will be discussed briefly in the section "Formalizing a partnership".

Phase II. Putting out feelers

With a clear idea of what is to be achieved, what the initiators can contribute themselves, what they need from others and how they will approach them, the selection of partners can be made. It is quite possible that this will be a cumulative process: meetings of a core group of prospective partners can have a snowball effect as they identify areas of action where new candidates can make an essential contribution.

In the selection of partners, UNIDO would look for:

- Complementary strengths (skills, know-how, funds, access) relevant to the project;
- Adherence to the principles outlined in chapter 3.1;
- History, performance and standing (in the country and the sector);
- Adequate capacities for the partnership;
- Willingness to share responsibilities and resources.

In screening potential partners on the basis of these variables, UNIDO may ask external advice from agencies or CSOs, which monitor global business. "Perfect" partners who fully comply with all principles of a UNIDO partnership will not necessarily be found. Rather than "perfection", it is the willingness and ability of prospective partners to comply that counts. Interaction and a well-managed dialogue on the basis of UNIDO's principles, along with openness about shortcomings among partners, are likely to result in improvements. Sometimes the problems may have to be tackled by a subsidiary partnership project, for example introducing basic ILO rules for working conditions in supplier firms.

Once the core prospective partners have been identified, a series of exploratory meetings should be held to build-up broad consensus about areas of common interest, roles and contributions. The basis for these meetings should be a fairly detailed "business plan" covering objectives, envisaged activities and partnership type, plus a first estimate of resource requirements (see box 5.4 for example). The purpose of the plan is to provide prospective partners with (a) a clear presentation of the character of the envisaged partnership and (b) a basis for structured discussions on concrete issues.

Coordinators/leaders should be appointed in each participating entity, which, after a first meeting, decides to involve itself seriously in follow-up discussions.

Box 5.4. Outline of a Framework Business Plan for a UNIDO E-Procurement Programme for SMEs

Principles

- Provide SMEs with practical tools to improve their e-procurement skills.
- Use a partnership for combined strength in supplying the support.

Expected Achievements

- Assessment of the e-readiness of selected companies.
- Improved support services for SMEs intending to become involved in e-procurement and conduct electronic transactions.

Target Groups

Main beneficiaries: Manufacturing SMEs. The pilot phase intends to focus on industrial subsectors, to be determined with the partners, as a testing ground.

Programme Strategy

E-procurement is complex and involves many partners. There is no clear path to electronic supply chains. Trust building is crucial. Therefore, the Programme (a) seeks partners with different expertise to find best practices, and (b) will pay great attention to communication.

The Programme will incorporate the following main actors:

- The public sector.
- SME support institutions.
- Private sectors corporations, mostly from the IT sector.
- UNIDO (coordinator).

The main element of the overall approach is the design of a set of tools and services jointly developed with and later provided to SMEs. Services are to be provided through a separate entity, in which each partner is an active stakeholder.

Elements of the Business Plan

The business plan for the programme comprises four main elements:

- *The management of the programme;*
- *The development and customization of the programme tools and services;*
- *Marketing of the programme;*
- *Training of support institutions, direct SME training, dissemination of tools and services.*

Each of these is described in detail, with its costs, a time plan and an objective for the number of firms to be assisted.

Inputs

Under this heading, the principles for financial and in-kind contributions from various partners are discussed. It is important to clarify and determine the expected/needed inputs right from the outset of the partnership building process. A combination of know-how and financial contribution should be the guiding principle for all partners so as to ensure the viability of the partnership and the commitment of all partners at the same time.

Source: UNIDO-PTC/SME.

The exploratory meetings should:

- Familiarize prospective partners with each other's strengths, organizational capacities and working methods, and generally increase mutual understanding and trust;
- Give each partner a clear idea of likely benefits and obligations;
- Broadly assess sustainable development effects for the economy as a whole, preferably on the basis of multiple scenarios;
- Stimulate (and test) involvement and commitment;
- Lead to more concrete understanding of how the partners complement each other and what they can achieve together, resulting in a basic agreement on whether to proceed or not.

Tip:

- Those who initiate the partnership should take account of the fact that the expectations and power (economic, political or otherwise) of prospective partners will differ, and that they may have conflicting interests. If the partnership is to be viable and successful, these issues must be addressed in negotiations and project execution.

Phase III. Reaching consensus

Formalizing a partnership

Once the basic agreement to go ahead with the partnership has been reached, the partners have to reach consensus about:

- A common vision and definite objectives;
- Complementary roles of the partners (including possibly core and "satellite" partners);
- Capacity building in individual partner organizations to ensure successful implementation of the partnership (if needed);
- A work plan with concrete projects, targets and time schedules for each partner;
- The integration of sustainability issues;
- Commitments (staff and know-how, equipment, funds: sources, allocations to activities, legal issues);
- Accountability of partners;
- Gains for partners (material and non-material: profits, know-how) and contributions to sustainable development in general;
- Handling of changes and external risks;
- Handling of conflicts; ending the partnership;
- Leadership in the partnership and management structure (brokers/managers; support staff);
- The format of (a) formal agreement(s) on the above.

Tips:

- An equitable distribution of commitments and benefits must be reached among all partners, and reflected in the partnership agreement.

- The level of interest in the partnership is likely to differ among units of the participating organizations. The meetings should involve high-level decision makers, ensuring that the organizations as such fully support the partnership.

At this stage, there is a shift in the role of the brokers - from mainly catalytical to mainly managerial. This requires a different balance of skills, and the initial brokers may therefore have to make way for others.

The partnership agreement

The overall format of the agreement will be defined by the objectives, the complexity/intensity of cooperation, and the "constellation" of partners. While there is, in other words, no standard agreement, it should deal with basic issues listed in the previous section:

- Objectives;
- Activities foreseen to attain the objectives;
- Time frame for activities;
- Sustainability issues;
- Partners, their responsibilities and contributions to programme/activity resources;
- Benefits for each partner and for the economy as a whole;
- Procedures for decision making;
- Reporting requirements (reporting on what, how, when, for whom) and information sharing;
- Overall partnership management and operational management (focal point in each partner organization);
- Monitoring and evaluation mechanisms, dealing with changes in the partnership;
- Handling of conflicts;
- Legal issues.

Tips:

- UNIDO-business partnerships may deal with complex issues for which no clear time frame or development path can be defined. In addition, there will be cultural differences and there is an element of "learning by doing" - this should be handled systematically but cannot be planned completely. Agreements must therefore have an in-built flexibility, allowing for unforeseeable developments, and this flexibility must be reflected in the attitudes and actions of partners.

- As the focus will be on industrial know-how transfers, it may be necessary to include a clause on property rights over new products and know-how resulting from the partnership.

- Different agreements may be concluded with differ-

ent partners - these then require coordination arrangements or an umbrella agreement.

- UNIDO's legal position will differ according to the organization's role and the overall character of the partnership.

Phase IV. Managing the partnership

Operations

In the operational phase, management structures are needed that are at the same time strong, simple and transparent. This applies to the partnership as a whole, and to component activities. Good management is essential because:

- Apart from the agreement, there is no formal authority over partner organizations and their staff;
- All parties have different working methods;
- Partners will, moreover, do much of their project work independently from each other, making implementation control quite a challenge;
- Imposing sanctions is a delicate and difficult matter for the same reasons.

A complex partnership may need independent agencies to manage the programme as a whole and the various projects. The structure of managing agencies will depend on the tasks assigned to it by the partners and the legal/political environment in which it will operate. Partnership managers will need more than management abilities: dynamism and communication skills will also be needed to give the partnership process an occasional boost or to remove obstacles.

Management not only requires adequate staff and material resources (in terms of quantity as well as quality): the importance of the partnership must also be understood throughout the participating organizations, to ensure that staff wholeheartedly supports the activities. This implies good internal communication about the partnership and may require some staff awareness building sessions.

Generally, good communication and regular and intense interaction in earlier phases will help partners to learn from and about each other. This will reduce the likelihood

of friction and misunderstandings, and makes the task of partnership management much easier.

Monitoring and evaluation

To keep track of the progress of the partnership, a monitoring system must be created. Two basic elements of such a system are:

- *Regular activity records.* These should be kept by the partnership managers, using a standard format adopted by all partners. Apart from progress with regard to the various activities, it is also important to record external developments that have an impact on the partnership, and developments within the partnership.
- *Work-in-progress meetings.* These can be organized at fixed intervals, in response to specific internal or external developments and around milestones – specific major achievements – in the partnership. The records of such meetings should cover: progress in the implementation of activities; actions to be taken in response to new developments; and the state of the partnership as such.

Evaluations should be held at intervals fixed in the agreement and at the end of the partnership. They should cover the following items:

- **Context:**
 - The local and global business context;
 - Relevant sustainable development issues;
 - Relevant political developments.
- **Results:**
 - Progress towards the completion of individual activities;
 - Gains for individual partners;
 - Progress towards attaining the partnership's overall sustainable development objectives ;
 - Unexpected positive or negative results;
 - Financial and other resources used; the cost-benefit relation.
- The partnership process itself and depending on the partnership phase:
 - Changes in the roles and attitudes of partners, and the composition of the partnership;
 - Partnership management;
 - Project management;
 - Communication.

- **Follow-up required:**
 - Immediate action needed on the basis of the evaluation;
 - Reactions to emerging longer-term developments (within the partnership or its operational environment).

External agents may have to be involved in evaluations to ensure impartiality or to supply expertise not available among the partners. But monitoring and evaluation should not be seen as just a formal requirement. If all partners are involved in the right way and the right format for communicating the outcomes is used (reports can, for example, be illustrated with inspiring practical examples and lessons from mistakes), they will be a learning experience for all, contributing to the "upward spiral". In addition, local and industry media can be used to spread innovative partnership practices (rather than just results) and raise the profile of the participating organizations.

Box 5.5. Join the Club!

As part of UNIDO's Partnership Programme for the Automotive Components Industry in India, a mid-term review meeting was organized during Phase 1. This proved very helpful in encouraging cooperation among the participating SMEs – a major objective of the programme. Part of the meeting was devoted to brief presentations by all the SMEs, focusing on shop-floor improvements and the difficulties faced in executing certain recommendations by the external experts. This triggered a debate on the major development issues faced by the SMEs, followed by a series of informal meetings and exchange visits during which managers could directly see the improvements and problems in the plants of their colleagues, and the creation of a "Partnership Club" which aims at a culture of continuous improvement in the firms through regular exchanges of experience.

Source: UNIDO-PTC/SME.

Phase V. Moving ahead

Deal with changes

The evaluations may indicate a need for change, for various reasons:

- Unforeseen developments during the execution of some of the activities;
- Changes in the external environment (new business opportunities, industrial crises, new economic policies);
- Changes in the (relations between the) partner organizations;
- Inadequate performance of partners.

The ability to deal with unforeseen changes should be built into a partnership. Flexibility in the partnership agreement will create the formal basis for this, but the crucial factor is awareness among all partners that development is a dynamic concept.

Box 5.6. Thought for food

In 1989, the environmental managers of some large Dutch food processing industries set up a working group for environmentally friendly product improvements on the basis of product life-cycle analysis.

In the mid-1990s, the working group decided that a structured response to the general discussion in society on environmental issues was needed. New large firms joined the group, its status was formalized and its activities expanded: a dialogue with the Government and CSOs was initiated, research results were incorporated systematically at the firm level, and know-how and business perspectives on sustainability were disseminated in, among others, the form of workshops and contributions to a Government paper on the environment and the economy.

In the late 1990s, the dialogue with the Government and CSOs was formalized, a yearly congress being the key feature of an envisaged cyclical process of debate and new, concrete activities for achieving sustainability in the food processing chain.

Source: Duurzaamheid in de Voedingsmiddelenketen - Begin van een Dialoog, Stichting DuVo, Rotterdam 2000

The participating organizations will not only benefit from the achievement of the agreed objectives: the intensive interaction with partners in other social spheres and the experience gained in executing the projects will change them as well. A successful partnership can therefore contribute to the overall transformation of partners, and their ability to cope with a changing world.

Handling problems and ending a partnership

A distinction must be made between the visible aspects of a problem and its underlying cause. Can it be traced to forces outside a partnership or is it a problem that has developed within the partnership? In the first case: are the external obstacles to continued cooperation manageable. In the second case: are the problems of an (inter-)organizational or a personal nature. Figure 5.2 summarizes the different levels and sources of problems. Of course, they may be interrelated, which makes solving them a complex and delicate task.

The partnership agreement should have provisions for dealing with conflicts. In UNIDO partnerships, for example, mediation by the focal points established in each partner organization is the preferred method. If this fails, senior management of the partners involved in the conflict will try to solve the problem.

A partnership may end prematurely if the problems are insurmountable. Partners should therefore agree on a way of handling this when formalizing the partnerships.

Table 5.1. Internal and external problem sources

Level	Personal/professional	Organizational	National	Global
Source	- Personal character and abilities - Hierarchical position - Character of assignment	- Character and aims of org. - Competition with similar organization - Attitudes to other actors	- Political - Economic - Cultural/historical	- Scale of problems (e.g. poverty) - Speed of change - Lack of donor interest

Source: adapted from Prince of Wales Business Leaders Forum, Managing Partnerships: Tools for Mobilizing the Public Sector, Business and Civil Society as Partners in Development, London 1998

Annex 1

THE PRINCIPLES OF THE GLOBAL COMPACT

The Global Compact, launched by the United Nations in 1999, is a platform for promoting good corporate practice supported by a growing number of leading global companies. Its Nine Principles are:

- Human rights
 - Businesses should support and respect the protection of internationally proclaimed human rights;
 - Make sure they are not complicit in human rights abuses.
- Labour
 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 - All forced and compulsory labour should be eliminated;
 - Child labour should be effectively abolished;
 - Discrimination in respect of employment and occupation should be eliminated.
- Environment
 - Businesses should support a precautionary approach to environmental challenges;
 - Undertake initiatives to promote greater environmental responsibility;
 - Encourage the development and diffusion of environmentally friendly technologies.

Participation in the Global Compact implies that a firm should:

- Issue a clear statement of support and engage in public support for the Compact;
- Post a concrete example of progress made and lessons learned on the Global Compact website* once a year;
- Undertake activities that further the realization of the principles in partnership with United Nations organizations.

* The United Nations website which brings together activities, issues and information related to the Global Compact is <http://www.unglobalcompact.org>.

Annex 2

OTHER SOURCES OF INFORMATION ON PARTNERSHIP BUILDING

Business Partners for Development, Natural Resources Cluster, *Working Papers*.

<http://www.bpd-naturalresources.org>

A number of TNCs in the extractive industries are represented on this platform. The Working Papers emphasize the role of social issues and community relations in partnerships.

Prince of Wales Business Leaders Forum, *Managing Partnerships: Tools for Mobilizing the Public Sector, Business and Civil Society as Partners in Development*, London 1998.

Discusses the process of partnership building in detail and pays special attention to the tools used.

Tennyson, Ros and Luke Wilde, *The Guiding Hand - Brokering Partnerships for Sustainable Development*, Prince of Wales Business Leaders Forum/UN Staff College, 2000

In discussing partnerships and partnership building in general, this brochure focuses on the role of brokers. The United Nations Staff College website (<http://www.itcilo.it/unsc>) contains, among others, pages on knowledge sharing and learning resources for partnership building.

Tesner, Sandrine, with Georg Kell, *The United Nations and Business: A Partnership Recovered*, New York 2000.

Good background reading on partnerships, describing the history of United Nations relations with business and analysing the latest United Nations initiative.

Doz, Yves, and Gary Hamel, *Alliance Advantage, The Art of Creating Value through Partnering*, Cambridge (Mass.) 1998.

Private sector experiences in setting up partnerships, with extensive practical advice and illustrations of good practice.

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