PARTNERSHIP FUNDAMENTALS:

A 10-step guide for creating effective UN-Business partnerships

THE GLOBAL COMPACT

Global Compact LEAD

The Global Compact LEAD Task Force on UN-Business Partnerships is co-chaired by the UN Global Compact Office and Unilever

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About Global Compact LEAD

Launched in January 2011, Global Compact LEAD recognizes the critical need for supporting UN Global Compact participants to achieve higher levels of corporate sustainability performance - as outlined in the Global Compact's Blueprint for Corporate Sustainability Leadership. LEAD Participants share a commitment to implement the Blueprint and a willingness to lead the Global Compact with strong engagement at the local and global levels. LEAD currently has 56 participants representing all regions of the world.

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I. Introduction

As a companion piece to the report "Catalyzing Transformational Partnerships between the United Nations and Business", this guide serves as a step-by-step roadmap for maximizing the transformative potential of your partnership. As transformational partnerships cannot exist without a strong foundation in place from the outset, this guide provides a roadmap for building effective partnerships, as well as a method to diagnose existing ones. These recommendations have been derived from insights distilled from existing UN-Business partnerships.

A transformational partnership....

- *Addresses a systemic issue by*
  - *Enforcing existing rules or instituting new rules;*
  - *Correcting market failures;or*
  - *Shifting behavioral norms;*
- *Involves all stakeholders who play a necessary role*
- *Leverages the core competencies of all partners*
- *Has built-in capacity to reach scale and leave a lasting impact*

II. The lifecycle of an effective strategic partnership

The lifecycle of a partnership can be framed in the three stages described below. While these stages are not unique to transformational partnerships, the corresponding success factors are vital for a partnership's transformative potential. In addition to recommendations along the lifecycle phases, there are overarching recommendations to address existing barriers between the UN and Business in the following sections.

EXHIBIT 1: PARTNERSHIP LIFECYCLE

EXPLORATION

The Exploration phase starts when an idea to address an important issue is generated by the UN or by Business, and ends when a set of partners with complementing skill sets agree to collaborate.

The idea originator searches for the most suitable partner(s), with each communicating their respective value propositions and needs upfront.

DESIGN AND NEGOTIATION

The Design and Negotiation phase involves the steps taken to structure the partnership, at the end of which a MOU or contract is signed to formalize the arrangement.

Tangible governance structure, outlining roles, responsibilities and decision making rights should be cemented at this stage.

A single monitoring and evaluation system that meets the needs of UN and Business and measures partnership impact is vital for sustainability.

IMPLEMENTATION

Partners execute along a pre-defined roadmap during implementation, with ongoing monitoring of metrics and milestones.

The transformational potential of this phase, if properly designed, will be marked by clear project ownership, contingency planning, communication between global and local focal points, and scalability.

A process for regular partnership reassessment should serve as the basis for altering or terminating the partnership if results are not realized.

III. Recommendations for addressing overarching barriers between the UN and Business

Despite the widespread recognition of the benefits of partnership between UN and Business, mistrust and cultural misunderstanding between the two sides have proven difficult barriers to overcome. Misconceptions include notions that the UN is only seeking donations, and that Business is only seeking immediate profit or increased PR. Additionally, lack of exposure to the working styles of each respective partner can be a source of frustration. Being cognizant of these factors can help alleviate problems from the start.

Overcome mistrust by recognizing incentives inherent to the UN and Business

To overcome this mistrust, both sides must recognize and find common ground in the incentives inherent to each party. The UN needs to embrace that the private sector requires a viable business case for sustained partnership. For the private sector, this business case may not exist in the short-term, and therefore requires examining long-term benefits that may include reputation, employee retention, access to new markets, etc. Engagements that are purely philanthropic are too dependent on the generosity of CSR champions and risk unpredictable funding flows. Partnering based on a business case will improve the odds of sustained funding, and may also enhance credibility with the UN around its intentions for social impact. Business should also strive to demonstrate commitment to UN values and thereby position itself as a partner with minimal reputational risk. The UN also gains credibility by communicating its recognition of Business as a necessary partner in achieving overlapping interests.

Overcome differences in culture through cross-sector exposure

Plan for the reality that each organization works at a different pace given other demands and constraints, and adjust working styles to find common ground. To start, the UN has the opportunity to prioritize responsiveness when dealing with business partners (e.g., timely email replies, prompt meeting start times). Conversely, Business should recognize and plan for the timeline associated with the rigorous review and due diligence processes of the UN.

To increase cross-sector understanding, the UN can prioritize previous private sector experience in its hiring of staff for business-liaison roles. The UN and Business can work to increase opportunities for Business staff engagement with UN entities (e.g., by developing employee exchanges or volunteer programs). Additionally, both parties can seek to build partnership skills by conducting regular training sessions for staff, and can also encourage universities to provide more courses on public-private partnerships (e.g., executive education classes).

IV. How to explore potential partnerships

EXPLORATION

1. FIND THE MOST SUITABLE PARTNER(S)

Partnerships are only as strong as each constituent, and careful due diligence must be conducted before selecting final partners. Involve all stakeholders who play a necessary role and pertain to relevant geographies, and exclude any who fail to meet these criteria.

Selecting primary partners

While many successful partnerships have been formed through professional networks, the best partner may not be the first explored. To facilitate a correct "match-making" process, both parties should strive for a culture of transparency. Ideally, the UN should strive towards presenting itself as a single entity to Business and encouraging a system of referring contacts as the UN does via the on-line partnership platform www.business.un.org . While the complexity of the current UN system may hinder this, we make recommendations towards this integrated approach in "Catalyzing Transformational Partnerships between the United Nations and Business". Conversely, Business should assess how its competencies can be leveraged in specific projects, and be willing to collaborate with competitors where it may be in the best interest of the partnership.

Defining partnership scope and identifying secondary partners

Plan ahead by carefully considering the role that future stakeholders (e.g., implementers, government, academia, the general public) can play in creating systemic change. The UN is best suited to elevate issues on the public agenda and convene the right stakeholders around it. To plan, identify points along the issue's root causes and its value chain and the corresponding stakeholders that can best engage against these areas. For instance, nutrition issues require governments to change policy, academia to educate the media and general public on health issues, and corporations to respond to changing consumer behaviors. By involving these actors early on, UN and Business can create an incentive structure that will create a tipping point towards systemic change.

2. SEEK WIDE BUY-IN AND DEPOLITICIZE PROJECTS

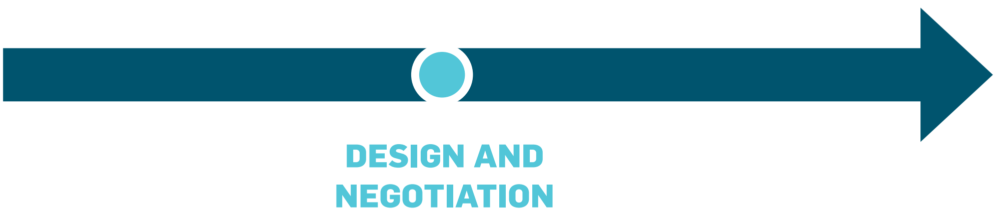
Project champions should first seek to align their organizations internally. Projects that rely on a single individual without broad organizational buy-in are at high risk of losing momentum and funding.

Because of competing interests across companies and systems, gather a diverse set of representatives as early advocates. This helps to depoliticize the initiative and avoids having it become one person's "pet project."

UN entities also need to tackle the extra dimension of alignment across the wider UN system to reduce competition and ensure that the appropriate UN entities are involved.

The UN and Business need to recognize their sticking points in organizational alignment. For the UN, this is likely to be legal departments that are incentivized to avoid liability and to protect the UN brand. Given the importance of partnering with the private sector, UN entities need to find common ground with companies to overcome this risk-aversion. One way to carry this out might be through creating a unified "UN partnership brand" that could be managed to streamline processes while having measures in place to protect the UN brand. This recommendation is further detailed in Section 5.c. of the main report. For Business, this will be the challenge of establishing a long-term business case, which can help bring on board those beyond corporate foundations or CSR departments.

V. How to design and negotiate partnerships



3. DEVELOP A CLEAR GOVERNANCE STRUCTURE BEFORE PROCEEDING

Many partnerships begin without a clear structure and governance in place. UN and Business should not proceed without first investing the time in developing a concrete partnership plan and a structure to facilitate implementation of that plan.

Hallmarks of a sophisticated transformational partnership plan include a contract or signed MOU that clearly outlines governance structure, roles, responsibilities, and milestones. Furthermore, an executive board with clear decision-making authority needs to be in place. An effective governance structure could include a board comprising at least two representatives from the partnership and one independent advisor. At this stage in the partnership, penalties/recourse for unmet agreements should be discussed and finalized in writing. Consider also appointing a neutral Ombudsman to mediate and resolve conflicts should they arise, enabling the partnership to stay on track.

4. CREATE A SINGLE MONITORING & EVALUATION FRAMEWORK FOCUSED ON PARTNERSHIP IMPACT

Develop a monitoring and evaluation process that meets the reporting needs of both the UN and Business. The importance of understanding each other's culture and incentives is underscored here. The framework should track the impact of the partnership (not only inputs) as well as the contributions of each partner, and serve as the basis for altering or terminating the partnership if results are not realized. Continued funding should also be made contingent on progress against this framework.

5. FORECAST FUTURE PARTNERSHIP RESOURCES AND CONDITIONS

As part of the partnership planning, invest time in creating a thoughtful and well-researched forecast of future resource needs and project conditions. Oftentimes, implementation proceeds without mapped-out costs, overhead, human resources, contingency plans, or scenario planning. Business and the UN should collaborate on creating a realistic budget – the UN contributing benchmarks from past projects and Business contributing forecasting expertise.

Add richness to forecasting by also involving the right people who are in tune with the local environment and understand potential changes in government and regulations, etc. Additionally, partners can contribute to a contingency fund to further ensure project continuity.

6. PLAN FOR SUSTAINABLE FUNDING AND IMPACT

Based on the forecasts developed in the prior step, plan for when initial funding runs out. Options include: (a) bringing on more than one funder at the start of the partnership rather than expecting to do so in the middle; (b) hiring a fundraising coordinator early on; and (c) documenting and promoting successes early. Business should be transparent and upfront regarding the level and duration of funding available, and arrange for funding renewals to coincide with clear milestones (i.e. tie reward to results).

7. DESIGN PARTNERSHIPS FOR SCALE

To maximize impact, partnerships must be designed with scalability in mind. Strategies for scale could include:

Proving template – creating a proving template that demonstrates “proof-of-concept” to convince other prospective partners to join. This requires active marketing of existing successful projects as a low-risk entry point for new partners.

Franchising or spin-offs – planning for eventual replication or hand-off to other organizations such as NGOs, companies, and government bodies.

Internal scale-up – incurring a one-time cost for set-up but allowing for easy replication (e.g., education curriculum development can be brought to other countries with minimal customization).

VI. How to implement partnerships

IMPLEMENTATION

8. INITIATE PARTNERSHIPS WITH A PILOT PHASE

Undertaking a large project before becoming familiar with each partner's working styles limits the odds of success, especially for partners that are working together for the first time. Initiating the partnership with a pilot phase is important to build credibility and trust among partners and to learn one another's working styles. Also, creating early milestones can demonstrate early successes that can increase motivation, participation, and funding for full-scale projects.

9. CREATE MECHANISMS FOR REGULAR REASSESSMENT

As partnerships are long-term commitments, create mechanisms for regular assessment of impact, relevance, and the suitability of partners.

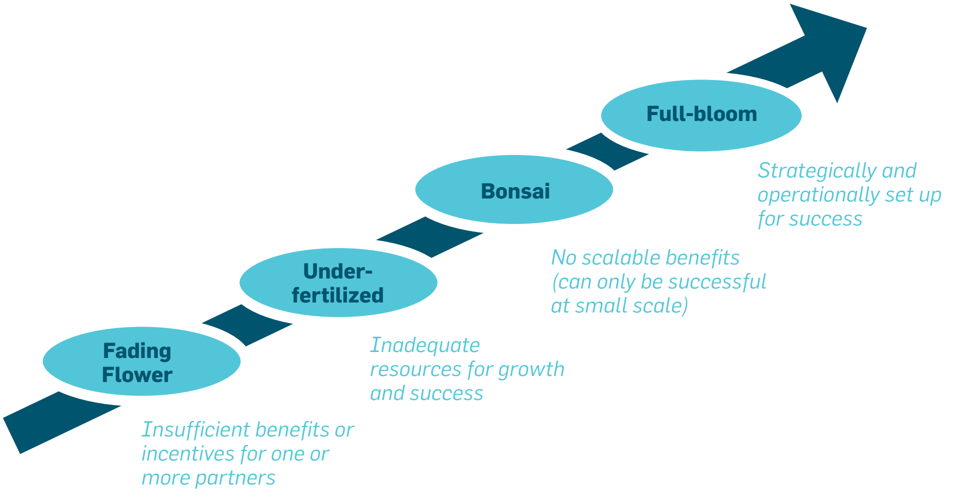
Partnerships should have at least an annual review of the original MOU or contract to ensure that original commitments are kept, the mission is still on track, and the purpose still relevant. With changing mandates and priorities, an honest assessment needs to be made as to whether existing partnerships need to be altered or, if necessary, terminated.

10. CREATE A PROCESS FOR KNOWLEDGE MANAGEMENT

Seek to preserve and manage partnership knowledge that can be crucial for continued project success, especially in the case of longer-term projects with higher personnel turnover. Contacts, best practices, and expertise can be managed by creating a knowledge management database, staggering board member terms, and duplicating connections (i.e. ensure relationships are spread across more than one individual).

VII. Assessing your partnership: Are you a bonsai?

If you are currently part of a partnership that is struggling to achieve the intended impact, this section includes a diagnostic tool to pin-point where your partnership may be weak. While this tool is intended for assessing all types of existing partnerships, it may also be helpful for those in the midst of setting up a new partnership. In the course of our research, we found that various types of partnerships were not reaching their full potential for very similar reasons. Below are the four common end states of partnerships we see, classified by their effectiveness and whether they are meeting their intended potential.



If these descriptions resonate with you, please refer to the following partnership diagnostic tool. A summary of the diagnostic questions are in Exhibit 2.

Diagnosing your partnership

All partnerships should be constructed so that stakeholder goals and interests are aligned, and the partnership is structured for operational excellence. For UN-Business partnerships specifically, we would diagnose the partnership on the three criteria below: (1) Corporate Incentives, (2) UN Entity Incentives, and (3) Operational excellence.

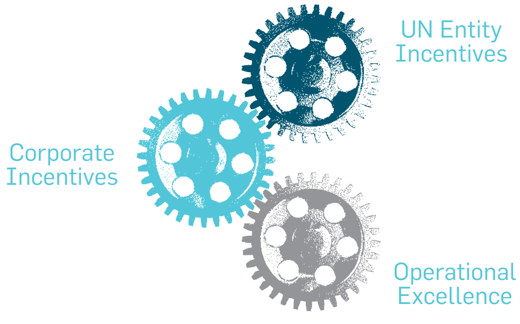


EXHIBIT 2: DIAGNOSTIC CHECKLIST FOR TRANSFORMATIONAL PARTNERSHIPS

CORPORATE INCENTIVES

❑ *Is there a clear business case that is quantifiable and sustainable for the corporate partner?*
❑ *Can the organization from top to bottom get aligned on the business case?*
❑ *Do all private sector companies within the partnership accept each other's incentives and the outcomes desired of the partnership?*

UN ENTITY INCENTIVES

❑ *Does this partnership allow the UN entity to achieve its development goals faster/cheaper/ better than if it were to do it alone?*
❑ *Can the organization from top to bottom get aligned on the case for partnership?*
❑ *Are the right UN agencies, funds and programmes involved in this partnership to achieve project goals?*

OPERATIONAL EXCELLENCE

❑ *Is there an effective governance structure in place?*
❑ *Is there alignment amongst partners on project management?*
❑ *Are adequate and timely resources in place to successfully deliver the objectives of the partnership?*
❑ *Is the partnership structured to scale?*

CORPORATE INCENTIVES

A clear business case must be made for the corporate partners in order for the partnership to be sustainable.

❑ Is there a clear business case that is quantifiable and sustainable for the corporate partner?

From the business side, ideally there are quantifiable long-term benefits resulting from the partnership. Examples of such measurable benefits are: increased revenue, tracking of brand equity, forecasted cost savings, demonstrable positive benefits to talent sourcing and retention of employees, access to supply chains, risk mitigation for market entry, or skills transfer for employees.

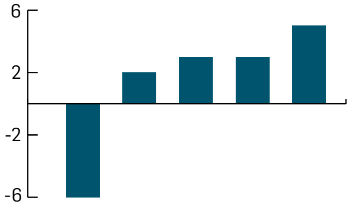
The timeframe in which these benefits will be realized should be clear, so that expectations can be aligned. For example, partners should discuss if it is realistic to expect the benefits to accrue immediately, or if the impact of the partnership will only be observed once the partnership achieves scale. Although Business is often criticized for having a short-term view, in reality, the business case can still be quite compelling even when pay-offs occur in the long-term, as long as the path to get there is articulated.

❑ Can the organization from top to bottom get aligned on the business case?

Often the architects of a partnership are the only ones in the organization with the overall view of the benefits that the partnership brings to the business. This is not conducive to the partnership receiving full support from all levels of the organization. Given that each stakeholder at the firm has different perspectives on how the partnership will affect their personal cost/benefit analysis, we would recommend that the effort be taken to articulate, for each group of stakeholders, both the impact of the partnership to them personally, as well as the aggregate impact of the partnership to the firm as a whole. Often the most disgruntled stakeholders within the firm are the ones who must bear a higher cost of the partnership without a view of the overall benefit to the firm.

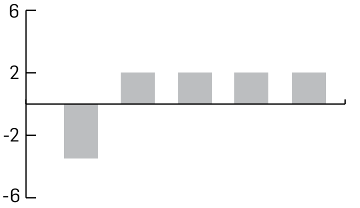
Below we provide illustrative examples of how each stakeholder may view the partnership. The vertical axis conveys a measure of the costs (negative) or benefits (positive) that may accrue over time, with the horizontal axis representing multiple time periods. The overall net present value (NPV) of a partnership may include the financial impact of direct (short term and long term) sales, brand equity, cost savings, relationship-building, and staff retention. As these charts illustrate, however, different business units may experience different costs and benefits related to a partnership.

Senior management



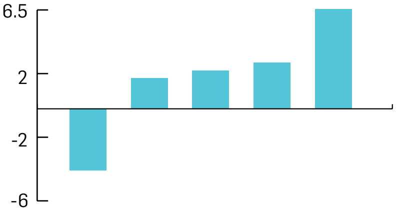
Considerations: While senior management may have the overall view of the company P&L, they often face shareholder pressures for short-term results.

Line management



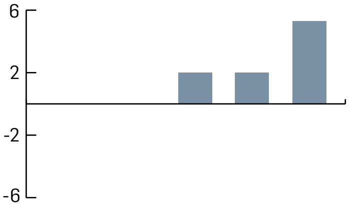
Considerations: Line managers typically focus on short-term, tangible local costs and benefits.

CSR department



Considerations: The CSR department often is the catalyst for many UN-Business partnerships, and generally has a good overview of the full set of benefits from the partnership (e.g., reputation). They may, however, not perceive the full costs to the organization.

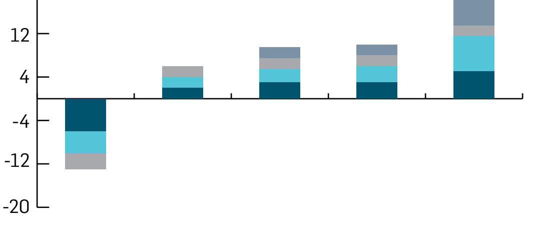
Operations (e.g., HR)



Considerations: Operations may have perspective on longer term implications, particularly on the potential for long-term company-wide cost savings (e.g., employee retention)

Per the illustrative example on the right, after first demonstrating understanding for how the partnership will impact each stakeholder personally, show how the partnership will impact the firm overall, and over what timeframe.

Overall Profit & Loss



❑ Do all private sector companies within the partnership accept each other's incentives and the outcomes desired of the partnership?
Given that transformational partnerships involve multiple stakeholders by definition, there can be cases where a partnership contains companies who traditionally compete against each other in the same business market. In these cases, be aware that the incentives and desired outcomes of one company may affect those of another company, and there must be understanding upfront as to what degree there will be collaboration versus competition. Generally we have found that partnerships comprised of traditional competitors have not encountered insurmountable issues, given that they are drawn to the partnership for a common cause, and any information shared is non-proprietary.

UN ENTITY INCENTIVES

The partnership must impact the development agenda of the UN entity in a substantial way in order for the incentives of stakeholders within the organization to be aligned in supporting the case for partnership.

❑ Does this partnership allow the UN entity to achieve its development goals faster/cheaper/better than if it were to do it alone?
A UN entity's capacity to engage in partnerships (and the external goodwill extended to UN partnerships) should be treated as a limited resource. The UN should not partner for the sake of partnering. UN champions of the partnership should make the case to their colleagues as to how the partnership has demonstrable impact on the UN's development goals, which the UN alone would not have been able to achieve at the same pace or scale.

❑ Can the organization from top to bottom get aligned on the case for partnership?
Similar to the need to align the business organization from top to bottom on the business case for the partnership, the architects from the UN side must consider the incentives of their colleagues within the UN and be sensitive that although the development case may be strong, at any given time individual incentives and priorities may still differ. Thus, obtaining internal stakeholder alignment and buy-in is important for the longevity of the partnership. Illustrative examples of questions to address are provided below:

Senior management considerations:
- *Status:* How does this partnership affect the status and mission of the UN entity? Is there potential for the brand of the agency, fund or programme to be elevated or tarnished? Are there opportunities to forge new relationships?
- *Funding:* Does the partnership bring increased resources or savings into the organization?

Project unit (HQ) considerations:
- *Status:* Does the partnership improve the unit's responsibility and influence?
- *Funding:* How do the resources of this project affect other projects? What is its contribution vis-à-vis other projects?

Implementing unit (field) considerations:
- *Operations:* How does this complement or hinder my field operations?

Operations (e.g., legal) considerations:
- *Risks:* How does this partnership fit with our existing rules and procedures? Does the program move away from business-as-usual in terms of the UN's engagement with the private sector?

❑ Are the right UN entities involved in this partnership to achieve project goals?
When multiple UN agencies, funds and programmes participate in a partnership, particularly at the

local country level, a common complaint is how difficult it is for those UN entities to coordinate amongst themselves and achieve alignment. Businesses, rightly, do not view it as their responsibility to act as coordinator for UN entities, and expect UN cohesion. While we have recommended enabling architecture that will help the UN live up to 'One UN' ideals in the accompanying report, "Catalyzing Transformational Partnerships between the United Nations and Business", we also call on UN partners to cooperate across UN agencies, funds and programmes and make sure the right UN entities are involved, for greater efficacy.

OPERATIONAL EXCELLENCE

Delivering results presumes that the appropriate structures, resources and governance are in place for the partnership.

❏ Is there an effective governance structure in place?

An effective governance structure should include clear decision-making authority within the partnership. Ideally, the governance is formalized with an independent board, agreed upon in a signed Memorandum of Understanding (MOU) or contract.

Other signs of effective governance to check for are:

- Monitoring and Evaluation (M&E) framework in place for the partnership as a whole, not simply for the UN alone or Business alone
- The M&E framework includes key performance indicators (KPIs) important to both UN and Business (i.e., KPIs should consist of both development indicators as well as business-case indicators)
- The KPIs should not only measure 'inputs' (e.g., number of nutrition packages given) but also impact (e.g., the number of children no longer considered malnourished)
- Progress against the KPIs should trigger partnership renewal (e.g., funding, staff)

❏ Is there alignment amongst partners on project management?

Project management is critical, especially in the case of multi-stakeholder partnerships which are executed over many years. Complex multi-year projects undertaken in partnership require strong project management and, ideally, continuity can be guaranteed within the program management office, since turnover is often a big problem for multi-year implementation projects.

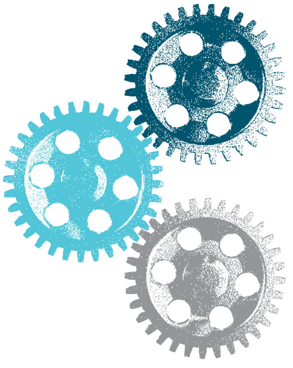
Whether or not the partnership requires a program management office, alignment on the goals, approach and work-plan for each involved partner is key to successful implementation. Ideally for each project that is undertaken, individual contractually binding agreements can be signed that outline the timelines and deliverables of the project, along with associated outcomes and impacts. This is also the point at which the partners can discuss if all of the activities align with each partner's core competencies and skill sets. Businesses, in particular, should offer their technical expertise and implementation skills, and not solely be relegated into the role of funder.

❏ Are adequate and timely resources in place to successfully deliver the objectives of the partnership?

It is common knowledge that programmatic funds are significantly easier to obtain than non-earmarked funds necessary for a partnership's start-up, administration and ongoing M&E processes. Project overhead cannot be overlooked, however, without putting the foundation of the partnership at risk. Paired with adequate financial resources must be the accompanying human resources. One metric to assess the strength of the partnership is the amount of staff time dedicated to the partnership by each partner.

❏ Is the partnership structured to scale?

Finally, check if the partnership has a plan in place for achieving impact at scale. Step 7 in section V of this guide describes some of the ways partnerships may be structured for scale.



CONCLUSION

Partnerships between the UN and Business have the potential for significant impact. Success is not guaranteed, however. As we have examined in this guide, each stage of the partnership lifecycle brings with it complexity and nuance, demanding proactive management and determination. When planned and executed effectively, the combined vision, commitment, expertise, and resources can deliver positive and sustainable change to all parts of the globe, addressing the underlying interests of both the UN and Business. With proper care and attention, partnerships on the path to becoming fading flowers or bonsai trees can instead reach their full potential, creating lasting impact.

About the United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally-accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals, including the Millennium Development Goals. The UN Global Compact is a leadership platform for the development, implementation, and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate responsibility initiative in the world, with over 8,000 signatories based in 140 countries. For more information: www.unglobalcompact.org

The Ten Principles of the United Nations Global Compact

HUMAN RIGHTS

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

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