

THE BUSINESS STRATEGY:

**PROVIDING WORLD-CLASS MANAGEMENT SERVICES
AT THE UNITED NATIONS**

Introduction

This Business Strategy is designed to communicate a clear institutional direction to clients and staff, one that reflects the business opportunities existing today or anticipated in the medium-term future. In particular, the evolving UN management reform context presents us with a historic opportunity to contribute more to the work of the UN.

This is a Strategy to confirm ourselves—over a three-year period starting now—as a world-class service provider at the United Nations. Our mission: To expand UN system capacity for implementing its peacebuilding, humanitarian, and development projects. Our initial focus will be on project management and procurement, where we will build upon existing strengths and demand. We will establish strong, country-level presence in conflict and post-conflict countries and in others with significant business potential.

In committing to increase our contribution to the UN system we convey our clear, firm, and positive response to the call for UN organizations to work more effectively together in the interests of a greater common good, and pledge our energy to help the UN system realize the goal of ‘Delivering as One.’¹

We also see emerging opportunities to contribute to the changing aid environment, and undertake to align our principles and work in accordance with the Paris Declaration.²

The analysis underlying this Strategy, carried out in the summer and fall of 2006, included review of past successes and shortcomings, and assessment of emerging opportunities. Interviews and consultations took place with representatives of Member States, clients, and staff.

Adding Value to the UN System

Like any other public sector organization, we must demonstrate our value to a variety of stakeholders. In doing so we must anticipate and address some basic questions: What do others expect of us and how well do we meet these expectations? How relevant are our functions today? How might we improve? Is our environment imposing new constraints or offering up new opportunities?

Our institutional mandate has been reviewed, debated, and reconfirmed by our Executive Board: It is to provide management services to support United Nations operations. Our performance, therefore, must be measured by how well we help the UN system realize its overall goals, especially at country level, using two separate yardsticks:

¹ ‘Delivering as One,’ Report of the Secretary-General’s High-Level Panel, 9 November 2006.

² Paris Declaration on Aid Effectiveness, March 2005.

- How effectively we serve the operational needs of UN organizations and international financial institutions (IFIs), and
- How effectively—under certain circumstances and consistent with UN objectives in the country—we serve the needs of Governments directly.

When we provide services to the UN and IFIs, we contribute to the success of clients who are accountable for the specific results of their projects. Our task is to ensure they receive quality services in a timely manner, at the right cost, and to their full satisfaction. When we directly serve Governments, on the other hand, we are wholly accountable to them for delivering project results on time and within budget. In both cases, we should be able to report to stakeholders and staff how our work benefits the people we ultimately serve.

Therefore we will deepen the “culture of accountability” in our work, placing greater emphasis on producing accurate and timely results-oriented and financial reporting for our clients and our Executive Board. Our goal must be to deliver what we promise every time, because doing so will make a difference—every time—to people and countries in need. If we make mistakes or fall short, we must have mechanisms in place to recognize this quickly and take corrective measures.

We are a service provider with work and expertise in different thematic areas. Our substantive expertise has grown—and will strengthen—to permit us to perform our project management and procurement roles better. We have been identified as the UN’s lead entity in Physical Infrastructure and recognized for our operational capacity in Mine Action as well as for Election and Census Support.³ We have a large portfolio in the Environment area, supporting UN agencies with their mandates in this field. And we have strong expertise in Fund Supervision. Almost half of our programme is in crisis and post-crisis situations and we have honed our ability to work effectively in those settings.

Delivering as One

The current momentum of UN management reforms—with its emphasis on greater system coherence, better individual and institutional accountability, a higher degree of specialization, and increased operational effectiveness at country level—presents us with a historic opportunity. We intend to seize it, eliminate any confusion surrounding our function, and reinforce our role as part of the UN system and as a good partner to other UN entities.

This will reverse a longstanding paradox: In the past, other members of the UN family we serve have often perceived us as a competitor and—to our eventual regret—we have occasionally characterized ourselves this way. This

³ Inventory, United Nations Capacity in Peace Building, Executive Office of the Secretary General, September 2006.

contradiction is understandable since in terms of job performance we are competitive, to ensure that our services meet the highest quality standards and the greatest cost-effectiveness. But from this point forward we must emphasize that we belong to the UN and are fully committed to its success.

And we must give first priority to adding value to the work of the UN at country level. This will require that we, like all our sister UN organizations, operate at country level under the leadership of the SRSG, or the Resident Coordinator, or the Humanitarian Coordinator, as applicable.

We will also position ourselves to meet emerging demands for common services to the UN system—such as procurement, human resources, and other administrative services—triggered by the ongoing UN reform momentum. These services could be provided from our Global Service Center at Headquarters or from field locations, to both Headquarters and field locations of UN organizations.

Building Greater Operational Strength

Since our inception we have provided management services to UN organizations and others, and the Executive Board has directed us to maintain this scope as long as our costs are covered.⁴ Meeting this mandate properly demands best-in-class competencies in a variety of areas and, as important, a depth of staff talent sufficient to deliver results whenever, wherever, and as often as needed.

We have some distance to go before we can realize the full ambitions outlined in this Strategy. Therefore we must incrementally increase the quality and timeliness of our services, concentrating attention and investment first on the staff, tools, and strategic partnerships that will bolster world-class services where our track record and future opportunities offer the greatest potential: Project Management and Procurement. Over time, and based on demand, we can expand on these and include financial or human resources services at the same world-class level of performance. Meanwhile, in line with the Executive Board's direction, we may still supply services other than project management and procurement where client demand exists and all our costs are met.

The quality of our work in the eyes of our clients also depends on our responsiveness to their requirements and ways of working. So we must tailor our management services to fit client needs which may vary widely. For example, some clients prefer to exercise a strong role in project management; other clients want us to take full responsibility for delivering the desired outputs within the agreed budget, even, at times, on a “turn-key” basis. There are significant differences among UN agencies, and especially among other partners, such as Governments, in terms of how they wish to work with us. This creates challenges for us, and as a service provider we need to be flexible. We should

⁴ DP/2006/2, “Decisions adopted by the Executive Board in 2005,” 8 November 2005, page 34, paragraph 6.

also increasingly—and confidently—demonstrate best practice approaches to getting the job done.

To manage our energies prudently we must consciously choose where we work, as well. Most often client satisfaction with the quality of our services requires our presence in the field. Given the current constraints on staff size and financial resources, we cannot afford a universal field presence. And even if we could, we would rather sharpen focus on selected venues to boost our chances of success. So instead we must concentrate on a limited number of countries where—by consolidated operations—we can reduce overhead costs sufficiently to justify a sophisticated country presence. Ideally this will coincide with one or more large projects and a number of clients. Those clients who cannot afford or do not want such an arrangement at country level could receive project support from the Global Service Center in Copenhagen and from Regional Centers.

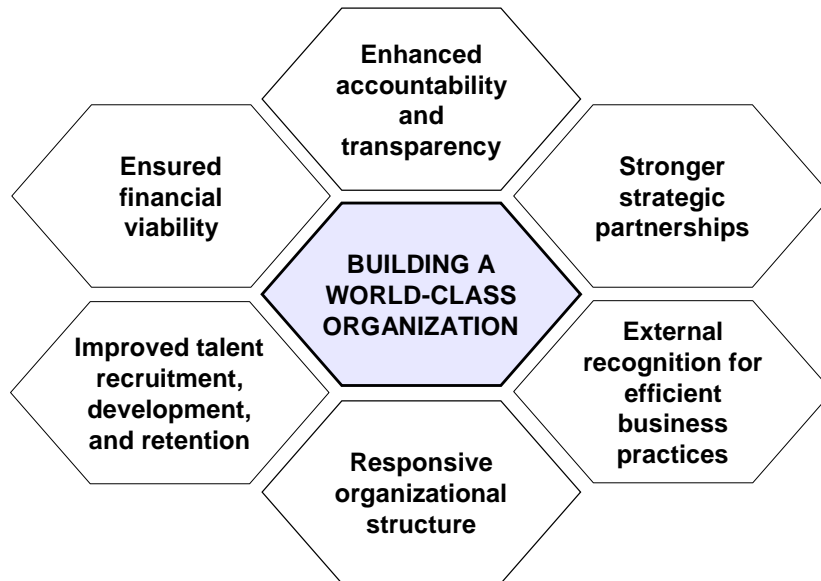
Vision and Strategic Goals

Our vision is to become a world-class provider of management services, contributing significantly to the peacebuilding, humanitarian, and development efforts of the UN. To interpret this vision in more specific terms, we have considered its implications for each of four perspectives and set strategic goals for 2007-09:

1. Stakeholders. Our clients, partners, and the Member States demand nothing but the best; our aim is to meet or exceed their expectations, in a manner that is responsive, reliable, and innovative.
2. Business Processes. Our services normally equal or surpass those of any other provider; our aim is to earn the reputation as consistently “best in class” for these services.
3. People. Our staff are as committed and reliable as any; our aim is to invest in them to renew their motivation and enhance their competence.
4. Finance. Our operations require a secure financial footing; our aim is to achieve long-term financial stability.

The vision and the six strategic goals for 2007 to 2009 are graphically presented below and further described in the sections that follow.

VISION and Six Strategic Goals for 2007 to 2009



Achievement of these larger goals is driven by efforts towards a number of concrete objectives that can be more easily monitored to track progress over a sustained period. These “drivers” relate to both goals and perspectives as described below.

Perspective: Clients & Other Stakeholders	Goal 1: Enhanced Accountability & Transparency		
	Goal 2: Stronger Strategic Partnerships		
	Driver: Producing timely & accurate reports	Driver: Delivering services that meet or exceed expectations	Driver: Emphasizing communications

Goal 1. Enhanced Accountability & Transparency

Financial clean-up and the closing of our 2004-2005 books are prerequisites for moving ahead. We are already putting in place a number of aggressive measures designed to prevent recurrence of such shortcomings and to avoid future audit delays and qualifications.

The management of our finances is justifiably subject to widespread scrutiny, and we must demonstrate our financial responsibility. Therefore better reporting on results to our Executive Board and to clients, including financial reporting, is a prerequisite. Accurate and timely financial reporting is our highest priority and

must be in place by early 2007. This will address the most common—and legitimate—complaint we hear from even the most satisfied clients today.

Results reporting will be more challenging, and we must be realistic. While we cannot invest as much in design and maintenance of a results-based management system as certain UN agencies, we aim to issue our first results-oriented annual report to the Executive Board in 2008. Meanwhile, we will rapidly introduce various internal tools supporting management for results. (See the business process perspective below.)

Goal 2. Stronger Strategic Partnerships

A self-financing organization such as ours only prospers if our clients are satisfied. Ensuring this outcome rests on a strong “client service” culture, much of which already exists, and the mitigation of certain weaknesses. In particular, we will not tolerate poor or inconsistent performance. We must earn a reputation for predictability and reliability—in the quality, timeliness, and efficiency of our services.

Our capacity for and commitment to monitoring client satisfaction—and researching the needs of prospective clients—must grow significantly. The information gathered in these efforts will continue to refine this Strategy, identify new business opportunities, and influence our interaction with different stakeholders. We aim to define formally our collaboration with clients through centrally established Framework Agreements that will speed the start-up of new projects in the field. And we may ultimately decide to exclude certain service lines or clients whose needs we cannot satisfy under full cost recovery.

Opportunities worth exploring include stronger partnerships with DPKO, OCHA, and selected UN agencies, especially in the UNDG. Over time we should seek to forge partnerships, beyond the limited base that exists today, with IFIs.

We will look at other possibilities in the emerging aid environment—such as providing certain fund management services—which will build on our experiences with IFAD fund supervision, with UNDP in implementing the GEF Small Grants Programme, and with GFATM as a local funding agent.

Once we have the 2004-2005 books closed, the external audit behind us, and are getting some of the basics right, we will look at our branding and external communication needs. And while we will never invest in a big marketing exercise, there is much we can do for ourselves to clarify and reinforce our corporate identity and the value we add to the work of the UN.

Business Processes	<i>Goal 3:</i> External Recognition for Efficient Business Practices		
	<i>Goal 4:</i> Responsive Organizational Structure		
	<i>Driver:</i> Ensuring consistent, integrated, certified business processes	<i>Driver:</i> Sharing knowledge	<i>Driver:</i> Addressing client needs through innovative business practices

Goal 3. External Recognition for Efficient Business Practices

We can perform our work more efficiently. By adopting international best practice standards in how we work and by emphasizing internal collaboration between unit and functional boundaries, we will perform better. Furthermore, a conscious effort to integrate with clients' business processes and systems will reduce their transaction costs, make working with us more "user-friendly," and enable us to trim our cost structure.

A dedicated Business Process Improvement (BPI) team is helping us develop standard operating procedures (SOPs) and integrated systems support that can accommodate the different business realities of diverse clients such as UN agencies, IFIs, and Governments. The BPI project started in the fall of 2006 with strong participation of operational field staff.

As we strive to be ever more accountable and transparent to our stakeholders, we must introduce additional tools to manage for results and measure our performance. An immediate priority is to establish real-time reporting of financial data, as demanded by management and clients alike. This will require changes in work habits and in systems support.

We will become a recognized leader by benchmarking with other relevant organizations and seeking certification according to recognized standards, such as ISO.

We will carefully review the existing Internal Control Framework, strengthen it further as needed, and implement it forcefully, holding managers accountable for compliance. To support staff better in each functional area, user guidance will be available on the intranet, as has recently been put in place for procurement.

We have commenced a knowledge management and sharing effort. The first phase is establishing communities of practitioners in project management, procurement, and fund supervision as well as in two of our most important thematic practices: Civil works and mine action. We will begin knowledge mapping of our staff and our pool of consultants. As our knowledge sharing

culture matures, both internally and with our clients, this initiative will expand further.

Goal 4. Responsive Organizational Structure

Business opportunities and the demands of meeting client needs should define our organizational structure. Approaching our work more efficiently calls for better integration and collaboration between different parts of the organization. We must review and determine where certain functions are best carried out: At corporate headquarters, global service centers (in HQ or elsewhere), regional offices, or country offices. And we must create a culture of collaboration within the organization by addressing incentives and disincentives, such as income distribution among units.

Our new corporate headquarters is currently adopting an innovative structure, aimed at fostering integration across functional areas so as to advance performance of corporate functions and provide better service to operations through a global service centre with regional teams. Given the importance of improving our financial management, we are re-building our entire financial structure, from project level up to HQ, for implementation in 2007. We will also review the scope and reporting lines of the Rapid Response function, in light of the particular importance of our work in post-crisis recovery and reconstruction.

As we strengthen our presence in selected countries, we will create a unified, mutually reinforcing organization on the ground. Today it is not uncommon to find our projects managed separately in the same country by different units in complete isolation from one another. While in part this is client driven, we must seek ways to exploit managing multiple projects or activities in a single location, and translate this into a benefit for clients by reducing overhead and transaction costs.

<i>Perspective:</i> People	<i>Goal 5:</i> Improved Talent Recruitment, Development & Retention		
	<i>Driver:</i> Investing in staff learning, external certification & performance management	<i>Driver:</i> Diversifying our workforce	<i>Driver:</i> Motivating our staff

Goal 5. Improved Talent Recruitment, Development & Retention

The common expression, “Our staff are our greatest resource,” is truer now for us than ever before, especially against the background of past institutional turbulence and job insecurity. We have already begun introducing an internal governance framework, where management and staff contribute towards the efficient running of the organization. We have increased two-way communication with staff in recent months and, indeed, the staff input to the preparation of this

Business Strategy was a breakthrough in staff participation. Taking this the next step, we will conduct an annual staff attitude survey to measure staff motivation, belief in the future of the organization, trust in management, etc. as a basis for identifying new opportunities and targeting corrective measures as may be needed. Through these and other measures we will actively promote adoption of the culture and tools needed to attract, develop, and retain our talent.

It is important for us to manage staff and project level human resources well, both international and national personnel. As a framework for this, we will establish and implement a strong Human Resource Policy dealing with planning, career development, performance management, and learning, including a strong focus on our national staff talent. We will hold managers accountable for the highest standards of people management.

All our staff deserve better planning horizons and job security. Employees at project level will get a new, unified contract with better conditions regarding insurance coverage. This should be ready for implementation in early 2007.

Staff development will be based on mapping of knowledge resources and role-based job requirements. A new learning strategy will focus on external certification covering all staff engaged in project management, procurement, finance, and human resource management. Certified status of staff will become a basis for delegation of authority.

We will also examine rewards linked to an improved performance measurement system, which is aligned with our strategic priorities and goals.

We believe our work benefits from our diverse and well-balanced pool of men and women from different countries and cultures. We will set diversity targets and manage to them.

Another resource of considerable potential are past employees, including project staff, some of whom now work for partner agencies, and others who may be retired. We will stay in touch with those who so wish through an alumni association and by inviting them into our communities of practitioners to benefit from knowledge sharing in this broader group.

Finance	Goal 6: Ensured Financial Viability		
	<i>Driver:</i> Implementing fair pricing arrangements	<i>Driver:</i> Building the operational reserve & a working capital fund	<i>Driver:</i> Mitigating financial risks

Goal 6. Ensured Financial Viability

After years of negative business results and depletion of our operational reserve, we face an urgent need to guarantee financial viability for our operations. So we must have full cost recovery for the organization as a whole—in its annual results, by region, and for individual projects.

To make this possible we must revise our pricing policy, introduce Activity-Based Costing, and implement robust systems to capture and report financial data for management purposes.

Each year we must set targets for income and expenditures for all units, and we will hold managers accountable against those targets.

The data—analyzed by client and by service line—will help fine tune further business development or pricing considerations.

Before the end of 2006 we will determine the appropriate level of the Operational Reserve and its use. As risks associated with operations can be managed or reduced by taking certain measures, such as obtaining insurance policies, we will need to take a broader view when determining the optimal level of the reserve. The outcome of this exercise and the financial clean-up will give us the baseline against which replenishment targets can be set.

As any enterprise, we must continuously invest in new business opportunities, especially in rapid response to crisis situations, as well as in our capacity to improve our effectiveness. In recent years, in the interest of responding quickly we tolerated lapses in financial diligence until donor funding was forthcoming. Instead, to permit rapid start-up of projects we will build a Working Capital Fund. This will also be used to invest in the development of staff and management tools needed to sharpen the cutting edge of our organization.

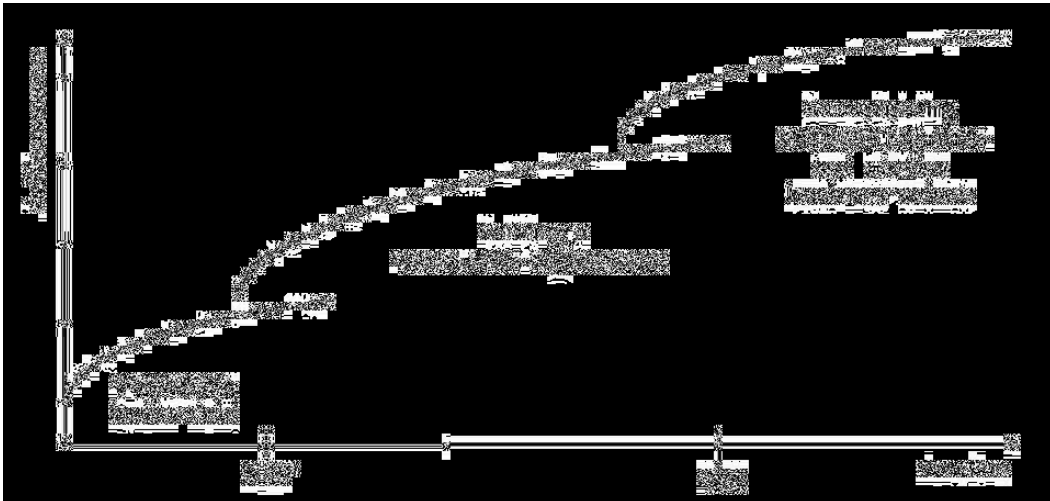
We have made a modest start by introducing risk management approaches, such as the establishment of a Risk Management and Oversight Committee with external participation. Successful implementation of this Strategy will require that we enhance our abilities to assess risks at different levels and to protect the organization against those risks. See Annex 3 for a high-level risk assessment.

Implementing the Business Strategy

The value of this Business Strategy will only be realized if it is well implemented. Implementation will be guided and monitored through the new internal governance mechanisms put in place in the fall of 2006, in particular the Corporate Operations Group and the Management Group.

This Business Strategy has three implementation horizons:

- Now—to get some of the basics right, such as the financial clean-up.
- 2007-2009—to build a world-class organization in project management and procurement services.
- 2010 and beyond—to consolidate the business practices and grow the business volume.



Implementation will comprise a range of action items and deliverables, of which the most important have been mentioned above. A detailed Corporate Work Plan, with clear priorities and resource allocations, will be developed and updated annually.

This Strategy and the associated Corporate Work Plan provide the basis for Regional Strategies and Regional Work Plans with specific targets at unit level. We must develop these Work Plans annually and combine them with a forward-looking strategic budgeting exercise in the last quarter of each year. These will, in turn, drive individual performance plans and assessments.

A Balanced Scorecard will help articulate and communicate this Strategy and support its implementation with measurable indicators. This Scorecard will first appear at Corporate and Regional levels, and should later be supplemented by

country or unit level scorecards. An outline of the Corporate Balanced Scorecard is attached as Annex 2.

The implementation of this Business Strategy will require continued strong support of the Executive Board and Member States.

Annex

Corporate Balanced Scorecard (outline)

Balanced Scorecard (BSC)

Perspective	Strategic Goals	Drivers	BSC Indicator
Clients & Other Stakeholders	1. Enhanced accountability and transparency	Producing timely and accurate reports	Client satisfaction with financial reports
			Timely issuance of financial reports
	2. Stronger strategic partnerships	Delivering services that meet or exceed expectations	Client satisfaction with delivery
			Usefulness of institutional framework agreements
		Emphasizing Communications	Stakeholder satisfaction with communications
			Website currentness and relevance
Business Processes	3. External recognition for efficient business practices	Ensuring consistent, integrated, certified business processes	Usefulness of policies and standard operating procedures
			Integration of business processes with systems
			Consistency in applying standard operating procedures to project start-ups
	4. Responsive organisational structure	Sharing knowledge	Community of practice participation
			Knowledge sharing between units
			Usefulness of central knowledge repository
People	5. Improved talent recruitment, development & retention	Investing in staff learning, external certification, & performance management	External certification of staff
			Training of staff
		Diversifying our workforce	Female/Male ratio in professional positions
		Motivating our staff	Staff motivation
Finance	6. Ensured financial viability	Implementing fair pricing arrangements	Size of net revenue
		Building the operational reserve and a working capital fund	Growth of operational reserve
			Growth and replenishment of working capital fund
		Mitigating financial risks	Size of business acquisition
			Implementation of audit recommendations